

ENTREPRENEURIALISM AND ADAPTABILITY IN KENYAN UNIVERSITIES IN THE FACE OF DECLINING DONOR AND GOVERNMENT SUPPORT

By

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INTRODUCTION

Other than being one of the beneficiaries of the early 1990's World Bank-supported Universities Investment Project (UIP) and having had limited support for specific research projects² or isolated single programme and/or project support³ by development partners and international institutions, the University of Nairobi has received relatively little support towards a comprehensive programme or strategic support aimed at reforms from development partners over the last 25 years. Against that background, this paper briefly explores the role of the UIP and the subsequent attempt to transform Kenyan universities (using the University of Nairobi as a case study) over a period of a decade through entrepreneurialism and largely self-initiated and self-sustaining strategic approach. It, however, will be seen that although the Universities Investment Project did not continue to later phases as originally imagined, it importantly influenced the largely neo-liberal and market-oriented policy direction in the higher education sector in Kenya. The subsequent

¹ *The Secretary and Chief executive Officer of the Commission for Higher Education, Kenya, since January 2005; formerly the Vice-Chancellor of the University of Nairobi.*

² *Most research projects are on the basis of individual lecturers or researchers making proposals to donors.*

³ *The good two examples aimed at institutional cooperation and development of the University of Nairobi are (a) the HIV/AIDS Vaccine Research and Development project supported mainly through the International Aids Vaccine Initiative (with funds largely from the Melinda and Bill Gates Foundation), and (b) the Government Belgium-funded VLIR-Institutional University Cooperation (IUC) Programme involving the University of Nairobi, Free University of Brussels, Gent University, and University of Antwerp comprising three main project components: first, the development of the University Information and Communications Infrastructure and Network; two, research in Marine Science and Coastal Zone Management; and three, Training and Enhancement of Knowledge in HIV/STD and Reproductive Health.*

entrepreneurialism and adaptability of the universities were, to a great extent, deepening and consolidation of what had already been embarked upon during the UIP phase.

THE CONTEXT OF THE HIGHER EDUCATION REFORMS IN THE 1980'S AND 1990'S

The over-arching World Bank-supported government neo-liberal economic reforms during the 1980's and 1990's introduced changes in Kenya's macro-economic environment that inevitably impacted on the functioning of universities. The dominant public policy strategy adopted during this period was the structural adjustment programmes (SAP). Although SAPs differed from country to country, they typically forced indebted countries into adopting a series of harsh economic and social measures, especially reduction in public spending in social programmes, including spending in the areas of health, education, and housing.

It was against this background that the most drastic reductions in the state budget to educational institutions took place in Kenya. As this trend continued, the higher education sector faced two new challenges. On the one hand there was the ideological shift in educational funding towards primary and secondary levels, and on the other, a dramatic increase in demand for higher education and a resultant rise in enrolment levels. Influenced by the economic and social argument that public investment in higher education yields lower returns compared to investment on primary and secondary education, and that higher education magnifies social inequalities, donor support for higher education either declined or was not forthcoming (Psacharopoulos & Woodhall 1985). Thus the growth on enrolment levels was not matched by a corresponding improvement in financial and material resources.

In addition, poor terms of service for academic staff led to great difficulties in the attraction and retention levels, and in some cases leading to significant emigration from the universities, and indeed the countries. The emigration or flight of high level and skilled

human capital, commonly referred to as brain drain, led to loss to the local economy: loss of their potential contribution to local capacity; loss of locally trained human resources; and loss of human capital investment by the state. Further, levels of performance for staff that remained in the universities significantly dropped as they sought additional or supplementary sources of income. The generally deteriorating political intolerance also intensified the crisis in the universities. Consequently, all this had adverse effects on the quality of teaching, learning and research. Combined with the funding crisis, these problems led into a crisis of governance in the universities which greatly undermined university management authority in the face of both staff instability and students unrest.

