

Capital with a Conscience: How Integrity Shapes Long-Term Investment Decisions

Insights from experiences in Leadership and University Governance

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UNIVERSITIES ARE THE MOST ENDURING INSTITUTIONS IN HISTORY

Outlast corporations, governments and even nations that founded them, witnessed the rise and fall of countless dynasties.



Oldest university recognised by UNESCO & Guinness World Records: University of al-Qarawiyyin in Fez Morocco founded in CE 859, by a woman, Fatima al Fihri, using her family inheritance

Began as a madrasah

In the western world, the vast majority of institutions founded before 1520 that still exist today in the same place and form are universities.

-Clark Kerr, first Chancellor of the University of California Berkeley & former President of the University of California System (1520 rule)

PRESERVE AND TRANSMIT
KNOWLEDGE
teaching, libraries,
archives, research, and
scholarly traditions.

DEVELOP HUMAN
CAPABILITIES
educate people to reason,
investigate, communicate,
and work within
specialized fields.

PROVIDE CREDENTIALS
AND SOCIAL TRUST
degree is a socially
recognized signal of
capability

CREATE NEW KNOWLEDGE
research and discovery.

CREATE COMMUNITY OF
SCHOLARS AND STUDENTS
bring together people to
collaborate on related
problems, provide evidence-
based input, mentor &
accumulate ideas, criticism,
by safeguarding academic
freedom

ADAPT WITHOUT
ABANDONING BASIC IDENTITY
underlying functions can be
reorganized around new
technologies, AI Era

RELATIVELY AUTONOMOUS FROM SHORT-
TERM PRESSURES
departments, libraries, laboratories,
disciplines operate over decades or
centuries -capable of pursuing long-term
projects

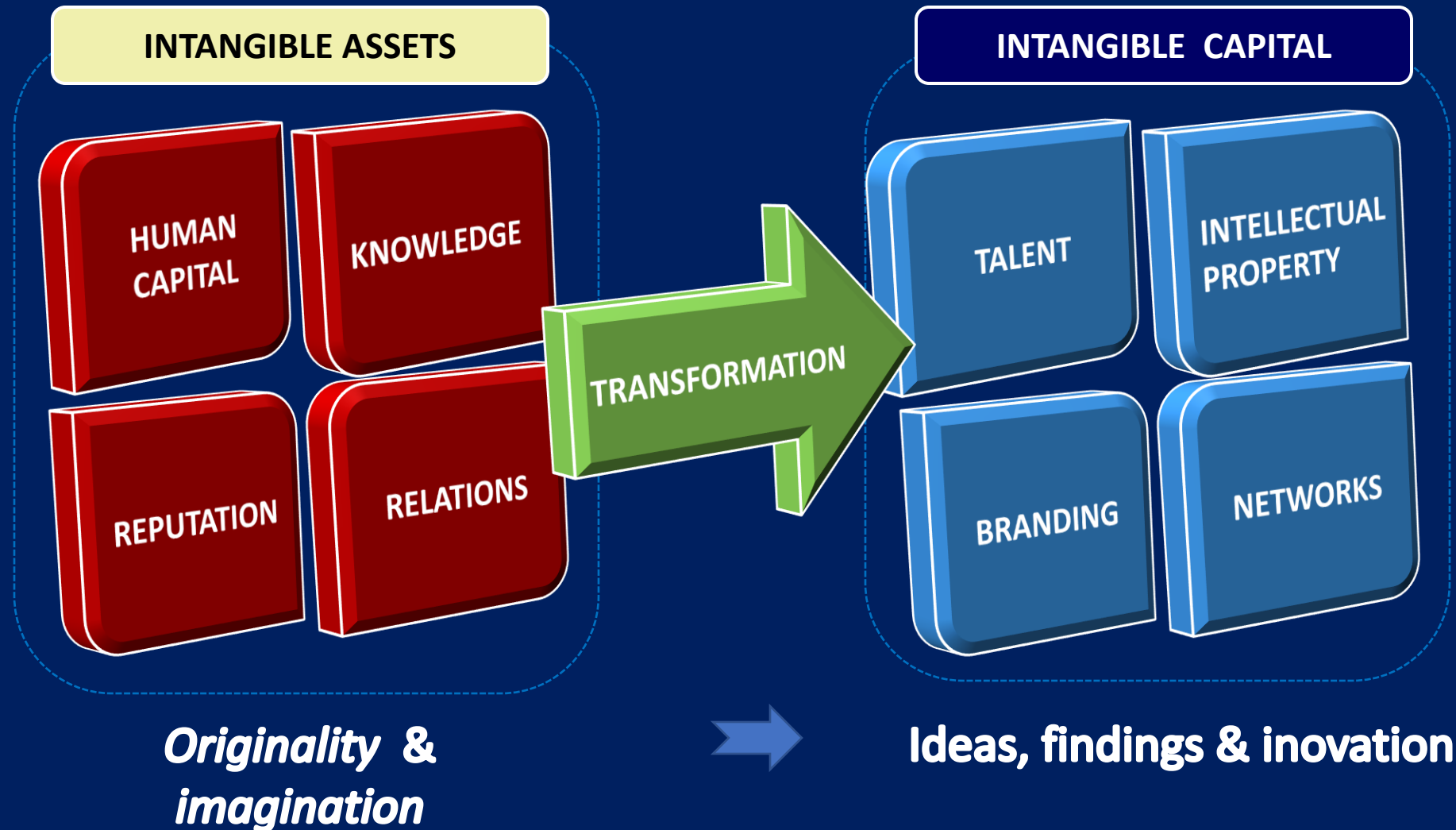
STRONG INSTITUTIONAL CONTINUITY
buildings, endowments, legal status,
governance structures, archives,
traditions, alumni networks, and
accumulated reputation remain when
particular individuals depart.

