

IMPLEMENTATION OF CONTROLLING IN A NON-PUBLIC SCHOOL OF HIGHER EDUCATION IN POLAND – CASE STUDY

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—Abstract—

Higher education institutions in Poland are now operating in a very complex, dynamic environment, which greatly hinders their effective management. Controlling inherently supports the management in terms of information and methodology which helps managers make decisions. The purpose of this paper is to present the system of controlling as a concept of higher education institution management and to discuss an exemplary process of its implementation.

Key Words: higher education institutions, controlling, organizational structure

JEL Classification: A20, G30

1. EDUCATIONAL SERVICES MARKET IN POLAND

In the past several years, there has been a very rapid development of educational services in Poland. By 1990, there had only been public universities with one exception being the Catholic University of Lublin. Higher Education Act of 1990 opened the possibility of setting up non-public schools whose number in the academic year 2000/2001 reached 119 public and 165 non-public institutions of higher education. In 1990 only about 400 thousand persons studied in Poland, and only 7% of adult Poles held higher education diplomas. The current gross enrollment rate in Poland is nearly 48% and is among the highest in Europe¹.

The number of non-public schools has been growing rapidly since 1990 to reach the level of 338 in 2010/11². The relevant data have been provided in Table 1.

¹ Gross enrollment ratio is the proportion between the number of higher education students and the population in the age nominally assigned to the higher education level expressed in per cents.

² According to OECD, the Polish non-public sector is the largest among the European countries (34% of all students). Only in Portugal, the sector's share in the total number of students exceeds 20%, in France it is 14% and in Spain – 11%.

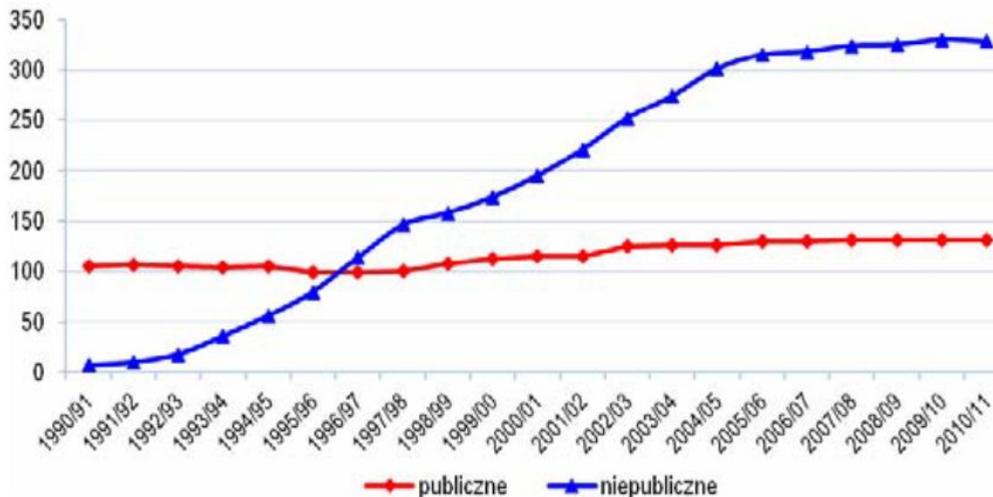
Table 1: Number of universities in Poland

Academic year	Higher education institutions in general	Non-public higher education institutions
1992/1993	124	18
1995/1996	179	80
2000/2001	310	195
2005/2006	445	315
2008/2009	458	326
2010/2011	470	338

Source: *Statistical data on higher education*, <http://www.nauka.gov.pl/szkolnictwo-wyzsze/dane-statystyczne-o-szkolnictwie-wyzszym> as of 11/10/2011

As implied by the above data, over the years, the percentage share of public and private universities has changed considerably. This has been illustrated in Figure 1.

