

# **Transformational steps towards becoming an entrepreneurial open university: experience of Universitas Terbuka, Indonesia**

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## **Abstract**

Open universities and distance higher education institutions worldwide are under increasing challenges to transform themselves to become more entrepreneurial due to the continuing decrease in public funding and the changing expectations of the stakeholders. This paper addresses recent trends in the shifting of paradigm of the open university towards becoming a more entrepreneurial institution, based on the experience and lessons learnt of Universitas Terbuka (UT), Indonesia.

The term “entrepreneurial university” has been introduced in the new millennium and the idea has gained worldwide adoption by higher education institutions because of the growing concerns of stakeholders with improved performance and quality of higher education system. The idea of “entrepreneurial university” relates to the notion of the university’s capability in the dissemination of knowledge and the creation of added values to the society. The conventional university system seems to fit to the traditional notion of entrepreneurial university due to its research capability and its established long-time relations with industries and the community using its services. The idea of an entrepreneurial open university has somewhat different notion because the open university has the teaching and reaching a large number of students as its main function, with limited potential capacity in research and services to the industry.

For Indonesia, the UT has been established since 1984 with significant teaching function, and it has consistently moving towards a more entrepreneurial institution with less dependence on government funding. The UT’s entrepreneurial character can be described in the following scenarios. Politics, government policy and recent legal reform have transformed the scenery of higher education system in Indonesia, in which institutions have to “dress” themselves in the new form as legal entity with greater autonomy in academic and managerial matters. Decrease in government funding and rising demand for quality higher education has enforced the UT to re-draw its policies and strategies to become an entrepreneurial open university. These new strategies include establishing mutual partnership and networking with stakeholders, diversification of programs and fee structures, focus on revenue generating programs, and effective management of the revenues to improve a variety of student learning support system. To ensure sustainability, an entrepreneurial open university should be able to meet the requirements for quality assurance, ability to meet stakeholders’ expectations, provision of affordable quality education, good corporate governance cultures, systematic planning, open management system, and establishment of a learning organisation.

## **Introduction**

Open university system worldwide has developed and flourished as effective instruments to meet the needs for quality higher education for all. Open universities share similarities in terms of its capability to accommodate a large number of students, exclusive use of distance education system for teaching and learning, and expansion of access and participation. Depending on the social-cultural values, technological infrastructures and economic capacities of the societies they serve, open universities vary in terms of the delivery method and uses of new technology.

Open universities have been founded in various national and cultural contexts to respond to the growing demand for academic, professional and continuing education at a distance. One important point to note is that open universities are currently entering new era of improved brand image as an institution that provides quality higher education accessible by the clients. Access to open university education allows students to be free from various barriers relating to geographic, demographic, social cultural, economic and technological constraints. Open universities have worked out ways to reach out the unreached groups of students, offering openness, allowing for flexibility, using a variety of distance teaching and learning approaches, and applying the different kinds of media to facilitate students' learning process.

The needs for higher education services have changed significantly, formerly limited access by the privileged group of society, and currently right to education, and even right to quality education, meaning that access to quality higher education is for all. Governments have to find ways to facilitate access to quality higher education for all. Open universities need to re-orient themselves, be more autonomous, become less dependent from government funding, and therefore transform themselves into becoming more entrepreneurial in character and value.

Stakeholders' needs and expectations change continually, and open universities are to respond to them accordingly. Dialogues with stakeholders are important because stakeholders' interests have to be accommodated. Open university programs are to suit the needs of stakeholders' that are dynamically changing. Stakeholders have specific interests in programs offered by the university, because of the growing demand for lifelong learning. Jobs and competency requirements change continually, and people have to learn and unlearn new ways of doing things and performing new tasks using different methods. Lifelong learning becomes compulsory requirements to stay in job markets. Skills and competencies have to be improved and upgraded continually, not only because of the changing job and professional requirements but also because of the changing legal and regulatory requirements.