EDUCATION

RESEARCH, DEVELOPMENT &
INNOVATION

COMMUNITY ENGAGEMENT

UNIVERSITY'S ROLE IN TRANSFORMING INTANGIBLE ASSET TO INTANGIBLE CAPITAL OF THE K-ECONOMY



ECONOMIC BENEFITS FROM UNIVERSITY ASSETS

TANGIBLE CAPITAL: rental of machinery, buildings, vehicles, land (eg golf course, living labs)

INTANGIBLE CAPITAL

TALENT from HUMAN CAPITAL:
fees from Consultancy services, contract research, medical services

BRANDING from REPUTATION
Use of trademark names, logos, slogans, symbols and goodwill value in sale of start-up companies, educational materials etc

NETWORK from RELATIONS
Databases, network list of contacts used for marketing and sale

INTELLECTUAL PROPERTY from KNOWLEDGE

- **Copyrights**

- franchising & student enrolment fees from educational and training programs at undergraduate & postgraduate levels, CPD

- sale of books, novels, photographs, poems, music, paintings, movies, computer software and source code

- **Patents** – licensing, direct sale and technology, transfer in start-up companies

- Trade secrets** - gives competitive edge such as formulas, practices and standards, designs

CAPITAL WITH A CONSCIENCE

Revenue generation, especially for profits, is **not an integral part of the university mission**. University is **not simply a business**.

Revenue-generation
activities



Capital



Trust & Opportunity

**CAPITAL WITH
CONSCIENCE**

Income generation should remain a
means rather than an end

Resources to support the academic mission

- build
- innovate
- employ people
- create value to potentially shape society
- gain & sustain autonomy.

University Constitution under University and University Colleges Act (AUKU) 1971

Corporate status, internal rule-making powers (statutes, regulations, procedures) related to governance, administrative structure, and **KEY AUTHORITIES** of the university.

Board of Directors

Chairman, the Vice-Chancellor (CEO), & representatives from public service, the community, the Senate, alumni, and the private sector

- policy-making & oversight strategic planning in line with its educational character,
- linkages with the community, corporate sector and industry locally and globally,
- **effective governing, monitoring and overall review of university operations**
- **ensure that every Authority, Committee, officer or committee keeps within its powers and terms of reference as stated in the Constitution.**

Senate

Chaired by the VC with elected faculty and staff representation

HIGHEST ACADEMIC DECISION-MAKING BODY

- *shapes academic policies & strategic directions*
- *academic governance*
- *quality control of instruction, examination, award of qualification, R&D&C, academic freedom, professional excellence ("factory of academic assets")*

Management Committee

chaired by the VC, comprising Dy VCs, Registrar (COO), Bendahari (CFO)

responsible for university operations based on internal institutional statutes, academic & administrative regulations, procedures and risk management

Powers related to Income Generation:

Section 4(1) has many provisions that gives power to the university to:

- Collaborate with institutions within & outside Malaysia to
 - Conduct courses
 - Conduct research & commercialise the research outcome and findings
 - Admit students for any course of study
- Establish a university printing press to publish books and other matters
- Erect, equip and maintain all types of buildings required for the purpose of the university within or outside Malaysia (eg branch campus)
- Invest in land and securities
- To do such acts and things whether or not incidental to the powers aforesaid as may be requisite in order to improve the instruction, research, finance, administration, welfare and discipline in the university

