

## НАЦИОНАЛЬНАЯ СТРАТЕГИЯ ВЫСШЕГО ОБРАЗОВАНИЯ КАК ИСТОЧНИК КОНКУРЕНТОСПОСОБНОСТИ ВЫСШЕГО ОБРАЗОВАНИЯ В АРМЕНИИ

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### Аннотация

**Ключевые слова:** национальная стратегия высшего образования, система высшего образования, модель стратегического управления университетом, модель финансирования высшего образования, фонды целевого капитала университета.

Образование является проводником изменений, которые осуществляются и дополнительно подпитываются несколькими взаимосвязанными механизмами, такими как глобализация, технологические достижения, быстрое геополитическое и социально-культурное развитие. Данные трансформационные метапроцессы в настоящее время привели к необходимости радикальных и системных преобразований в высшем образовании Армении. Следовательно, система высшего образования Армении сталкивается с многочисленными локальными проблемами, которые в основном обусловлены требованиями, связанными с развитием наукоемкой экономики, образовательных инноваций и инновационных технологий. С другой стороны, отсутствие национальной стратегии образования на государственном уровне и ограниченное целевое финансирование усугубляют ситуацию, вследствие чего система высшего образования Армении отстает от происходящих в мире перемен. Если подобная ситуация продолжится в долгосрочной перспективе, это в конечном итоге приведет к «интеллектуальному банкротству» системы высшего образования в Армении. Таким образом, Правительство РА должно разработать и утвердить инновационную и конкурентоспособную стратегию высшего образования и модели стратегического управления. Эти две концепции должны быть всесторонне разработаны в предстоящее десятилетие в тесном сотрудничестве со всеми стейкхолдерами высшего образования, включая университеты Республики Армения. Также необходимо обеспечить разработку эффективных моделей стратегического управления, внедрение которых позволит вузам развивать процессы стратегического управления и сбалансировать человеческие, финансовые и материальные ресурсы, направляя их на реализацию государственных приоритетов, стратегических целей и задач, долгосрочное развитие высшего образования в Армении.

## ԲԱՐՁՐԱԳՈՒՅՆ ԿՐԹՈՒԹՅԱՆ ՊԵՏԱԿԱՆ ՌԱԶՄԱՎԱՐՈՒԹՅՈՒՆԸ՝ ՈՐՊԵՍ ԲԱՐՁՐԱԳՈՒՅՆ ԿՐԹՈՒԹՅԱՆ ՄՐՅՈՒՆԱԿՈՒԹՅԱՆ ԱՂԲՅՈՒՐ ՀԱՅԱՍՏԱՆՈՒՄ

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### Ամփոփում

Կրթությունը փոփոխությունների կատալիզատոր է, որը գործառնականացվում և հետագայում զարգանում է մի քանի փոխկապակցված մեխանիզմների միջոցով, ինչպիսիք են գլոբալացումը, տեխնոլոգիական առաջընթացը, աշխարհաքաղաքական ու սոցիալ-մշակութային արագ զարգացումները: Այս տրանսֆորմացիոն մետապրոցեսները Հայաստանի ներկայիս բարձրագույն կրթության համակարգում ստեղծել են արմատական ու համակարգային վերափոխումների անհրաժեշտություն: Հետևաբար Հայաստանի բարձրագույն կրթության համակարգը բախվում է բազմաթիվ մարտահրավերների ու խնդիրների, որոնք հիմնականում պայմանավորված են գիտելիքահենք տնտեսության, կրթական նորարարությունների, նորարարական տեխնոլոգիաների զարգացման պահանջներով: Մյուս կողմից էլ բարձրագույն կրթության պետական ռազմավարության բացակայությունն ու բարձրագույն կրթության պետական ֆինանսավորման սակավությունը սրել են իրավիճակը: Հետևաբար ՀՀ բարձրագույն կրթության համակարգը հետ է մնում համաշխարհային զարգացումներից. առկա է անհամապատասխանություն Հայաստանում ներկայումս մատուցվող բարձրագույն կրթության ծառայությունների ու շուկայի կարիքների միջև: Այսպիսով՝ Հայաստանի Հանրապետության կառավարությունը պետք է մշակի ու հաստատի բարձրագույն կրթության մրցունակ ռազմավարություն և համալսարանների ռազմավարական

