

International conference
“Economic policy for smart, sustainable and inclusive growth”
15-17 JUNE 2017, BELGRADE, SERBIA



DRIVERS AND OBSTACLES OF THE FULL COSTING IMPELMENTATION AT HIGHER EDUCATION INSTITUTIONS

Martina Dragija, Ph.D.

Assistant Professor

Faculty of Economics and Business, Zagreb

E-mail: mdragija@efzg.hr

Content of the paper

- 1. INTRODUCTION**
- 2. FULL COSTING AT HIGHER EDUCATION INSTITUTIONS – LITERATURE REVIEW**
- 3. DRIVERS AND OBSTACLES OF FULL COSTING IMPLEMENTATION**
- 4. OBSTACLES FOR DEVELOPMENT OF FULL COSTING– EMPIRICAL RESEARCH IN CROATIA**
- 5. CONCLUSION**

1. INTRODUCTION

- Higher education institutions are going through a **different reform processes that differ from country to country** - the common challenge of higher education institutions is **to assure financial sustainability**.
- One of very important preconditions for **assuring financial sustainability is quality reporting system** that provide comprehensive and detail information about all aspect of higher education institutions and especially about the full costs of all their activities.
- **The need for internal reporting in the new public management** imposes further requirements of accounting data processing for the development of internal reporting, which will be methodologically harmonized with external reporting