The Board may, with the approval of the **Minister of Finance-**

enter into equity participation, partnership, joint venture, private undertaking or any form of cooperation or arrangement in association with, or otherwise –

- **an enterprise, company, private undertaking or syndicates of persons for carrying out business in Malaysia or elsewhere;**
- **the Federal or State Government;**
- **Public Body or authority;**
- **Commission or**
- **person**

Power of Board to form companies and corporations under the Companies Act 1965

The Board shall, on or before the date on which any corporation is established, prescribe by **REGULATIONS-**

- the purpose and objects for which such corporation is established
 - the rights, powers, duties and functions of such corporation
 - the system of management of such corporation; and
 - the relations between such corporations and the University and the rights of control of the Board over such corporations
-
- The Board may at any time amend, revoke, or add to, any regulations
 - With the approval of the Minister and after consulting with the Minister of Finance the Board may direct the corporation to wind up and dissolve and all assets after payment of liabilities will be returned to the University

BUSINESS ENTITIES

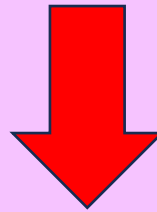
- Foundation
- University Holding Company
 - Consultancy (non medical)
 - off campus programs for education and research (eco-tourism in living labs in Langkawi, Mersing, Tasik Chini , Frasers Hill)
 - Branch campus
 - special education & training programs & CPD,
 - hospital consultancy services
 - Contract research
 - Start-up companies from R&D&C
 - etc

COST TO INTEGRITY

Income generation puts more money into the pockets of staff (particularly academic staff)

\$\$\$\$\$ Temptation: faculty focusing more on generating private income than on their academic work on campus

INCOME GENERATION IF NOT WELL GOVERNED
(organisation, policies, regulations, procedures, academic protocols)



ACADEMIC & FINANCIAL INTEGRITY MAY BE JEOPARDISED.

HOW ACADEMIC INTEGRITY MAY BE COMPROMISED

TWO TIER ADMISSION SYSTEM IN PUBLIC UNIVERSITIES:

High-fee **direct** entry channel (mainly foreign students on-campus, off-campus or overseas campus)

Low-fee **merit** channel (subsidised public programs for local students)

Academically qualified local students rejected from subsidised public programmes but can gain entry if they pay higher private track fees (backdoor admission, commercialisation of public education)

Admission of private students with lower academic credential (seat selling)

Local students, especially first year students who need the expertise and guidance of senior faculty and professors are neglected

PRIORITY TO INCOME GENERATION, LESS ON RESEARCH, TEACHING & COMMUNITY ENGAGEMENT (INTEGRITY & ETHICAL ISSUES)

Low research productivity; few publications in high indexed journal, low citations – affect reputation

Lucrative contract research may stipulate conditions such as no-publication requirement

Patients in private wing or private practice get priority over teaching hospital patients;

HOW FINANCIAL INTEGRITY MAY BE COMPROMISED

- Rewards & recognition when Universities rake in revenue → inappropriate competition to bring in more revenue and praise
- Inadequate/lack of regulations for monitoring, audit & reporting of business units lead to unhealthy/corrupt practices
 - abuse of power
 - non adherence to financial procedures, manipulation of accounts etc
 - conflict of interest
 - bribery, etc
- The Auditor-General's report highlighted some of the financial mismanagement, in particular on centres that are generating income.

HOW INTEGRITY SHAPES LONG-TERM INVESTMENT DECISIONS

INTEGRITY → Reputation and Trust → Branding

The invincible balance sheet

Real but difficult to measure, can disappear very quickly. A reputation built over decades can be destroyed in a matter of days.

- Employee **morale** (academic and non academic).
- Customer **loyalty** (students, companies, public agencies, NGO, media)
- Regulatory **credibility** (national audit, qualifications agency, rating agency securities commission etc)
- **Relationships** (collaborating partners local and international)
- **Institutional knowledge** (educational programmes, contract research, policy input, technology transfer etc)
- **Social license** to operate (public trust).
- **Confidence** among investors (industry partners, government, endowment)

Outcome of loss of Reputation and Trust (true cost may continue for years)

- Customers leave
- Employees resign
- Talent becomes harder to recruit
- Regulators increase scrutiny
- Financing becomes more expensive
- Partners become cautious and demand higher scrutiny
- Management becomes distracted from the core business

