European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.6, No.10, 2014

Factors Influencing Performance of Income Generating Units in Public Universities

Agnes Nyamvula Tsuma
Department of Commerce and Economics, School of Human Resources Development, Jomo Kenyatta University of Agriculture and Technology, P.O Box 81310, Code 80100, Mombasa
E-mail: agnes.tsuma@gmail.com

Dr. Fred Mugambi M
Department of Commerce and Economics, School of Human Resources Development, Jomo Kenyatta University of Agriculture and Technology, P.O Box 81310, Code 80100, Mombasa
E-mail: fmgambi@gmail.com

Abstract
This paper discusses the performance of income generating units in public universities in Kenya. A broad study was done with regards to the various variables showing how each of them affects performance of income generating units. A descriptive approach in research was sought to explain the relationship between the variables of the study as shown in the conceptual framework. The research discloses that Economic factors such as inflation affect allocation of resources in the units and funds allocated to the various votes do not sufficiently meet the needs of the units. It was further noted that employees' accountability determines performance of the units and internal controls ensures reliability of financial reporting which are accurate and complete. The study concludes by recommending a cost benefit analysis for any ventures in the future to ensure viability of projects so as to abate costs in setting up projects that have very little returns.
Key words: Economic factors, Income generating units, Cost benefit analysis, Inflation.

1.0 Introduction

Income generating units comprise of units that are a means for gaining or increasing income. They have been sort as a means of livelihood not just in organizations but even so in community development areas. According to Bruce (1998), income Generating Activities serve as a cushion/support kitty for funds received such as Constituency Development Funds where there are restrictions that control the utilization of these funds, for instance it is stipulated that Constituency Development Funds' money should be utilized only on purchasing component materials of the project and cannot be used to pay off debts of any kind, transport or labor charges.

Most African higher education institutions rely greatly on the state for funding as well as for policy-making as far as the public sector are concerned. However, most states do not apportion a sufficient amount of their financial resources to the education sector. From the little provision that is made for education, the greater portion is assigned to basic and secondary education, (Bloom, 2005).

Odebiyi and Aina et al (1999), the inadequate funding of the Universities and other tertiary institutions has had calamitous effect on teaching and research and universities themselves have been forced to embark on income generating projects in order to source for funds. Therefore, the available revenue is spent on capital projects, administration, teaching and research and students welfare. Capital Projects and salaries reportedly take a bulk of the total revenue while teaching and students' welfare tend to be given less priority.

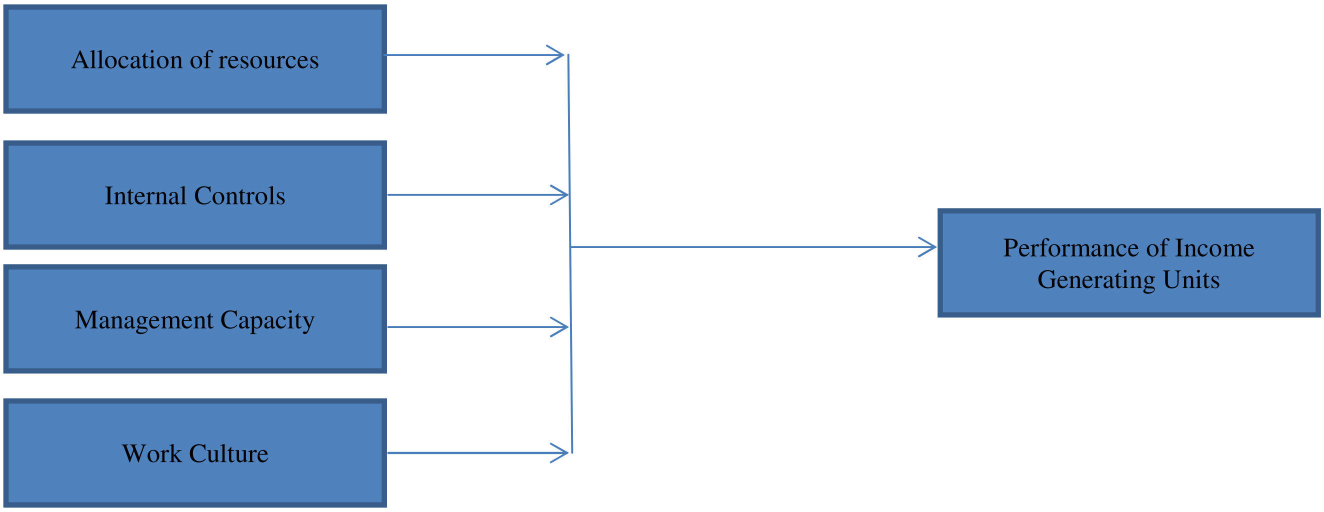
Over the past ten years public corporations have continuously received less financial allocation by the Government than the estimated expenditure as forecasted by the institution. According to Kiamba (2003), the government made it clear that it will no longer be able to fully finance public universities. A notable observation in the Kenya 1994/1998 development plan was that "the central thrust of the new policies is to rely on market forces to mobilize resources for growth and development with the role of the Government increasingly confined to providing an effective regulatory framework and essential public infrastructure and social services. The Government will limit direct participation in many sectors and instead promote private sector activity". As a result most public universities had to explore other means of generating income to finance the university programmes. The income generating activities, currently being undertaken by universities in Africa, can be generally classified in two groups, namely; teaching (parallel degree) programs and non-teaching income generating activities.