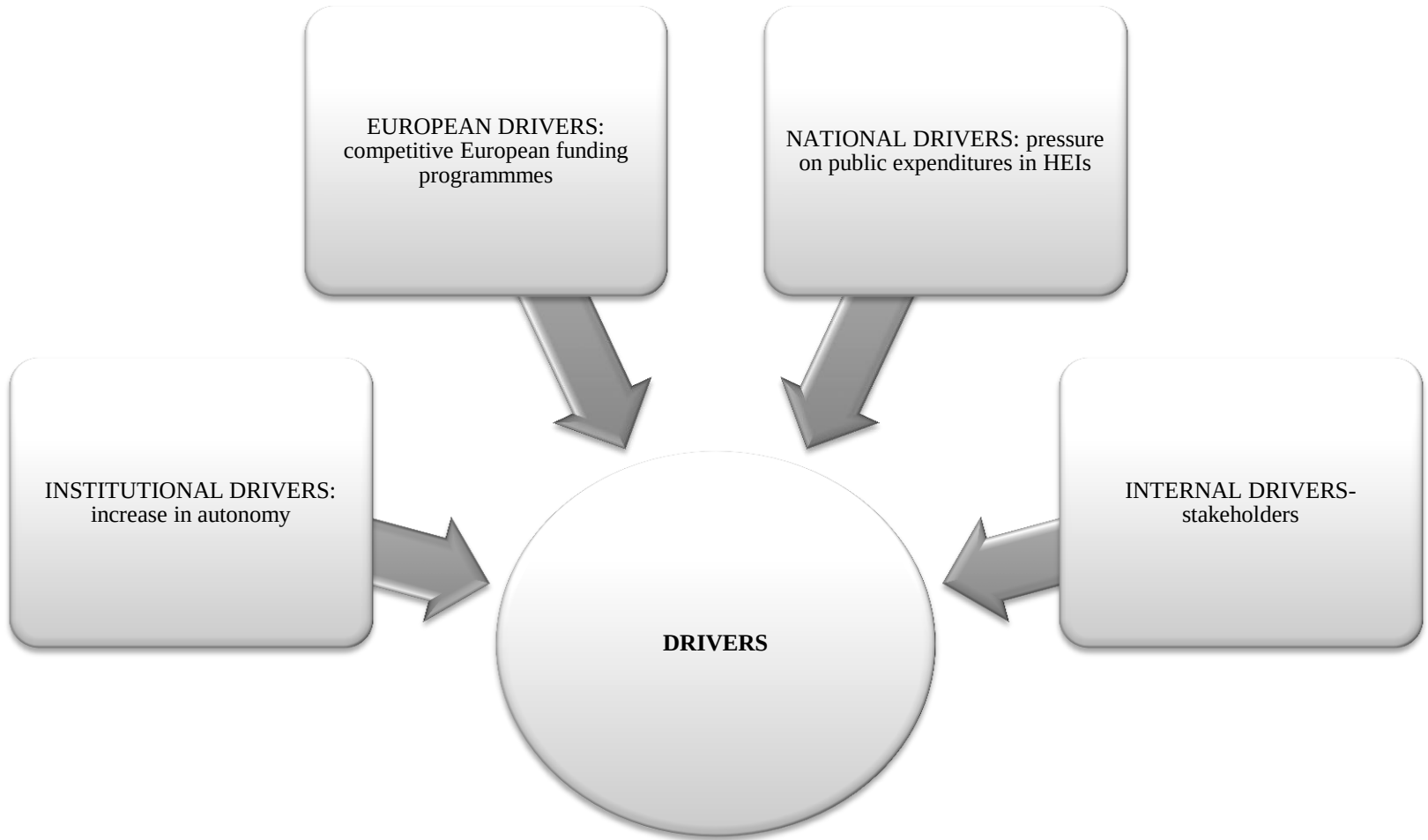
2. FULL COSTING AT HIGHER EDUCATION INSTITUTIONS – LITERATURE REVIEW

- *The traditional accounting system of HEI's is primarily focused on external accounting reports for the state purpose, while the internal (managerial) reporting is underestimated, especially from the management and decision-making point of view (Pettersen & Solstad, 2007).*
- *Lilana, 2015 stresses that the majority of reporting reforms considering HEI's modernization of management process are oriented in making financial statements more comprehensive and accountable.*
- *Only few studies concentrate on management accounting in public HEI's, mostly Vašiček, Dragija (ed.); 2011, 28, Sordo et al., 2012, Mamontova & Novak, 2015.*
- In close connection with aforementioned issues regarding importance of internal reports for efficient management beside external reports, **it is necessary to mentioned implementation of full costing at HEIs.**

2. FULL COSTING AT HIGHER EDUCATION INSTITUTIONS – LITERATURE REVIEW

- **Full costing**
 - The ability to **identify and calculate all the direct and indirect costs per activity** and/ or project that need to be considered to accomplish these activities/ an essential tool of modern university management
 - **The United Kingdom, Ireland, Finland and Sweden**, who were first to initiate the process, are the most advanced systems in terms of development and implementation of full costing methodologies
- *Estermann and Claeys-Kulik (2013) highlighted motivation for imlementation of full costing at HEIs:*
 - **To enhance financial sustainability:** it gives universities a tool to identify the full costs of their activities and thus enhances the understanding of costs and the adequate level of funding needed to support the financial sustainability of universities.
 - **To increase transparency:** it enables universities to show in a transparent way how they spend money and what the real costs of their activities are.
 - **To strengthen the position of universities:** it can inform pricing decisions of different activities. Thus it helps to move away from a 'low-cost culture' and has the potential to strengthen the position of universities in relations with contract partners.
 - **To support strategic management:** it is an essential strategic management tool for universities that provides information for evidence-based decision-making at the strategic level of the university. It has to be used strategically in accordance with the mission and vision of each individual university.