Reputation and Trust should not be treated superficially.
Reputation & Trust are economic infrastructure, brand
Integrity maintains them

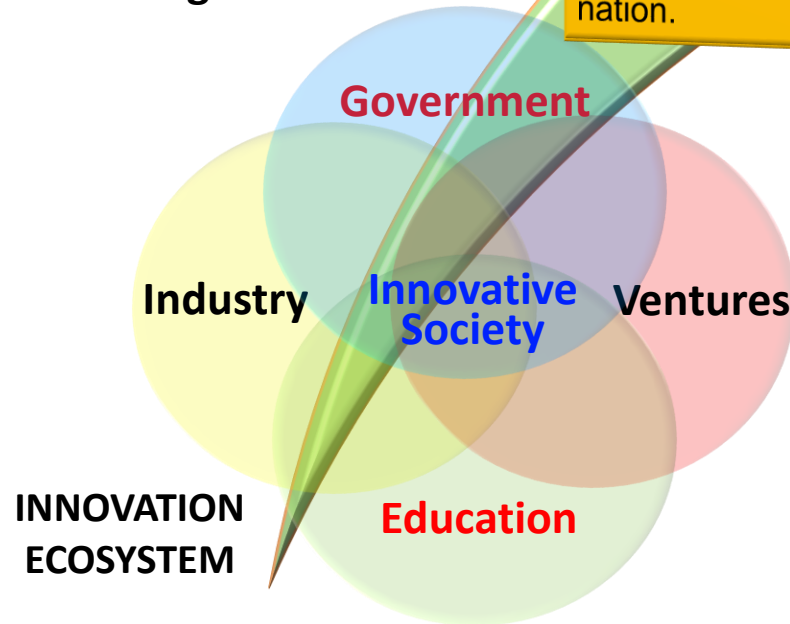


SHARING EXPERIENCES IN INCOME GENERATION Building & Maintaining Reputation and Trust

Academic Integrity
Financial Integrity

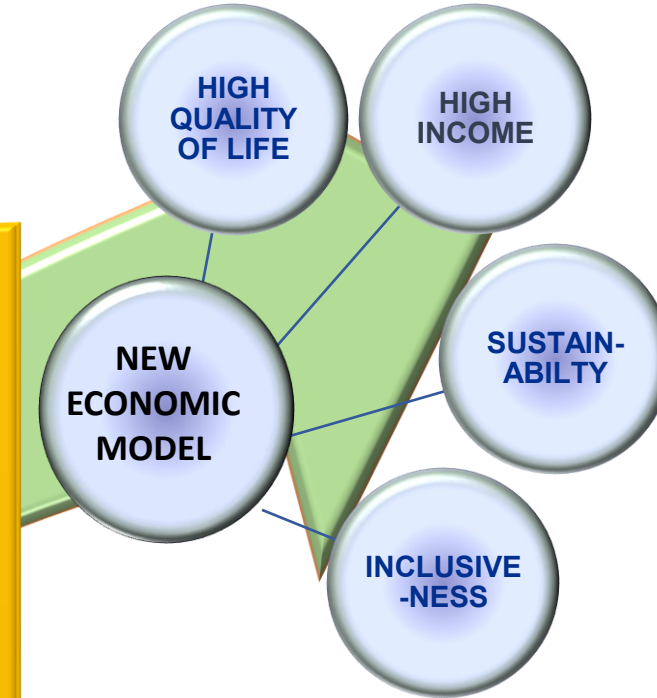
Contribute to social development & and economic vitality

Produce talents, invent new products and services, stimulate business growth & entrepreneurship, create jobs, contribute to nation building



INNOVATION IN TECHNOLOGY & SERVICES

process of designing, inventing, developing and/or implementing new or altered products, services, processes, systems, organizational structures, or business models for the purpose of creating new value and financial returns for the institution, the region and the nation.



