

# Strategic management implications to private higher education financing in post-communist countries – fundraising IESFF model

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**Abstract**— The main purpose of this paper is to define the importance of strategic management implication to private higher education financing in post-communist countries as well as to explain the custom made IESFF fundraising model for post-communist HEIs. As post-communist education lays on former political grounds, as well as the lack of the society experience in various philanthropic cases, the implementation of any funding based project within HEIs is a large and rather complex issue. Besides post-communist countries, there are developed education societies with all developed mechanisms for financing their activities. This is the part for introducing this first class HEIs that undertake funding for excellence no matter if it is private or public ones. The models of funding they are using are mainly dependent on their strategic decision making with the final purpose of creating the excellence. Due to the fact that HEIs have a competitive role in education market and act similar to a business, their fundraising strategic models have to be customized. Not all strategies or models are applicable to all HEIs.

**Keywords**— financing, fundraising, higher education institutions, strategic management

## I. INTRODUCTION

QUALITY of education system is closely connected to the quality of education institutions itself. Through this paper will be presented an issue on how strategy affects a financing model in higher education institutions (further: HEI) and the same issue will be presented through a new developed fundraising model for HEIs.

Almost every organization needs funds for its development, whether it is about organizations that are yet to begin their work or organizations that are mature and financially stable. Fundraising is a laborious process, but if there is no real goal or program that needs support and if the organization is ready to take all steps necessary to design fundraising success, then every organization is able to collect the funds needed to finance and successfully execute the project fundraising [1]. As the fundraising relates mainly to funding of the institutions themselves, its development has led to the development of various strategies. With regard to the development of fundraising, there are several models of fundraising strategies that include a variety of communication channels for the development of fundraising activities. Strategies are those that are extremely important for the successful implementation of

unduly and successful fundraising projects, and so fundraising strategy plays an important role for the fast-growing market of higher education, either private or public.

Higher education is an international business operating in a global market, with some 100,000 institutions describing themselves as universities. Universities are not only a significant service sector in their own right, however, but are an important contributor to the whole global economy as a primary engine of economic growth. Governments in almost every country are committed to increasing the proportion of their workforce with tertiary- level qualifications and to using the research and enterprise ‘products’ of universities as key contributions to their nation’s economic and social well- being. Increasing the proportion of the workforce educated to tertiary level by one per cent is estimated to produce a 6 per cent growth in Gross Domestic Product (GDP). The recognition that higher education is a key driver in economic and social development is, therefore, now central to national government perspectives on the role of universities [2].

Given the amount of pressure on universities to change themselves, and the inherent difficulties that they face in doing this, there has been a lot of searching for magic solutions. In this respect the word "strategy" has recently entered the academic vocabulary. Both nationally and in individual institutions there is now much talk of the need for strategies and strategic planning. So what is a "strategy", where do strategies come from, and how does one know whether the chosen strategy is a good or a bad one is an issue regarding strategic management [3].

In real organizations strategies seem to evolve through gradual processes of trial and error, with lots of internal debate between different factions of managers. Strategy formulation is a political process involving lots of compromises and "muddling through". Good strategies evolve gradually; they rarely come about through the single efforts of any one man, or woman. Not only is the quality of the strategy likely to be far higher if it is discussed and debated at all levels of the organization, but the resulting "intended" strategy is also more likely to be accepted by all members if they have been involved in its development [4].

## II. FINANCING PRIVATE HEIS

The market of private higher education in post-communist

countries is in its growing phase, and as such it needs a modern ways of financing. First goal in private higher education is to attract the higher number of quality candidates as possible, to organize the more quality and advanced classes as possible, and to improve faculty possibilities through investments in education and development. Very often revenues from tuition fees are not sufficient for development of those extracurricular activities even at private HEIs. This is also a reason why the main financial problem of higher education system all over the world is how to create more money for institutional needs. Even the richest HEIs are cutting costs and turning to austerity while facing a growing costs line. This can be defined as a regular expected trend in modern economy because of growing faculty costs and phenomenon of rising education costs in work intensive, productivity immune economy sector that includes all education institutions. Developed economies and education systems, especially the private higher education systems, are facing similar problems, especially in terms of funds collection and government restrictions. As private HEIs are not dependent on governmental funds, the one of the most important problem connecting governments and private higher education is a taxation of all possible funds resources.

Taxation in the developing countries, where production and incomes often tend to be low anyway, is technically difficult. The financial challenge to governments is how to get a share of purchasing power when relatively little wealth comes from large, stable enterprises that can be taxed and that can also be counted upon to withhold taxes from their employees. Former communist countries, once dependent on easy and extensive turnover taxes on state-owned enterprises, now need to tax personal or corporate incomes, retail or commercial transactions, and/or property—all of which are difficult to calculate, expensive to collect, and easy to evade. Businesses and individuals in many countries seem increasingly able to hide incomes and the value of their taxable assets. And even in the wealthy highly industrialized countries with efficient tax systems, the increasing globalization of the world economy encourages productive enterprises and wealthy individuals to flee to countries with lower taxes [5].