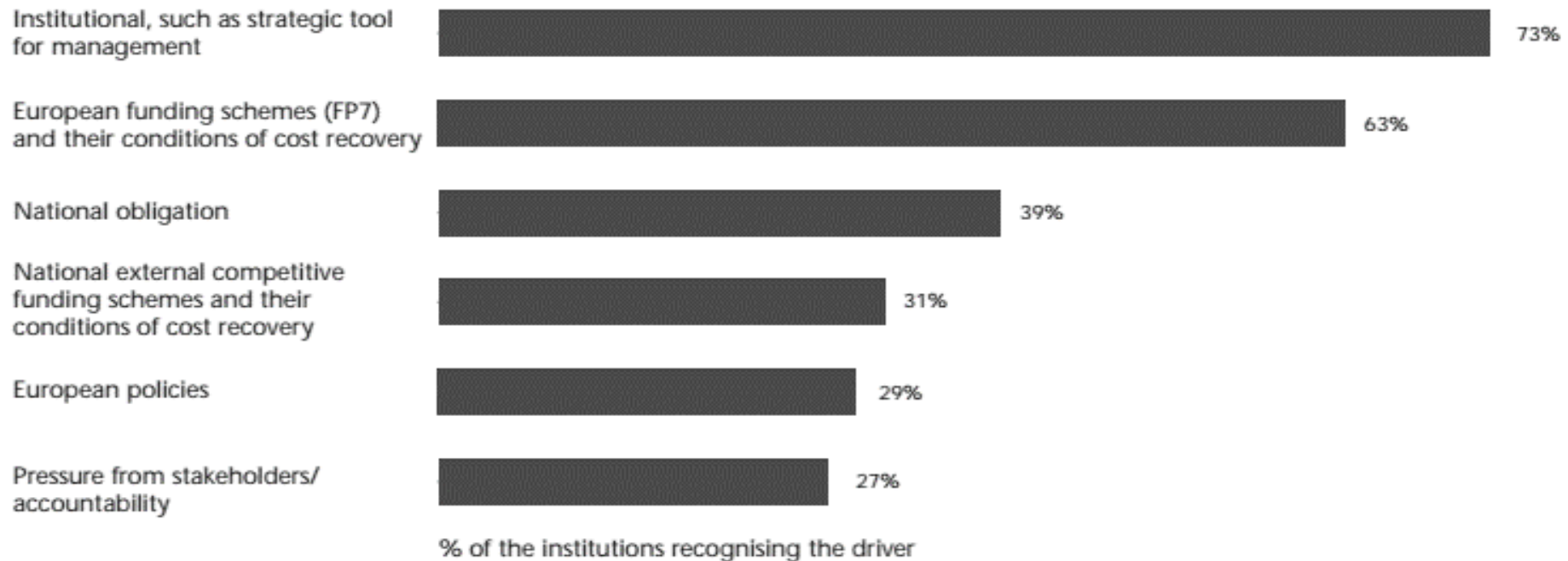
3. DRIVERS AND OBSTACLES OF FULL COSTING IMPLEMENTATION



Source: *European University Association (2008) Study “Financially sustainable Universities – Towards full costing in European Universities”, Brussels*, dostupno na: www.eua.org