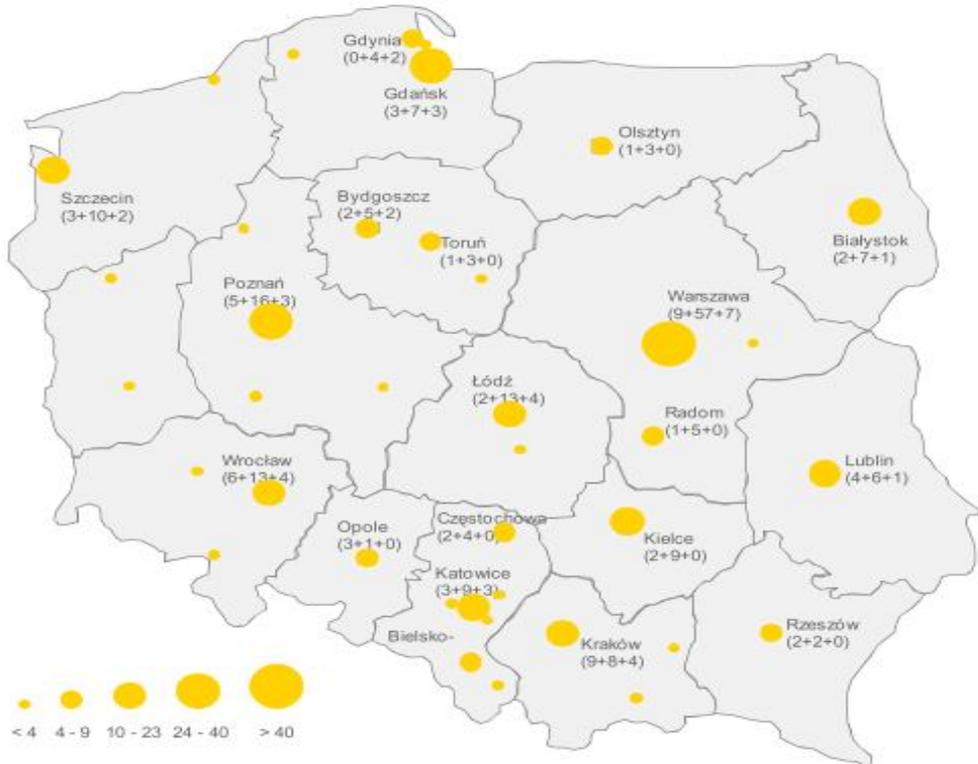
Figure-1: Number of public and private universities in Poland



Source: *Higher Schools and their finance in 2010*, Warsaw, 2011, p. 27.

Most private schools are located in large cities such as Warsaw, Poznan, Lodz, Wroclaw, Szczecin, Krakow, Katowice. They are created in areas being large academic centers to ensure an adequate supply of teachers on the one hand, and on the other, sufficiently high number of candidates.

Figure-2: The most important academic centers in Poland



Source: *Diagnosis of higher education in Poland*. Coll. Ernst & Young, November 2009 (from <http://ptbk.mol.uj.edu.pl/download/aktualnosci/akt.diagnoza.pdf> p.33)

Private universities are intended to provide suitably qualified specialists according to current labor market needs. For this purpose they strive to appropriately modify its educational offer. They are relatively smaller than the public schools, they focus on educating in just a few specializations and most are based on the outsourcing of resources (e.g. personnel or material base) which enables them to respond flexibly to changes in demand.

2. MANAGEMENT OF A HIGHER EDUCATION INSTITUTION

No company, including a university, can function properly without adequate financial and accounting services. In large universities (e.g. state universities or large private universities), it is expected from the financial department that not only should it handle accountancy as well as preparation and analysis of

performance of the subject and financial plan, but also contribute to and implement the university's finance-related strategy, and that the financial department head should participate in making key strategic decision affecting the financial condition of the university and monitor the implementation of strategic objectives. In such cases, a person or a department is often appointed to bear the responsibility for controlling the relevant operations. The task of such a person or department is to create and supervise the administrative accounting system and controlling, economic analysis of the university's operations and its material and financial performance, preparing financial plans, preparing information to constitute a basis for making managerial decisions, preparing the required reports and coordinating the financial policy as expressed in budgets of the individual units and of the university itself. Controlling is assumed to provide essential information for effective management of the university. This information allows for adjustment of the changes taking place both inside and around the university. For these reasons, the organization and functioning of the financial department are largely dependent on the size and type of institution. In other words, they must be made to measure.

