



# CURRENT CHALLENGES FOR NON-PROFIT ORGANIZATIONS IN THE FIELDS OF EDUCATION AND RESEARCH OF UKRAINE

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**Abstract.** The article raises a problem of developing non-profit organizations in the spheres of education and research under the conditions of increased competition. Current factors and tendencies of the development of the spheres of education and research have been studied. They have been viewed through European, world and Ukrainian perspectives. It has been revealed that modern trends of education and work market in Eastern Europe and Ukraine are similar; however, in Ukraine they have their own specificity. Among the most influential challenges for non-profit organizations in the spheres of education and research in Ukraine are the following: financial, demographic, market, globalization and technological. These challenges affect to various degrees different levels of education in Ukraine. In the context of current challenges there has been identified the problem of imbalance between the scope and funding, the problem of low quality of higher education, as well as the problem of structural imbalance between demand for labor and its supply in Ukraine. The article outlines the areas of marketing of education and research spheres of Ukraine: increased market orientation of non-profit education and research, market development, effective marketing management in order to improve the quality of education.

**Keywords:** education, research, non-profit organisation, competition, labor market, marketing, educational service, education program, lifelong learning, adult education.

## Introduction

All international systems on evaluating the quality of living consider education to be of a priority value. The condition of providing educational services in Ukraine states a high level of literacy and education among the population of the country. As to Ukraine Human Development Report 2013 (United Nations Development Programme, 2013, p.171) provides the following data: according to the level of education Ukraine is among the countries with a high level of development, occupying the 78 place out of 186 countries, 99.7% of adult population (older than 15) are literate, 93.5% of population (aged from 25) has got at least secondary education. Gross enrolment ratio is the following: 99% for primary, 96% for secondary, 79.5% for higher education. Satisfaction with education quality is average: 50.1% of respondents are satisfied with the quality of educational services in Ukraine. Such a situation speaks both for the high quality of educational services provided for the population of the country and for the drawbacks in the sphere of quality services in the educational system of Ukraine. Prospects for Ukraine's integration into the European Higher Education Area require upgrading its network of educational institutions towards transnational processes, network self-organization and marketing in order to enhance the competitiveness of domestic education and research nonprofits in the international market.

Significant contribution to the development of research methodology of issues of non-profit organisations was made by such foreign scholars as Burton Weisbrod, Henry Hansmann, Gosta Esping-Andersen, Avner Ben-Ner, Lester M.Salamon, Helmut Anheier and others. The scientists such as Oleksij Garan', Anatolij Karas', Antonina Kolodij, Volodymyr Polohalo, Sergij Rjabov and others dedicated their works to the study of the formation of civil society in Ukraine as a whole and of its individual institutions, including NPOs. Despite the

importance of this issue in the national scientific literature in the framework of marketing of non-profit education and research areas all the questions relate primarily to higher education. The issues of operation and development of educational services in Ukraine, ways of improving competitiveness of schools are important topics and have been studied in the works of scientists such as Sergij Salyga (who studied the state and trends of financial provision of higher education), Valerij Vasylenko (who scrutinized the state and prospects of development of higher education), Yuriy Ivanov (who covered theoretical and practical problems of competitiveness of higher education in Ukraine), Violetta Salogubova (who explored ways of improving competitiveness of higher educational institutions on the basis of marketing) and others. Empirical studies of the dynamics of domestic institutions of education and research of Eastern Europe were conducted by the international organizations in formulating various ratings. It should be noted that despite the importance of this issue in the national literature on areas of marketing of non-commercial sector not all the questions are fully reflected. There are two reasons for this. First, all these issues concern organizational aspects of marketing mainly in higher educational establishments. Second, ways of improving areas of non-commercial research and education do not take into account all current challenges and rapidly changing environment.

The aim of this paper is to reveal current challenges for subjects of national non-profit education and research establishments and compare them with the challenges of the countries with highly developed economy. The necessity of such an investigation is caused by the need to develop Ukrainian non-profit subjects in the sphere of education and research on the basis of creative implementation of foreign experience under domestic conditions.

### Method

The methods of the research are systematic and comparative analysis of scientific literature, reports of Ukrainian and international organizations.

