

Changing Governance in Higher Education

**Incorporation, marketisation, and other reforms
— A comparative study —**

Research Institute for Higher Education

Hiroshima University

All rights reserved. Except for the quotation of short passages for the purpose of criticism and review, no part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the Research Institute for Higher Education, Hiroshima University.

COE Publication Series No. 29, March 2007
Changing Governance in Higher Education
Incorporation, marketisation, and other reforms –A comparative study-

Published and Edited by:

Research Institute for Higher Education, Hiroshima University

1-2-2, Kagamiyama, Higashi-Hiroshima, 739-8512, Japan

TEL: +81-82-424-6240, FAX: +81-82-422-7104

Printed by:

TAKATOO Print Media Co., Ltd.

3-2-30, Senda-machi, Naka-ku, Hiroshima City, 730-0052, Japan

TEL: +81-82-244-1110, FAX: +81-82-244-1199

March 2007

RIHE Publications: For a complete and up-to-date guide to RIHE journals and books, visit our website: <http://en.rihe.hiroshima-u.ac.jp/> .

COE Publication Series

No. 29, March 2007

Contents

Introduction

Takashi Hata and Jun Oba..... 1

Changes in the governance and management of the university : the role of governments and third-party agencies

Mary Henkel..... 3

Incorporation of National Universities in Japan and its Impact upon Institutional Governance

Jun Oba..... 15

The Search for New Governance : Corporatisation and Privatisation of Public Universities in Singapore and Malaysia

Ka Ho Mok..... 37

The Incorporation of National Universities in Taiwan

Flora F. Tien..... 61

The Research Institute for Higher Education (RIHE), Hiroshima University, was established in May 1972 with the approval of the Ministry of Education as the first national institution for research in higher education. With its commitment to academic research, RIHE has developed since then to make significant contributions to higher education research both inside Japan and overseas. It celebrated its thirtieth anniversary in 2002.

This anniversary coincided with a decision of the Japanese government to establish its policy of support for research excellence, the "21st Century Center of Excellence program". RIHE's project "Construction of a System for 21st Century Higher Education and Quality Assurance" was selected as one of 20 programs in the field of humanities and 113 programs in all disciplines. This formal recognition of RIHE as the sole COE in higher education identifies both its unique achievement and its capacity to contribute significantly to the future development of higher education. Its achievement reflects the dedication and commitment of many colleagues over the past three decades, transforming the status of research in higher education from a curiosity into the substantial position it now occupies. Those of us now working in RIHE are privileged to stand on the shoulders of the giants who established this reputation. They provide us with a continuing challenge to sustain their pioneering spirit.

The current COE program extends for five years in order to enable the project to develop fully. Specifically, the program will intensively address five aspects: institutionalization and assessment of the quality of faculty development and staff development; quality assurance in the academic research system; arrangements for and quality assessment of academic organization; construction of an international reference data base of academic systems; and training of younger researchers in higher education. In addition, in order to develop the international research network centered on RIHE we shall be publishing COE research publications in English as well as Japanese. The style of publication adopted in this volume reflects our intentions in this regard. Its aim is to place on record aspects of research already completed that are related to the COE program and to make it accessible internationally.

As the leader of the COE program project, this opportunity to provide useful information and new material to readers concerned with developments in higher education gives me particular pleasure. In turn, within RIHE, we shall be pleased to receive support, co-operation and comments from readers so that our work may be strengthened and that the function of the research network can be promoted.

March 2003

Akira Arimoto
Professor, R.I.H.E., Hiroshima University
COE Project Leader

COE Publication Series

No. 29, March 2007

**Changing Governance in Higher Education
Incorporation, marketisation, and other reforms
– A comparative study –**

Introduction

Introduction

This publication presents a selection of the papers which were given at two international seminars held in January 2006 at Hiroshima University. Both of the seminars were organised in the framework of the COE programme and related to the higher education governance.

The first seminar, *COE International Seminar on University reforms in Eastern Asia : incorporation, privatisation, and other structural innovations*, held on 15-16 January, discussed governance issues in Eastern Asia, specifically in China, Japan, Korea, Malaysia, Singapore and Taiwan. In those countries, the higher education systems have been rapidly changing along with political reforms such as decentralisation, deregulation and marketisation, technical innovation, globalisation, and other various social and economic changes.

