

Development of Recommendations on Improvement of the Institutional Environment of the Educational System of the Russian Federation

Timiryasova A. V.¹, Safiullin L. N.², Kramin T. V.¹ & Vorontsova L. V.¹

¹ Institute of Economics, Management and Law, Kazan, Russia

² Kazan Federal University, Institute of Management, Economics and Finance, Kazan, Russia

Correspondence: Timiryasova A. V., Institute of Economics, Management and Law, 420111 Kazan, Russian Federation.

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Abstract

The work is devoted to improving the institutional environment of the educational system of Russia as a base for further transformation of the institutional environment and innovation activity of the economic system in Russia under the accelerating processes of globalization and increasing international competition on the educational services market, using the intellectual capital theory.

Keywords: institutional environment, educational system, intellectual capital

1. Introduction

The reasons for the increased attention to education nowadays is the need to build a society based on knowledge, and the acceleration of globalization processes. Under globalization, international competition is increasing in all spheres. In these circumstances, education is not only a full-fledged business (Dale, 2005; George, 2006; Robertson, 2005), but also one of the most advanced industries, on which the international competitiveness of the whole economic system largely depends (Mayo, 2009; McBurnie, 2001; Verger, Novelli, & Altinyelken, 2012).

The work is devoted to improving the institutional environment of the Russian educational system as a base for further transformations of the institutional environment and innovation activity of the economic system in Russia under the accelerating processes of globalization and increasing international competition on the educational services market.

The topicality of the theme, in addition to the above, is also confirmed by the results of the Russian business community survey, aimed at identifying the barriers to doing business in Russia (see Figure 1).



Figure 1. The most problem factors of doing business in Russia. Source: World Economic Report 2012-2013

The presented rating (Figure 1) clearly shows the acute problem of social institutions development in Russia, both formal and informal.

According to the survey, in addition to the traditional problems of the Russian economic system, such as corruption, bureaucracy, sub-optimal level and structure of tax rates, poor access to finance, a new problem is being formed in 2012, in maintaining the Russian international competitiveness: the low level of the workforce qualification and the low innovation potential. This conclusion can be made by comparing the diagrams presented in Figure 1 and Figure 2



Figure 2. The most problem factors of doing business in Russia. Source: World Economic Report 2010-2011.

The low level of development of institutional environment and innovative potential of the Russian economy is confirmed by the Global Competitiveness Index shown in the World Economic Report 2012-2013 (Schwab, 2013).. According to this rating, the indicators of state management in Russia are very low, even compared with other emerging markets. Moreover, they are decreasing. By the development of public institutions, Russia occupies 133rd place in the rating based on the Global Competitiveness Index, compiled by World Economic Forum (out of 144 countries included in current rating). In 2011, Russia was ranked 128 by this indicator. The innovative potential has also declined, according to the rating: 85th position this year, compared with 57th position in the GCI of 2010-2011. The Russian economy is losing international competitiveness as a result of information and regulatory inefficiency of the goods market (134th), labour market (84th), and the financial market (130th), in which the situation is getting worse for the second year in a row. Partly these facts are connected with the low level of competition (136th), which is explained, among other factors, by the ineffectiveness of antitrust policy (124th), significant restrictions on trade and participation of foreign capital, and lack of confidence in the financial system (134th). These factors combined lead to inefficient allocation of resources and deceleration of productivity growth in the economy.

In addition, the Russian economy has low competitiveness both in the sphere of business development innovations (119th), and in connection with a low level of enterprises' readiness for technological innovations (137th).

Thus, the development of the institutional environment (Elmore, 1997; Schneckenberg, 2009; Vaira, 2004) and the increase of innovative activity become powerful drivers for international competitiveness and economic growth in Russia (Safiullina, Ivanov, & Ramazanov, 2014; Safiullina, Ivanov, & Beloborodova, 2014; Volchek, Jantunen, & Saarenketo). The solution of these problems depends largely on reforms in the educational sphere.

The modern development of the Russian education system is characterized by a number of specific features: there is a process of active reforming of the higher education system in compliance with international standards in the framework of the Bologna process (De Wit, 2006; Pursiainen & Medvedev, 2005); joining the World Trade Organization opens additional opportunities for our foreign competitors in all sectors in Russia (Gaponenko, 2004; Gounko & Smale, 2007; Колесов, 2006). The WTO membership affects the labor market in Russia, which is becoming more mobile and competitive (Ворошилова, 2002). Consequently, competition in the educational services market further increases (Johnson, 2013).