### Results

Such changes in the environment of functioning of subjects of national non-profit education and research establishments as privatization, decentralization, diversification, internationalization and increasing competition are inherent in higher education of most countries. Nowadays, higher education is characterized by improvement and changes in supply and demand for educational services. For the purpose of revealing the specificity of domestic marketing surrounding we have analyzed the main challenges for non-profit organizations of the spheres in question within the format world and Ukraine.

**Socio-cultural and demographic challenges.** The demographic situation in Ukraine is very complicated: in 2013 the number of people at the end of the year comprised 45426.2 the number of people decreased of 158712 if compared with the previous year. Thus, there is a negative demographic balance. Changes in the population of Ukraine, changes in the age structure of the population (aging), increased migration, reduced incomes adversely affect the demand for educational services. Therefore, the transition to 12-year-old secondary school education is a fully prescriptive way of redistribution and expansion of the target audience.

According to The European Higher Education Area in 2012: Bologna Process Implementation Report ([www.ehea.info](http://www.ehea.info), 2012), in Ukraine there is a tendency towards a mass higher education, today the number of graduates who continued their studies in universities reached 70-80%. The coverage of higher education for young people aged 25-34 years in Ukraine is too high (48.4%). Regarding the share of population with higher education among other age groups, the current state is: Finland, Ireland and Ukraine occupy leading positions in the share of population with tertiary education aged 35-44 years. In the age group 45-64 years, Ukraine shares the leading position with Estonia and Finland. With respect to gender parity, more Ukrainian women have higher education than men, just as in the EU. Chuhraj, Patora and Ljaljuk (2008, p.41) stated the change in the portrait of students, including the strengthening of their political activity and independence, a critical evaluation of educational services, legal protection and awareness.

**Financial challenge.** Funding of NPOs (including education) is public (direct and indirect funding), personal (incomes from principal and entrepreneurship activities) involved (charity, sponsorship means, grants, membership and reserve contributions, loans, etc.). Total expenditure on education in Ukraine in 2012 was 111.18

billion, 7.5% of GDP. Article 61 of the Law of Ukraine "On Education" determines the necessary budgetary allocations for the education sector in the amount of not less than 10% of GDP, but never since independence of Ukraine this level of funding for education was that. The main sources of financing in Ukraine are the central and regional / local government agencies and the private sector (households). Analysis of the distribution of expenditure on education shows that in Ukraine compared to developed European countries there is rather low level of expenditure per pupil / student (20% of the average cost per pupil / student in the EU) (State Statistics Service of Ukraine, 2014a). Kasych and Tsyhan (2013) also point out the following problems in the spheres of financing higher education in Ukraine:

- indicators of cost per student in developed countries are in the range of 9000 to 30000 US dollars in Ukraine they are only 3121 US dollars;
- a significant excess of universities in Ukraine in accordance with number of people is observed. Thus, taking into consideration the number of people Ukraine is comparable with South Korea, but the number of domestic universities is in 2.2 times more than in South Korea;
- despite the number of higher educational establishments Ukraine is not competitive in the global educational space. Thus, none of the universities of Ukraine is among the Top 500 of ARWU - 2013;
- according to the state of material and technical basis, which reflects the financial support, Ukraine remains below world average trend.

**The challenges of globalization.** Increasing competition between national and transnational providers of educational services helped increase the choice of educational institutions for potential consumers. Nowadays higher educational establishments of Ukraine are competing for applicants not only among themselves, but they also compete with educational institutions of the EU and the USA. In Ukraine the challenges of globalization, the emergence of new economic super power in the world, the spread of scientific and technological progress, the Bologna process, the Lisbon Action Plan in Europe are accompanied by specific challenges of national environment functioning: increased social requirements towards universities; the rising cost of research and teaching in universities; reduction in state funding of universities; development of new information and communication technologies (hardware and software, Internet, digital libraries, open study courses, etc.) (Pavlenko, 2011, p.9). Challenges of globalization significantly affect the number of students in Ukraine, increasing the inflow of foreign students to Ukraine and outflow of Ukrainian students abroad. According to (www.rbc.ua, 2014), between 2008 and 2013 the number of Ukrainian students who went abroad to study has increased 1.5 times: from 21.5 thousand to 32.6 thousand of people. Top countries for Ukrainian students are Poland, Germany, Russia, Czech Republic, Italy, Spain, and France. Instead, Ukraine has students from over 130 countries. According to the Ministry of Education, there are about 61 thousand of international students, and every year the number increases. Most international students come from China, Turkmenistan, and Russia. Over 4 thousand people are from European countries, there is a tendency to increase the number of students from Asia, Central and Latin America.

