CORPORATIZATION SCHEME: INCOME GENERATING PROJECTS MODEL IN A PHILIPPINE UNIVERSITY

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Abstract

Corporatization is the new maxim in the governance of State Universities and Colleges. Higher Educational Institutions are directed to venture into income generating projects to augment their resources for a smooth continued operations with less dependence from government subsidy. This study utilized a mixed-method quantitative-qualitative exploratory-descriptive research design. The IGP model is designed to earn profit to finance future IGP big projects and other maintenance and operation, quality instruction of the University without relying solely on government funds. It has organizational structure, defined functions and responsibilities including the profit sharing. The IGP manual of operations is highly recommended for adoption by the management and administration.

Keywords: Corporatization, Profit Sharing, IGP Model, Exploratory-Descriptive Design, Manual of Operations

Introduction

The Leyte Normal University is one among the state colleges and universities (SUCs) in Region VIII that has been threatened to slow down by financial constraints. It’s a known fact among SUCs throughout the country that its annual budget has been systematically reduced by the national government. The hurting budget cut has caused SUCs to be facing financial problems that has had an impact on their financial viability in a competitive environment much more that they are also subject to pressures and influences from external social forces of many kinds. One of these comes from the specific requirements for funding sources from the government agencies such as NEDA, DBM, CHED and COA that control the expenditure of funds, the nature and scope of research, and other SUC activities specifically the facilitation of income generating projects.

The Leyte Normal University has come to realize that the buffer nowadays is the concept of corporatization; looking for avenues on how to raise the income in order to offset the dwindling government subsidy. Henceforth, Leyte Normal University has been forced to
step up income generating projects and undertake initiatives that would help raise its revenues due to the yearly reduction in the government subsidy.

Like other SUCs, the Leyte Normal University is forced to adapt its organizational structures and incorporate management systems to run its affairs more efficiently. In fact, it has been embracing all these years business concepts originally used only in the business world such as Total Quality Management (TQM), strategic planning or quality control and assessment mechanisms, AACCUP accreditation, IQUAME, etc.

The Higher Education Modernization Act of 1997 which provides that a SUC can retain and disburse incomes, and exercise power similar to that of a corporation under the Corporation Code of the Philippines has impelled the university to enjoy the benefits of the legislation aimed to sustain its various programs and projects to further the cause of the university’s vision and mission.

However, as much as IGP (Income Generating Project) is concerned, the university has not yet established a general framework of quality assurance procedures and system.

Along this vein, the government has designed programs to respond to SUCs plight towards sustainability. One example is the State Universities and Colleges Small Enterprises and Entrepreneurship Development Program (SUCSEED) developed by the Development Academy of the Philippines (DAP) to assist SUCs in enhancing the operations and performance levels of their IGPs in order to sufficiently fill the financial gap with the withdrawal of government MOOE subsidy effective 2005. It aims to develop and enhance the competency of SUCs in managing and sustaining income generating projects (IGPs). The program will address SUCs enterprise and entrepreneurship development needs through research, training, consultancy and advisory services.

This study conceptualizes to design an Income Generating Project Scheme for LNU to support its corporatization endeavors. A situational analysis is drawn from the assessment on the vision and mission of LNU, intangible resources and activities. The LNU’s vision and strategy in managing IGP is based on the four perspectives of financial; customer; internal business process, and; learning and growth. It will put strategy at the center to create strategic focus and strategic alignment and to enable organizations to translate strategy into action (Kaplan and Norton, 1996).
Review of Literature

On SUC’s income generating project (IGP). President Gloria Macapagal Arroyo in her speech delivered at UP, Diliman, Quezon City on March 2, 2002, challenged SUC officials to be innovative in generating their own income to preserve academic freedom and to refrain from begging for additional funds from the government and not to be always beholden to Congress for its administrative and academic operations from time to time. Among the schemes that the President mentioned which SUC officials can avail of and provide SUCs with the needed revenue are the official development assistance (ODA) and build-operate-transfer (BOT). Thus, SUCs are being provided with more autonomy to manage their own affairs, not only academic but also financial, to redefine their own internal structures which necessarily requires new management and reporting system.