The seminar was a continuation of a previous COE international seminar held on the topic of university governance in December 2003, under the title of “Organization Reforms and University Governance : Autonomy and Accountability” (see *COE Publication Series 11*). During the seminar of 2003, similarities and differences as to governance reforms were examined, and identified some large differences between countries based on the histories and structures of their national higher education systems.

Since then, structures of higher education governance in the world have dramatically developed. In Japan, for example, national universities were incorporated in 2004 and became much more autonomous, but with a rigorous evaluation scheme. In the same year, an accreditation system covering all universities was introduced to assure the quality of their offerings. These policies were in line with general trends found almost everywhere in the OECD countries – withdrawal of the government from direct management and increased autonomy of institutions¹.

However, the balance between the scope of the government’s role and the degree of institutional autonomy cannot be easily met, which places both parties in a dilemma. In most East-Asian countries, the challenge is extremely difficult, because up until now, governments in these countries have played a much more important role in higher education governance, compared particularly with Anglo-Saxon countries, disposing of various organisations between the government and institutions, such as buffer bodies, to adjust the balance.

During the seminar, this dilemma and other topics of university governance were discussed. Five specialists reported governance reforms in the aforementioned six countries. Jun Oba (Hiroshima University) reported the incorporation of national universities in Japan. Futao Huang (Hiroshima University) presented a comparative perspective from China and Japan. Ka Ho Mok (University of Bristol) examined corporatisation and privatisation of public universities in Singapore and Malaysia. Then, specialists from Korea and Taiwan – Byung-Shik Rhee (KEDI) and Flora F. Tien (National Taiwan University) – reported tentative steps taken by the governments to reform their public universities. Of

¹ OECD = Organisation for Economic Co-operation and Development (2003) *Changing Patterns of Governance in Higher Education*. In *Education Policy Analysis*. Author, Paris. pp 59-78.

these reports, the cases of Japan, Malaysia & Singapore and Taiwan are included in this publication.

The second seminar was held on 24 January, when Mary Henkel from the UK, was invited to the 13th R.I.H.E Open seminar under the title of “The Changes in Governance and Management in the University: the roles of governments and third-party agencies”. The purpose of the seminar was to clarify the organisational reforms in higher education, with a special focus on changes in the governance and management of universities, as well as the role of government, and buffer organisations as coordinators including third-party agencies.

She argued that a key role to be assumed by the government was to set a framework of governance for higher education, and detailed articulation of the different actors as well as governance structures to be used in a framework. To show how the government of one country institutes major change in the governance of higher education, the British case was drawn, and the redistribution of the balance of power between the state, the market and the academic profession. Finally, she analysed changes brought to university governance and management by the system level reform. Her contribution is also included in this issue.

We express our appreciation to all those who contributed to both seminars, particularly those who presented the papers included in this volume. We hope these essays will help others focus on different aspects of higher education governance and will provide some useful insights into the issues.

December 2006

Takashi Hata
Jun Oba

Research Institute for Higher Education
Hiroshima University

**Changes in the governance and management of the university :
the role of governments and third-party agencies**

Mary Henkel

Changes in the governance and management of the university : the role of governments and third-party agencies

Mary Henkel*

Abstract

The paper first briefly sets the context of contemporary change in the government and management of universities before addressing this topic at two levels: those of the system and the institution.

It suggests that a key role of government is to set a framework of governance for higher education. Such a framework can be expected to articulate the balance between different forms of authority and power in the co-ordination and control of this policy sector and its institutions. It will also establish major governance structures and relationships and the mechanisms or instruments to be used within them. A final fundamental framework component is the value and belief system underpinning it (Braun and Merrien 1999): the conception of the university, its purposes and its relationships with the state and society.

It then uses the British case to show how the government of one country instituted major change in the governance of higher education, using a range of structures and mechanisms to redistribute the balance of power between the state, the market and the academic profession and to raise some questions about its implications.

Finally it briefly addresses two aspects of how changes at system level in Britain have affected governance and management at institutional level. It will, first, consider what impacts the mechanism of evaluation has had at the institutional level. It will then make some comments on the shifts between academic and market governance and management in universities.

Introduction

The last decades of the 20th century saw governments across the world experiencing economic, political, demographic, technological and social pressures that led them to critically reappraise the nature and role of the state, and, in consequence, the institutional and ideological frameworks in which the governance of higher education is determined. For some, this led to some restructuring of the state (Neave 2004), change, for example, in the distribution of power and responsibilities between central and local or regional government. For many, however, changes were more radical and entailed the adoption of neo-liberal ideologies: a smaller but stronger state, to be realised through reductions in public

* Professor Associate, Brunel University, United Kingdom, e-mail:

spending; denationalisation and privatisation; a blurring of the boundaries between the public and private sectors; and the incorporation of market values and mechanisms into public organisations. The achievement of a strong economy through business enterprise was seen as the key to national recovery. Wealth creation through market competitiveness became a priority in such nations and income generation a responsibility of public as well as private organisations.