Higher education for all has been important objective of governments and societies. Despite the priority importance of higher education, there have been trends of decreasing government funding for higher education. Consequently, there have been increasing user contributions to higher education provision. Open universities has the capability of expanding access and participation to quality higher education, despite the fact that they get less and less funding from the governments. Open universities are also moving towards more and more independent from government support, they become more mature organisationally, and they focus their effort to ensure operational activities become more efficient with effective results.

### **Nature of entrepreneurial open university**

The notion of entrepreneurial university has evolved, as the idea has gained strengths among higher education institutions worldwide. The idea of entrepreneurial university is described by Clark (2006, pp.3-4) in detail as follows.

“Entrepreneurial” is taken in this study as a characteristic of social system; that is, of entire universities and their internal departments, research centres, faculties and schools. The concept carries the overtones of “enterprise” – a wilful effort in institution-building that requires much special activity and energy. Taking risks when initiating new practices whose outcome is in doubt is a major factor. An entrepreneurial university, on its own, actively seeks to innovate in how it goes about its business. It seeks to work out a substantial shift in organisational character so as to arrive at a more promising posture for the future. Entrepreneurial

universities seek to become “stand-up” universities that are significant actors on their own terms. Institutional entrepreneurship can be seen as both process and outcome.

Similar thoughts have also been put forth by other researchers. The concept of entrepreneurial university focuses on the way a higher education adopts entrepreneurial values in the daily management and operations of the university. According to Clark (2006, p. 5), universities go about transforming themselves by means of entrepreneurial action involving five elements, i.e., a strengthened steering core, an expanded developmental periphery, a diversified funding base, a stimulated academic heartland, and an integrated entrepreneurial culture.

### **Experience of UT transformation towards becoming an entrepreneurial open university**

The concept of entrepreneurial university can be viewed from the points of views of process and outcome. From the process point of view, an entrepreneurial university focuses on the methods, approaches, ways and means of managing the university based on entrepreneurial values and principles. From the outcome point of view, an entrepreneurial university focuses on the development of students into becoming graduates that have entrepreneurial values. The outcome views require a university to have curriculum and course content that significantly address the development of entrepreneurial skills and competencies of the students.

The discussion of this paper focuses on the organisational culture that UT attempts to establish through the adoption of entrepreneurial principles and values in its daily management. An entrepreneurial open university should be moving towards less dependent on government funding, becoming more flexible in responding to the needs of stakeholders and users, and focusing on efficient management and customer satisfaction. Thus entrepreneurial effort is executed under the principle that UT is a not-for-profit organisation, and it does not require the institution to be commercial and profit making in orientation. The revenues that the institution gets is to be re-invested and returned to the students in the forms of improved services to ensure that the students and stakeholders’ expectations can be fully met.

For a long time, UT as a state university has enjoyed a routine and regimented planning, programming and budgeting system set by the government. Changes and reform in the political and governance have had consequences in the way the government regulates state higher education institutions, including UT as a state university. Recently, UT has been under increasing pressures to adapt to new changes due to internal as well external forces. Consequently, internally UT has to establish a more efficient system that meets clients’ needs, make use of resources wisely, and at the same time it has to improve the quality of its services continually. Externally, it has to address to the dynamically changing needs of the clients, rapid technological developments, societal changes, and other issues related to globalisation and internationalisation of educational provision, particularly in higher education.

The recent Law of State Finance (*Undang Undang Keuangan Negara*) requires money generated by state institutions, including higher education institutions, has to be managed using strict regulations, rules and procedures, and to follow other related Laws and regulations. The state has strong intervention in the way state-owned institutions manage their money and other generated revenues, it rules out how institutions must spend or use the revenues following the Laws and regulatory guidelines.