Besides post-communist countries, there are developed education societies with all developed mechanisms for financing education. Nations with first class HEI undertake funding for excellence no matter if it is private or public ones. First class institutions do not evolve by happenstance but are rather the products of smart leadership, which includes having a smart funding strategy to achieve never-ending excellence. Funding for excellence entails a progressive funding mechanism. A progressive funding mechanism envisages the inflationary nature of the economy and funds the sector at least equal to the level of inflation. However, one must be quick to point out that higher education faces a different type of inflation due to the nature of the industry, which often results in an increasingly higher cost of operation. Also, a progressive funding mechanism aimed at funding for excellence aligns its

funding strategies to the inflation rate that is archetypical to the higher education sector [6].

### III. INTRODUCING FUNDRAISING AS A FORM OF FINANCING STRATEGY

One of many forms of financing HEI is fundraising. Fundraising is a process of contributions in a form of money, cash or other sources applicable for financing, or finding and collecting contributions from individuals, companies, charity foundations, government agencies or other external sources for organizations or projects. Although, fundraising is mainly related to the efforts to raise money from the non-profit institutions, it is also used for the identification and collection of investors or other sources of capital for the profit of the HEIs.

Financial support, especially on an annual basis, is a prerequisite for the development of each HEI. The most common needs of HEI for external funding are integrated into annual funds, capital campaigns, large donations and bequests. Annual funds have an important role in the financing of HEI and program development through public disclosure of fundraising needs, as a potential source of large donations as a means of communication to alumni, business and general community. Except the annual fund, HEIs can organize multi-year campaigns in order to fund its major long-term needs or important investments (capacity expansion, construction of new buildings, renovation of buildings, undertaking major research projects, the creation of funds for tuition, etc.). Multi-year capital campaign are extremely important for HEI, because with regard to the outcome of this type of fundraising, HEI receive the recognition (or not) at the state level as the most successful in its efforts to achieve long-term financial capacity of financing. Also, large donations, such as major gifts, refer to the funds raised by major donators, individuals or companies who are able to donate funds that are many times more valuable than regular donations that usually enter into the system or multi-annual funding of capital the campaign. Large donations in a relation to other donations have the ability to transform the nature of the business institutions higher education. Within valuable resources for HEI that have arisen as a result of fundraising, also take part formed foundations and bequests. Fundraising through bequests is a sophisticated way of raising funds and it is obvious that one cannot engage in short-term, annual fund-raising plans [7].

Higher education, both public and private, is challenged to meet the demands of a new economy and students with very different expectations, needs, and skills than in previous generations. Moreover, it must do so in a time of profound economic inequality.

#### A. *Successful Practices of United States HEI Fundraising*

About the success of fundraising of the private HEIs in the United States (further: U.S.). has to be spoken with a special note that this is a very philanthropic society that, not only understands, but also has the ability to “restore merit” or to “give back”. Alumni of HEI in the U.S., under the influence of

the environment, schools, societies became a community that gives back to the society that gave them the most important - knowledge used to achieve everything they have, open doors for the future, connections and need for success. Everything mentioned are the factors that influence to the phenomenon of philanthropy, closely connected to the American society.

When talking about U.S. HEI fundraising it is important to introduce basic numbers. In the U.S., a student may attend a community college for less than \$1,500/year in tuition, while a private university may charge over \$25,000/year in tuition. Subsidies here ensure that students are able to access some kind of higher education, irrespective of their socio-economic status. In addition to institutional funding, because of the historical injustices against members of specific minority groups, especially African Americans and Native Americans, special funds are often made available in the United States to address the pipeline issues for members of these groups. Additionally, in some disciplines, special funds are targeted toward the recruitment of female students. Thus it can be seen that government funding mechanisms can support (or not support) HEI student diversity goals [6].

All private HEIs in the U.S., which have fundraising as a component of its regular operations, have developed special program within a particular sector devoted just to that. There is no need to mention the fact that there is no American private HEI that does not include fundraising into its everyday activities, does not fosters equal fundraising and providing of its educational services, and did not developed fundraising to that extent that it does not have a solid framework. Internet pages are some of the tools used by the institutions, but the most important is the relationship with alumni, friends and business partners of the institutions. Frequent organizations of the social events, gatherings with a goal of fundraising, are not just classic generation meetings. Fundraising events are not usual meetings, but an organized theme evenings. Theme evenings, of course, include such meetings in order to gain financial or nonfinancial assets under a particular theme (building new libraries, new research laboratory, tuitions, etc.). Apart from the classical fundraising through events, development of the technology developed new ways of fundraising.