THE EARLY 1990'S UNIVERSITIES INVESTMENT PROJECT AND THE 1996 DEVELOPMENT PLAN

In the early 1990s, the World Bank granted Kenya an emergency grant of US\$55 million for financing public universities. In addition to the crisis of financing of public universities indicated earlier, the emergency was occasioned by a rapid expansion of student numbers in the universities in the 1980s and the early 1990's, especially resulting from increased intake of students to take care of the university cycle of the 8-4-4 system of education and delays occasioned by unplanned closures of the universities. There was university sector policy reform conditionality for the provision of this World Bank funding. The policy reforms included the institution of new financing strategies for higher education, ensurance and enhancement of quality and standards of education offered, the need to ensure financial sustainability of universities, and the institution of sound management practices.

In this connection, based on the Bank's recommendation, direct payment of university fees, as part of the cost-sharing strategy⁴, were

⁴ *Cost-sharing referred to a shift of at least some of the higher educational cost burden from government to parents or students, either in the form of tuition to cover part of the costs of instruction or of "user charges" to cover the costs of governmentally- or institutionally-provided accommodation, catering services, etc.*

introduced in the public universities during the 1991/92 academic year. In addition, the direct payment of food by students (dubbed as Pay as You Eat cafeteria system) was introduced. A book allowance that used to be given directly to university students was sent to the university bookstores where students could now directly collect their supplies.

In order to manage the new students financing environment in the higher education in Kenya, the Government established the Higher Education Loans Board in 1995. As a condition to receive credit, public universities were required by the World Bank during the 1992/93 academic year to limit admission of first year students to a maximum of 10,000 government-sponsored students (7% of the qualified students). This figure has largely remained un-changed even fifteen years later. Phenomenal growth has however been experienced in, first, the self-sponsored or full-fee paying student sector in public universities and, second, the private universities⁵.

As part, albeit towards the end, of the UIP, universities were required to produce development plans during 1995/96⁶. It was hoped that these plans would form the basis of an extension of the World Bank support to public universities during the second part of the 1990's, but this did not happen. Thereafter universities have had therefore to respond to the new and difficult financial environment in differentiated ways depending on their resourcefulness, history and structures. The University of Nairobi confronted these serious challenges of the mid and late 1990's through largely self-induced and market-based reforms as discussed below.

ENTREPRENEURIALISM AND ADAPTABILITY

The Genesis of Entrepreneurialism in Kenya

⁵ *Currently Kenya has seventeen private universities and more are waiting to be chartered.*

⁶ *The author of this paper was the Chairman of the University of Nairobi Committee that prepared the Universities draft Development Plan*

Over the past decade or so public universities in Kenya have continued to receive less financial allocations from the Government than the estimated expenditure, a trend which is expected to persist. The Government indeed made it quite clear that it would no longer be able to fully finance public universities. In general, as captured in the *1994-98 Development Plan* and largely along the lines of neo-liberal and market oriented strategies, the Government expected the private sector to play a greater role in the financing of development efforts:

“...the central thrust of the new policies is to rely on market forces to mobilise resources for growth and development with the role of the Government increasingly confined to providing an effective regulatory framework and essential public infrastructure and social services. The Government will limit direct participation in many sectors and instead promote private sector activity”.

As a consequence, during the 1994/95 financial year, the Government reduced the education budget from 37% of its total annual recurrent budget to about 30% with the argument that higher allocations were not sustainable. Consequently, the cost of staff, learning and research materials, catering and accommodation services, coupled with inflationary pressures made it difficult to sustain the operations of these universities. The implications of such a scenario were the increasing debt burden that threatened to compromise the very essence of the objects and functions of the universities.

In these circumstances public universities were called upon to explore ways and means of financing university programmes partly with funds generated from sources other than the Exchequer. The need for public universities to diversify their activities to include income generation was a major part of the speech of the Chancellor and President of the country during the University of Nairobi 1994 Graduation Ceremony. The evolving Government policy in this regard was further emphasised by the Minister for Education by asserting:

“This is a turning point in the development of our public universities, where they are being called upon to adopt business-like financial

management styles. It is also a point in time when universities have to plan well ahead about resources expected to be forthcoming from sources other than the Exchequer... Time has come to seriously take account of the universities potential to generate income internally. It is an open secret that some of our universities are capable of generating substantial amounts of money from the resources at their disposal... Income from such sources should be exploited and treated as definite sources of university revenue”⁷

Further, an academic staff industrial action about the poor terms and conditions of service during 1993/1994 deepened the financial crisis facing public universities in Kenya, literally grounding university functions and thereby creating an impetus for a quick solution to the crisis. The unrest, which initially was occasioned by the refusal of the Government to register a Universities Academic Staff Union which was championing the cause of staff, lasted for about six months. As the “mother” of the university system in Kenya, the University of Nairobi was the epicentre of the staff unrest. Faced with this crisis, the University moved quickly and deliberately to explore ways to generate if not diversify its financial or revenue base by using to the fullest advantage all the resources at its disposal.