1.1 Statement of the problem

Universities in developed countries have shown that significant funds can be generated through income generating units. This has been possible through the use of university facilities and expertise to generate more funds. Whereas the potentials for income generation through innovation and inventions are there for most universities in African countries, these have not been adequately utilized and full realization of these potentials may not be possible due to several bottlenecks (Ogada, 2000). The management of income generating units has been difficult due to various factors hence affecting its performance. Allocation of resources has been a great battle within the institution whereby most resources realized are not necessarily ploughed back into the business hence operations are not efficiently met. Due to low funding by the government most of the resources are allocated to university development and very little is allocated to the IGU's. Work culture in public corporations has been a challenge in achieving organizational goals. Employees are not result oriented and working without targets has made it quite difficult to meet the competitive edge. This is due to negligence by the staff since they believe that whether there is production or not they are still entitled to remunerations. This notion has brought about conflict of interest and highly affected the unit's performance.

2.0 Literature Review

Conceptual Framework



Independent Variable Dependent Variable

Figure 2.1 Conceptual Framework

2.1 Allocation of Resources

According to the economic glossary, Allocation of resources is the process of dividing up and distributing available, limited resources to competing, alternative uses that satisfy unlimited wants and needs. Choices have to be made. These choices, these decisions are the resource allocation process. Ogada (2000) states that, following the launching of the Economic Reforms of 1996 - 1998: Policy Framework Paper, the Kenyan Government's position on financing of Education is that the public expenditure is to concentrate on primary and secondary education. This implies that the funds available for university education has been reduced and Kenyan universities have been urged to put in place strategies which can enable them generate income using internal resources to finance the shortfalls. All public universities have been facing this crisis of resource allocation due to limited funds provided by the government such that allocating these little resources becomes a challenge. The management of the university has to make difficult choices on what project is to be allocated what amount and hence interfering with the growth of the income generating units.

2.2 Internal Controls

Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

IV. Effectiveness and efficiency of operations
V. Reliability of financial reporting
VI. Compliance with applicable laws and regulations

According to Whittington (2004), one of the important reasons of financial fraud is the failure of internal control and the lack of related information disclosure. Effective internal control system can ensure the truthfulness and reliability of financial information. Information disclosure can contribute to the constant improvement of internal control, offering data for decision making to information users. The establishment and effective implementation of internal control system can assure the corporate continuing operating and developing healthily. The quality of internal control disclosure reflects the situation of the system, which is vital to regulators and investors.

2.3 Management Capacity

Managerial capacity refers to the specialized financial and managerial expertise to finance, develop, manage and operate infrastructure assets (Sommerfield, 1995). Results-based management is currently being instilled into the Public Service through performance contracts. According to the UNES Strategic Plan (2005-2010), it was formulated in such a way that it reflects the key elements of results-(performance-) based management, namely the mission, objectives, performance criteria and indicators, and targets. This has greatly influenced the performance of their IGU's. With a result based management the management capacity and abilities are maintained at high standard hence promoting good governance and performance of the IGU's.

Income diversification needs skilled management at all levels of the institution and may require new staff profiles, such as professional research administrators and fundraisers. These need to be included in the design of the university's strategy and must operate within adapted structures. Leadership may also need to take on new tasks, especially in relation to fundraising. It is clear that to engage philanthropists with the university, the leadership must be committed to these activities. Therefore it is crucial that training and support programmes are provided for the different levels of leadership in the university (European University Association conference, 2008).

2.4 Work Culture

For Pettigrew (1979), organizational culture consists of "a system of public and collective meanings accepted by a given group over a certain period of time. This system of terms, forms, categories and images interpret for people their own situations". However, for Schein (1992), organizational culture is to be understood as "the pattern of shared basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration -- a pattern of assumptions that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems".