Since the government hastens the privatization or commercialization of state colleges and universities by lowering their budget, SUC Presidents all over the country come up with all sorts of income generating projects. They sense that there is an urgent need for SUCs to define the future they want for IGP. This will take vision, innovation, and risk-taking – the work of an entrepreneur. In fact, there is a compelling argument that creating an entrepreneurial climate where all kinds of entrepreneurs can succeed lays the foundation of the groundwork for SUC income generating projects. Thus, there is a need for a new approach to managing strategy because the most important skill in any IGP business is the ability to translate strategy into action (Porter, 1985).

Thus, the aforementioned people defined a model as a simplified description of how an organization does business without having to go into the complex details of all its strategy, processes, units, rules, hierarchies, workflows, and systems. In addition, business model is generally defined as a conceptual tool that contains a set of elements and their relationships and allows expressing the business the logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partner for creating, marketing, and delivering this value and relational capital, to generate profitable and sustainable revenue streams.

Methodology

This study utilized a mixed-method quantitative-qualitative exploratory-descriptive research design. It utilized survey questionnaire as a source of numeric information and
secondary data collection tools such as interviews, observations, document reviews and visual data analysis for triangulation (Creswell, 2003).

This study was conducted in the main campus of the Leyte Normal University located at the heart of Tacloban City.

Each research subject was chosen with the following criteria: (a) holds an important and critical position in LNU; (b) has been consistently producing excellent performance throughout his/her tenure; (c) a well-known higher management officer who is knowledgeable, experienced and has a high degree of personal credibility; and (d) has a lengthy years of service at the university. The respondents were all the key officials of Leyte Normal University comprising the top management, division chiefs, and IGP personnel (Board of Management, directors, and project managers). The key informants were selected on the basis of their potential to contribute to the development of insights and understanding of the research being conducted.

The main instrument for this study was the survey questionnaire which yielded numeric information. Items in the questionnaire were adopted from the modified works of Youndt (1998) and Bontis (1999).

The data collection process was done sequentially in phases, beginning with a questionnaire survey to collect the generalized results of the population, followed by a secondary data or document analysis to identify corroboration among data; and finally the interviews to conclude the overall holistic understanding (Mathison, 1988; Denscombe, 1998) of the subject under study.

The interview session was the final data collection method done in this research. A structured interview method was done where the researcher prepared a list of themes, issues to be addressed and questions to be answered. The questions were developed anchored on the survey questionnaire and secondary data collected. The interview also contained items that addressed the prevailing issues and concerns related to the implementation of IGP.

**Results and Discussion**

The manual basically consists of the following: brief rationale and statement of purpose, objectives, definition of terms, organizational structure, the IGP operations, description of the LNU’s income generating projects, policies and guidelines, operating procedures, performance measurement, and profit sharing.
PROPOSED LNU IGP MANUAL OF OPERATIONS

INTRODUCTION

The Leyte Normal University is one of the SUCs in Region 08 that faces substantial constraints in terms of limited infrastructure, facilities and financial resources.

Engaging in income generating projects was one of the practical solutions that the university has ought to strengthen anchored on the enactment of RA 8292 in 1997 which provided an opportunity for the SUCs to use its own income and create and/or invent various corporate strategies to achieve fiscal autonomy.

IGP initiatives has long been formalized as evidenced by the formulation of the IGP Manual of Operations for SUC Region 08 drafted by SUC Presidents and key officials which was initiated by the former LNU President, Dr. Cres V. Chan-Gonzaga in December 14-15, 2000.

Armed with built-in capability in the elements of Intellectual Capital, the university reorganized its IGP in the early part of 2008 with the goal of earning more profit and the furtherance of instruction. Henceforth, a BOR Resolution No. 017, series 2008 was passed to this effect confirming the designations of one IGP Director and project managers of different IPG projects. Among the projects identified were LNU Review Center, LNU Training Center (Certificatory Program, Teacher Induction, and other trainings), LNU Bookstore, Garments Industry, LNU Hostel, Internet Café with Travel Agency and Testing Center.