կառավարման նորարարական մոդելներ: Այս երկու բաղադրիչները պետք է համակողմանիորեն արտացոլվեն երկարաժամկետ զարգացման ծրագրում, որը պետք է մշակվի բարձրագույն կրթության բոլոր շահակիցների, այդ թվում՝ ՀՀ բուհերի հետ սերտ համագործակցությամբ: Այսպիսով՝ մրցակցային ռազմավարության ու բուհերի արդյունավետ ռազմավարական կառավարման մոդելների մշակումն ու իրականացումը ՀՀ բուհերին հնարավորություն կտան առավել զարգացնելու իրենց ռազմավարական կառավարման գործընթացներն ու համապատասխանեցնելու մարդկային, ֆինանսական ու այլ ռեսուրսները պետական առաջնահերթություններին, նաև բարձրագույն կրթության համակարգի երկարաժամկետ զարգացմանը:

## STATE STRATEGY ON HIGHER EDUCATION AS A SOURCE OF HIGHER EDUCATION COMPETITIVENESS IN ARMENIA

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**Keywords:** State strategy on higher education, higher education system, university strategic management model, higher education funding model, university endowment funds.

**Brief introduction.** Education is a vehicle of change that is operationalized and further fueled through several interconnected gears, such as globalization, technological advancements, geopolitical, and socio-cultural rapid developments. These transformative metaprocesses have created the necessity of radical and systemic transformations in the current higher education system in Armenia. Consequently, the higher education system in Armenia faces numerous challenges and problems that are mainly conditioned by the requirements stipulated by the development of knowledge-based economy, educational innovations, and innovative technologies. On the other hand, the lack of state strategy on higher education and limited state funding for higher education have exacerbated the situation. Consequently, the RA higher education system is lagging from global developments, and there is a mismatch between the current delivery of higher education services and market needs in Armenia. If this lagging continues in the long run, it will eventually create the “intellectual bankruptcy” of higher education system in Armenia. Thus, the Government of the Republic of Armenia (RA) should develop and endorse a competitive higher education strategy and innovative university strategic management models. These two constructs should be comprehensively reflected in a long-term strategy that should be developed in close cooperation with all higher education stakeholders, including the RA universities. Strategy should be developed by a “consideration of the resources of the institution in relation to its environment, the prime purpose being to add value. The added value is then distributed among the stakeholders” (Lynch 2015: 13). Thus, the development and implementation of a competitive strategy and efficient university strategic management models will enable the RA universities to further advance their strategic management processes and will align human, financial and other resources with state priorities and long-term development of higher education system in Armenia.

**Formulation of the problem.** The 21<sup>st</sup> century has entered the age of knowledge-based economies, in which higher education is central to future economic and societal development. Thus, higher education reforms should be of paramount importance to respond to constantly changing global economic demands and strategic changes in educational paradigm. Strategic changes embed the stages of transformations at the system and institutional levels that uplift the universities to new and sustainable competitive position and is likely to require changes in existing strategy (Taylor and Miroiu 2002: 2).

In this context, higher education in Armenia should be mainly embedded with economic growth as well as long-term development of the society. Nevertheless, currently reforms in the higher education landscape in Armenia do not significantly contribute to fundamental strategic changes in the emergent educational paradigm. The RA universities are key players in the successful transition to a knowledge-based economy and they should

provide competitive education for a new generation of professionals and leaders in Armenia. The universities are currently facing major challenges of accelerated pace of global, regional, and local competition. In the context of globalization, an array of reforms has been introduced for recent two decades in the domain of higher education in Armenia. However, these reforms have not been targeted at providing solutions to system-level problems in the RA higher education landscape, such as free economic and political movements of human capital, the transition to market economy of educational services, increasing brain drain and mobility of labor force, transitional processes of formation/connectiveness of labor and education markets, assurance of university autonomy and financial sustainability, developmental tendencies of local and global competitiveness, rapid development of high technologies and their inclusion in the higher education domain, diversification and expansion of educational services with focus state needs and priorities. In this context, the RA Government needs to re-state and reinforce its role and functions in the global economic and civil society claims. Accordingly, the latter ones are exposed to the requirement to ensure continuous institutional evaluation, measurement and revision of their own performance and learning outcomes that are vital for integration into regional and international markets, for the acquisition of competitive advantages as well as for assurance of participation in higher education reforms.