The Law on Non-Tax State Revenues governs that all revenues of state-owned institutions are treated as state revenues, and consequently the Law and regulatory guidelines must be followed

to use these state revenues. While the Law can be relatively fairly easier to be implemented in the conventional state higher education institutions, it has difficulties when it is applied in an open university system. UT has fairly open registration and course enrolment system, and its learning support services allow flexibility on the part of the students. Some courses require compulsory tutorials using the face-to-face or mediated or internet-based mode, while others allow for voluntary tutorial participation. It thus has consequences on the way institutions have to make arrangement for the organisation of tutorial services.

These recent Laws have been introduced since 2003, but effective implementation has just started since 2005 involving strict monitoring, evaluation and audit by the government. For UT, as a state-owned higher education institution, UT business plan and budget allocation follow the two Laws and other supporting regulatory procedures set by the Departments Finance and National Education.

These legal and regulatory requirements have been drafted to ensure public accountability and transparency. Higher education institutions are thus required to have careful planning and spending allocation. However, for many higher education institutions, these rigid legal and regulatory requirements have consequences which limit the flexibility in budget allocation and spending, because the system is considered as inflexible to meet the dynamic needs of the institutions. For UT as a distance education system, these regulatory requirements cannot be easily applied. UT has a national-scale and large operations, and predictions of student enrolments are difficult to apply because of the openness character of the system and other external factors that influence UT operations. For example, UT has an open registration system in which prospective student and current students can register at any time in accordance with their circumstances. Many of UT students are sponsored students, and their enrolments to UT depend on the availability of sponsorship, many of which is provided by local governments.

Despite the strict budget control by the state, the government has also attempted to grant greater autonomy in the governance of the university, in terms of academic as well as managerial responsibilities. The spirit of the autonomy is to enhance the independence of the university in managing its own matters and to some degree reduces the government intervention. Higher education institutions in Indonesia have upheld maintained the academic autonomy, while the government has regulatory, policy making and guiding roles.

Under the autonomous circumstances, higher education institutions are expected to be accountable and have the capability to sustain their lives. They have flexibility in managing their operational activities, design and develop programs that are in great demand by stakeholders and users, and improve the quality of provision to ensure sustainability. At the same time, they are also required to have creativity in managing its resources, generating revenues, and allocates budget, and at the same time they also have to be transparent and accountable to the public.

### **Strategies for enacting an entrepreneurial open university**

Effective response to stakeholders' needs is an important first step of moving towards an entrepreneurial open university. Recent reform in governance laws and regulations has had effects on more active roles of stakeholders, particularly users, in expressing their needs and expectations of the educational system performance. UT has periodically conducted stakeholders' dialogues involving the government, industry and business sectors, alumni, employers, to accommodate their views and expectations about UT roles and functions and how it should better contribute to the professional development of the national human resources. Stakeholders generally have improved positive views about distance education, and they see UT as having

major roles in meeting their needs for quality higher education accessible by the society. UT then has to address these dynamic changes of stakeholders needs accordingly, develop programs and courses that meet their expectations, design distance learning system which is oriented towards their needs, and provide services suitable to their circumstances.

Partnership and networking are key factors in establishing the sustainability of an entrepreneurial open university. UT has extensive and effective experiences in establishing partnership and networking with national as well as local governments, particularly in securing sponsorship for in-service primary school teachers to study at a distance. It is important to note that the Government has recently implemented the Law of Teacher and Lecturer 2005, which among others regulate that all teachers are required to have university degrees (*Sarjana*). This has consequences on the training of in-service teachers, many of whom are underqualified. An obvious strength of UT is the network of 37 Regional Offices, located at least in each of the provincial capitals throughout the country. UT Regional Offices have major roles in initiating, formalising, following up and implementing partnership with local governments and agencies. These Regional Offices are granted autonomy and responsibility to establish formal partnership and networking with local governments and agencies under close guidance and supervision by the UT Headquarters.

