At Crisis Times Universities are forced to enlarge and diversify their stakeholders’ range. Resources are diminishing and the resource and revenue diversification is a must for both the European University and the Not-European One. Main stakeholders of universities are, first of all, students who are paying fees and any other client who is paying a service, from consultancy to research, from rentals to asset management. Next to students and other clients and public administrations (the State), very important stakeholders of Universities are philanthropists. First of all, they are research partners who are interested in focused alliances and joint venturing. The university places itself among the most significant producers of advanced research, a presence reflected in publications, research grants, inventions, laboratories, national and international prizes. Research partners often mix the patron role with being client of the university research. Secondly, philanthropists can be pure patrons who provide wealthy bequests for the University, above all in order to support a public good and a strong community identity. The third category of philanthropists includes ex alumni too, who create clubs who are volunteering as for time, in-kind resources and money. Marketing and fundraising, they have both been developed for more than two decades. This paper will focus on the Italian University and thanks to a cluster and neighbourhood analysis of the latest performances (2013), it will explain how the resource diversification is changing this universe, splitting the monolith of the public university into two main clusters.

Keywords: Economics; Finance; Stakeholders; Crisis; Italian University
1. UNIVERSITIES, CRISIS, STAKEHOLDERS

With the beginning of the financial crisis in 2008, the education industry showed weaknesses and willingness-to-diversify at different latitudes. Especially in Europe, weaknesses were caused by the (partial) collapse of public resources and the implementation of homogeneous rules and ranking systems (Huisman et al., 2012), which sometimes obliged human resources to dedicate not a modest percentage of their time to reorganize governance and duties. With this ongoing, the most committed role-player of this change, the University fully recognized the importance of the private resource and, as a consequence, the business and revenue diversification.

Today, the University is universally not more the provider of contents for fees, but also the fundraiser and the investor of assets. The University is an organization, whose organizational change is a priority in order to evolve in a very competitive arena (By et al., 2008). In order to diversify the business and the origin of resources, the University has multiplied relations with wide ranges of stakeholders for more than three decades (Jungblut and Vukasovic, 2013; Cummings, 2014; Leslie et al., 2012). This is true, above all, for the public and not-for-profit university both in Europe and in out of Europe.

Who are stakeholders of the contemporary University?

Main stakeholders of universities are, first of all, students who are paying fees and any other client who is paying a service, from consultancy to location rentals, from research to asset management. The client can be diversified and universities are enhancing clients’ range and payment methods. With the ongoing crisis, Marketing Officers of Universities have increased credit schemes. The processing of fees paying has been eased with accurate financing schemes, from loans to risk-sharing and pooling so that the students’ liquidity constraint has been surrounded.

Otherwise, it should be recalled that Universities have multiple *clients*. The range of their core business is quite wide: from education to campus management for different purposes, from the integration of different business to the cultivation of relations between multiple managers and multiple managed assets (Winter, 2009).

Next to students and other clients, very important stakeholders of Universities are grant-makers and philanthropists and these ones are not ‘simply’ donors (Besana and Esposito, 2015).

First of all, they are often research *partners* who are interested in focused alliances and joint venturing. The university places itself among the most significant producers of advanced research, a presence reflected in publications, research grants, inventions, laboratories, national and international prizes, and the engagement of the faculty, staff, graduate and post graduates whose work claims national and international attention. Research partners often mix the patron role with being client of the university research. Spin-offs are co-created by universities and partners and the life cycle of spin-offs and partnerships is permanently monitored.
Secondly, they can be pure patrons who provide wealthy bequests for the University, above all, of their community, so that they support a strong community identity.

The third category of philanthropists includes ex alumni too, who create clubs who are volunteering as for time, in-kind resources and money.

Other Audiences can be thirdly listed as relevant stakeholders of Universities. From the sale of assets and other tangibles or financial, universities diversify their revenues also investing their assets (Cummings, 2014). Above all, these revenues can include Interest on savings and temporary cash investments: the amount of interest income from savings and temporary cash; Dividends and interests from securities: the income from equities and securities; Sales of Assets and Inventories; Other investment income. Other Revenues may include Rental Incomes. The push for increasing revenue supplementation has, as a consequence, increased investors’ relations and financial creativity: among them, financial derivatives, stocks, closely-held equity interests, real assets, real estates, pooled funds, limited partnerships. Nevertheless, the fragility of contemporary financial markets has led to the cautious exploitation of these strategies. These resources are actually modest percentages of the revenue range.