Armenia has systematically attached great importance to the creation of a functional strategy of revitalizing the country through science and education as a strategic driver in state economic sustainability and a strategic priority in the globalization drive. Institutional capacity and intellectual potential of universities are instrumental in the agenda of educational reforms and are not to be diminished. Accordingly, the RA universities should be the source of technological innovations and should server as a platform for proposing and institutionalizing cutting-edge educational reforms and safeguarding the society's advancement. Taking into consideration their functional frameworks, the RA universities should have been catered to become the optimizers of social changes and disseminating cutting-edge knowledge and research outcomes. However, the RA universities have not considerably pushed forward the processes of sustainably developing and implementing the dimensions of data-driven strategic and financial management systems. Additionally, the RA universities are very conservative systems. Thus, they have not reflected social and economic transformations in their organizational structures so far and have not increased the efficiency-effectiveness of their strategic management models, systems, and mechanisms. This means that the traditional functional frameworks of higher education institutions should be reconsidered and re-evaluated by transforming into a competitive platform with extensive stakeholder engagement. Respectively, a novice strategy framework and revamped state strategy on higher education should also comprise conceptual understanding of the roles and functions of the RA universities, substantial changes in university strategic management models, organizational-administrative and financial management structures, processes, and mechanisms. These interrelated pillars will be geared towards establishing and further refining the targets for the excellence in higher education.

**A short analysis of current research and publications related to the problem.** This article provides a conceptual framework for aggregating empirical findings from 20 state universities and determining priority urge for the development of state strategy on higher education, transforming university strategic management models and higher education funding mechanisms. The topic discussed in this article is of utmost importance in the Armenian context taking into consideration the RA Government's drastic proposals of establishing an academic city in Armenia and proposed changes of merging the RA state universities, shrinking state funding for higher education, frequently changing demands of labor market, and not well-defined strategy frameworks and university strategic management models. To this end, strategy framework is defined as a "conceptual representation or a model that managers can use to design strategies with a clear description of the logic and resources used" (Pfeffer and Sutton, 2006). Furthermore, strategy frameworks should result in the development of a novice state strategy on higher education. This strategy should necessarily embed three key aspects: "1. simple, consistent long-term goals; 2. profound understanding of the competitive and working environments, including the needs of students and other "consumers" of services; and 3. an objective appraisal of resources" (Taylor and Miroiu 2002).

**Aim of the publication.** The article embeds two epistemologically and methodologically diverse objectives, which are inherently interconnected. The first objective is to investigate advanced conceptual foundations of the urge for state strategy on higher education in Armenia. The latter one will have short-term, mid-term, and long-term implications for the competitiveness of higher education system and social impact. The second objective is to delve into several factors that impedes the competitiveness and efficiency of the higher education system in

Armenia. Up to date there has been very limited scholarly attention and research initiatives undertaken to conduct a system analysis on the functionality of higher education system in Armenia and comparative research with international best practices. This veracity gives more importance to this article especially in view of the existing scarce scholarly narrative. Thus, this article portrays the significance and urgency of developing and implementing a national higher education strategy that will consequently delineate cutting-edge higher education policies, competitive university strategic management and funding management processes.

**Research novelty.** Economy in Armenia is striving towards increased competitiveness, and higher education should significantly contribute to the socio-economic development of the country. In current processes of development of knowledge-based economy and advancement of society, the RA universities should act as key role-players in knowledge generation, preservation, and transmission, should foster innovations and create research-based constructs, and should eventually cultivate creative minds. In the current accelerated economic shifts towards knowledge-based economy, the role of higher education is even more accentuated.

One of the important determinants of economic competitiveness is the quality of its higher education. Higher education quality is not only vital in the development of knowledge-based economy, but it is also a significant factor for educational excellence. Higher education excellence should be the principle to which all higher education stakeholders in the RA are committed. However, in the current higher education landscape, the RA universities chiefly implement non-competitive academic programs based on traditional, rather than student-centric methods of education delivery. The RA universities are not motivated and are rarely aimed at creating and disseminating added value among their key stakeholders and the society. This overall situation should create the prerequisite to adopt and efficiently operate respective strategies, both at national (state) and institutional (universities) levels to ensure fruitful intercommunication between education and market as well as targeted outcomes.