An entrepreneurial open university needs to carefully consider the diversifications of programs and fee structures. In response to the diverse needs of stakeholders, UT has developed diversified programs, courses and services to meet the different categories and specific requirements of stakeholders in diverse regions. UT has a wide range of stakeholders, which include the national and local governments, business and industry sectors, and other agencies. Consequently, UT programs and courses are diversified to ensure that these different needs can be met satisfactorily. For example, UT has developed a large-scale in-service primary teacher education program at a distance to meet the needs of local governments in upgrading the qualifications of teachers up to the university degree level. Such a program must be designed to be able to provide access and opportunities and reach the unreached students, including those having geographic and other barriers. UT also offers programs to meet other stakeholders' needs in areas needed to improve competencies of local government employees, such in programs accounting, agricultural extension, archive management, public administration, and fishery management. UT accommodates the needs of working part-time students to improve their competencies and upgrade their qualifications.

The use of a variety of learning support services is essential to reach a wide spectrum of students learning at a distance. UT programs are organised and delivered in different arrangements, and this has had consequences in the different fee structures for different programs. Degree programs have different fee structures from non degree programs. Programs requiring more practicum and intensive learning support services have higher fees than those programs with less institutional services and more independent learning activities. UT applies the principles that the more services students get, more tuition fees have to be paid by students using such services. UT ensures that students get the minimum services provided by the institution, to which they have to pay, such as the printed learning materials for independent learning activities by the students themselves. If students need additional services, such as face-to-face tutorials, online tutorials and other online services, practicum, they have to pay additional fees for such additional services.

An entrepreneurial open university needs to focus on revenue generating programs wisely. To have strong entrepreneurial character, an open university has to focus on programs that generate significant revenues to capitalise on economies of scale. UT has 35 Study Programs with different levels of scale economies. Certain courses and programs have very large enrolments, such as the

In-service Teacher Education Programs, and Management Program. Other programs may have very small enrolments, such as Programs in the Faculty of Mathematics and Natural Sciences and Post-Graduate Programs.

Specific attention is given to program with large enrolments, i.e., In-service teacher Primary teacher Education Program. This particular program is in high demand by the stakeholders because of the recently introduced Law of Teacher and Lecturer that requires all teachers to have Bachelor degrees. UT has to establish and maintain good networking with stakeholders, encouraging Regional Offices to initiate and develop networking to secure sponsorship and scholarship for students taking the program.

An entrepreneurial open university is moving towards getting less dependence from government funding. Higher education institutions are getting more and more pressures to get less and less funding from the Government. As the result of the decentralised planning and budgeting system in Indonesia, regional governments have authorities in managing their resources. Regional governments have the authorities to manage their budget, allocate funding for developing human resources. Distance education can be one of the most attractive and reasonable choice for potential sponsors to develop their human resources.

Networking with business and industry sectors has to be initiated, consistently pursued, secured and expanded to ensure the sustainability of an entrepreneurial open university. The flexibility of UT distance education system allows for greater opportunities for adults working in the business and industries to pursue quality university education at a distance. So far there have been no formal initiatives to link UT with business and industry. There are students who study at UT on their own initiatives using their own resources. In the future, UT needs to explore possibilities to work with these sectors.

Managing user contributions wisely is a requirement for effective and efficient implementation of entrepreneurial values in an open university. Higher education institutions are increasingly more independent from government funding, and getting more dependent on users contributions. This trend has taken place soon after an open university has been established, in spite of the fact that the government put significant investment in its early establishment. UT has developed Strategic and Operational Plans that are further detailed into annual operational plans. The university sets plans and targets to be achieved in long term, medium term and short term. Budget allocations are based on these plans, and resource spending must be based on the agreed plans between the university top management and implementing units and departments or divisions. The following Table illustrates the development of UT financial resources from 2001 to 2007.

