

## Service Efficiency as a Factor of Competitiveness of Higher Education Institutions

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**Abstract:** Education in society is one of the main sources of economic growth, social stability and a prerequisite for the economy modernization. When speaking about educational services as a product provided by higher education institutions to the population, enterprises and other organizations, it should be noted that this category contains both the quantitative component that bears economic effectiveness and the qualitative component which is expressed in the quality of the formed competences and acquired knowledge and skills of the graduates of the educational institution representing a competitive product in the market of educational services. The effectiveness of higher education institutions is one of the indicators of their competitiveness. Currently, educational institutions acquire increasingly the characteristics of commercial organizations by providing educational services which can serve as sources of additional funding for educational institutions in the implementation of financial and economic activities in the market of educational services. Social effect of educational services is whether the university copes with its main task, namely the provision of the labor market with highly trained staff, who find work in their specialty in the 1st year. From the standpoint of the state interests, the implementation of educational programs has both direct and indirect effects. The main task of the management of the educational organization is to provide a wide range of educational services with different types of ratios of educational services effects to meet the needs of both the population and the state in general as well as to attract additional sources of financing by increasing the share of the economic component when providing a number of educational services.

**Key words:** Educational service, higher education institution, direct and indirect effects, profitability of services, effectiveness of educational services, production efficiency

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### INTRODUCTION

Russia's accession to the European educational environments, the ongoing socio-economic changes, the development of the market of non-governmental higher education institutions in the sector of public education services have significantly complicated the functioning of public higher education institutions. This resulted in the increased competitive activity. The problem of managing the competitive higher education institution is further exacerbated due to the current demographic decline that will result in a decrease in demand for educational services.

The above features of the situation in the country, the instability of the transition economy and difficult financial and material situation of higher education institutions have made them open systems closely related to the external socio-economic environment and with

unstable market processes. There is an approach in the modern theory of education performance management system to the management of open systems in the market relations which are characterized by instability of the environment including the influence of transitive economy, the so-called strategic approach which methods are associated with identification of the institution's objectives and maintenance of a certain relationship with the environment and ensure the achievement of the objectives in accordance with the institution's internal capabilities and external conditions. Implementation of strategic management methods in the higher education institutions meets modern requirements stipulated by the environmental peculiarities and shall change the situation by focusing the institution's staff members on the improvement of methods of achieving the set goals by improving the efficiency of the higher education institution in general.

## **EFFECTIVENESS OF EDUCATIONAL SERVICE**

Education in society is one of the main sources of economic growth, social stability and a prerequisite for the economy modernization. Implementation of functions of the economic transformation mechanism element, growth tool and realization of intellectual and professional potential of the population by the education system requires a comprehensive assessment of its effectiveness (Grekov, 2003).

Efficiency of production is a key category of modern market economy which is directly associated with the achievement of the development of both each company individually and society in general (Akperov, 2009).

Speaking about educational services as a product provided by higher education institutions to the population, enterprises and other organizations it should be noted that this category contains both the quantitative component that bears economic effectiveness and the qualitative component which is expressed in the quality of the formed competences and acquired knowledge and skills of the graduates of the educational institution representing a competitive product in the market of educational services. Activities held as part of the Bologna process have far-reaching consequences in the long term, affecting each and every national education systems.

Educational organization achieves competitive advantage by adapting to the new conditions such as new technology, new or changed needs of service consumers, the emergence of a new segment in the industry and changes in the cost or availability of service production component. Thus, the competitive advantages of a higher education institution can be divided into four groups:

- Dvantages in the external environment of an educational organization (political environment, economic environment, etc.)
- Advantages in the internal environment of an educational organization (training technologies, equipment, production management, resources, etc.)
- Advantages in the quality and resource intensity of a service (service quality, its price, the consumer's resource intensity of a service, etc.)
- Markets advantages (in terms of volume, the number of competitors, operational efficiency and reliability of financial transactions, the reliability of licensing and accreditation documents, etc.)

Objective of our study is to consider the competitive advantage such as service, namely the effectiveness of

service. The economic literature has quite a few attempts undertaken to assess the effectiveness of the result of the educational institution activities, namely the education. One of the first attempts was the calculation of the "value of the population" of England and Wales, made by W. Petty in 1664. There was a correlation between the education level (literacy), vocational and industrial structure of population, employment history and earnings traced in the studies of the late 19th early 20th century by Ia.P. Ianzhul, A.I. Chuprov, K.Ia. Vorobiev and A.E. Lositskii.

