

## Transforming knowledge into economic resources is the only way that universities will pursue commitments to research and development

by Blog Admin

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*Universities must build on knowledge exchange relationships with the private sector if they are to secure financial resources. This does not mean to convert the university into a business but, writes [Antonio Moneo](#), a fully-fledged economic actor in the most academic sense.*



The sovereign debt crisis in Europe raises many questions of current economic model. After several years of a deepening crisis, more and more drastic solutions are required to keep public budgets in line. Constrained by austerity and the weak prospects of recovery, Europe has finally acquiesced to cuts in two of the most sacred pillars of the Welfare state: [health and education](#).

Public universities are finding problems to finance their debt and, in several cases, the budget for 2012 has [diminished significantly](#). Pressure from financial markets and the increasing political polarisation in Europe are putting at [risk the efforts for convergence in Europe](#)as states and universities are looking for different solutions, and inevitably there will be losers and winners.

### Time is money

The central priority for European universities today is to keep control of their budgets, but that jeopardises the natural long-term objective, to produce and expand research. The situation today demands quick action, but that compromises the capacity of the university for research, development and innovation. Time and money are therefore the main driving forces in the process of university reform.

If we arrange the possible solutions in terms of short and long term objectives, we would find that Universities are adopting measures to rationalise their structures and reduce fixed costs, such as the introduction of [voluntary leave schemes](#) and new ways to contract staff, i.e. temporary and [hourly paid](#), in order to avoid hiring new permanent staff.

The effectiveness of these measures might be limited, as they serve primarily as a fire wall to control debt but do little to increase productivity. Some universities are implementing other measures, such as increasing [tuition fees](#) to raise income. To be sure, tuition fees in some of the leading Universities' budgets represent 50 percent of the total budget. When tuition fees were introduced in the UK in 1998, they were initially set at £1,000 per year, but after reforms in 2004 they were raised to £3,000. In 2009, the Government raised them again to a maximum of [£9,000 per year](#).

The short term impact of this measure is clear and has proved to be a very effective measure: fees represent [a 50 per cent of the budget](#) of several universities. Obviously, this measure has an important [political cost](#), as the continuous student mobilisation has shown. Even though, other governments in Europe seem to be likely to [increase the fees as well](#). The long term effects are still to be tested, as these measures are likely to increase the gap between internationally renowned universities and regional universities.

### The big picture

Budget control and revenue increases relegate in importance the main objectives of the university, i.e. to produce and expand research. Another possible solution would be to increase demand for university services through internationalisation; franchising; and development of new formats of education.

Some Universities in Europe are today offering programmes in English in a bid to attract foreign students, while others have opted for opening new campuses overseas, such as the [Paris Sorbonne Abu Dhabi](#)

[University in Qatar](#). Some are offering on-line programmes. Masters courses have proliferated and [Executive education](#) is becoming more popular in fields other than Business Administration, such as Law, Public Policy, and International Relations.

These kind of measures can effectively contribute to a university's mission to produce and expand research, but they cannot generate all the resources the universities need, or at least not yet. Education in a different language is still unconventional; the labour market is still reluctant to accept degrees from a distance learning university; internationalising requires heavy investments; and Executive education needs to be tailored for small groups.

### **The promise of Knowledge Exchange**

Under current circumstances, universities need to enhance their ability to exchange knowledge with the private sector in order to obtain their own resources and avoid increasing student fees. Transforming knowledge into economic resources is the only way Universities can pursue their commitments to research, development and innovation.

The concept of knowledge transfer is still primarily linked to technology and the generation of new patents. In Social Sciences the transfer of knowledge is less popular; one reason being the lower level of investment needed to produce an outcome and the absence of patents. However, the number of International Relations-focused think tanks appearing in Europe over the last ten or fifteen years, to provide one example, prove that the connection between research, policy making and public opinion is a field where university can play an active role. Apart from creating patents, universities can be useful in consultancy services, training and coaching that can generate additional income.

There is a great variety in the ways universities transfer knowledge but perhaps the most interesting divide is the one of those [transferring knowledge locally](#), and [those doing it globally](#). Taking into account the resilience in the academic sector to engage with the private sector, it is important to note that knowledge exchange does not necessarily mean to convert the university into a business but into a full fledged economic actor – in the most academic sense.

In any case, the real output of the offices for transfer of knowledge remains low in comparison with the total budget of universities. Even those universities leading the way in the field of Knowledge Exchange have not been able to produce a significant output. If universities want to keep their social function they need to find a way of generating their own sources of income.

*Note: This article gives the views of the author(s), and not the position of the Impact of Social Sciences blog, nor of the London School of Economics*

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