KNOWLEDGE FOR ENLIGHTENMENT AND EMPOWERMENT

- NOT JUST ECONOMIC PRODUCERS OF KNOWLEDGE
- SOCIAL SENSITIVITY & COMMUNAL ENGAGEMENT
- RESPONSIBLY ADDRESS COMMUNITY PROBLEMS & INTANGIBLES
 - ETHICS AND VALUES, BELIEFS
 - SPIRITUALITY, HAPPINESS, TOLERANCE,
 - MUTUAL RESPECT
 - SHARING, CARING AND LOVING

BUILD A KNOWLEDGE ECOSYSTEM REAFFIRM THE UNIVERSITY'S VISION & MISSION BUT ALIGN TO THE COUNTRY'S ASPIRATIONS AND STATUS AS RESEARCH UNIVERSITY

FIVE STRATEGIES TO BUILD MOMENTUM (benchmarked with best performing companies)

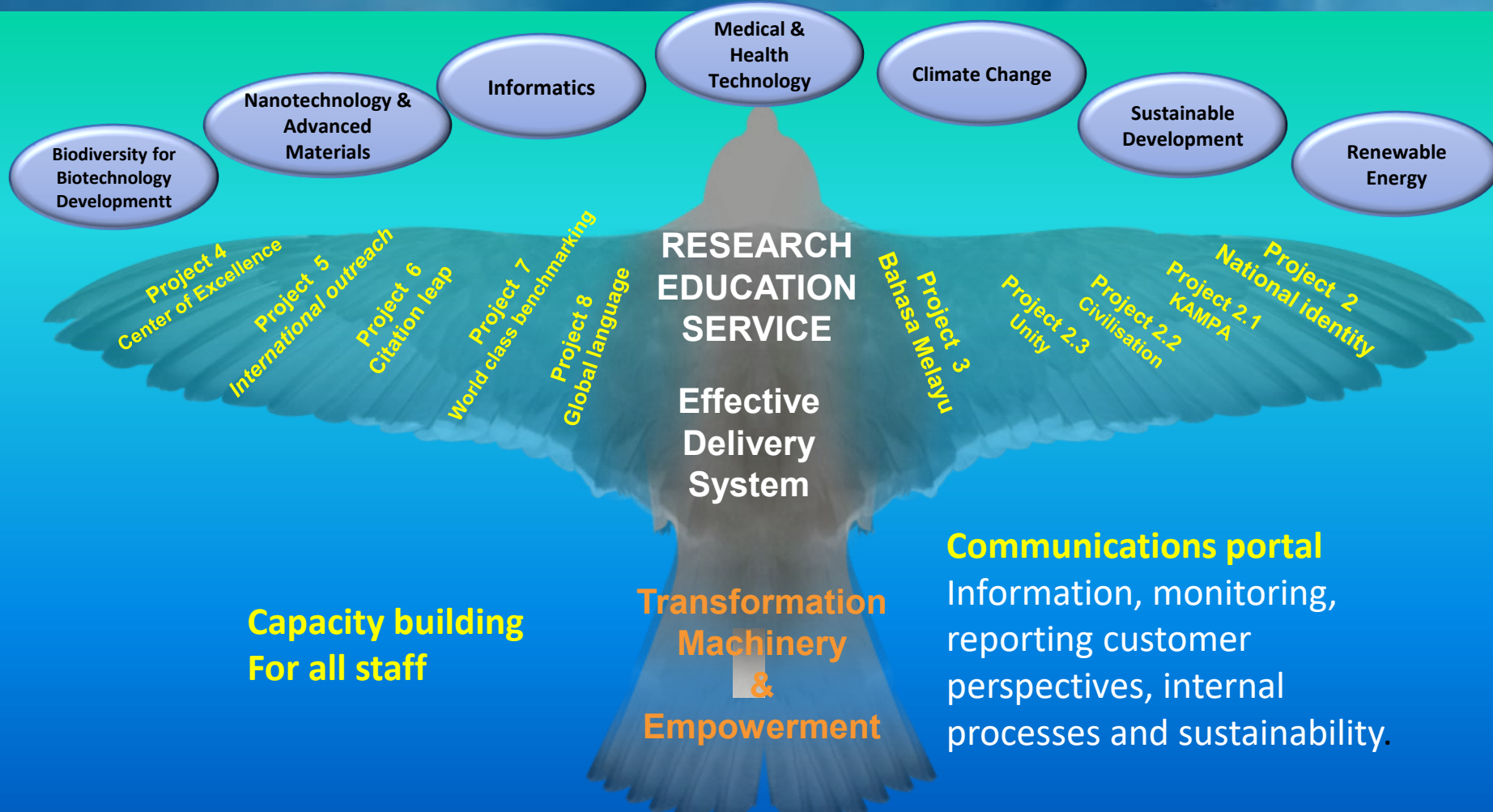
- Identify **niche areas** with potential national and global impact
- **Bring together expertise and creativity from different disciplines** to develop niche areas, facilitate funding and collaboration with stakeholders
- Select **driver projects** to accelerate rate of change in niche areas for quick wins, big impacts and national and international competitiveness
- Consolidate and **improve the performance of the core academic processes** (education, research and service through innovations, collaboration and quality enhancement)
- **improve governance and effective delivery** through organisational restructuring, establishment of clear policies and procedures for decision-making as well as efficient resource allocation and utilisation