3. CONCEPT OF CONTROLLING

Controlling a relatively new concept. In Europe, it appeared as recently as in the mid 1950s. Nevertheless, the idea itself goes back to the Middle Ages when the English royal court established the position of a "Controllour" in the fifteenth century. This person was supposed to supervise and control the receipts and outflows of goods and cash (Hahn, 1994:169).

The homeland of controlling is believed to be the United States. The first controller position was established there in the second half of the eighteenth century with the central government (e.g. the Congress's establishment of the commission for administration and monitoring of the state budget use) [K. Czubakowska, 2002, p. 2]. In the economy, these positions were only created in the 1880s (for example in Atchinson, Topeka and Santa Fe Railroad Company in 1880). The main reason for such an incredibly rapid development of the controlling concept in the U.S. in the late nineteenth and early twentieth century was economic growth. A particular impact was exerted by the Industrial Revolution during which there was sudden increase in turnover and number of activities undertaken by companies. Ineffectiveness of the managerial methods applied forced entrepreneurs to explore new ways of management adapted to such drastically changing environment and business processes.

In Europe, controlling emerged in the 1950s in Germany and France. Changes to economic principles and the influx of foreign investors in the 1990s enabled implementation of controlling in Poland, first in branches of western companies and then in domestic entities. Initially, the implementation of controlling mainly took place in large production as well as production and service units. For only a few years can one observe interest in controlling among service companies, banks or even insurance companies.

Within the recent years, the organization of institutions promoting the idea of controlling, i.e. IGC (International Group of Controlling), has attempted to harmonize and develop concepts and terminology of controlling in the European area. It has defined controlling as a concept (way of thinking) of business management which sees a company as a system of interrelated elements, taking its individual nature and the changing conditions of the economic environment into consideration.³

4. FACTORS AFFECTING THE CONTROLLING SYSTEM IN HIGHER EDUCATION INSTITUTIONS

Although in some spheres of activity of a modern university business solutions should be implemented, it is still not a typical company. However, it is undoubtedly an economic organization. An organization which cannot remain indifferent to changes within the near and distant surroundings.

Implementation of controlling in a university requires that several factors should be taken into consideration. Their characteristics have been presented in Table 2.

These factors affect controlling both during implementation and in the later stage of performance. Controlling in a higher education school must be adapted to its specific characteristics and the tasks it is to fulfill.

³ Based on the information on its website: www.controllerverein.de

Table 2: Factors affecting the controlling system in higher education institutions

Factor type	Factors	Characteristic
external	Political environment	It should be born in mind while controlling is being designed that a non-public school operates under the authorization of the Minister of Science and Higher Education
	Social environment	A university's operations largely depend on the market position and hence it must take public opinion into account
	Legal environment	While performing specific actions, a university must comply with the applicable laws
internal	Objectives of the school	Although the primary objective of a non-public school is education, it is not a non-profit institution
	Size of the school	It affects the extent (the whole school or some units) or the type (strategic/operational, financial/human resources/marketing etc.) of the controlling implementation
	Financial condition	The implementation of controlling is centralized (difficult situation) or decentralized
	Organizational structure	Decision concerning the position of controlling in the organizational structure and separation of responsibility centers
	Organizational culture	The controlling implementation will often require major changes in organization and functioning of not only the school itself but also of its employees

Source: own elaboration based on: M. Krawiec, *Why the modern university needs controlling*, Controlling and Management Accounting, No. 1/1-31 January 2006, p. 27.