The aim of the paper is to show how Italian Universities are today diversifying their stakeholders (clients) and, as a consequence, their revenues. Investing and investments, they are not a priority for Italian Universities at crisis times with fragile financial markets. Thanks to Ward cluster and neighbourhood analysis of the latest and available data (2013) two main profiles will emerge as for the increasing importance of marketing and fundraising. One of them is not more the public monolith, which is prevalently depending on public resources (the State and other Public Administrations), but this cluster is also relying on marketing of fees and on fundraising of private resources of patrons and partners of research, above all, corporations.

Marketing has been implemented much more than fundraising for more than a decade. The latest crisis has urged the Italian University to explore other clients next to students (also with the promotion of life-long learning programmes) and develop product and price marketing. Other revenues of private sponsors are mainly related to research and involvement of partners like corporations of several manufacturing industries, whose objectives can match with education and research programmes of some innovative curricula, from engineering to chemistry, from management to public relations. One cluster will emerge for both having implemented marketing of fees and fundraising of research and, as a consequence, profiting of relevant percentages of Revenues and Other Revenues.

2. THE ITALIAN UNIVERSITY AT CRISIS TIMES, WHEN PUBLIC RESOURCES ARE DIMINISHING

The Italian University has been developing ranking systems and at the same time, marketing and fundraising for more than one decade. Marketing has been referred to the audience investigation, in order to enlarge and diversify clients. Among fundraising schemes there are University Foundations and Ex-alumni. The University Foundation should have focused on
resources and the resource allocation, especially, for research. Ex alumni should have implemented connections with firms and they should have nurtured corporate partnerships both for research alliances and sponsorships of degree, master programmes and the university on the whole. Though in a start-up phase for most of the Italian Universities, University Foundations and ex-alumni has sometimes had contradicting results. A multi-mode fundraising with the engagement of boards, individual professors, foundations, ex-alumni and other roles has partially corrected these results. Nevertheless only the latest governance has developed Fundraising Teams, with separate and specific targets.

At the same time, the public expenditure for universities diminished from 8.9 billions euro in 2008 to 7.780 billions euro in 2013 (-14.39 percent), so that the priority of marketing and fundraising became salient. In Italy the public expenditure for the University has never been more than 1.5 percent of total budget.

### Table 1. Some Italian Public Expenditures according to the Mission 2008-2013 (percentages)

<table>
<thead>
<tr>
<th>Some Italian Public Expenditures according to the Mission</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliament and other Administration according to Italian Constitution</td>
<td>0.39</td>
<td>0.41</td>
<td>0.45</td>
<td>0.43</td>
<td>0.40</td>
<td>0.35</td>
</tr>
<tr>
<td>Central Administrations</td>
<td>0.09</td>
<td>0.09</td>
<td>0.08</td>
<td>0.10</td>
<td>0.08</td>
<td>0.06</td>
</tr>
<tr>
<td>Italy in Europe and in the World</td>
<td>4.04</td>
<td>3.65</td>
<td>3.56</td>
<td>3.78</td>
<td>3.47</td>
<td>3.76</td>
</tr>
<tr>
<td>Defense</td>
<td>3.12</td>
<td>3.12</td>
<td>2.89</td>
<td>3.02</td>
<td>2.82</td>
<td>2.59</td>
</tr>
<tr>
<td>Justice</td>
<td>1.05</td>
<td>1.17</td>
<td>1.10</td>
<td>1.19</td>
<td>1.04</td>
<td>0.97</td>
</tr>
<tr>
<td>Security and Public Order</td>
<td>1.35</td>
<td>1.68</td>
<td>1.53</td>
<td>1.62</td>
<td>1.48</td>
<td>1.35</td>
</tr>
<tr>
<td>School</td>
<td>6.97</td>
<td>6.85</td>
<td>6.73</td>
<td>6.47</td>
<td>5.93</td>
<td>5.35</td>
</tr>
<tr>
<td><strong>University</strong></td>
<td><strong>0.91</strong></td>
<td><strong>1.02</strong></td>
<td><strong>1.10</strong></td>
<td><strong>1.13</strong></td>
<td><strong>1.03</strong></td>
<td><strong>1.01</strong></td>
</tr>
<tr>
<td>Social Expenditure (Social protection, personal social services, etc.)</td>
<td>8.87</td>
<td>10.05</td>
<td>9.34</td>
<td>9.82</td>
<td>10.20</td>
<td>11.54</td>
</tr>
<tr>
<td>Public Debt (debti interests are here included)</td>
<td>39.62</td>
<td>38.03</td>
<td>39.74</td>
<td>39.49</td>
<td>41.73</td>
<td>38.37</td>
</tr>
</tbody>
</table>