**Presentation of the research.** In the context of market economy, RA universities have rather limited expertise to carry out entrepreneurial and/or innovative activities in market relations. The current market of educational services in Armenia is still in the formulation process. Competitive higher education services suppose a system that provides an amalgam of top-notch body of knowledge, a set of high-order knowledge-based skills, and competences (functional literacy) that are aimed at the satisfaction of multi-content needs of individuals, society, and the state. This combination is predominantly generated at higher education institutions. However, the increasing demand for higher education services exceeds the amount of both financial allocations by the state to higher education and university allocations in the institutional budgets in Armenia.

The ever-increasing requirements of different stakeholders and constituencies highly complicate the development of higher education competitiveness and further disconcert the landscape of higher education in Armenia. Some of the main factors are as follows:

- globally increasing economic crisis and dynamically changing educational landscape that create mismatch between labor market needs and academic programs and educational services,
- self-sustenance of the RA universities' functions and operations threatened by the lack of state strategy on higher education and limited state funding for higher education,
- decrease of resource availability and high level of changeability of external environment of higher education,
- non-targeted stakeholder engagement and ineffective communication schemes that create the abstraction of educational content from the real needs of the country and market,
- wide-spread ignorance or limited awareness by higher education stakeholders on the requirements for the RA National Qualifications Framework,
- shifting changes in the demand for graduate degrees in the modern knowledge-based economy (e.g., predominantly in the field of high technologies),
- high-accelerated growth of private for-profit educational providers of alternative education (including private universities, providers of micro-credentials, training centers),
- decline in demographic indicators that will have uncertain consequences for the delivery of higher education and changes in labor force,

- non-synchronous development of the education system with time/slow response to modern and global changes that create non-efficient use of modern high technologies and innovative approaches in academic programs at universities,
- inefficient mechanisms of stakeholder engagement and public involvement in higher education policy making, university management and quality assurance of programs (including low levels of stakeholders' satisfaction with program outputs, no systematic conduct of graduate destination surveys),
- high index of aging among teaching staff (faculty) and researchers,
- inefficient strategic, financial, and human resources management systems (including talent management, recruitment, and retention mechanisms of young competitive professionals at university settings).

**Challenges of strategic decision making and funding models in higher education.** Challenges for strategic decision making in higher education domain include either the lack of data or inconsistent data to analyze and compare system-wide metrics of the RA university performance with national priorities and international best practices. Strategic decision-making is the “process of developing and putting into action choices that will influence the long-term welfare of any organization. These choices often involve major organizational change and large resource commitments that are difficult to reverse once they are implemented” (Lampel 2018: 1600). The challenge of creating meaningful descriptive data for higher education ecosystem in the RA is predicated by the lack of any higher education management information system (HEMIS). It should also be mentioned that efficient higher education funding models and financial management systems are of great significance for assuring the financial sustainability of the RA universities. However, opportunities for operating flexible financial management mechanisms (e.g., endowment funds, fundraising and crowdfunding mechanisms) are limited by the deficient mechanisms of university financial management and the insufficiency of state funding allocated to higher education in the RA under current socio-economic conditions.

Under the conditions of scarce financial resources (including limited state funding and investments by higher education stakeholders), additional financial flows from alternative sources will further enable the RA universities to overcome several major problems. Those problems include but not limited to the underfunding for the implementation of efficient strategies, the scarcity of resources for executing flexible strategic management models (including financial management), the scarcity of endowment funds and limited investments by higher education stakeholders necessary for efficient management of endowment funds, and poor culture of involving higher education stakeholders in decision-making (including the improvements in the culture of donations by alumni and other donors, non-targeted use of donated financial resources). Thus, higher education reforms should also be directed to more efficient and targeted implementation of state funding for higher education and should not only foster the smooth development of higher education, but also the assurance and availability of value-driven and competitive services to the wide layers of the society.

The deficiency of state funding allocated to the RA higher education also endangers the efficiency of financial sustainability of the universities in Armenia, thus forcing them to find alternative financial flows, to reduce remuneration for full-time research-active faculty, and to incorporate existing (sometimes not top-notch and sophisticated) technologies in teaching and learnings. This leads to the decline of the universities' ranking in the competitive field and isolates them from the current processes of knowledge-based economy development. This financial vulnerability forces the universities to be excessively cautious in allocating their financial resources, due to which the universities miss lucrative opportunities for investments in their strategic development.