Thus, LNU renewed its endeavor in strengthening its IGP in order to add more income to faculty and personnel through their involvement in various IGP initiatives. Some amounts of Trust Fund was transferred to IGP seed money for mobilization and capitalization.

OBJECTIVES

The IGP manual seeks to: 1) To strengthen the existing institutional structure capable of income generation of self-reliant LNU community; 2) To establish a viable and sustainable income generation program; 3) To establish IGP as a vehicle of instruction of the College through hands-on application of practical skills of the students; 4) To promote linkages between the College and the community through provisions of quality services to the community of clients, and; 5) To put in place a permanent mechanism to monitor the impact of IGP Intellectual Capital strategy on the university’s performance.
THE LNU IGP ORGANIZATIONAL STRUCTURE

1. Organizational Structure

The Leyte Normal University basically follows the organizational structure template prescribed in the Manual of Operations of Income Generating Projects in SUCs, Region 8. The four-level template comprises the following: (1) President, (2) Board of Management, (3) IGP Director, and (4) Project Managers.

Composition and Functions

The President approves budgetary requirements and project plans; approves appointments of project workers; approves project management policies and guidelines, and; performs other executive functions as may be required.

The Board of Management formulates plans and programs for the different projects; reviews proposals of new projects and recommends to higher office for funding and/or implementation; reviews, evaluates and recommends for approval of annual project plans and operating budget; recommends for approval and implementation and incentive scheme
commensurate to the performance of IGP personnel and support staff; recommends the suspension and/or termination of the operation of non-viable projects; conducts monthly regular meeting and special meeting as the need arises; formulates and approves credit terms and policies upon consultation and recommendation of the IGP Director; approves the hiring of project workers as recommended by the project manager, and; recommends the designation of IGP Director to the SUC President.

The **IGP Director** assumes direct responsibility to overall project operations, implementation of policies, programs and guidelines to achieve targets with efficiency; conduct evaluation study of the project records, activities and programs; delegates duties, responsibility and power when the need arises to colleagues and subordinates as to some operations and activities of the project; submits quarterly and yearly reports to the President, Accounting, and COA; conducts meetings with the staff on any relevant subject relevant to the project; conducts annual strategic planning with the Project Manager to discuss plans and targets, accomplishment and other matters related to the operation; prepares/maintains files of appointments and MOAs of project workers; recommends project expansion proposals, programs, policies, and procedures to the President; takes charge in the preparation, and as authorized by the President, approval of payments and collection billing pertaining to the project, and; performs other functions as may be required.

The **Project Manager** prepares projects proposal/business plan; exercises direct supervision of the project and staff; implements programs, policies, and guidelines of the project; prepares and submits daily/periodic reports to the IGP Director and other concerned offices; recommends credit terms for outside clients where applicable; recommends the hiring of project workers to the concerned authority; devises strategies for the marketing of project products and services; takes charge for the daily sales, and; performs other functions as may be required.

The **COA Resident Auditor** post-audits the financial transactions of the project, and; evaluates the system and its operation.

The **Accountant** takes the responsibility/accountability of the project financial transaction records and other related documents; prepares financial reports and requirements related to the project; sees to it that financial transactions are in accordance with accounting, auditing and other related rules and regulations; assigns checker/inspectors of all purchases for use in the project operation; monitors financial cash flow, and; performs other duties as may be assigned.
The **Cashier** takes responsibility in the collection, deposits and disbursements of the project funds; maintain cash bank book and cash collection book; prepares collection and disbursement reports, and; performs other duties as may be assigned.

The **Project laborers** assists in manufacturing and production of various projects, and; performs duties and activities as ordered by the Project Manager.