In the work by Podoprigora M. G. (Подопригора, 2011) a number of specific features of higher education functioning in Russia are indicated:

- The irrational financial policy of the state, which does not take into account the education investment potential (Джаримов, 2003);
- The resources crisis, expressed in the reduction of state financing of education (Багаутдинова, 2003, pp. 109-135),
- Raising the level of commercialization of educational activity;
- The shortage of qualified managers at universities, which are able to work under the new conditions of the higher education development;
- The need to balance conservatism in higher education, ensuring its stability and fundamentalism, and adaptability, as the characteristics required for the operational consideration of the dynamics of the modern society needs (Куклин & Беляков, 2003);
- Problems in the practical implementation of the Russian scientific achievements (Князев, 2001; Колесов, 2006).

Basing on the conducted research, the author comes to the conclusion that the higher education institution increasingly becomes one of the subjects of market activities, providing educational services, and works actively on the labor market. This statement is directly or indirectly confirmed in the works (Ворошилова, 2002; Ключев & Сайфидинов, 2014; Меркурьева & Иванова, 2007), and also follows from the results of research (Акмаева & Жуков, 2010; Крамин, 2006; Подопригора, 2011).

Agreeing with the Podoprigora's observation, we should note that in the framework of the emerging knowledge economy in Russia the educational institutions are not just included into market processes, but become the central element in the formation of values in the society; it is in them and with their participation that the intellectual capital and the country potential are formed. They do not only give the maximal return for the investment, but also determine the country's international competitiveness in the 21st c.

Therefore, competition in the educational services market, including at the international level, increases dramatically. The Russian educational system needs to compete successfully with foreign schools. Therefore, it is necessary to systematically and comprehensively implement market mechanisms in the Russian educational institutions. Educational institutions need managers able to work in market conditions, mastering the competitive tools in the rapidly changing high-technology markets. The education needs to transfer management technologies from other competitive sectors (Safiullin, Fatkhiev, & Grigorian, 2014).

Taking into account the general economic conditions and features of the present stage of the education sector development in Russia, the main directions of improvement of its institutional environment were defined.

Corruption and bureaucracy, highlighted as the main barriers to doing business in Russia, are also barriers to the education sector development. A comparative analysis of the degree of their manifestation in state and private universities shows significant advantages of the latter. Bureaucracy dramatically reduces the competitiveness of a university operating under market conditions. Consequently, in private educational institutions it is minimized. Corruption is also sharply restricted in the non-state educational institution. Therefore, the formation of a competitive environment for state educational institutions will contribute to the struggle against corruption and bureaucracy in them.

The ratings of state universities compiled recently by the Ministry of Education and Science of the Russian Federation clearly show that the competitive environment has been extended into the field of educational services.

Due to the entry into competitive field, educational institutions should take full account of and use the modern market concepts in the field of cost management, in corporate management, strategic management, and intellectual capital management.

Under the post-industrial economy, information becomes one of the most valuable resources; the profitability of intellectual capital significantly exceeds the profitability of tangible assets; knowledge and specific competencies significantly increase the competitiveness of a specialist in the labor market. Therefore, in this study the institutional environment of educational sphere is segmented by the structure of educational establishments' capital, as well as by the stages of its formation and using (see Table 1).

Table 1. Segmenting of the institutional environment of educational sphere by the structure of educational establishments' capital and by the stages of its formation and using

Element \ Stage	Formation	Using
Tangible, financial capital	Segment 1	Segment 2
Intellectual capital	Segment 3	Segment 4

The first segment of the institutional environment characterizes the sphere of educational institutions financing. The positions of state and private educational establishments in this segment are different.

The financing of the leading private educational establishments corresponds to the market laws, it is aimed at maintaining their financial sustainability and is minimally regulated by the government.

The financing of educational institutions in the state sector is determined not only by market factors. The existing Russian legislation limits the use of the modern market approaches, mechanisms and tools for asset management in the educational establishments. In particular, they enjoy the limited autonomy in the management of the finances and property; the autonomy level is determined by its legal form, the owner (founder), sources of funding for its activities. In addition, the limiting factor is budget financing, which depends on the status of the establishment and the number of budget-paid students. The educational establishments cannot freely use their income from leasing the unused premises and equipment, etc.

This limitation is justified by the need to control activities of the educational establishment by the state (founder) in order to reduce the risk of unsustainable use and losses (damage, alienation, and so on) of the state property due to the lack of experience in the budget educational establishments of using market mechanisms of property management.

The increased independence of educational establishments to some extent ensured the spread of autonomous establishments. Unlike state and municipal establishments, they have greater freedom in relation to the property transferred to them, and also in achieving their objectives. At the same time, giving greater autonomy to educational establishments creates problems associated with the fact that most educational establishments lack skills of working in a competitive environment, the necessary experience in using the market management mechanisms, modern financial instruments and strategic management.