*Source: Ragioneria generale dello Stato last accessed in April 2015*

Most of the expense is still the public debt and its refunding. Transfer payments to local administrations are the second most important expense and the social expenditure refers to an ageing society, whose ‘burden’ is prevailing if compared to public funds that are delivered to young citizens like students (*the right to study* with public grants).

The public debt is the heaviest burden though the latest international rankings show Net Assets as the most significant estimate of contemporary Governments. Table 2. gives estimates of government net debt in 2013 in a range of countries when the international financial crisis was widespread. High debt levels are especially worrying when real interest rates are also high, for then the government must levy high taxes to meet the burden of paying interest on its debt. Otherwise, debts must be corrected with the Assets of States. Italy is not the worst economy: deleveraging and expenditure revision, they are still ongoing. Nevertheless, the public debt is increasing, at the same time.
Table 2. Government Net Debts 2013 (percent of GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>Net Debt (percent of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>142</td>
</tr>
<tr>
<td>Italy</td>
<td>120</td>
</tr>
<tr>
<td>Greece</td>
<td>167</td>
</tr>
<tr>
<td>Belgium</td>
<td>85</td>
</tr>
<tr>
<td>UK</td>
<td>58</td>
</tr>
<tr>
<td>Euro area average</td>
<td>65</td>
</tr>
<tr>
<td>Switzerland</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: OECD, Economic Outlook, IMF, and www.tradingeconomics.com Note: Net debt is calculated as gross debt minus financial assets.

Private expenditure on education increased more than public expenditure in recent years. But it is still the expenditure for fees as private grants are very modest. As a matter of fact, the public expenditure per student in Italy is above the OECD average at pre-primary and primary levels. Italy’s investment in pre-primary education is also reflected in one of the highest enrolment rates for three- (93%) and four-year-olds (97%) among OECD countries (the OECD averages are 66% and 81%, respectively). At the same time, expenditure per student does not increase with each successive level of education as much as in other OECD countries. As a result, expenditure per tertiary student (9 561 USD) is below the OECD average of 13 719 USD.

According to OECD Education at Glance 2012, Between 2000 and 2009, just before the global financial and real crisis, funding for educational institutions from private sources increased in real terms by 77 percent. In particular, funding for higher education shifted more markedly from public to private sources than on average in OECD countries. Whereas public sources accounted for 82.9 percent of funding in 1995 (above the OECD average of 78.9 percent that year), they accounted for 68.6 percent in 2009 (below the OECD average of 70.0 percent). With the crisis of following years (from the end of 2009) the weight of students’ payments has been constantly increasing with public payments as surviving minimum but with worrying university boards for them constantly falling.

Ten years ago the Italian University was a dual system with prevailing public universities (for property and finance), mostly funded by the State and Public Administrations. Private universities were few and they are still few. The following analysis will give evidence that the finance of the Italian University is changing at crisis times. The Public Monolith of several universities is splitting in two profiles, whose private resources thanks to fundraising thanks to partnerships with sponsoring corporations and whose students’ payments thanks to marketing are, they are both increasing and they are different from ten years ago. The dependence on public resources is not disappeared: this a solid monolith, whose strategic implications and trends are not evolved to the autonomy. The Public Welfare State is always playing a key-role.