A Market or Business Model Response and the New Institutional Structures

Against the above background, in 1994, the University set up a Committee "to look into income generation activities in the University and make recommendations thereof" (UoN 1996)⁸. The Committee noted that the role of income generation by universities had been captured by the concept of “entrepreneurial university” which was a significant evolution from the traditional model of a university since a “business model” was adopted in conjunction with the conventional mission of the university (Clark 2004, 1988). In this regard, due emphasis would be placed on the identification of the university resources and their commercial exploitation. The model also assumed that universities have to market more vigorously what

⁷ *Speech of the Minister for Education during a Workshop for Vice-Chancellors, Egerton University, Njoro 1994.*

⁸ *The author of this paper was a member of this Committee.*

they know best, namely, teaching, research and service. This can only be achieved through a careful analysis of the existing market opportunities, followed by a deliberate attempt to create new demands and new markets for their tradable goods and services. It was further noted that there is increasing evidence to show that any university, given its reservoir of expertise in the development and transmission of knowledge, could become adaptive and entrepreneurial simply through an innovative use of the existing conventional structures, but with appropriate change in delivery systems, personnel and organizational structures.

In order therefore to achieve the goals and purpose of an entrepreneurial university, there was the need for a differentiated organizational structure between the conventional academic programmes and those of income generation. In this regard it was observed that whereas the organizational structure of academic departments and faculties was suitable for the facilitation of conventional academic and research programmes in a reasonably efficient and effective manner, they are less effective in an entrepreneurial undertaking. Other alternative or complementary organizational arrangements, e.g., corporations, industrial science and innovation parks, dedicated research institutes, etc., had proved more efficient and effective.

In this connection, a business-oriented model, in where the university would act as a “parent” or “holding” company with decentralized centers or organs acting as the entrepreneurial or “cost” or “profit” centers with the expectation that they attain self-sufficiency from a diversified funding base was adopted. The heads of the university itself and the centers would be expected not only to be seasoned academic leaders but also to be forward-oriented and results- and change-driven managers, rather than the traditional “administrative” heads of an academic department. This amounted to a relative transformation in institutional governance from the traditional collegial to a largely corporate model of higher education governance.

In its Report, the Committee therefore noted that the University should separate the management of the income generating activities from the public-sector oriented mainstream educational and research functions of the University while ensuring that the income from these activities served the learning, research and staffing objects and functions of the University (UoN 1994). The Committee recommended that in order to ensure the observance of sound business practices in the running of income-generating activities, a limited liability company wholly owned by the University should coordinate such activities.

Against the above background, a wholly University-owned company, known as the University of Nairobi Enterprises and Services Limited was incorporated on May 1996 with its main functions as the promotion, management and co-ordination of income generating activities and consultancies (UNES 1996).

Education as the Core Competence of the University: Adding Value to Knowledge

As indicated earlier, it was clear that the University's competitive advantage in income-generation laid in the knowledge-driven areas, hence the introduction of academic programmes for privately-sponsored students or Module II programmes⁹. The sectors of the economy that are knowledge-driven were seen not only the areas of core competences of the University, but that they were also the new sectors of the economy recording growth and breaking new frontiers. In so doing the University would also be doing more than just good business: it would be providing the much-needed impetus for a national knowledge economy. It was also clear from the national point of view that new educational opportunities created by the new environment would save the nation money that would otherwise

⁹ *The category of students who have been paying the full tuition fees has been referred variously, including "parallel students", "Module Two Students", "Privately Sponsored Students", etc., as opposed to the category of students who are either fully or partially supported (through some form of cost-sharing) by the government and who have been referred to as "Regular Students" or "Module One Students."*

have been spent abroad and therefore saving the country foreign exchange.