Each project has its own specific organizational structure depending on its nature and the pool of manpower needed. The selection of personnel for various positions is reflected in the main organizational chart. The LNU President appoints the IGP Director upon recommendation of the BOM. The IGP Director selects and recommends for approval the project manager and workers of each project.

**Qualifications**

**Board of Management** – The LNU IGP BOM is chaired by the President and is composed of six members who are college officials and have expertise in business and economics.

**IGP Director** – must have a regular item, either a member of the faculty or facilitative staff, and have a strong background in business and economics management.

**Project Manager** – must have a technical expertise/entrepreneurial capability in managing the IGP project and must be committed to the project and willing to work beyond office hours.

**The Facilitative Staff** – is basically composed of Financial Management Officer/Budget Officer, Accountant, Cashier and Supply Officer.

The University can also hire a consultant or an analyst from time to time regarding projects that need expertise of such people.

**LNU IGP OPERATIONS**

The Board of Regents Resolution No. 017, series 2008 approved the reorganization of the LNU Income Generating Projects (IGP) unit. Among the projects identified were the LNU Review Center, LNU Training Center (Certificatory Program), Teacher Induction and Other Trainings, LNU Bookstore, Garments Industry, LNU Hostel Internet Café with Travel Agency, and Testing Center. Aside from the approved identified IGPs, the management has an on-going proposal for ID Printing, Mini Cafeteria, Theater/Cultural Shows and IGP Park.
The LNU IGP Unit operates as a business entity of the University dealing with market and market share; production levels; overhead costs; profitability and other entrepreneurial activities. On the other hand, it is also a learning activity for it provide maximum hands-on experience to students taking up BSHRTM and other related courses.

The renewed entrepreneurial endeavor of LNU in the context of IGP serves as a showcase to the community and the whole region on the capability and effectiveness of the University as an institution of higher learning to become more self-reliant through IGP.

2. Objectives
1. To earn profit to be used for future IGP big projects and other maintenance and operation of the University without relying solely on government funds.
2. To support the University’s bid for quality instruction through standard examination booklets and modules, and other instructional materials.
3. To provide the students, teachers, and employees with affordable prices, efficient services and convenience through the bookstore, internet café with travel agency, and printing services.
4. To encourage all students, teachers and employees to become entrepreneurs, productive and creative by showcasing their creative trade crafts at the IGP Center.
5. To provide maximum entrepreneurial hands-on experience to students and opportunity for the university to maximize the utilization of its human and non-human recourses relative to the project.
6. To generate extra income for the University through efficient and effective food services extended to the high school, college and graduate students, teachers, employees, and outside walk-in customers.
7. To enhance college instruction by making the LNU Hostel and Travel Agency as a practicum venue for BSHRTM students.
8. To develop the entrepreneurial skills of the practicum students that will prepare them earn a living after graduation from the University.
9. To generate more revenues from the identified IGP projects to augment school operations.
DESCRIPTION OF LNU IGP Endeavors

Resolution No. 020 caused the transfer of some amounts of money from trust fund to IGP Seed Money in the total amount of Three Million, Six Hundred Ninety-Three, Two Hundred Nine Pesos and Nine Centavos (P3,693,209.09). To this effect, the IGP Center serves as the IGP Office where all IGP records are kept for safekeeping and transactions are done.

1. The LNU Bookstore

It caters to the needs of the students, teachers, employees, and walk-in customers. It is included in the IGP Book of Accounts and maintains an individual subsidiary ledger. The requisition of materials and other educational items for sale follows the procedures stipulated in the IGP Manual of Operations for SUC in Region VIII.

The bookstore is not only limited to sales of books and other instructional materials and school supplies, but it is also the venue where the ID printing is done. Library ID’s, instructional materials and other items are sold in the store including uniforms for teachers and employees and female students of the university. The examination booklets, modules, library ID’s, instructional materials and other items produced by the manufacturing services are sold in the store.

2. Mini Cafeteria

The project has a dual purpose: (1) generate income for the college, and (2) enhance instruction by making it as a practicum venue for BSHRTM students to meet their course requirements. The strategic location of the mini cafeteria is within the proximity of the school campus.