5. IMPLEMENTATION OF CONTROLLING IN WROCLAW SCHOOL OF BANKING – CASE STUDY

Wroclaw School of Banking (WSB) is the largest non-public business school in Lower Silesia. It runs two divisions: Wroclaw and Opole. The mission of WSB is training of highly qualified specialists equipped with theoretical knowledge and practical skills needed for professional development and conscious participation in building of modern Polish economy. Wroclaw School of Banking conducts first and second degree studies as well as postgraduate and MBA studies. There is also the "Forward" Language Center functioning at WSB. Among the Polish non-public schools of higher vocational education and business management, Wroclaw School of Banking was given the highest ranks in 2003, 2004 and 2005.

Since the beginning of WSB in Wroclaw, great importance was attached to the sphere of financial management of the university. In the initial stage, this mainly comprised simple financial analysis (liquidity reporting, simplified top-down

budgeting). The decision to implement controlling at the Wroclaw School of Banking was made in 2006 when the founder decided to implement a system enabling efficient acquisition and analysis of information to help manage the university particularly in such areas as profitability, costs, margin analysis, to end up with very detailed studies that will adapt the product to market requirements in a short time.

The implementation was divided into several stages:

1. Organization

- establishing the position of a financial analysis and controlling director
- conducting a SWOT analysis of a university
- establishing an action timetable

2. Analysis

- separation of responsibility centers
- identification and description of processes and needs of system users
- designing concept changes (for organization, management styles, controlling reports)

3. Implementation and operation of the controlling concept adopted

At the beginning, a person holding the necessary experience and qualifications was employed for the position of a financial analysis and controlling director. The demands towards the said position were very high, since it was assumed to actively influence the future of the entire company, and one of the first tasks to be completed was to implement the controlling concept in the process of institutional governance.

WSB, like most universities in Poland, has a slim organizational structure with many separate decision-making levels. It is at the same time divided into two areas:

- academic,
- administrative.

Management of the scientific and educational sphere is subject to the Rector, whereas the administrative sphere – to the Chancellor. The controlling system was envisaged to cover the entire organizational structure, so it was decided that the new officer would report directly to the Chancellor. In this case, the director acted

on the same level as managers of other departments which enabled him to collaborate with them more closely having the authority to advise, give orders or make decisions.

Then a quick SWOT analysis was performed to reveal the enormity of problems to solve, just to mention a few major ones:

1. reluctance of managers to make changes,
2. lack of historical data,
3. lack of organizational procedures,
4. lack of circulation and document standards,
5. improper relationships in terms of authority and responsibilities,
5. under-utilization of the resources at hand (IT, personal property).

We were reminded that the largest problem would be to attract department managers for a joint venture. Even the most highly skilled experts, unfortunately, never developed any of the reports being useful in controlling. In order to win them in the first place, they were to be convinced about their own benefits to be attained through implementation of controlling (e.g. access, and a quicker one, to the necessary information) and provided the schedule of further actions.

The next step was to revise the organizational structure of the university which included the following:

- amending the statute (introduction of a new position, establishing the Department of Finance, changes to the existing authorizations and responsibilities);
- amending the corporate chart of accounts and separating responsibility centers (divisions, products, departments),
- setting the principles of executive remuneration (e.g. rewarding based on periodical evaluations including one of the assessment areas being attention to the university's finance).

The changes introduced also entailed the needs of controlling information recipients. For this purpose, suitable procedures (e.g. bottom-up preparation and implementation of subject and financial plan) and templates (e.g. controlling reports: weekly, monthly, quarterly, annual, 3-year) were developed.

The process of the controlling concept implementation in the managerial area of the university took 1.5 years, and it took another year just to verify the assumptions in place.

6. TRENDS OF FURTHER CHANGES TO THE CONTROLLING SYSTEM

Wroclaw School of Banking still recognizes the necessity to adapt the existing controlling solutions to the changing market conditions. After the introduction of controlling, specific works related to implementation of an integrated SAP R/3 system and a unified corporate reporting system for the schools operating under the WSB Group were commenced.

7. CONCLUSIONS

The range of controlling tasks undertaken in individual schools may differ, but they must always allow for quick adaptation to changing market conditions. This is the primary objective of controlling which is envisaged to ensure conditions favorable to long-term existence and development of the university as an entity operating in a competitive market.

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