According to the data presented in an annual report of The Council for Aid to Education (further: CAE) charitable contributions to colleges and universities in the United States increased 2.3 percent in 2012 since 2011. At \$31 billion, the total is just \$700,000 above the amount raised in 2011. Stanford University is the first institution to rise over \$1 billion in a single year. It has risen more than any other university in each of the past 8 years. Over the past 30 years, it was the top fundraising institution 14 times. Harvard University raised the most in 15 of those years. The University of Southern California, Los Angeles (UCLA) raised the most once, in 2002.

Alumni giving declined 1.3 percent in 2012 since available data from 2011. Evidence from the mentioned survey suggests

the decline was due to a decline in giving for capital purposes. The average alumni gift declined by 1.4 percent. However, the average gift per alumnus for current operations increased 10.8 percent. The decline in the average gift, then, was caused by a drop in the average gift for capital purposes. In addition, alumni participation – the percentage of alumni making gifts–declined, from 9.5 percent in 2011 to 9.2 percent in 2012. Undergraduate alumni participation also declined, from 11.6 percent to 11.2 percent. Alumni participation is calculated by dividing the number of donors by the number of record (individuals for whom the institution has a means of contact). Two phenomena drove the decline. The number of alumni of record increased, and the number of donors declined. The more significant factor is the increase in the number of good addresses institutions have in their databases. So, in part, the decline in participation is a positive sign that institutions are keeping better records [8].

All mentioned data apply to the fact that fundraising within the HEI in the U.S. has progressed so much that with every day there are new ways to attract potential or existing donators that will be continuously be engaged in the institutions that are about to need new founds. Either way there has to be noted the term “strategic decision” when talking about fundraising because of the very dedication of an institution to a particular cause.

#### B. Basic fundraising strategies

Basic fundraising strategic models come from U.S. area. First successful fundraising strategy refers to the Benevon Model. *Benevon Model* is a mission-centered, circular process for rising sustainable funding from individual donors and is particularly focused to the organizational or institutional mission. It is based on building relationships with donors who remain long-term loyalty to the organization which they decided to financially support. It is also highly structured fundraising system used in many non-profit organizations across the United States. This model focuses on donors who have actually been part of the organization and systematic expansion of the very base of donors. Also, the model does not exclude targeting the biggest donors. As the whole system, this model is covering the gap between the traditional model of fundraising strategies and fundraising large donations. Model was developed in 1998 by Axelrod [9], [10].

The second successful fundraising strategy is *Donor Centered Fundraising*. As a fundraising strategy, it focuses on personalizing institutional appeals and proposals to each individual donor. This strategy model was created in 2000 by Burk P. It suggests that each time institution enters the fundraising project; it has to include important interpersonal factors that donors will give the impression that they are really important. Also, it should randomly select group of donors who will be specially treated. Management members should contact those donors in gratitude for the donation and no later than 24 hours of receiving donations. This strategy model puts the need for obtaining relevant information for donors at the top of the agenda, encouraging communication with occasional

recognition that is designed to reflect the unique aspects of mutual appreciation [11].

Third successful fundraising strategy is *Moves Management*. Moves Management is the process of managing donor relationships. As Dunlop D., creator of the system described it "The moves concept focuses major gift fund raising on changing people's attitudes so they want to give. To do this, we take a series of initiatives or moves to develop each prospect's awareness of, knowledge of, interest in, involvement with, and commitment to the institution and its mission." Moves Management involves planning, over the course of the year, the strategies institution will employ to further a relationship with a donor and to, hopefully, reach the desired goal [12].

#### IV. STRATEGIC MANAGEMENT IN HIGHER EDUCATION

Strategy is the name of the most important, serious and comprehensive challenge facing any private or public organization: how to lay the foundation for tomorrow's success in competing for victory in today's markets. Winning today is not enough: if the seed of tomorrow's success is not planted and grown, the organization will have no future. Change is a central concern and focus strategies: changes in the environment, changes in the organization and changes in the way organizations linking strategy with the organization. The change means that organizations can never be satisfied with their achievements. If an organization - HEI does not change its products, services, during the time, it lags behind its competitors. The strategy is to choose synonymous. The sum choice determines whether the HEI has a chance to beat the market - can you win and retain customers and outperform competitors. Success in attracting and retaining customers allows HEI to achieve their financial, technological and other targets associated with the stakeholders. If successful strategies to create or change the balance, it must express an "enterprise content" on the market [13].

The knowledge revolution is gaining momentum, with far-reaching strategic implications for organizations in both the corporate and private sectors. More than ever before, knowledge in itself is becoming part of value creation in an organization. HEI's will also have new choices to make, relating to how they would prefer to serve the new, networked society. The modern HEI's need to choose where to focus – that choice means survival, even prosperity [14].