Additionally, the RA Government has not so far conceptualized the tremendous impact of globalization and consequent needs to redefine and diversify funding sources of higher education. The RA Government is also expected to tackle the daunting problems of aligning its strategic objectives and goals to global educational developments and innovations, increasing the level of international visibility and qualifications recognition, and increasing the effectiveness and efficiency of autonomous university strategic management structures.

#### **Background on Financial System.**

This article portrays the significance and necessity of diversification in university funding models to secure financial sustainability and competitive excellence in the Armenian higher education system. The RA state universities are too bureaucratized, and that is why they have not yet developed efficient strategic and financial management models and practices in the presence of daunting challenges. Moreover, in current market

developments and trends in global economic development, the RA universities should ensure diversity of financial sources for their financial sustainability by applying internationally competitive and highly efficient fundraising and endowment management mechanisms. This veracity is a comparatively new culture among the RA universities and in terms of enhancing efficient financial management of higher education, it needs to be institutionalized and strategized.

To provide efficient solutions to the urged problems, key factors should be monitored, analyzed, and strategized both at state and institutional levels in order to successfully face current socio-economic challenges. However, the RA Government hasn't conducted any strategic assessment of higher education in consultation with its key stakeholders in terms of defining alternative funding methods and at a larger scale establishing a favorable funding environment. As a comparatively new concept, university endowment funds can significantly improve strategic and operational activities of the RA universities and may emerge the need for financial alternation and diversification of financial flows for long-term sustainability of higher education competitiveness. Endowment assets encompass funds which are meant for long-term university goals and functional operations; hence, the RA universities should embrace major changes in implementation of their investment strategies and spending policies for establishing prudent and constant spending rules. The shift from policies encouraging income-generating investments to policies embracing rational allocation and highly efficient use of endowment assets will eventually bring to the desirable outcomes such as secure fulfillment of long-term objectives, financial sustainability, and competitiveness of universities at national, regional and/or international levels.

It should also be noted that the RA universities generally derive their financial income from tuition fees, and very limited financial flows come from research grants, conferences and other research charges, entrepreneurial activities, donations and to some very limited extent - endowment funds. The RA state universities receive limited funding from the RA Government. The RA universities in their legal-organizational status are mostly foundations and employ more financial autonomy, are more restricted in terms of receiving state financial support and must be more active in taking initiatives which would lead to diversification of financial sources and financial sustainability.

In the context of the RA higher education system, issues relating to the establishment of legislative prerequisites forming the long-term development perspectives of universities and their endowment funds as well as the development of new financial mechanisms applied in higher education have not become a subject of detailed discussion and rigorous research in last two decades in Armenia. The results of discussions on prerequisites for establishment of legal basis for endowment funds in RA higher education and respective development perspectives were stipulated in the list of the RA Government priorities set for 2017 with the following formulation: "Establishment of legislative prerequisites for the formation of endowment funds aimed at improvement of financial system of higher education and development of new financial mechanisms of higher education" (Priorities set by RA Government for 2017, RA Government Decree 122-N, 12.01.2017, Appendix 2, Clause 109). However, there are some very limited organizational forms of legal entities having endowment funds or endowment capital in RA higher education system. Moreover, the legislation (regulations on endowment funds management and income received by endowment funds, legislative regulations set for the deployment of tax benefits and oversight of endowment funds) has not been sufficiently envisioned and elaborated in Armenia.

**Conclusions and prospects for further research and propositions.** The domain of higher education serves as the pillar of socio-economic and cultural development of any developed economy. In this context, there is an urgent need to develop and implement state strategy on higher education in Armenia that should be based on a detailed supply-demand analysis of labor market, socio-economic and cultural needs followed by a rigorous evaluation of strategic problems and opportunities. The successful implementation of the conceptual framework proposed in the article assumes, but is not limited to reaching the below listed objectives:

- develop and endorse clearly articulated state strategy with the mission and vision of higher education excellency,
- devise data-driven higher education policies and domain-specific priorities that are aligned with state strategy and reflect competitive university strategic management models and practices,
- develop conceptual framework for efficient higher education model for strategic management, which will be brand new construct for the RA higher education system based on exemplary and advanced constructs,
- develop recommendations for higher education reforms, namely improvements in the university strategic management models within the RA higher education strategy, conduct comprehensive analyses of strategic and

financial management models with specific focus on increasing efficiency-oriented (cost-reducing, productivity-enhancing) initiatives.