THE 1998 STRATEGIC PLANNING EXERCISE AND THE 1999 RATIONALISATION AND RIGHT-SIZING

In the late 1990's, and in order to respond to the new and more serious challenges, the University embarked upon an exercise to develop a detailed Strategic Plan in order to enable the University confront the future in much more strategic manner. In the mean time, as the University went through the exercise, the Government embarked upon a comprehensive/overall public sector restructuring in context World Bank (and other Development Partners) agreed reform programme. The reform programme involved, *inter alia*, an exercise to rationalise the functions and right-size the staff levels public institutions. Against this background the University of Nairobi prepared a programme of rationalisation of functions and staff rightsizing. (UoN 1999).

The exercise led to the identification and retrenchment of about 2000 non-core staff and some limited out-sourcing non-core activities of the University. Major restructuring of the University discussed in the report did not, however, take place not only because of lack of financial support by the Government, but also lack of clear consensus at the University regarding the proposed changes. The report, at any rate, underscored the importance of the University to accelerate the generation of income especially in view of the worsening financial environment.

CONCLUSIONS

The response of Kenyan universities to the evolving and complex local and global environment under the idea of an entrepreneurial university, as exemplified by the University of Nairobi, has obviously been very challenging and has significantly changed the way the university functions. On the financial side, the scope of resource

mobilisation has been broadened and diversified beyond government grants and subsidies. This is especially so because of the new category of the full-fee paying students (and the related Module II or Parallel academic programmes) and other internally generated income by the universities.

The process has therefore stood the University in good stead because it has provided an expanded income-base and related innovative organisational, especially the financial management institutional arrangements and entrepreneurial culture. New if novel interactions between the traditional organisational set up and the new environment have been put in place, and indeed the experiment continues to evolve. Increased access to university education and saving of valuable foreign exchange (because of local opportunities for higher education *vis-vis* studying out of the country) have also been nationally important results of the new phenomenon.

Whether these objectives of the World Bank supported Universities Investment Project in Kenya were achieved remains a moot point. One may also ask whether the Bank's relationship with the Kenya government has helped to transform the universities into better institutions of higher learning or not? Despite the apparently successful implementation of conditionalities attached to World Bank education credits for Kenya, might Kenya not have undertaken those reforms without World Bank pressure?

It is however important to acknowledge that the World Bank-supported Investment Project in the early 1990's had heralded the shift in policy through a largely market or neo-liberal basis and its usual conditionalities. This obviously made it much easier to subsequently introduce reforms through entrepreneurialism that the University of Nairobi instituted, e.g., initially, through cost sharing and, later, through full fee paying strategies.

Clearly then, the World bank played a major role in influencing the movement towards the new neo-liberal policy direction that greatly impacted on universities in Kenya. This was also consistent with

global environment in where market forces were seen as the main force for economic growth.

Initially, however, the new efforts were not without problems and indeed problems do still persist in certain areas. Early considerable resistance threatened the new phenomenon staking root, but following an aggressive campaign of ensuring that both staff and students were involved and owned the process, the University of Nairobi was able to begin a process that greatly enhanced its financial base and capacity to realise its objects and functions. Further, the manner of sharing or distribution of the revenue from the new activities has gone through several revisions and improvements to ensure that internal income generation is fully supportive of the critical University business.

The above notwithstanding, if public universities like the University of Nairobi will continue to play their role as significant social institutions, they will still require concerted support and enormous financial injection by their governments. As has been recognised, beyond the traditional mission of creating and transmitting knowledge to students, the public university is also viewed as a primary mechanism for distributing knowledge to society and still essential to most basic research. While creating greater resilience and capacity to weather financial storms, the incorporation of a market-driven and entrepreneurial culture is, however, not without criticism. As seen in the case of University of Nairobi, those academic programmes such as commerce and business administration, law and medicine with strong market and resource opportunities have the tendency to be the winners. Others, such as the arts and other technical areas (especially because of the relatively high costs), with less market opportunities, can become impoverished backwaters and risking nationally important and strategic academic and developmental disciplines. In short, there will the need for appropriate mix of activities and programmes in order to cater for the strategic needs of the community in question.

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