Intellectual capital as the basis of assessing university performance

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Assessment of HEIs: for whom and why

STAKEHOLDERS:
Government
State or private founder
Matriculants
Students
Labor market
Professional community
Innovative business
Academics
Society

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Bavarian-Russian Academic Conference “Business & Economics”, Nurnberg, Germany, 9-10th November 2017
Existing tools of assessment

RATINGS:
International: THE, QS, ARWU, etc
Regional: BRICS, ARES (Europe), etc
National (Russia): Interfax, Expert, etc

REPORTING AND MONITORING SYSTEMS:
National (Russia): monitoring of HEIs’ effectiveness

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Ratings: PR or development tool?

RATINGS LIMITATIONS

Large share of subjectivity
Consider HEIs as congeneric
Are used irrespective of the purpose, object and subject of assessment
Do not take national and regional peculiarities into account
Create false goals

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New approaches

1) RATINGS: NEW METHOLOGIES
   “Three missions of universities” (Russia, MSU), etc.

2) MULTIDIMENSIONAL RANKINGS
   CHE University (Germany), U-Multiranking (EU), National Training Fund system (Russia)

3) ASSESSMENT OF THE INTELLECTUAL CAPITAL
   Components: human, organizational, relational
   IC adds the main value to the university

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How we can measure IC

METHODS OF MEASURING INTELLECTUAL CAPITAL:
4 APPROACHES, 42 METHODS

Direct Intellectual Capital methods (DIC). Estimate the \$-value of intangible assets by identifying its various components.

Market Capitalization Methods (MCM). Calculate the difference between a company's market capitalization and its stockholders' equity as the value of its intellectual capital or intangible assets.

Return on Assets methods (ROA). Average pre-tax earnings of a company for a period of time are divided by the average tangible assets of the company. The result is a company ROA that is then compared with its industry average.

Scorecard Methods (SC). The various components of intangible assets or intellectual capital are identified and indicators and indices are generated and reported in scorecards or as graphs.

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Estimation of $-value of HEIs

IN FAVOR OF:
HEIs are the objects of sale and purchase
Well-developed methodology for value appraisal
Capitalization as a universal indicator and basis for further analysis
Value-based approach to management can be used
Stakeholders considered as investors

DIFFICULTIES:
HEIs are not always about the money (social, economic and even political impacts, fundamental research, etc)
Wide range of indirect and intangible effects

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# Cost of IC: capitalization of HEIs

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Research</th>
<th>Innovations</th>
<th>Entrepreneurship</th>
<th>Social impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital as potential (SC)</strong></td>
<td>Staff, programmes and processes appraisal</td>
<td>Inventions, publications and citations</td>
<td>Intellectual property registered</td>
<td>Intellectual property transferred, spin-offs and spin-outs</td>
<td>Social development indicators</td>
</tr>
<tr>
<td><strong>Capital as result (€)</strong></td>
<td>- Income - Wages of graduates</td>
<td>- Income - Grants</td>
<td>- Intellectual property value</td>
<td>- Share value - Dividends</td>
<td>- Fundraising - Donations</td>
</tr>
</tbody>
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IC = Total Capitalization – Equity (Tangible Assets)

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Results of appraisal

<table>
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<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalization = Net CF (profit) * multiplier</td>
<td>RUR 2.9 bn</td>
<td>RUR 3.2 bn</td>
<td>RUR 3.1 bn</td>
</tr>
<tr>
<td>Tangible Assets</td>
<td>RUR 2.4 bn</td>
<td>RUR 2.5 bn</td>
<td>RUR 2.5 bn</td>
</tr>
<tr>
<td>IC value</td>
<td>RUR 0.5 bn</td>
<td>RUR 0.7 bn</td>
<td>RUR 0.6 bn</td>
</tr>
</tbody>
</table>

Some conclusions:
1. IC share in capitalization in Russian state universities less than 25%
2. IC can even be negative
3. State universities in Russia are underfunded / incomes too low
4. Russian universities do not concentrate value

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Changing management of HEIs

VALUE-BASED MANAGEMENT – GOOD CHOICE FOR
Private HEIs
Mass education HEIs
University 3.0, Entrepreneurial university models
Practice-oriented education and research

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Thank you for your attention

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