Sustainable competitive advantage is the main objective companies and their top managers struggle to achieve. Reasoning for such effort is clear: when a manager succeeds in this task, the company led by him or she will permanently outperform its competitors [15]. This phrase could be easily identified to HEI business. Sustainable competitive advantage in the field of HEI business is the main objective HEIs struggle to achieve. As HEIs, in our case, are independent private sector organizations it is incumbent on them to develop strategies which ensure the ongoing viability of the institution and enable it to meet its long-term aspirations [16], they

compete with one another for students and research funds. This is mainly why their business plan must have a strong and developed strategy – defined strategic management.

According to Thompson, Strickland and Gamble, the strategic management function of an institution consists of five phases, namely:

- 1) developing a strategic vision,
- 2) setting objectives,
- 3) creating a strategy to achieve the objectives and vision,
- 4) implementing and executing the strategy, and
- 5) monitoring developments, evaluating performance and making corrective adjustments [17].

Strategic management begins with an evaluation of the organization's mission, goals, and strategy. This is followed by situation analysis which examines opportunities and threats in the external environment as well as strengths and weaknesses within the organization. Situation analysis leads to the formulation of explicit strategic plans, which then must be implemented. Strategic management is considered one specific type of planning. This planning usually takes place in for-profit business organizations and pertains to competitive actions in the marketplace. Although some companies hire strategic planning experts, the responsibility for strategic planning rests with line managers. Strategic thinking means to take the long-term view and to see the big picture, including the organization and the competitive environment and how they fit together. Understanding the strategy concept, the levels of strategy, and strategy formulations versus implementation is an important start toward strategic thinking. Strategic management is the set of decisions and actions used to formulate and implement strategies that will provide a competitively superior fit between the organization and its environment so as to achieve organizational objectives. Through the process of strategic management executives defines an explicit strategy, which is the plan of action that describes resource allocation and activities for dealing with the environment and attaining the organization's goals [18].

HEIs can differentiate themselves through different programs, ways of communications, tuition fees, different program duration, academic staff reputation, people, promotion and premiums like exchange programs, computer facilities and class sizes [19]. Also, it is important to recognize that the strategic management approach is not put as a "one size fits all" strategic approach for all HEIs, irrespective of the context and environments in which they operate. Context varies and governance structures for institutions range from "stand-alone" private HEIs (e.g. IMD, Insead) to university-based HEIs (e.g. Said, Oxford; Warwick Business School), facing differing financial and control structures relative to their host/parent universities. However some model and a series of performance indicators that can be used by deans, and members of their senior management teams, as vehicles for policy dialogue and debate about strategy options, and as the focus for strategizing about strategic adaptation as circumstances change [20].

## V. STRATEGIC FUNDRAISING MODELS

When combining fundraising perspectives, and strategic decisions, HEIs are suitable for develop fundraising strategies. Fundraising strategies are helping in coordinating the development of fundraising through the agreed time period of defined schedule of activities. Strategy itself through its implementation allocates resources such as workforce skills, time and money and enables planning for future changes, opportunities and threats. This kind of strategies provides an additional value in a competitive environment. Fundraising strategies on the other hand establishes the right path from the current state of funding HEIs till the future, desired state funding and identifies institutional development priorities as well as the completion of their possibility. Implementing the fundraising strategy should be regularly monitored, evaluated and modified as necessary to fundraising activities as far as possible meet [1]. The competitive arena generated by the global economy is obliging deans to be creative, especially by expanding their HEIs operations into new markets to make their growth sustainable. HEIs competition is becoming global; deans attempt to attract high caliber students into their programs; accreditations are costly in resources to be allocated; obtaining accreditations is crucial to successfully compete; and rankings play sometimes a role in the applicants' decision-making process [21].

HEIs strategic performance can be seen through: financial measures – profitability, financial surplus, level of endowment funding; operational measures – faculty quality, student quality, research quality, teaching quality, program efficiency, measures of market positioning; and organizational effectiveness – league table rankings, reputation, student satisfaction, employer satisfaction, accreditation. Clearly, a high level of financial performance creates funds for a HEIs management to invest in strategic investments such as new faculty, software development and research activity. Also, the severe reduction of government funding in higher education worldwide has made the generation of these financial surpluses an important management issue, not only for HEI management but also for university vice-chancellors and presidents, who see HEIs as “cash cows”. Increasingly, HEIs have also recognized the need to generate strategic funds through external fundraising in order to build endowments for research, teaching and faculty support activities. Currently, U.S. HEIs have been much more successful in this domain and the increased money made available has allowed certain elite US HEIs who have built endowment “mountains” (e.g. Harvard and Wharton) to further increase their academic quality, branding and competitive positioning in the marketplace [20].

The search for financial resources to cover operational costs and support research efforts is an on-going challenge for most HEI deans. The traditional model of accomplishing this task solely from student tuition is insufficient to meet today's global market demands and enables a school to become a global player. Sources of financing are not abundant, and it is not an easy task to access them. It is an especially complicated

task for HEI management in countries where there is no culture of giving and where there are few public incentives. This process is even more difficult for those schools that are attempting to compete with HEI with financing models such as those in the U.S. and Europe. For example, in the U.S., in addition to the funds generated by the HEI themselves, HEIs have access to donations; an important percent of HEI resources come from donations, whether from individuals, corporations or foundations. In Europe, in addition to donations, there is a culture of public funding for HEIs.