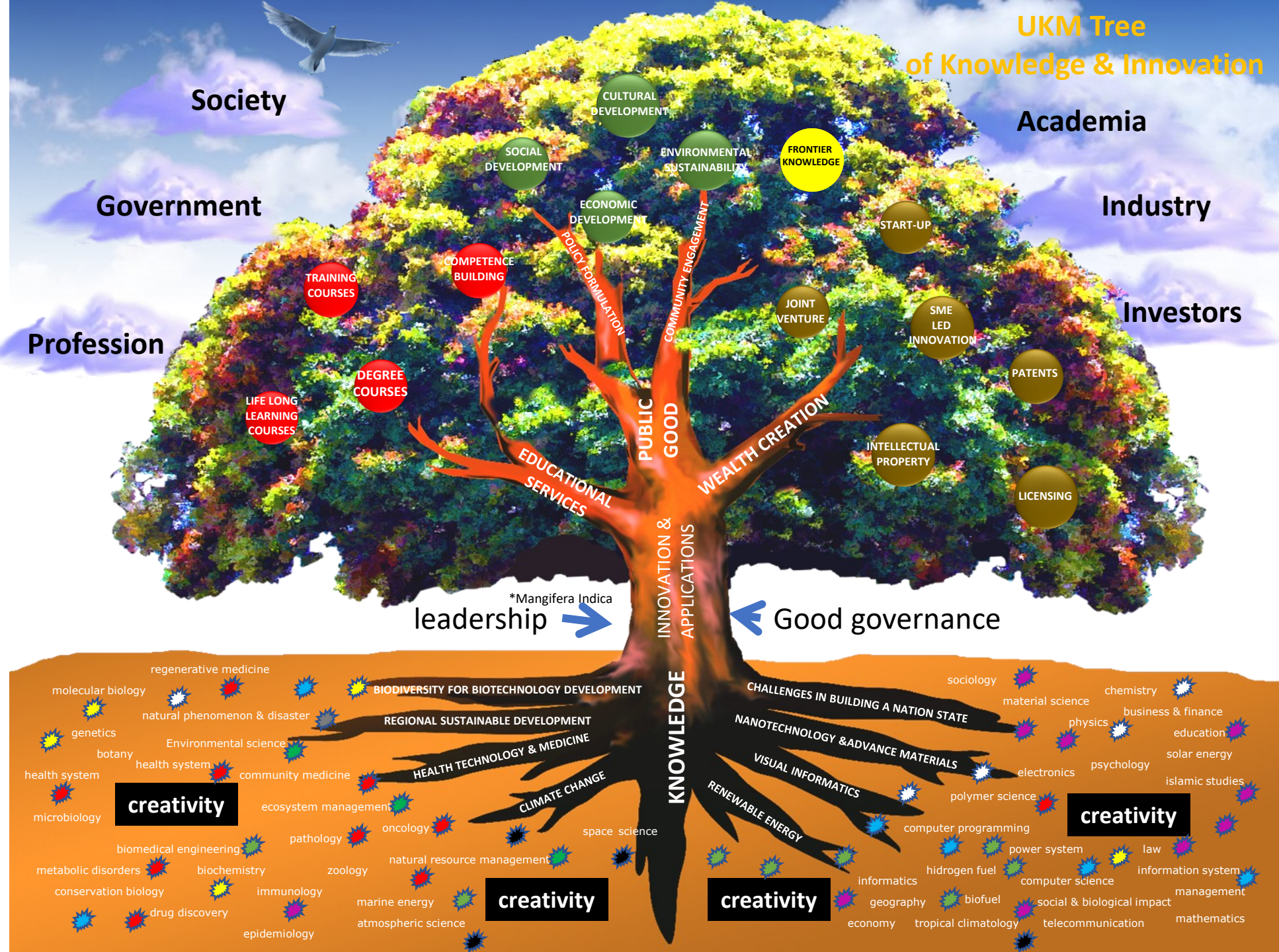
EKOSISTEM ILMU UKM



Challenges of Nation
Building

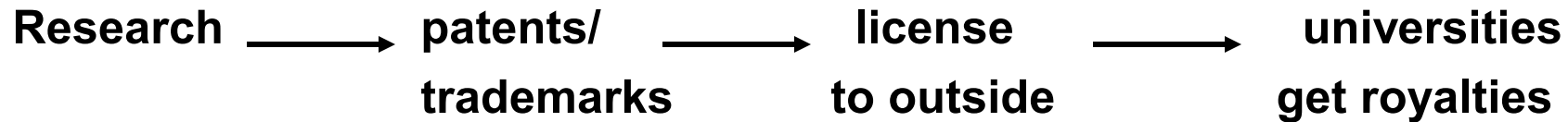
Balanced
Focussed





WEALTH CREATION MODEL

Traditional University Tech Transfer Model: Licensing

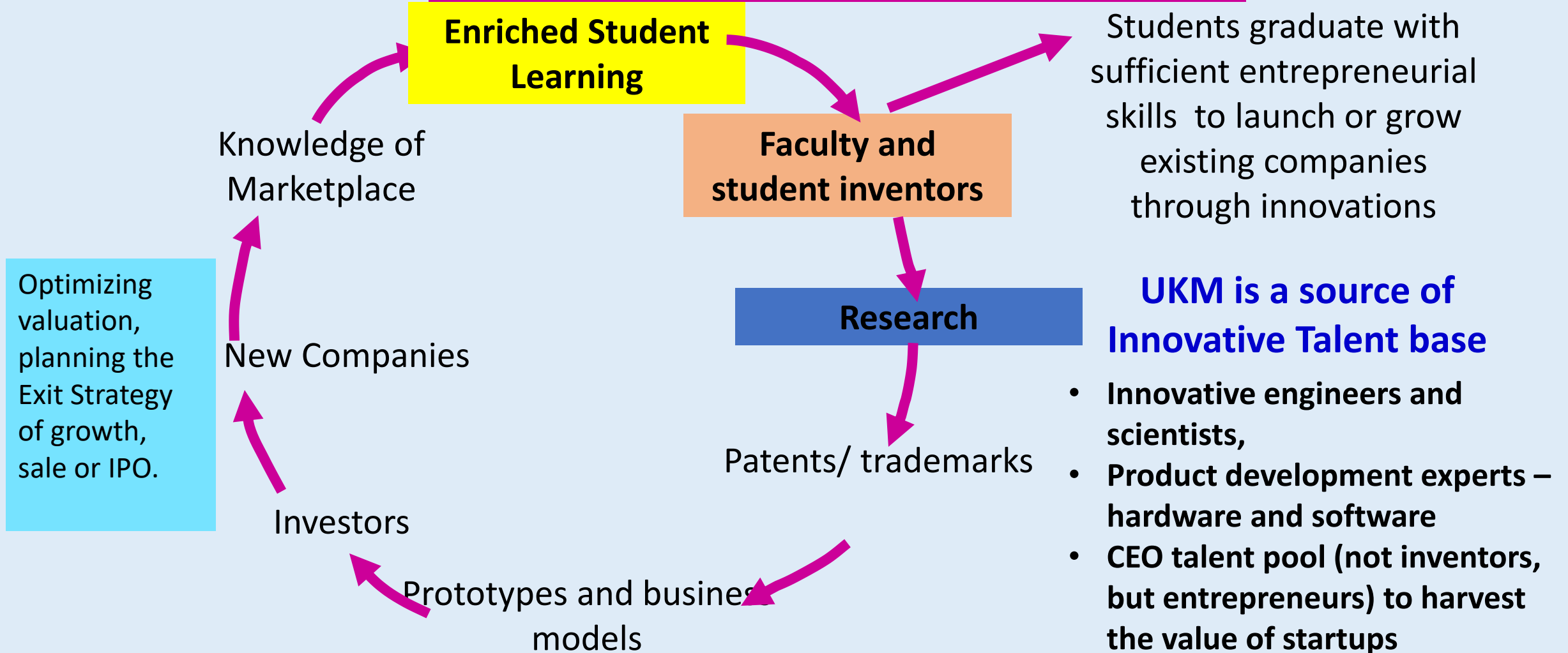


Revenues from licensing, (with the exception of a few blockbuster medicines and vaccines), are far less than those from launching & spinning out startups

Jobs are created in SMEs
MIT alumni founded 25,800 companies employing 3.3.million people (2009 report).

Transforming knowledge into wealth creating activities requires the university to accept Innovation and Entrepreneurship (I&E) as core academic values or culture

TECHNOGENESIS MODEL



Modelled after Stevens' Institute of Technology, (SIT) NJ.