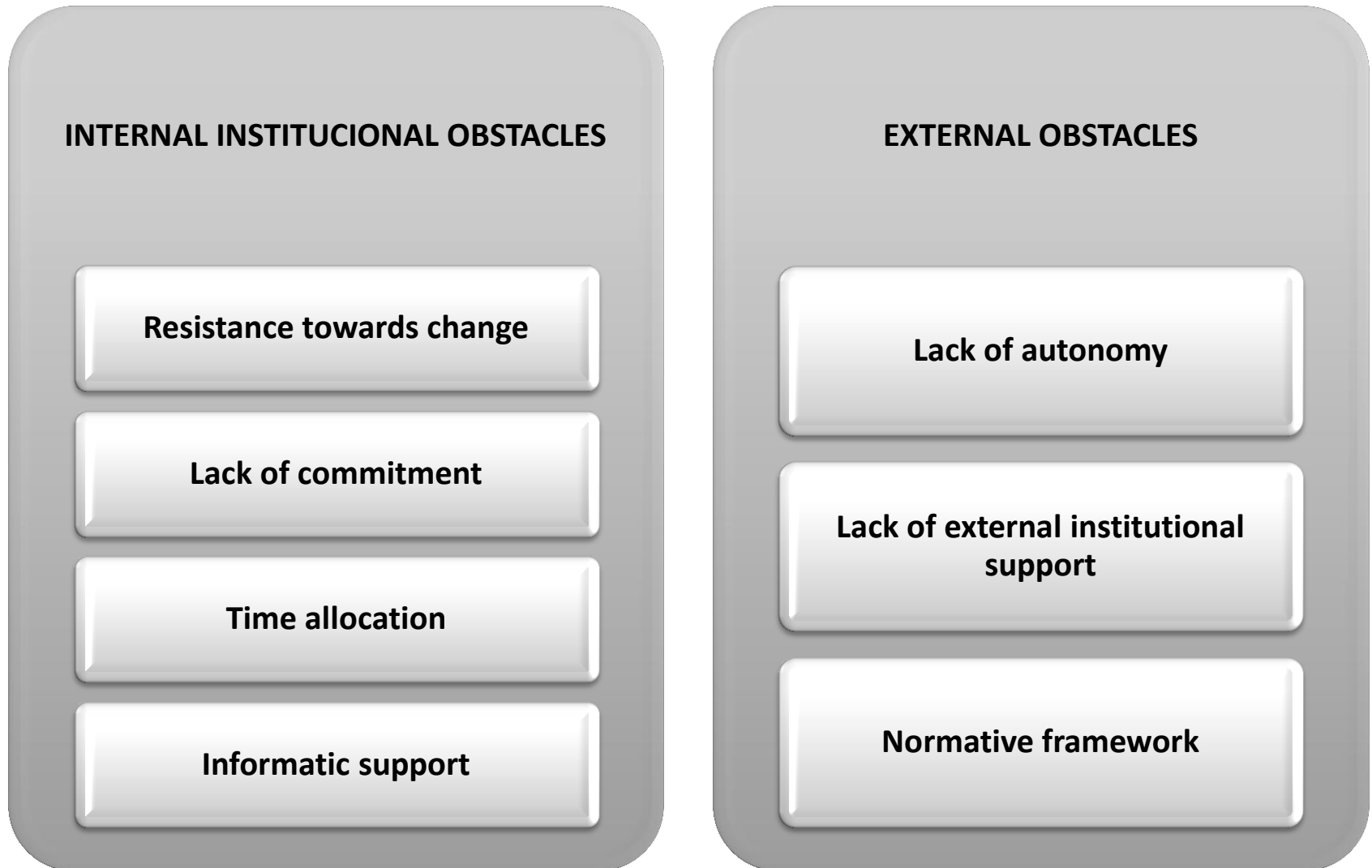
3. DRIVERS AND OBSTACLES OF FULL COSTING IMPLEMENTATION

Relevance of different drivers behind implementing full costing



Source: *European University Association (2008) Study "Financially sustainable Universities – Towards full costing in European Universities"*, Brussels, dostupno na: www.eua.org

3. DRIVERS AND OBSTACLES OF FULL COSTING IMPLEMENTATION



Source: Estermann and Claeys-Kulik (2013) Financial Sustainable Universities, Full costing: Progress and Practice, European University Association, Brussels

4. OBSTACLES FOR DEVELOPMENT OF FULL COSTING– EMPIRICAL RESEARCH IN CROATIA

- In order to investigate what are the main obstacles, the author examined and tried to answer the following research question:
 - **RQ: What are the main obstacles for development of full costing at your HEI's?**
- The principal area of research is to present **opinions of accountants and management at HEIs in Croatia.**

4. OBSTACLES FOR DEVELOPMENT OF FULL COSTING– EMPIRICAL RESEARCH IN CROATIA

- The questionnaires were **sent by email in an online form and as well by post.**
- Empirical research was conducted **in the year 2014 among the all higher education institutions in Croatia** (135) and questionnaire was aimed to Deans and Heads of accounting
 - response rate for Deans 29.63%;
 - response rate for Heads of accounting 27,41%.
- Most of the questions included in the questionnaire were multiple choice, yes or no answers or answers on a five-point Likert scale ranging from 1 to 5, where 1 indicates full disagreement and 5 indicates full agreement or in some cases 1 corresponds to the lowest degree and 5 to the highest.