Harvard Business School (Further: HBS) is an icon and provides a benchmark in this sense. For example, the HBS financing model has been to disseminate intellectual capital produced by the faculty through executive education programs through its HBS Publishing unit. In 2009, HBS generated 29% of its revenue from publications such as the Harvard Business Review, the sale of articles from its collection, and the sale of cases and books. Executive education programs generated 23% of HBS's revenues. The sale of these offerings typically generated more than 50% of the HBS's total annual revenue, enabling the HBS to advance the practice of management. Completing the cycle, contributions from Harvard Business School Publishing (HBSP) and executive education programs serve as the mainstay source of support for its faculty's research. The MIT Sloan School of Management, which produces important revenue from the sale of publications such as the MIT Sloan Management Review, is another interesting example. Likewise, the Stanford Graduate School of Business generates revenues through the Stanford Business Magazine, and the London Business School publishes a business magazine called Business Strategy Review, purchased directly or by subscription through Blackwell Synergy [21].

According to the U.S. Department of Education, in the United States, the federal government provided US\$19.8 billion in resources to public HEIs in 2000, 48% more than that given to private HEIs. The most significant difference, however, lies in the contributions given by the individual state governments that, in the same year, provided US\$62.9 billion to public HEIs and US \$1.15 billion to private schools [21].

In Europe the picture is more varied. Three groups of countries received different types and amounts of government aid, as indicated by Godenir, Delhaxhe, and Deutsch. In the first group, which included Denmark, Greece, Luxembourg, Austria, Finland, and Sweden, both public and private HEIs were funded in full with resources from public sector entities; they did not receive funds from tuition fees. In the second group, public and private institutions operated under the same conditions, receiving grants from the government, and also able to receive private funds by charging tuition fees. This was the situation in the United Kingdom, where HEIs received significant private funds, some of which were generated by charging tuition fees; and in Belgium and The Netherlands, where fees were similar in both public-sector and private grant-aided institutions. The third group included Germany, Spain, France, Ireland, Italy, Portugal, Iceland, and

Liechtenstein, in which public funds went mainly or entirely to publicly - administered institutions, while privately administered institutions were financed primarily through private funding [21].

Following on from the implications of the new demand-driven reality, one can also, as noted, question whether society will continue to pay for a large part of a HEIs budget in the future. Perhaps society will ask the participants themselves to pay a larger part of the burden of running the school, through tuition. We can expect that market pressure will lead to higher tuition and more commercial value being demanded – and that there will be more willingness to pay for this. We can also expect that much of the research will be more directly valuable to companies, and hence they will also be more willing to pay for it. The implication is that many HEIs should probably be run more like businesses in their own right. There should thus be more focus on balancing the incomes and the outcomes, more of a realization that the members of the school themselves need to generate these resources, and thus not a state/government spending attitude from the faculty members. This involves a dramatic shift in culture for many members of the faculty. In the classic HEI, they are users of resources made available to them, and the focus for each individual faculty member is perhaps mostly on how to get as big a piece of the resource “pie” as possible. In the new HEI, the issue will be more how one can jointly generate resources that can then be shared in a fair, reasonable way, favoring those who actually provide the most value creation [14].

## VI. IESFF MODEL – NEW DEVELOPED FUNDRAISING STRATEGY MODEL

Our research group was working on implementing all recent developed strategies and combining them with all recent private HEI problems in transforming educational systems. Research was primary based upon the best cases in fundraising strategies development among U.S. HEIs (both private and public) and sustainable fundraising strategies already developed within nonprofit organizations. Our strategic fundraising model was also led by IOA model developed by Universalialia.

The IOA model is relevant to all organizations, regardless of their nature, and can be used as a framework for external evaluations or as a self-assessment tool. In the IOA model, performance is defined in terms of the organization’s effectiveness, efficiency, on-going relevance, and financial viability [22].

As the main goal of one of our previous project was to develop fundraising in private HEI in Croatia (post-communist country, with growing number of private HEIs in the last decade) requested measures that were introduced in model were broadening non-philanthropic society, economic recession (or no growth), based upon developed alumni database and established private HEIs. The model was named IESFF upon five elements that encompass Institution, External environment, Stakeholders, Financing, and Fundraising

strategy and is shown in Fig 1.