August 30, 2007 – The Business Week article titled “Who Needs the Ivies?” cites the strong entrepreneurial environment at Stevens: “Schools like MIT and Stanford don't graduate more founders than SIT.”

R&D Commercialization Structure

YUNUS CENTRE IN CESMED (SOCIAL BUSINESS)

- SOLAR PANEL TECHNOLOGY IN FISHING COMMUNITIES FOR DRYING FISH & ALGAE
- SOLAR POWERED COMMUNICATION SYSTEM FOR ORANG ASLI
- ENTREPRENEURSHIP FOR SINGLE MOTHERS

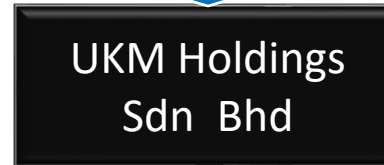
Tech Transfer Company
of UKM

Centre for Collaborative Innovation &
Office of Technology Transfer help bridge gap
between research discoveries & marketplace



100%

Business Arm
of UKM



100%



CREATED >70 JOBS
CEO, CTO, COO, CFO, PROJECT MANAGERS,
BUSINESS DEVELOPMENT, ENTREPRENEUR IN
RESIDENCE

3 STUs
Multimedia Dev Corp (Mdec)
Biotech Corp
Agensi Inovasi Malaysia (AIM)

10 MTDC-UKM STUs:

JOURNEY, TARGETS & ACHIEVEMENT OF THE UKM KNOWLEDGE ECOSYSTEM



2008

PHASE 1

Laying the Foundation
Knowledge Ecosystem
Governance structure
Research Institutes

Gaining momentum as RU
Achieve 50 – 75% KPI
RU status reaffirmed
COEs: Permata Pintar College (gifted & talented), Living labs in Tasik Chini, Mersing, Langkawi, Frasers Hill

2010

PHASE 2

Graceful flight
Balanced
Focussed

2013

PHASE 3

Accelerating to be in tandem with world class universities
Achieve 75% - 100% KPI
International collaboration:
Technogenesis program with SIT 33
Start-up companies & grants for student companies, social business first Children's Hospital & ASSC, autonomy

2018

PHASE 4

Consolidation & reevaluation
With continuous monitoring and adjustments
Achieve 100% KPI in 5 areas of excellence

- Governance
- Leadership
- Teaching & learning
- Academic faculty
- Research & Innovation

Academic Governance: non-negotiable Academic Boundaries

- Academic freedom
- Independent research and publication
- Rigorous admissions and assessment standards
- Curriculum integrity in course or academic standards
- Freedom to reach inconvenient or commercially undesirable findings
- No interference in faculty appointments or promotions

No revenue opportunity should override these principles.

Board Governance Rules as ultimate Fiduciary and Strategic Authority

- **Mission alignment rule:** approve only activities that strengthen the university's educational and research mission, not primarily to monetize the university at the expense of that mission
- **Conflict of interest rules :** subject commercial partnerships, donor relationships & faculty time on revenue generation to independent oversight and appropriate disclosure.
- **Transparency and accountability rule:** enact clear IP, revenue sharing and equity policies, research & proprietary incentives; subject all business entities for reputational risk, conduct internal audit and external audit appointed by the Board,
- **Monitor, measure & report commercial activities beyond profits rule - impact on:**
 - Educational quality
 - Research impact
 - Student outcomes
 - Public benefit
 - Equity and access
 - Financial sustainability

Profit or surplus should be one measure—not the dominant measure.

SUMMARY

- The research university is an integral part of the national innovation system
- Innovation in technology and services helps vitalise the economy and social development through business growth, entrepreneurship, communal engagement and human resource production to fulfil the country's aspiration for a high quality of life, high income, sustainability and inclusiveness.
- No revenue opportunity should override non negotiable academic boundaries
- Governance rules must include mission alignment activity, no conflict of interest, transparency and accountability, monitoring and measuring commercial activities beyond profits.

The core principle

Universities should generate revenue (capital) because financial sustainability enables teaching, research, public service and autonomy

Generating income is the **means rather than an end**

A university can be commercially capable without becoming commercially captive.

For a research university, Innovation and Entrepreneurship has to become core academic values.

Technogenesis incentivizes students and faculty as they bring research & services to the marketplace and develop rewarding research partnerships with business and industry.

Capital with a conscience means adopting a **mission-driven entrepreneurship** while safeguarding academic and financial integrity in the governance framework, for reputation and trust to be sustained in the long term

GREEN Technology Innovation Park, UKM
THANK YOU