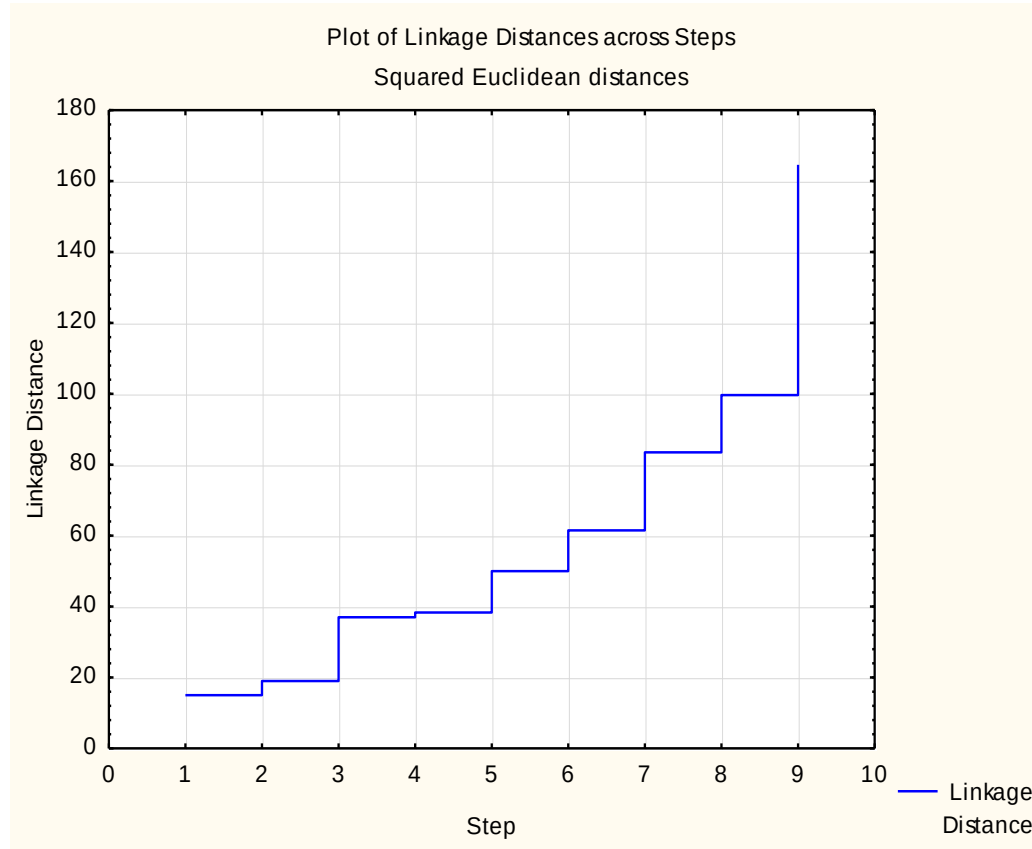
4. OBSTACLES FOR DEVELOPMENT OF FULL COSTING– EMPIRICAL RESEARCH IN CROATIA

HEADS OD ACCOUNTING		Percentafe of agreement	Rang	DEANS		Percentafe of agreement	Rang
1.	Lack of accounting staff	62,50%	4.	1.	Lack of accounting staff	62,07%	4.
2.	Insufficient knowledge of importance and possibilities of full costing	70,83%	3.	2.	Insufficient knowledge of importance and possibilities of full costing	65,52%	3.
3.	Unmotivated staff due to overload jobs	75,86%	2.	3.	Unmotivated staff due to overload jobs	83,87%	1.
4.	Lack of financial resources to change IT system	39,13%	9.	4.	Lack of financial resources to change IT system	55,56%	7.
5.	Lack of financial resources for additional employees education	44,83%	7.	5.	Lack of financial resources for additional employees education	44,83%	8.
6.	Lack of financial resources for consultancy support and other development costs	50,00%	6.	6.	Lack of financial resources for consultancy support and other development costs	58,62%	5.
7.	Underdeveloped accounting software	44,00%	8.	7.	Underdeveloped accounting software	42,86%	9.
8.	Obsolete IT equipment (hardware and software) with no upgrades	37,50%	10.	8.	Obsolete IT equipment (hardware and software) with no upgrades	25,00%	10.
9.	Lack of external support	84,00%	1.	9.	Lack of external support	78,57%	2.
10.	Lack of autonomy (high dergree of normativism)	58,33%	5.	10.	Lack of autonomy (high dergree of normativism)	57,14%	6.