The cafeteria serves breakfast, lunch and snacks to the students, members of the faculty and facilitative staff, and walk-in customers with affordable prices. It also accepts catering services such as weddings, birthdays, seminars and conferences, and other special occasions.

As for instruction purposes, the cafeteria serves as the practicum venue BSHRTM students. Instructors of the course coordinate with the canteen manager as to the practicum activities of the students. Monitoring of activities by each course instructor is done daily. The manager supervises and facilitates the daily activities of the students.
3. Garments Industry

The students, teachers, employees and other walk-in customers are the captured market of the industry. Each new student is mandated to pay the payment of the school uniform upon payment of the tuition fee down payment at the Cashier. The IGP also provides the annual uniforms of the LNU teachers and employees. Each employee and teacher is also deducted yearly from their clothing allowance an amount intended for the whole set of uniform. Each customer has to present an official receipt issued by the Cashier when claiming the finished product. The project does not only generate revenue for the College, but as well as employment to skilled people engage in this line of job.

4. ID Printing and others

The project is located at the MIS Office, Administration Building. Its target clientele are the LNU Integrated Laboratory school pupils, LNU Graduate and undergraduate students and LNU employees. The services offered include ID printing and internet station printing and scanning services. The ID printing operation is performed as an end-to-end transaction in real-time. It may also print and sell personalized ID tags and other souvenir items. On the other hand, the customers for the internet station printing and scanning services are assured of a quality product where the fee is determined according to the size of the paper, number of pages, and the type of printing they prefer.

5. Other LNU IGPs

This includes the following: a) Income generated from LNU Review Center; b) Proceeds from Testing Center; c) LNU Hostel Internet Café with Travel Agency; d) Income from Fruits and other Land Products; e) Commission from Peddlers, and; Income generated from LNU Training Center (Certificatory Program) and Teacher Induction and other trainings.

Operating Procedures

All the LNU IGP projects are self-liquidating. It uses the commercial accounting as provided in the IGP Manual of Operations of SUCs in Region VIII. It is included in the IGP Book of Accounts and maintains a separate individual subsidiary ledger. The authorized and designated IGP cashier deposits the daily sales in the bank. All systems, schemes, steps and procedures are done using the commercial accounting and guidelines from the IGP Manual.
However, the LNU IGP has devised an operating procedure for the newly established enterprise specifically for the university.

**Location.** The buildings that showcase the IGP products are within the proximity of the downtown area. The building that housed the Garments Industry is within the university campus. The cafeteria is also adjacent to the Bookstore inside the campus. The finished IGP products are stored in a special room within the university equipped with storage shelves and proper ventilation. Practically, all the IGP projects of the University are located within the campus where stakeholders can easily access and avail.

**Legal Environment.** Operating as a true business entity, the LNU IGP follows the legal procedure in securing permits such as licensing, permit to operate, health, workplace or environmental regulations permit, zoning and building code requirement. The local government units such as the City Health Center, DTI, DPWH, LTO, etc. are the agencies that provide official go signal to operate.

**Inventory.** Each project has its own inventory system. An auditor and a checker designate rolled into one is assigned to do the task of checking/auditing the items purchased, produced and sold and doing inventory at the end of the day, weekly, and monthly.

**Suppliers.** Only accredited suppliers are entertained by the College. However, if requisitioned goods are bought in cash through window shopping, the process follows the usual accounting and auditing rules and regulations.

**Credit and Delivery Policies.** The LNU IGP employs the Cash-on-Delivery System (COD) and on-time-delivery. However, it extends credit to members of the faculty and staff on a case to cases basis provided it is approved by the President.