The state strategy on higher education in Armenia should analyze the demand-supply model of higher education market and should clearly demonstrate the integration of the following components:

- ***Impact-driven vision and state strategy on higher education.*** The state strategy on higher education should embed clearly stated impact-driven vision, mission, and values of the higher education landscape in Armenia. The mission should clearly state the distinctiveness of added value and the value proposition for the further development of the state and society at large. A minimum ten-year state strategy of higher education should be developed and reflect the RA strategic goals, objectives and priorities of higher education that should correspondingly be cascaded down to the RA universities' clearly articulated strategies and operational plans, as well it should be linked with the budget and respective strategic management models. The strategy should incorporate clear indicators and impact-driven targets ensuring the required accountability and oversight mechanisms. The state strategy should also explicitly elaborate on the model of higher education excellency that highlights the intellectual and financial capacity and feasibility of functions and operations of the RA universities.

- ***Strategy's alignment with national and international contexts.*** The state strategy should be based on the analysis outcomes of the extent to which current higher education landscape and existing universities have been aligned with the RA socio-economic and cultural needs, guided by state priorities. The strategy should be supported by an in-depth study of the national, regional, and international contexts to support the niche that the RA higher education system intends to reach and possible expansion to the targeted educational areas.

- ***Demand-supply model of higher education:*** A clear articulation should be conducted to analyze what combination of products the higher education industry in Armenia produces, what associated costs are allocated in the annual RA state budget, what benefits higher education stakeholders obtain, what are the state and current market needs and anticipated workforce supply and demands in short-term, mid-term and long-terms. The analysis of demand-supply, cost-benefit and gaps of existing/potential capacity should be conducted with extensive stakeholder engagement. The strategy should be based on a comprehensive analysis of the target student population (a pipeline of local and international students) and the effectiveness of student recruitment, admission, and enrollment mechanisms and processes.

- ***Measurable policymaking and data-driven decision making in higher education.*** The value-added missions and educational excellence of the RA universities should be clearly specified and supported by adequate higher education policy, data-driven decision making and sufficient investments to achieve state priorities, targets, economic and social benefits. The higher education policy should be supported by tangible and feasible strategic plans for the next ten years leading to measurable and trustworthy outcomes and outputs (including respective key performance indicators for ensuring measurability of obtained outcomes and outputs). These policies both at state and university levels should be based on consistent data for higher education ecosystem and complement the universities' missions by defining the path to mission attainment over an extended period. However, currently there are substantive gaps in data collection processes and mechanisms on higher education in Armenia. Moreover, the data currently provided do not generally reflect real-time data and do not fully demonstrate the extent to which the RA university operations are stable based quantitative and qualitative measurement indicators. Data collection and data analysis should be aligned with the state needs and strategic priorities.

- ***Deployment of competitive university strategic management models.*** The higher education ecosystem in Armenia embeds different university governance and strategic management models, which might be the result of diversity of legal-organizational university statuses. Changing value propositions should also entail changing the existing university governance and strategic management models. Thus, a comprehensive analysis on the advantages and disadvantages of each model should be conducted to understand which models work in the higher education ecosystem in the RA. Based on the findings, the universities should adopt a compatible management paradigm and execute competitive university governance and strategic management models as an interim solution to transformations in the competitiveness of higher education system.

- ***Sustainable higher education funding model.*** The traditional funding model of higher education in Armenia is not efficient and not sustainable over a long period. This model has resulted in the veracity that the RA state universities are not well-resourced. The funding model of higher education should be assessed against the strategic and financial priorities and goals of the state, embed long-term financial sustainability analysis, and

provide clear financial projections for the next ten years including a forecast of revenues, expenses, and investments. A funding model of higher education should also identify the potential sources (including alternative sources such as endowment funds) to ensure the provision of high-quality and sustainable higher education services and diverse income streams. The projections made for the upcoming ten years should also demonstrate a firm background for achieving the state strategy's goals and objectives and international commitments.

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