Source: Author's calculation

4. OBSTACLES FOR DEVELOPMENT OF FULL COSTING– EMPIRICAL RESEARCH IN CROATIA

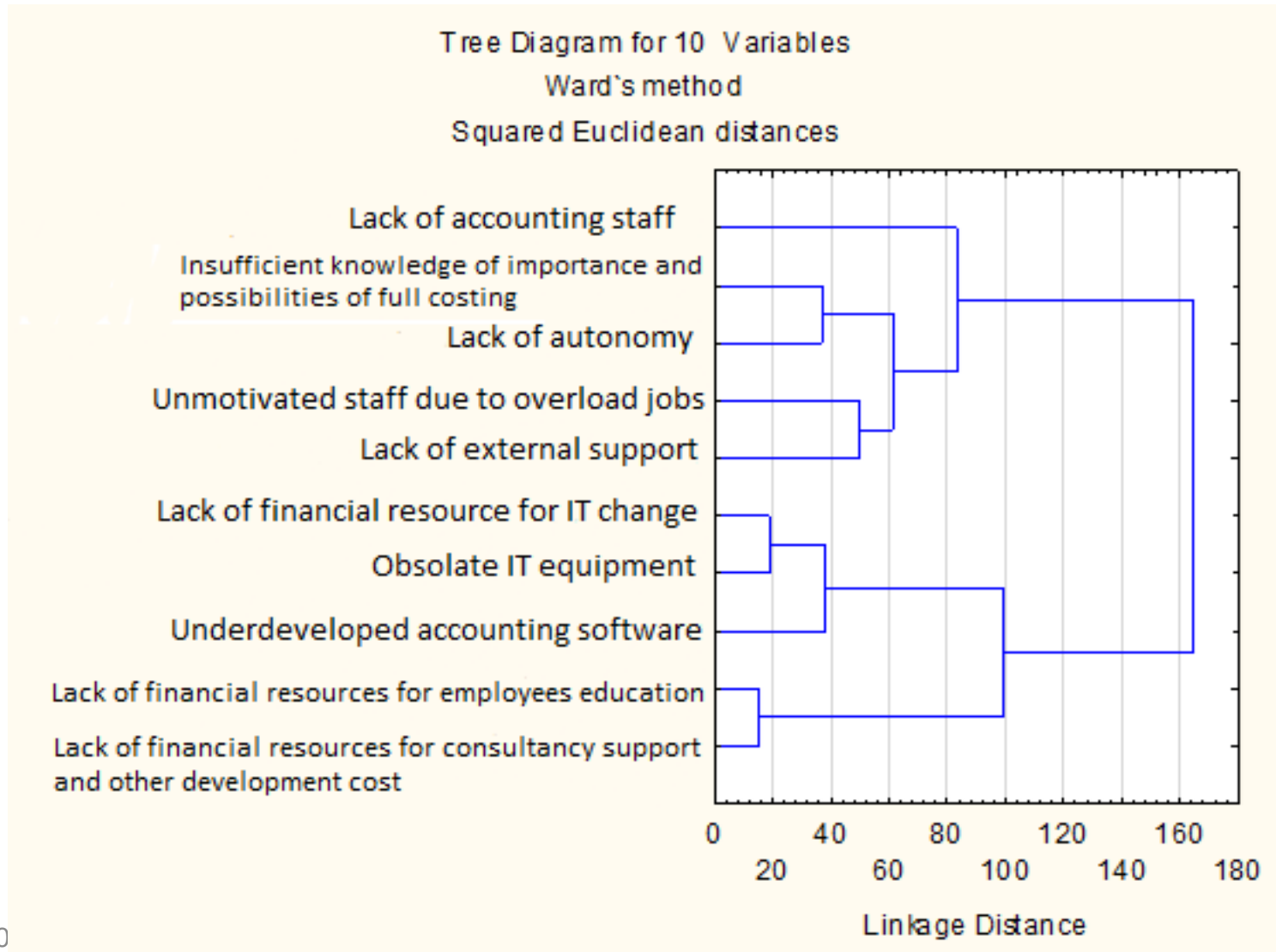
HEADS OF ACCOUNTING



It is obvious that after the third step the line becomes very steep, which means that the clusters have begun to form by combining groups of very different obstacles. Clustering should therefore be stopped **on the third step and form 3 clusters.**