PERFORMANCE MEASUREMENT

The LNU IGP’s performance measurement system monitors, gauges, and motivates employees toward goal congruence. Reward and incentive schemes are among the component of the performance measurement. LNU adopted profit sharing as the incentive to ensure that people manning the whole IGP are motivated to work. The criteria set by the LNU Administration for evaluating IGP projects are equity, relevance and controllability. Equity means that the measure should reflect the different degrees of difficulty and responsibility of similar type of work assignments. The degree of difficulty is measured not only in terms of raw strength needed to get the job done but as well as jobs that require mental concentration, decision making or those requiring special skills. Relevance assures employees that as far as
practicability is concerned, they will only be measured for results that are inherent to their assigned tasks.

As far as Lnu IGP is concerned, it considers the financial and non-financial aspects of IGP operations as its performance measures. In this concept, the IGP Director down to the IGP managers and their subordinates are measured on the financial aspect. Moreover, the President and the members of the Board of Management are not only accountable but they are measured on the quality policies that they have formulated that have resulted to goal attainment and efficient and effective operations of the whole IGP system.

The mechanics of performance measurement of LNU IGP follows the standard procedure set by the Manual of Operations of SUCs IGPs in Region 08. The Board of Management, together with the Director and Project Managers convene from time to time to assess the performance of each project. Each manager presents his/her accomplishment report, and whatever the outcomes may be, the Director recommends positively or negatively to be approved by the Board of Management and the President.

**PROFIT SHARING**

The LNU IGP has formulated and adopted a different scheme for profit sharing tailored to their own needs. BOR Resolution No. 064, series 2008 approves the profit sharing scheme for IGP of the University subject to the usual accounting and auditing rules and regulations. Profit sharing covers only projects that earn income through the initiatives of the people manning the different kinds of projects. Income from rental facilities such as hostel and other school facilities are not included in the sharing scheme.

The LNU IGP Center prepares all the documents and financial reports needed for the sharing. The sharing is as follows:

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<th>Percentage</th>
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<tr>
<td>15%</td>
<td>school share</td>
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<tr>
<td>15%</td>
<td>capital build-up</td>
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<tr>
<td>20%</td>
<td>incentives for project manager and workers</td>
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<tr>
<td>5%</td>
<td>Project Manager’s premium</td>
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<tr>
<td>11%</td>
<td>Facilitative Staff</td>
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<tr>
<td>3%</td>
<td>share of the IGP Director</td>
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<td>6%</td>
<td>President</td>
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<tr>
<td>10%</td>
<td>BOM and BOR</td>
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<td>15%</td>
<td>Employee Benefit Fund</td>
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Utilizing the model, LNU may empower the IGP unit to achieve effective performance and talent management. Through this, the IGP management can identify the gap between business goals and outcomes, and define the numbers and skill levels employees need to close the gap thereby putting right people in the right jobs at the right time. It is said that an organization that identify, track, retain, and reward the strongest performers are likely to succeed in its endeavors. The model also empowers to enhance strategic alignment wherein goals are tied up to IGP business objectives. It leads to a smarter resource planning because whether the organization is upsizing, downsizing, or reorganizing, the people need to know where the organization’s critical skills, competencies and certifications lie.

The model also boosts greater administrative efficiencies by automating such functions as goal setting, 360-degree reviews, and performance appraisals thereby allowing managers to spend their time on more strategic initiatives and a smooth implementation.

Ultimately, the success of a balanced scorecard and Skandia Navigator system is dependent on its day-on-day use throughout all levels of the organization. Hence, LNU may utilize the scorecard regularly in reviewing performance and in making plans for the future. Everyone in the organization has to understand the importance of the performance measures and the relationship of the scorecard to the organization’s vision and mission.

CONCLUSIONS AND RECOMMENDATIONS

The main thrust of this study was to evolve a model for the development of an intellectual capital strategy for an effective IGP culture in Leyte Normal University, Tacloban City.

This study employed the mixed-method quantitative-qualitative exploratory-descriptive research design. It utilized survey questionnaire as a source of numeric information and secondary data collection tools such as interviews, observations, document reviews and visual data analysis for triangulation. Thirty-seven (37) LNU officials were involved in the survey.

The proposed LNU IGP manual of operations is highly recommended for adoption by the management and administration.
Acknowledgement

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