Public corporations emphasis is on valuing a centralized and authoritarian system of authority that makes it difficult to increase professional development and to acknowledge the human element (rigid hierarchical power structure). In as much as the public companies emphasize individual competence and efficiency as a way to achieve the highly desired personal objectives, they implicitly stimulate the necessity of "passing over" colleagues who have longed for similar objectives (competitive professionalism). Such values manifest themselves through practices that aim at the implementation of interpersonal communication strategies and decision-making tactics that enhance the aforementioned power structure. In other words, the culture of the public companies that have taken part in this research can be fundamentally defined by valuing authority and competition, detrimental to the human element and to interpersonal relations, as a means of climbing the hierarchy (Heleena, 2000).

3.0 Methodology

The study took a descriptive approach as it explained the factors influencing operations of income generating units in public universities. Descriptive research was used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation (Key, 1997). The study also used quantitative design since the researcher aimed at determining the relationship between the independent variables and the dependent variable. Purposive sampling is the use of cases that have the required information with respect to the objectives of the study (Mugenda and Mugenda, 2003).

Purposive sampling technique was used to interview the management board and the unit managers since they are already known to the researcher whereas for the other staff, simple random sampling technique was used. A simple random sample is a subset of individuals chosen from a larger set. In this case each individual is chosen randomly and entirely by chance, hence this reduces biasness of the researcher.

4.0 Data Analysis and Presentation of Findings

4.1 Allocation of resources

Table 4.0 Economic factors and allocation of resources

	N	Mean	Std. Deviation
Economic factors such as inflation affect allocation of resources in IGU	48	1.6042	0.49420
Continuous monitoring and evaluation of IGUs influences its performance	48	1.5208	0.50485
Funds allocated to the various votes do not sufficiently meet the needs of the IGU,	48	1.60	0.494
Valid N (listwise)	48	1.575	

This table indicates that Economic factors such as inflation affect allocation of resources in IGU and Funds allocated to the various votes do not sufficiently meet the needs of the IGU, were ranked highest with a means 1.6 while Continuous monitoring and evaluation of IGUs influences its performance was ranked the lowest.
The above table shows that according to the respondents economic factors affect allocation of resources while continuous monitoring and evaluation hardly has an effect on the IGU's performance.

Budget fund and planning effect on performance.

Table 4.1Budget fund and planning on allocation of resources

	N	Mean	Std. Deviation
To what extent do budgeted funds affects the performance of IGUS	48	1.7292	0.44909
To what extent does planning and forecasting of both revenues and expenses affect performance of IGU's? Tick the appropriate.	48	1.38	0.489
Valid N (listwise)	48	1.5546	

This means that according to the respondents budgets have a great influence on the performance of IGU's while planning and forecasting does not strongly affect its performance.

Fund allocation and performance

Table 4.2 Sufficiency of funds allocation and effect on performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	19	39.6	39.6	39.6
	Strongly Agree	29	60.4	60.4	100
	Total	48	100	100	

Table 4.2 shows the analysis on whether funds allocated to the various votes sufficiently meet the needs of the IGU. The analysis shows that 19 respondents (39.6 percent) had a too low perception on the effect, while 29 respondents (60.4 %) agreed that funds allocated to the various votes do not sufficiently meet the needs of the IGU.
Therefore fund allocation directly had an influence on the performance of the IGU's

Internal controls on the performance of income generating units

Table 4.3 Internal Controls on performance of income generating units

	N	Mean	Std. Deviation
Employees accountability determines performance of IGUs	48	2.3542	1.02084
The internal controls ensures reliability of financial reporting which are accurate and complete	48	1.9167	.79448
Weak internal controls affect performance of IGUs	48	1.1250	.33422
Valid N (list wise)	48	1.7986	

Indicates that Employees accountability determines performance of IGUs and internal controls ensures reliability of financial reporting which are accurate and complete was ranked the highest with individual means of 2.3 and 1.9 respectively. While Weak internal controls affect performance of IGUs was ranked the lowest.
This means that the respondents agree that accountability of employees influence performance of IGU's and internal controls ensure reliability of financial reporting. On the other hand the respondents disagree that weak controls affect performance of the units.

4.2 Management Capacity

Table 4.4 Management capacity on performance of income generating units

	N	Mean	Std. Deviation
Technical knowhow contributes largely to the performance of IGUs	48	1.6250	.70334
The duties and responsibilities to personnel match their experience and capabilities	48	1.7292	.67602
Do management style influence performance of IGUs	48	1.6042	.70679
Valid N (listwise)	48	1.6528	

The analysis in table 4.4 shows that duties and responsibilities to personnel match their experience and capabilities and Technical knowhow contributes largely to the performance of IGUs was ranked the highest with individual means of 1.72 and 1.62 respectively, while management style influencing performance of IGUs was ranked lowest.
This shows that in the respondents view technical knowhow is very important in overall development of IGU's thus ranked highest while management style lowly influencing its performance.