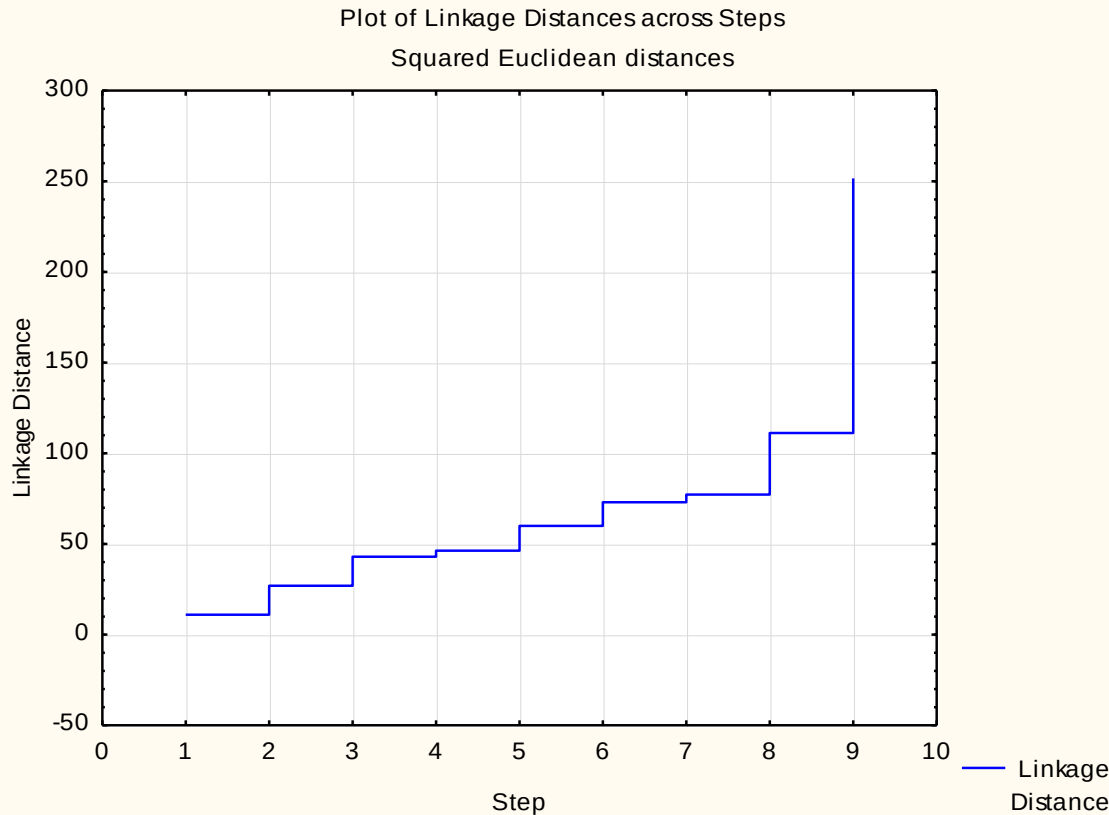
4. OBSTACLES FOR DEVELOPMENT OF FULL COSTING– EMPIRICAL RESEARCH IN CROATIA

HEADS OF ACCOUNTING



4. OBSTACLES FOR DEVELOPMENT OF FULL COSTING– EMPIRICAL RESEARCH IN CROATIA

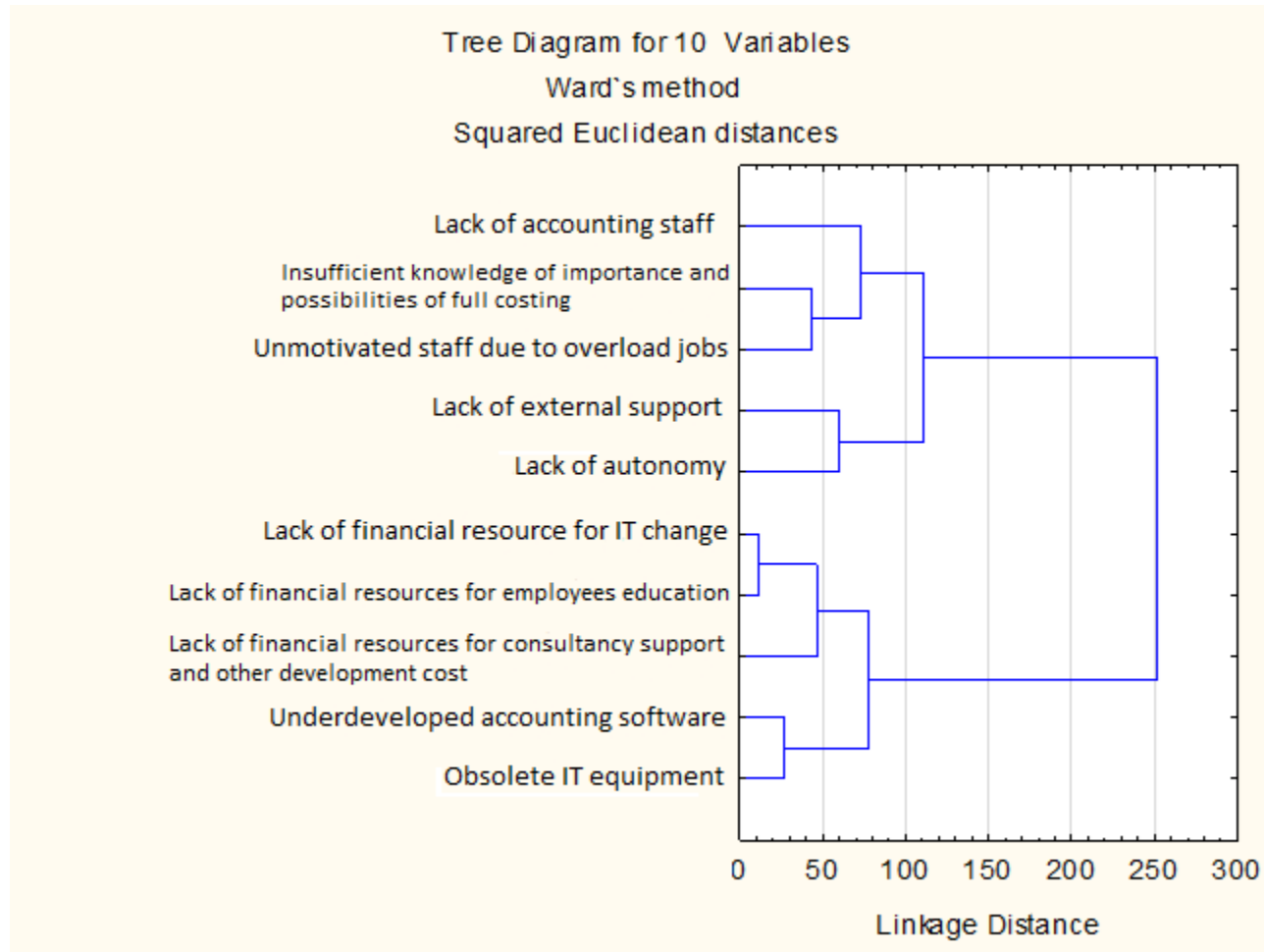
DEANS



It is obvious that after the 8th step the line becomes very steep, which means that the clusters have begun to form by combining groups of very different obstacles. Clustering should **form 4 clusters**.

4. OBSTACLES FOR DEVELOPMENT OF FULL COSTING– EMPIRICAL RESEARCH IN CROATIA

DEANS



5. CONCLUSION

- **Full costing methodologies** become an essential tool of modern university management and drivers for its implementation differs from country to country even though institutional driver is most important.
- EUA studies (2008, 2012) showed also that there are **numerous obstacles** including a lack of leadership support and staff expertise as well as uncertainty about the choice of method and implementation modalities.
- Empirical research in Croatia indicates that **there are almost the same opinions regarding obstacles from the accounting point of view and management point of view**
 - **HEADS OF ACCOUNTING (1. CLUSTER):** lack of accounting staff, insufficient knowledge of importance and possibilities of full costing,, unmotivated staff due to overload jobs, lack of external support, lack of autonomy
 - **DEANS (1. CLUSTER):** lack of accounting staff, insufficient knowledge of importance and possibilities of full costing, unmotivated staff due to overload jobs

- Questions???

- Thank you for your attention...