**Market challenge.** The Survey of Adult Skills (Organisation for Economic Co-operation and Development, 2013) revealed the presence of labor potential "gap" between the skills and abilities of Europeans of working age and labor market needs. This asynchronous trend in the development of the education system and the economy creates risks reducing employment, worsening social conflict, deterioration of macroeconomic indicators of national economies. The problem is exacerbated due to the fact that according to the social survey it has been stated superior passive behavior of the least skilled and least educated people who are unwilling to continue learning. Thus, the European Community confronted with urgent and wide-scale problem, which requires large investments and integrated innovation approach. In Ukraine the educational services are imperfect and, in turn, it leads to the social outcome of educational institutions. All this is reflected in the personnel provision, regional labor markets, research results, and the general level of culture. Today the education markets both in the EU and Ukraine are not correlated with the real sector of the economy (Volokytina, 2009, p.23). One of the causes of this is the difficulty of foreseeing the labor market. The structure of demand is not optimal, because there is a surplus of specialists in one field and lack of some in the others. Worsening of standards of quality for educational institutions, expanding the range of services that are more market-oriented, reducing the uniqueness of the institution for more career-oriented services are all the tendencies in Ukrainian higher educational establishments. As a result of this, Ukrainian higher education is not highly market oriented.

The trend growth in demand for educational services in higher education takes place in the whole world. According to Salogubova (2011, p.21), the rate of annual growth in developed countries is 10-15%, especially fast growing is the demand for higher and further education, which will increase competition for students and funds for, especially in higher education. In Ukraine the highest competition in the market has been among the leaders, lawyers, financiers and accountants, students (in competition 5 seekers for every job) and sales specialists. Thus, there is a problem of excessive supply of graduates of educational institutions over the demand for them in the labor market. However the demands of the labor market are different: enterprises require skilled workers for manual jobs, professionals, and employees of the easiest jobs in trade, services, industry, construction, transport and others. As reported in Statistical and analytical review of the labour market in 2013 (State Statistics Service of Ukraine, 2014d, p.14), there is also need for workers able to maintain, operate and control working processes of equipment, assembly-line equipment and machines. Thus, a large proportion of graduates in so-called "popular" areas of training (mainly economic and legal professions) cannot find jobs of their majors due to the lack of vacancies in the job market.

One of the directions of the synchronization of needs of the labor market and offers of educational services market in Ukraine is the introduction of continuous education and development of educational services for adults. This continuing education must be focused on the formation and enrichment of knowledge, skills, competencies for employment rights in order to ensure the competitiveness in the labor market, productive employment, reduce unemployment and poverty reduction. Nowadays the market of educational services for adults in Ukraine is in the process of formation and development.

**The technological challenge.** The development of information technology has led to the development of educational innovations, including online learning (distance learning). More universities around the world support the idea of the development of public education programs, marking thus the global technological revolution in online learning. As reported in E-Learning Market Trends & Forecast 2014 - 2016 Report (www.docebo, 2014, p.8), the demand for distance learning courses has increased over the past few years: the number and percentage of students of distance learning is mounting. The world market of distance education in 2011 reached \$ 35.6 billion, experts predict that the trend will grow the next five years by average of 7.6% per year and will have reached \$ 51.5 billion by 2016; most dynamically growing market of distance education services is in Asia (17.3%) and Eastern Europe (Russia). Distance education in Ukraine was introduced in the 2000s. Now it is at the stage of formation and globalization, integration processes and implementation of information technologies create the preconditions for its development.