Nevertheless, apart of private universities who have never relied on prevailing public resources, public universities are transforming and they are courageously implementing marketing and fundraising in order to collect resources of different origins, taking into account and monitoring the performance of the revenue diversification.
3. THE EMPIRICAL RESEARCH: NOT MORE MONOLITHS IN THE ITALIAN UNIVERSITY

It should be taken into account that Italian Universities have applied international accounting standards for only two years. Some of them file their records in the Statement of Revenues and Expenses according to rules of reporting of private companies. Some of them still apply the administrative recording of public administrations. This method is not easy to be understood with different accounting lines, transfers, accrual basis, clearance accounts, etc. Every university has today different accounting schemes so that it is sometimes difficult do separate public from private resources, apart of students’ payments or fees. Some accounting lines sum up ‘Grants of other public and private institutions’. Only if International Accounting Standards are implemented, the university separates private grants from public ones.

The sample here investigated includes 45 Italian Universities out of a universe of 90, a universe that has increased with the so-called ‘online university’ for five years. Private universities have never been more than 12 percent of the universe. The public university must publish the report online on the main website according to the rule of ‘administrative transparency’, which has stimulated universities to show performances of management, finance and educational attainment with specific pages of the own website.

For each university, whose latest report (2013) was available online, we firstly calculate following ratios: (Own) Revenues/Total Revenues, Public Grants/Total Revenues and Other Revenues/Total Revenues.

Revenues/Total Revenues is an estimate of the marketing approach of the Italian University, who is selling education and any kind of service to students, post-graduates, master alumni, foreign students, etc.

Public Grants/Total Revenues weights the Government role.

Other revenues include private resources other than Own ones: private funds for research, community support (foundations of banking origin, community foundations and corporate ones), sponsorships, sales or rents of assets, commercial activities of own companies of several industries (from manufacturing to agriculture), royalties of patents and other research and development, merchandising, etc.. This accounting line includes, as a consequence, the result of fundraising. Nevertheless, it is also a miscellaneous range of revenues, which gives evidence of diversification.

Secondly, Ward clustering of these ratios allowed to classify four main groups. This hierarchical clustering is an empirical method that estimates the Euclidean distance and it progressively aggregates cases in the dendrogram. According to a neighborhood analysis, similar cases are in the same cluster and they reveal similar performances.

Clustering before-mentioned ratios of 2013’s performances of Italian Universities with JUMP Statistical Software, four main groups were obtained though two clusters (the Green or + Cluster and the Blue or × Cluster) are very small and they show performances of outliers in the Italian University system with prevailing private resources.
With only three universities, the Green Cluster includes three private universities whose own revenues of fees and other revenues are more than 85 percent. Revenues of fees (the index Revenues/Total Revenues) are never less than 65 percent and other revenues are more than 10 percent. Public Grants (/Total Revenues) are very modest and they are not more than 13 percent, instead. This is the Private University for case histories that edit their reports online.

With only three universities, the Blue Cluster has the highest Other Revenues with IUAV that is a private University and two public Universities. Public Grants are never less than 55 percent, Revenues of fees are 15 percent on average and Other Revenues are 23 percent on average. This is the Fundraiser profile. They are very few cases. Otherwise it is interesting that only one of them is a private one. As the other Polytechnics, the Politecnico di Torino is considering the role of research, patents and consultancy a leading strategy in order to collect other revenues. Corporations connect with Polytechnics in order to develop research goals and they become Friends and Sponsors on a long-term basis.

Two clusters are very crowded and they will be the focus of the analysis: the • red one with 25 universities and the □ yellow one with 14 universities.

The most crowded • red cluster shows revenues of fees for 20 percent on average. Other Revenues (/Total Revenues) are not more than 5 percent on average and public grants are prevailing, 55 percent on average. This is the public university and the Revenue Diversifier, too. Public Grants/Total Revenues are still the main ratio but marketing of fees provides one fifth of resources and fundraising 5 percent of them. Before the crisis and not more than a decade ago, this profile was granted by the State with more than 80% of total revenues. This profile was, as a matter of fact, homogeneous with the following cluster, the Public University.

The □ yellow cluster is the Public University, the traditional monolith that is mostly granted by public administrations. Fees can top 18 percent but in very few cases. Fees and Other Revenues are never more than 12 percent of Total Revenues. Prevailing resources are public ones, which can top 92 percent. This cluster is not as crowded as the previous one, the previous one revealing how public universities are targeting new stakeholders thanks to marketing and fundraising.