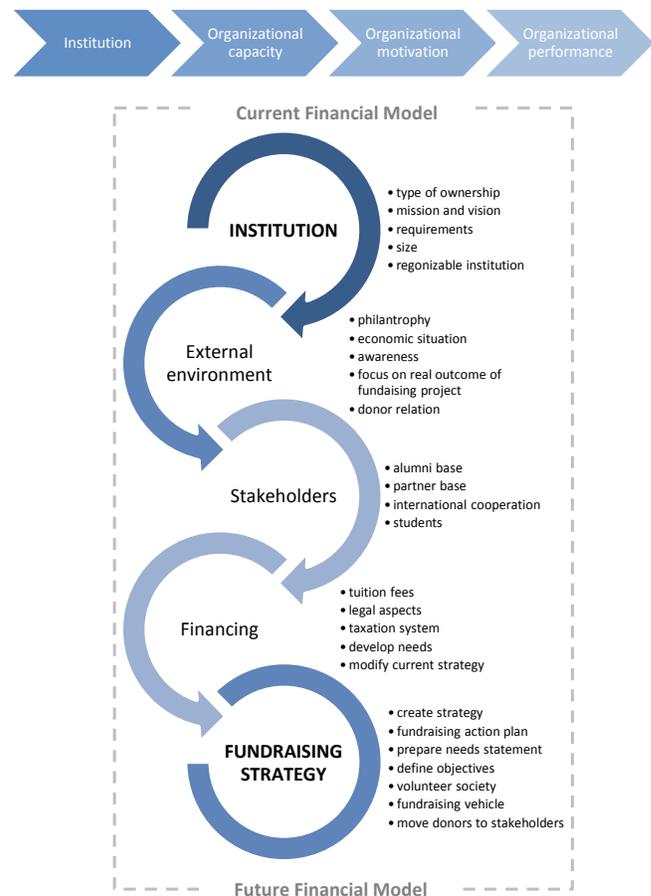


Figure 1. IESFF model for fundraising strategy

The IESFF model is starting its way from analyzing Institution: what is the type of ownership, is it private or public, what are mission and vision of an institution, what are the institutional requirements for potential funding (new library needs, new scholarship fund, new classrooms, etc.), what is the size of an institution, and is it recognized by the society (both academic and business). The second part of a model is focused on analyzing External environment: is there a possibility for raising philanthropy and how to implement it, what is current economic situation, are people aware of the case, encouraging the focus on real outcome of fundraising project, encouraging donor relations. Third part of a model is focusing on Stakeholders is based on implementing alumni and partner base, identifying international cooperation in order to receive international funds, and relations to students that have to be introduced to fundraising case. Fourth and probably one of the “case” problems in this model is Financing part that is extended to revision of tuition fees (even if there is cause for fundraising, tuition fees should be reviewed from time to time, according to economic changes), investigation of all legal aspects of fundraising case, implementing fundraising case according to taxation system (some countries are tax friendly to fundraising cases), developing financial needs and modifying current strategy towards financing possibilities.

With the aim of developing fundraising within private

higher education institutions, there was developed a specialized model that refers to five main stages within four different areas of institutional control.

Areas of institutional control are in our model are: institution itself, organizational capacity, organizational motivation and organizational performance, all influencing the power of separate IESFF five stages. Five elements of IESFF model are closely related to four main underlying forces that drive complete performance: Institution itself, organization capacity, organizational motivation, and organizational performance. As previously mentioned, strategy is extremely important for fundraising and proper strategy implementation through fundraising strategy model can be a competitive advantage for every HEI that is using it. Main five stages of IESFF model are:

#### A. INSTITUTION ANALYSIS.

Primary action in this model refers to type of ownership, mission and vision, requirements, size, and internationalization as a key for recognizable institution.

When talking about the type of ownership, we recognize private and public HEIS, both driven by the management decisions. The management goal is to record profits, productivity, innovation and organizational processes, but also it lies in the vision of the institution and its employees, in attitude and perspective. With a correct attitude and perspective, managers can determine how to implement high-performance in management practices [23]. HEI and each fundraising project can only function successfully in the longer term if its members are subscribed to a common set of values. Mostly mission and vision statements are set regarding to HEI aspirations. Without recognizable mission and vision, HEI or fundraising project cannot be successful. Also, the third part of institution analysis is defining project requirements. It can be divided into several sectors depending on the type of HEI; whether these are financial requirements (i.e. how much money should be collected for the purpose of building new library), career and alumni requirements (i.e. how to keep alumni connected to HEI, how to engage volunteers), operational requirements (i.e. how many people will be working on fundraising project, where should it be organized and so on.) Depending on a size of HEI, requirements differ. The final key for institution analysis is internationalization.

In the process of internationalization, institutions go through a series of steps when entering a foreign market. It can be connected also with spreading the market for fundraising requests. The first step is irregular, how to develop good relations with international partners or how to reorganize possible donors base beyond the borders of your own counts. With the increase in international experience of the HEI, the next stage involves international engagement by either fundraising manager or volunteers. The third step in the process of internationalization is for HEI to become experienced player in the field of international education by opening more relations to potential donors or future students. No subsidiaries are required but are welcome. After that, the

HEI pass to the final stage, becomes an international HEI, with multinational fundraising projects [24].