National development strategy of education in Ukraine for the period up to 2021 (Ministry of Education and Science of Ukraine, 2012, p.5) speaks, that adapting educational and technological research to meeting challenges for Ukrainian educational sphere should be a continuous process and now it has the results: in 2013 more than 95% of secondary schools were provided with modern educational computer systems, 85% of schools and 98% of vocational schools got connected to the Internet. The inclusive education of children with special needs was initiated. There are positive changes in library and information support in the sphere of education and science. The researchers note the beginning of the development of modern infrastructure innovation activities in science that have provided financial, information, consulting, marketing and other support (Mel'nyk, 2009, p.139). For example, in Ukraine the industry information resources are initiated; web portals and sites are created in major libraries, they provide access to information resources for remote users; form electronic resources, including electronic catalogs, full-text databases, and electronic libraries.

## Discussion

The analysis of empirical data on the development of education and research in Ukraine led to a number of conclusions. Modern trends in the education market and work in Eastern Europe and Ukraine are similar, but in Ukraine they are specific. The most important challenges for nonprofit organizations of education and research in Ukraine are financial, demographic, market, the challenge of globalization and technological challenge. Challenges affect to various degrees of different levels of education. For instance, higher education has more competition possibilities, it is more autonomous, and when the new Law of Ukraine "On Higher Education" is being introduced this autonomy will even expand and public control over service quality will strengthen. The study has found that in Ukraine there is a clear imbalance between the scope of activity and its funding. The most

intense competition for state funding, students and highly qualified scientific personnel is among universities. Reducing state funding actualizes the diversification of funding sources. This requires education and research institutions to be more open to the environment, be more market oriented. Our research confirmed the conclusion of Chuhraj et al. (2008, p.35), that higher education in Ukraine prefers functioning to the development that threatens the achievement of social goals and deepens the problem of insufficient quality in providing university educational services, i.e., there is a gap between objectives and actions. The issue of the quality of higher education in Ukraine is extremely relevant. It takes some steps in the direction of Bologna process, structural imbalances between demand for labor and its supply in Ukraine. The results of the study have confirmed the need for attention to the issue of quality of education, and have found that Ukrainian education and research nonprofits, on the contrary to nonprofits of Eastern Europe, are characterized by the competition for both funding and consumers. The sphere of education in the developed European countries is characterized by managerial paradigm, and the educational institutions of Ukraine are characterized by financial paradigm. The theoretical value and importance of the results identified areas of marketing of non-profit education and research institutions; they revealed the need for financial paradigm, since the financial challenge is the most vital for the education system.

It is expected that in the future competition in Ukrainian educational services will be further strengthened due to globalization and demographics. The impact of major universities will be even more influential and this will increase the integration of educational establishments. From this perspective, the marketing process of education and research serves as an important tool for improving educational alternatives for target customers (through improving the quality and diversity of services), liberalization of the education market, strengthening of the financial capacity of educational institutions. Thus, the present challenges actualize the need to enhance the process of marketing for the national non-profit sphere of education and research taking into consideration the specificity of Ukrainian marketing environment.

Today, most Ukrainian educational institutions give priority to economic objectives due to the lack of advantages of NPOs that are so typical for foreign countries. Nowadays Ukrainian educational establishments are in conditions of fierce competition in the market, which is exposed to global competition, the effectiveness of marketing activities which are not relatively higher. The problem of marketing of non-profit organizations in developed countries is related to finding ways of marketing campaigns, finding new tools of mechanism for fundraising, accounting and evaluating the effectiveness of marketing activities. The Ukrainian educational establishments, in our opinion, require the following aspects of marketing. First, there is a need for increased market orientation of the sphere of non-profit education and research, as market orientation is inherent for universities in Ukraine, but it is not always carried out properly. Second, development of markets (the direction of the educational market in Ukraine, as well as for Europe is lifelong learning and adult education, which are less spread in Ukraine, the development of distance learning, attraction of foreign students from less developed countries). Third, there is a constant need for effective marketing management in order to improve the quality of education and reduce the gap between the supply of educational services market and demand in the labor market.

The obtained results give a clearer understanding of current problems of non-profit organizations of education and research, which undoubtedly have a positive impact on further theoretical and empirical research areas of marketing sector. Positively assessing the scientists' achievements on the concept of non-profit marketing in education, we consider it to be important for further development towards adaptation to conditions of national non-profit sector. This study is part of a larger research area on the directions and methods of marketing of non-profit sectors in Ukraine, so future research will cover exploration of current conditions and trends of marketing of other non-commercial areas (religion, health, environment, etc.).

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