Based on the considered points of view on the concept of the effectiveness of educational services as well as on the selection of criteria for evaluation of the effectiveness (Muromtsev *at al.*, 2007; Golovistikova, 2008; Podoprighora, 2011; Salmikov and Burukhin, 2008) we suggest the following.

The effectiveness of educational service is a set of criteria designed for the assessment of the qualitative and quantitative components of higher education institution that provides educational services to "customers" and "consumers" represented by population, enterprises and other organizations.

### **CRITERIA FOR EDUCATIONAL SERVICE EFFECTIVENESS**

We have selected the following criteria for the evaluation of quantitative and qualitative performances of educational service:

- Economic component
- Social component
- Prospective component

Each of the criteria assesses the educational services from the perspective of different relationships, respectively:

- Educational services-educational institution of higher education
- Educational services-consumers and customers
- Educational services-state

Let us consider each criterion in accordance with the subjects of relations we have indicated. The effectiveness of an educational institution is one of the indicators of the competitive ability of a higher education institution. Currently, educational institutions of higher education acquire increasingly the characteristics of commercial organizations by providing educational services which can serve as sources of additional funding for educational

institutions in the implementation of financial and economic activities in the market of educational services. For these reasons, the economic criterion determines how efficiently the resources provided from the state budget as well as through the search for internal alternative sources of funding have been allocated and used in the process of delivering services that can satisfy the educational needs of the population. Thus, we can use the evaluation of the profitability of service provision to assess the utilization efficiency of the institution resources.

The profitability of educational services ( $P_y$ ) is calculated from the ratio of profit or loss on service sale (Grs and Lrs) to the sum of all expenses of the Implemented Educational Services (IES). An illustrative equation for calculation is as follows:

$$P_s = \frac{Grs}{Crs}$$

Or:

$$P_s = \frac{Lrs}{Crs}$$

in case of loss on sale of educational services. Calculating the profitability of educational services can easily determine the services with higher earning power and whether it is possible to reduce the cost of any other services. When the institution is going to introduce a new kind of service it shall calculate the planned profitability of educational services.

The “educational service-consumers and customers” relations reveals the basic essence of the educational services such as meeting the needs of the population in education. Social effect of educational services is whether the higher education institution copes with its main task, namely the provision of the labor market with highly trained staff who find work in their specialty in the 1st year. Based on the criteria set forth above, we obtain:

$$SEEs = \frac{Q_e}{Q_g.d}$$

Where:

- SEEs = Social Effectiveness of Educational services
- $Q_g.d$  = The number of students having received a diploma of higher and secondary vocational education (HE and SPE) for the reporting period (a year of graduation)
- $Q_e$  = The number of graduates finding work in their (related) specialty in the first year after graduation (for the reporting period), taking into account the graduates having joined the military forces of the Russian Federation as well as those on maternity leave thus being considered employed

This equation also allows calculating the social impact on the various educational services including vocational and further education which helps to determine the services of an educational organization with greater social efficiency among all other services.

From the standpoint of the state interests, the implementation of educational programs has both direct and indirect effects. The education industry, along with health care and social security services forms the level of development of human capital assets of the nation. Therefore, considering all national differences, the governments in the West spend >4% of GDP on education. The median proportion of public spending on education in the GDP of countries with high level of human development is 4.8% those with middle level 4.2% and with low level of human development 2.8% (in Russian 3.1%).

The indirect effects reflect the impact of education on the other economic and social processes. The level of education in the country affects the innovativeness of the economy, the social behavior and the unemployment rate reduction.

## SUMMARY

Each of the criteria is 1/3 of the total effectiveness of educational services. The ideal of this ratio is a balance between the three effects provided by the service of the educational institution.

The ratio where the economic effect prevails over the others is considered the most advantageous in terms of the commercialization of educational institutions. This may infringe on the interests of consumers and the state higher education institution will lose its status as a non-commercial organization. Social effect and promising component are of most interest to the population and the state, respectively.

The main task of the management of the educational organization is to provide a wide range of educational services with different types of ratios of educational services effects to meet the needs of both the population and the state in general as well as to attract additional sources of financing by increasing the share of the economic component when providing a number of educational services.

## CONCLUSION

Thus, in accordance with the conceptual approach to the overall assessment of the socio-economic efficiency of the activities of economic public organizations, the activity of the organization can be considered effective if

having an innovative character, being profitable (in terms of maximizing the public welfare) and maintaining favorable working conditions of its personnel.

The competitive strategy is the basis for a long-term and medium-term goals that ensure the preservation and strengthening of existing advantages as well as achievement of additional ones making educational institution be highly competitive both in the domestic and the European market of educational services and an adequate level of its operating stability.

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