#### B. EXTERNAL ENVIRONMENT

The reason why HEIs became private is partly because of generating profit so they could be observed as business unit. A business converts inputs into outputs in order to make a profit. However, the business does not exist in a vacuum; it exists within an external environment consisting of the actions of other players who are outside the business. The external environment consists of: competitors, the economic system, the social system, the monetary system, the political/legal system, the environmental system [25]. Competitor's actions affect the ability of the HEIs to make profits, because competitors will continually seek to gain an advantage over each other, by differentiating their product and service, and by seeking to provide better value for money. Most of competitors at HEI market are other HEIs either public or private, creating the competitive market of higher education. They all compete at the same market of funding. The second part of external environment is the economic system. It cannot be influenced, but it influences in a large part to HEI performance. In a case of economy boom, there will probably be more enrollments to HEI while more and more students could afford private HEI tuition fees, as well as there will be larger supply of funds for HEI development. Third part of external environment influencing HEI business is a social system. This is the most problematic part of external environment when talking about post-communist HEI fundraising. The main problem in it is the lack of philanthropy. Part of a social system is a corporate culture. Corporate culture, although an intangible concept, as a system of shared values and norms that define appropriate attitudes and behaviors for organizational members is a strong determinant of HEI success. Corporate culture shapes employee behavior and influences an individual's actions [26].

Also, monetary system and political or legal systems are also influencing the very fundraising strategy for post-communist HEIs. Sometimes scholarship funds are covered by credits and they are largely influenced by rising interest rates. This generates another problem regarding political or legal system. Even though it creates the rules and frameworks within which HEI operate, government policy supports and encourages some HEI activities (new programs launch, new funding activities, taxation policy, etc.). The story of external environment ends with an environmental system placing a HEI market as one of the more and more profitable market in economy. Even though it is not making goods, but provides services, its rising costs are largely influencing world GDP.

#### C. STAKEHOLDERS

HEIs are an important part of, and play an important role in, society. The HEIs are societies into themselves, but they are also part of the larger society. If they remained only societies into themselves, HEIs would be locked up in a local government with no future behind it. On the other hand, HEIs

without some distance from society at large would run a serious risk of losing their capacity in order to follow their stated mission and vision. This is why the theory of stakeholders has to be implemented into IESFF model, but also into HEI management.

The organization is according to Freeman and Jones characterized by relationships with many groups and individuals (“stakeholders”), each with the power to affect its performance and/or with a stake in its performance [27], [28]. Also, according to Carroll, the stakeholders, also designated as “interest groups” or “constituencies”, are “any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organizations” [29]; “persons or interests that have a stake, something to gain or lose as a result of its (the organization’s) activities” [30]. The stakeholder is “an individual or group that has some kind of stake in what business does and may also affect the organization in some fashion” [31]. The term “stake” can also be explained as “claim”, “interest” or “right”. Jawahar and McLaughlin argue that “the strategy an organization uses to deal with each stakeholder will depend on the importance of that stakeholder to the organization relative to other stakeholders”. The strategy of proaction “involves doing a great deal to address a stakeholder’s issues, including anticipating and actively addressing specific concerns”; “the strategy of accommodation is a less active approach of dealing with a stakeholder’s issues”; the strategy of defense “involves doing only the minimum legally required to address a stakeholder’s issues”; “the strategy of reaction involves either fighting against addressing a stakeholder’s issues or completely withdrawing and ignoring the stakeholder” [32]. According to Starik, stakeholders include not only actual stakeholders but also potential stakeholders. Starik argues that stakeholders can be also the Earth’s atmosphere, hydrosphere, lithosphere, and biosphere. The question of what a stakeholder is may be determined by the users’ concept. The term stakeholder could include physical human form, non-human natural environment; past or future generations, non-living objects, or non-physical mental-emotional constructs [33]. According to Tetrevaova and Sabolova, the subjects that can be considered as the relevant stakeholders are those representing certain opportunities or threats for the organization. From the point of view of universities, they are their students, their graduates, the course applicants, their employees, the Ministry of Education, the grant agencies, the sponsors, other educational institutions, businesses, suppliers, the governments on the central, regional and local levels, the public authorities (e.g. the tax authorities, health insurance companies, social security administration, etc.), and the public. As for private universities, they also include the owners and other investors [34].

In our model we will use shorten Freeman Theory of Stakeholders by customizing it to private HEI stakeholders group. There are many stakeholders in education each of whom needs to play his role effectively.