Table 1  
UT Financial Sources  
Comparison of Government Funding and Generated Revenues, 2001-2007 (in %)

Year	Government Funding	Generated Revenues
2001	28.62	71.39
2002	23.27	76.74
2003	24.40	75.60
2004	22.92	77.08
2005	21.33	78.67
2006	13.68	86.32
2007	12.61	87.39

As a state university, UT has been allocated government funding. As funding from the government is very limited, the UT is allowed to charge fees to students. It should be noted that tuition fees for state universities in Indonesia are fairly low, and for the UT it can be said that perhaps it is the lowest level of student fees among higher education institutions in Indonesia, public as well as private. UT has generated revenues from various sources, including student fees, which include sponsorship from local government and other agencies for studying at a distance at UT, as well as from research and consulting services, which contributes relatively insignificant to the overall UT revenues,

The Table above clearly indicates that there has been steady decrease of government funding, from 28.62% in 2001 to only 12.61% in 2007. Generated revenues from various sources have steadily increased from 71.39% in 2001 to 87.39% in 2007. This trend is highly likely to continue in the future, meaning that UT is required to be more dependent upon users' contributions, and consequently to be more entrepreneurial in character, orientation and in practice.

### **Some lessons learnt**

Quality assurance and continual improvement contributes significantly to the development of institutional values and public image. Quality assurance is one of the key factors in ensuring the sustainability of an entrepreneurial open university. Quality assurance should be designed as an internal mechanism to assure quality in order to gain public confidence and ensure good educational process and services that satisfy the expectations of stakeholders.

Meeting stakeholders' needs and expectations is a fundamental value. The sustainability of open university programs depends on the extent to which they satisfy the needs of stakeholders. Dialogues with stakeholders are important as their needs and expectations are dynamically changing, and they have to be met accordingly. Stakeholders include those from the business and industries, education offices, and other users.

It is important to note that quality distance education can be provided at affordable cost by the customers. In distance education, there is a paradox of cost and quality. The traditional notion of higher education provision is that the more students an educational program serves, the higher the cost to ensure quality provision. In distance education, a large number of educational participants can be accommodated in an effective and high quality distance education system.

Establishing good and corporate governance cultures is a key principle in entrepreneurial open university system. Good and corporate governance has been the standards and practice of any public and private organisation. The requirements for good corporate governance relate to transparency, accountability, open management and de-concentrated system in the use of financial resources to the relevant units performing organisational activities. UT has attempted to meet these requirements to ensure efficiency and effectiveness in the use of its resources.

System approach to planning and development is required. Sustainable open university programs are based upon a system approach to planning and development. Planning should take into account both internal and external factors affecting the sustainability of the institution and its programs.

Total quality management and participative management system is the key foundation for entrepreneurial open university. An important aspect of TQM is establishing quality culture among members of the university community, involving management and staff, academic as well

administrative members of staff. UT has attempted in many ways to implement a TQM system, in which quality is a professional culture and lifestyle. A comprehensive quality assurance system has also been established, in which the mechanism has involved both internal and external assessment. Participatory management has been established through decentralised planning and funding mechanisms, in which units have greater flexibility in planning their activities in accordance with the institution's strategic and operational plans.

A learning organisation implies that the organisation has the capability to learn, adjust to dynamically changing environment, and sustain excellence in its performance. The establishment of a learning organisation requires an educational institution to be able to adapt to the dynamics of change, respond to clients' needs effectively, and able to encourage the human resources to develop learning cultures. The people must be able to learn and adapt to changes, and the organisation should also be able to support the development of learning cultures of the people and to ensure excellence. The university community should be able to establish an entrepreneurial values and characters that lead the institutions to develop and sustain entrepreneurial values and principles accordingly.

### **Conclusions**

There is no doubt that open universities are confronted with challenges and prospects to be a true entrepreneurial open university. Some of the challenges relate to ensure that creativity and innovations in learning and other services are encouraged. There are consequences for allowing innovations, and some of these relate to increasing uses of resources, budget, infrastructure and facilities. This should be seen as investment that should have long-term constructive effects rather than being considered as short-term expenses.

As open universities are undergoing increased pressures from stakeholders to be more accountable and transparent, and to improve the quality of the programs, they have to find new ways of exploring new methods and approaches to effective management. At the same time, open universities are also suffering from the decreasing support from the government funding.

### **References**

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