This splitting is confirmed by the neighbourhood analysis according to the Euclidean distance and taking into account three here investigated ratios Public Grants, Revenues and Other Revenues on three dimensions that can be appreciated in Graph 2.

The micro-clusters are at the bottom of the Graph 2. and two most crowded clusters are split by a red line that is separating the Public University (yellow clusters in the Graph 1.) from the Public University and Revenue Diversifier (red cluster in the Graph 1). The Public University cases are over the red line, the Revenue Diversifier is under the red line.
Graph 1. The Dendrogram of the sample of Italian Universities

Source: elaboration with JUMP Software

Both the Ward cluster analysis and the Neighbourhood one confirm that the Italian University is still focused on public resources apart from few private universities (green and, partially, blue clusters). Otherwise, the investigation shows that the public university is not more a homogeneous universe with the State and public administrations who are playing the key grant-making role. Next to the monolith, there is a public university, which is diversifying targets and revenues. For this kind of university, marketing is much more effective than fundraising, if it is taken into account that the Revenue Diversifier receives one fifth of resources from clients, students and not-students.

The public university is split in two profiles. As a matter of fact, in red and yellow clusters the revenue diversification is evident with different intensity in comparison to small green and blue clusters. In the red one, fees are important, though they are only one fifth of total revenues. Next to them Other Revenues are at least 5 percent on average. If Public Grant still remains more than fifty percent of total revenues, 25% of them are private. This was not imaginable before the latest crisis and ten years ago. The yellow cluster is the ‘old profile’ of the public university that is still anchored in public grants. Nevertheless, this cluster includes only 14 universities out of 45.
Graph 2. Neighbourhood analysis for Public Grants, Revenues and Other Revenues of the sample according to 2013 performances

Summing up, private resources are rarely private funds and sponsorships. The fee discrimination for different targets of students is the prevailing marketing and fundraising is still modestly developed by the sample, apart of the Blue Cluster.

Nevertheless the monolith profile of a university that is depending on public resources is collapsing and at least two profiles emerge. One of these profile is much more oriented to private resources than in the past and, especially, before the crisis.

4. CONCLUSIONS

These times are hard times when resources are scarce for the finance of the education and feeling and expectations of fundraisers and fund-givers (public and private) must perfectly match in order to manage these scarce resources at the best. Above all, universities are continually recalibrating their business and revenue diversification during the depths of the economic crisis.

As the Ward cluster analysis and the Neighborhood analysis profile, the private philanthropy is not the main focus of the Italian University. Nevertheless, the monolith with the focus on public grants has collapsed. An effective marketing allows some universities to enlarge clients next to university students and to increase own revenues so that the Public University is split into two profiles: one is still and mainly public funded; the other one has 25 percent of private resources (red cluster in Graph 1 and under the red line in Graph 2), because this profile is successful with the exploitation of willingness-to-pay of clients for 20 percent of revenues and with the exploitation of willingness-to-donate of partners and sponsors for 5 percent.

Note 1: Predictors are on three dimensions: y=Public Grants/Total Revenues; x=Revenues (Own Revenues)/Total Revenues; z= Other Revenues/Total Revenues

Note 2: The red line is vertically separating two main clusters.

Source: elaboration with SPSS Statistics Software
Fundraising is at an early stage of implementation and performances are partially connected with the ongoing crisis.

The exposure to financial markets could, as a matter of fact, be a limit for private grant-makers. Universities may attract private grant-making of sponsors but exogenous variables like the generalized crisis can affect private fund-givers and fund-given.

To understand the extent and implications of the profiling here investigated, it could be useful both to widen the universe with other universities (for reports, which are not online) and to consider a longer period, before and ‘during’ the crisis.

Macro-efficiency, micro-efficiency and incentives of both the Public and the Private Sectors should be further investigated. Policies should seek, at hard times of financial crisis, to avoid distortions (macro-efficiency), implementing rules that stimulate private philanthropy. Policies should ensure the efficient division of total resources between the Public and the Private Sectors (micro-efficiency) with the aim of the balance of the dual system. Finally, policies should minimize adverse effects and provide incentives for grant-makers and sponsors, credit schemes and fiscal deductions for students and families, whose growth can grant subsidiary roles that are today of utmost importance next to the State and public administrations.

REFERENCES