In the current Russian legislation mechanisms of state-private partnership are relatively developed, such as co-investment, in which private business can rent and use the property of educational establishments on the conditions that are advantageous to all interested parties.

The most important objective in reforming the first segment of the institutional environment of the education sector is the provision of equal opportunities to the institutions of state and private forms of ownership. The first significant step in this direction, i.e. allocation of budget places to private educational institutions, has shown its effectiveness: increased the flexibility of state order in education, and increased the level of competition in the international educational services market, which has a positive effect on their quality.

The ineffective, irrational use of state property in the state educational institutions is a consequence of the low skills of their managers in market conditions, in the use of managerial business-technologies. The solution can be achieved in several ways; the main ones, in our opinion, are the following:

- (1) Introduction of a national system of training of educational institutions managers, like several other countries do; for example, in the USA such program is called Educational Administration program;
- (2) Using state-private partnership in which private educational institutions will be involved in the management of state assets in order to form the managers' skills for working under market conditions.

To develop recommendations for reforming the institutional environment of the education sector in the sphere of formation and use of intellectual capital (segments 3 and 4) it is necessary to consider its structure.

In previous papers, it was shown that this structure includes (see Table 2):

- 1) market assets,
- 2) human assets,
- 3) innovative assets,
- 4) infrastructure assets
- 5) institutional assets
- 6) integration assets.

Table 2. Elements of IC in an educational institution

Structural elements	Elements of IC in an educational institution
market assets	Image of educational institution; students; level of loyalty of educational services consumers
human assets	Knowledge and competences of administrative apparatus and teaching staff
innovative assets	Educational technologies; content of educational programs; programs for advanced qualification
infrastructure assets	Organizational-managerial structure of the university and the complex mechanism of informational exchange and intra-organizational communications
institutional assets	Corporate culture, institutions of employee interaction, intra-organizational decision-making rules, the rules of working with customers, institutions of consumers and staff loyalty management, etc.
integration assets	Corporate relationships with employers interested in hiring graduates of the educational institution, partnerships with other educational institutions as users of its methodical products; experience in cooperation and communication with organizations involved in the training of their employees, with the governmental organizations implementing projects on elaborating and implementing educational programs on the managers retraining; as well as with other interested groups.

According to the above structure of intellectual capital, the following directions of improvement of the third segment of the education sector institutional environment in Russia are proposed:

- 1) Forming the system of promotion of Russian universities, both in the Russian information space and abroad; implementation of corporate management institutions for marketing the Russian universities in educational services markets;
- 2) Increasing mobility of the administration and teaching staff of educational institutions; organization of a system of internships abroad, international exchange of teachers;
- 3) Maintaining an active exchange of experience, training programmes and technologies between Russian and foreign organizations, organizing joint conferences, round tables, etc.; special attention should be paid to managers' training programs;
- 4) Activation of the state policy on ensuring access of the Russian institutions to the best international and foreign libraries;
- 5) Introduction of institutions for verification of domestic scientific research on the basis of international experience;
- 6) Establishment of mechanisms for inter-institutional information exchange and intra-organizational communications;
- 7) Establishment of institutions that encourage partnerships of universities with other educational institutions, employers, their unions and associations, as well as with a wide range of organizations interested in further training and retraining.

No less important are the transformations in the fourth segment of the institutional environment of the education sector in Russia, associated with the use of the intellectual capital created in the educational sphere:

- 1) Introduction of institutions for innovation commercialization, both in technology and management;
- 2) Implementation of training programmes in the field of innovation management, aimed at the formation of the corporate culture, ensuring a high innovative activity of the corporate sector of the economy;
- 3) Creation of infrastructure for the implementation of joint inter-university interdisciplinary projects on the basis of existing enterprises;
- 4) Forming the market of services for the implementation of applied research;
- 5) Forming a single promptly updated database that reflects the need of the economy in specialties, based on regular employers' surveys (applications) and taking into account the current state policy in this sphere;

- 6) Preparing the legislative framework and implementation of the institutional mechanisms of state-private partnership to form in the state educational institutions competencies for working in a market environment; special attention should be given to the risk management competences;
- 7) Developing a system of scientific-educational clusters in order to improve the overall level of the Russian education competitiveness, to improve the compatibility of the educational programs at various levels, as well as their adaptation to current labour market needs.

Thus, the work proposes the basic directions of the institutional environment improvement of the Russian education sector on the basis of one of the advanced economic concepts - the theory of intellectual capital management, taking into account the Russian specifics. In our further research, we plan to examine the institutional environment of the Russian education, from the viewpoint of cost approach and corporate management aspects.

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