According to Freeman Theory of Stakeholders, they could be divided to: regulators - governmental organizations comprising of ministries and departments at both central and state levels; providers - public institutions, deemed and private institution, International HE institutes and related organizations; beneficiaries - society and nation at large; parents (the customer), students (the user), the job-market, faculty; an entire eco-system - tutors, HE consultants/agents, media, publishers, and recently civil society groups [27]. Beneficiaries are just a part of our external environment stakeholders, but probably the most in the stakeholder recruitment fundraising process. We have chosen the following stakeholders as the most important one for fundraising process:

- 1) *Students as clients*. Clients expect a number of defined services from a provider, and they would normally take little interest in the provider as long as these services are delivered as expected at an affordable price and acceptable quality – according to the contract, in commercial terms. If client expectations are not met, most clients respond by looking for the desired services elsewhere rather than by attempting to take control of the provider to make it deliver the services as stipulated or desired [35]. The same thing happens in private HEIs. Students are actually clients that are using service of education and all additional services that their HEI offers. Even though they are just clients, after their graduation their role in this process could be moved to Alumni association. This is the reason why it is important to connect them closely to HEI and to provide them enough relevant information on HEI development.
- 2) *The Customers*. Payment for education of course is made by another party as most of HEI students are not financial independent. Parents are giving their children less cash to pay for HEI amid continued economic weakness, adding to pressure on students to borrow money, rely more on grants and scholarships—and in many cases, live at home. The financial situation in world is largely influencing this segment of customers in private HEI business. A new study from Sallie Mae finds that parents are footing a smaller portion of the college tuition bill as families become more cost-conscious. The burden is shifting to the student, who now has to depend on money from other sources to pay for rising college costs—and many are also finding “free money” to pay for a large chunk of the tab. According to a report released by Sallie Mae organization, scholarships and grants have trumped parental contributions as the most important source of paying for higher education. Scholarships and grants paid for about 30 percent of college costs in the 2012-2013 academic year, up from 25 percent in 2008-2009 [36].
- 3) *Business/Industry/Job market* provides opportunities for the students to experience the world of work through internships, collaborates with HEI to formulate effective programs, supports recruitment and job opportunities, and

often offers scholarships.

- 4) *Alumni Associations* demonstrate loyalty and responsibility for future generations by supporting the HEIs, and through fundraising system offer scholarships and supports to students and faculty.

#### D. FINANCING

Financing elements in this case refer to tuition fees, all legal aspects, taxation system, and modifying current financing strategy in order to achieve given goals. Financial stability, that is achieving and maintaining stability of the financial system of higher education, is one of the main goals of most higher education institutions around the world, even when that goal is not specifically prescribed by statute or regulations that regulate the activity of the institutions.

Financing higher education is large and rather complex issue. It is very complex in part because of its multiple sources of income or funding, while on the other hand, has a product that is itself variously funded by third parties (credits, loans, cash payments, scholarships). Furthermore, a form of financing varies by type of institution (university, four-year undergraduate study, or a one-year graduate/postgraduate study, doctoral studies), according to the method of management (public or private institutions) and the country in which the institution is located. Within the private sector, there are different levels of expenditure and the forms of pricing that ultimately vary by institutional wealth, demographics, and general state of the country, as well as of the number of potential participants of the program and the state of competition. The issue of financing of higher education institutions is also very comprehensive. Refers to the quality policy (funding relationships and quality in several dimensions), access (availability of funding) and efficiency (search for cost-effective relationships between income - particularly those who come from the students, their parents and taxpayers, and the output of education - which measures the number of applicants, number of graduates, the final information on the employment of students, active employees and teachers). By market development, financial systems of countries developed as well and thus access to the money of individuals as citizens. It is unlikely that residents of developing countries or countries in post-communist Europe are going to think about money similar to residents of the United States. Capitalist society, as opposed to a society that has just entered into capitalism, has greater opportunities for promotion of such projects [1].

#### E. FUNDRAISING STRATEGY

Fundraising strategy as a last stage in IESFF model refers to creating strategy, modifying action plan, preparing needs statement, defining objectives, defining and empowering volunteer society, improving and defining fundraising vehicle, and after all process is done, moving donors to stakeholders by strengthening connections between HEI and business society. All moves mentioned define the success of the fundraising

project turned into IESFF model.

#### VII. CONCLUSION

The quality of the education system is closely linked with the quality of the institutions that provide education. As this paper was linking strategy and fundraising, first of all, when taking into account fundraising and philanthropy, it is difficult to talk about the creation or development of a particular culture of giving in post-communist cultures. Culture of donations can be easily explained as a kind of culture of investing in future generations as well as a culture of strategically approach, so actually – the new link is strategic investing.

The growing higher education market has a large impact on financing strategies, at least to their creation, change and implementation. Higher education growth, growth of new educational activities, has the effect of increased need for external financing sources. As fundraising is one of the most common activities in developing financial strategies in U.S., European countries have to be enough competitive and have the opportunities to implement strategically reforms that would change their future with financial funding. As this paper was focused on developing custom fit model for fundraising for countries with no developed philanthropy, it could be also used for all HEIs in post-communist countries, especially those who never had the opportunity to collect funds external sources.

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