Manager and decision making

Table 4.5 Manager and decision making on performance of income generating units

	N	Mean	Std. Deviation
To what extent do managers involve the rest of the team players in decision making process	48	2.6458	1.02084
To what extent does experience influence the decision making in the management of IGUs	48	1.3542	.48332
Valid N (listwise)	48	2	

The above findings show that managers in the IGU's involve their team members in decision making processes hence influencing its performance. However the respondents don't agree that experience can influence performance of IGU's

Culture on the performance of income generating unit

Table 4.6 Culture on the performance of income generating unit

	N	Mean	Std. Deviation
Do employees adhere to the code of ethics on service delivery in the university	48	1.8958	.62704
Does staff working attitude affects performance of IGUs	48	1.3542	.48332
Does bureaucratic form of organization affect performance of IGUcs	48	1.6042	.49420
Valid N (listwise)	48	1.6181	

This indicates that respondents agree that employee adhere to the code of ethics on service delivery and that staff working attitude does not affect performance of IGU's. It further indicates that the bureaucratic form of organization has an influence on the performance of the units.

In conclusion it is apparent that performance of income generating units is a vital area for public universities considering they are provided very few funds. If closely supervised they can be used as an alternative source of fund to substitute for the insufficient funds. A lot of caution needs to be taken into account when running the units to realize profits as much as possible

Recommendations

Based on the findings realized during the research the following recommendations should be considered as the institution work towards meeting its institutional objectives.

i) Work organization
There is need to allocate duties and responsibilities to staff according to their area of expertise to maximize on their asset base.

j) Investing in people and skills
Human capital is the best asset an organization or institution can ever have. Nurturing and advancing staff and their skills through on-the-job training to advance their studies will also enhance the institutions human capital which they can use to advance their services.

k) Innovation and use of technology
The institution needs to embrace higher levels of technology to be able to connect with other clientele to enhance production of the IGU's. With technology they can be able to make access to services available to a vast number of individuals throughout the country.

l) A productive workplace culture
An institutions workplace culture determines how efficient they operate and hence their returns. Motivating employees and involving them in decision making processes will assist in improving performance of IGU's

m) Leadership and management capability
The institution should ensure that the personnel assigned major responsibilities have the necessary capabilities to lead the team assign to. They should take good approaches to management of staff to ensure high productivity from staff.

n) Cost benefit analysis
The management needs to do a cost benefit analysis for any new venture in the future to ensure viability of a project so as to ensure funds wasted in setting up projects that have very little returns.

o) The managers should ensure clear and correct record keeping is exercised to facilitate efficient financial preparation of reports.

p) Management should ensure that the respective units operate within the budget and funds allocated to avoid overdrawing their votes.

References

Bloom, D.et al. (2005). *Higher Education and Economic Development in Africa,* Harvard University. Study commissioned by the World Bank. Washington, D.C.

European University Association, Financially sustainable universities: Towards full costing in European universities,2008.

Helena, M. C. C. (2000). The impact of culture on perceptions of organizational justice. Unpublished master's thesis, Institute of Psychology, Universidade Gama Filho, Rio de Janeiro, RJ.

Key, P. J (1997). Research Design In Occupational Education. Oklahoma State University.

Kiamba, C. (2003). Private sponsored students and other income-generating activities at the university of Nairobi. *Journal of Higher Education in Africa*. 2(2), 53-73.

Mugenda O, Mugenda G (2003). Research Methods. Nairobi: ACT PRESS Obanya Pai (2004). *Educating for the Knowledge Economy*. Ibadan. Mosuro Publishers. Ibadan.

Odebiyi AI, Aina OI (1999). Alternative modes of financing higher educationin Nigeria and implications for university governance. Final Report. Accra: Association of African Universities (AAU)

Pettigrew, A. M. (1979). On studying organizational cultures. Administrative Science Quarterly, 24, 570-581.

Schein, E. H. (1991). What is culture? In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Orgs.), Reframing organizational culture (pp. 243-253). Newbury Park: Sage.

Whittington & Pany (2004). Principles of Auditing. (4th Edition). McGraw Hill companies

UNES Corporate Strategic Plan 2001 – 2005

Trostle, J. A., Sommerfield, J. U., and Simon, J. L., 1997, "Strengthening Human Resource Capacity in Developing Countries," in M. S. Grindle (ed.) "Getting Good Government: Capacity Building in the Public Sectors of Developing Countries," Harvard Institute for International Development, Harvard University Press, Boston, MA.