Decline in government trust in the professions and professional self-governance (see, *e.g.*, Enders 2005) and in bureaucratic administration was a trend that spread beyond neo-liberal governments. Many looked to management for solutions and, in some contexts, it became almost an ideology in itself.¹ New approaches to the administration of the public sector evolved into “new public management”. Its influence can be seen in higher education, as elsewhere.

The paper will address the topic of changes in the governance and management of universities at two levels: the system and the institution. It starts from the assumption that a key role for governments is to provide a framework of governance in this sector. Governance here is understood as the coordination and control of actors or institutions either by an external authority or by internal mechanisms of self-regulation or self-control. Coordination and control may be exercised by various forms of authority or power with different sources of legitimacy but often working in combination.

I. Governments and a framework of governance

A national framework for the governance of universities and other higher education institutions can be expected to articulate the balance between different forms of authority and power, *e.g.* the state, the market, and the profession (as outlined in Clark’s classic triangle) but perhaps now management and stakeholders, too. It will also establish key governance structures and relationships and the mechanisms or instruments to be used within them. A fundamental component of such a framework is the value and belief system underpinning it (Braun and Merrien 1999), the conception of the university, its purposes and its relationships with the state and society.

A dominant belief in many parts of the world has been, first, that the value of the university is intellectual and cultural. Broadly, it lies in the advance of basic science, the pursuit of scholarship, the reproduction of the academic profession, provision of a liberal education to an elite minority and the nurturing and transmission of a common culture for the nation to which it belongs. Second, is the conviction that the achievement of these aims is dependent on maximum institutional autonomy, academic freedom and academic authority.

An alternative belief system centres on the idea of the university as a public service institution. This more utilitarian concept took different forms in different societies. In the new liberal ideology, the university was increasingly seen by government as an instrument of national economic policy. In 1980s Britain this was interpreted narrowly in policies

¹ One definition of managerialism is the condition in which management becomes the centre of a belief system and an overarching value in its own right. It is exemplified by the assertion of one leading British minister in the 1980s that “Efficient management is the key to our national revival ... the management ethos must run through our national life” (Heseltine, quoted in Pollitt, 1991).

that focused on engaging in near-market research and on preparing students for employment, notably in terms of “enterprise” skills and values. This implied a quite different model of governance and management.

As conceptions of globalisation and the knowledge society or knowledge economy have become more influential and pervasive, the university continues to be seen as an institution at the centre of national and, indeed, international strategies for economic prosperity and social welfare. However, these strategies are now seen in more complex terms, dependent upon the development of new, theoretical knowledge in science, technology, social science and the arts but also upon “hybrid communities” as key sites of knowledge production (Gibbons *et al.* 1994) problem solving and learning. Here the boundaries between universities and society become blurred and they are expected to engage with different sectors of society for multiple purposes, involving higher proportions of the population. The idea of one model for the university and its governance is hard to sustain under these circumstances.

What I should like to do now is to make a brief analysis of the changes in the framework for the governance of higher education introduced in one country, to meet a newly defined role for the university, entailing new organisational challenges within changing conceptions of the state. I have chosen Britain, in part because the British case is of interest on a number of counts. Until relatively recently British higher education remained a highly elite system and the governance of its universities was remarkable in the degree of dominance and autonomy exercised by academics at national and institutional levels. However, it now provides an example of major and rapid change, in which the influence of governments and evaluation agencies has been evident. It has entailed major shifts in the relative power and authority of the state, the academic profession, the market and management in the governance of higher education that are still evolving. It also exemplifies the growing variety of structures and mechanisms now deployed in governance.

Finally, given the apparent scale of change, it is an instructive case in which to examine the meaning and the implications of change at the institutional level. Recent writing suggests that once the level of analysis moves from the system to the institution, patterns of change become more varied and less certainly established (see, *e.g.*, Kogan *et al.* 2000; Henkel 2000; Musselin 2005; Neave 2006).

II. Change: the British case

1. Shift towards state governance

As late as the 1980s, although British higher education had a binary structure, it was debatable whether it could be said that there was a higher education system (Becher and Kogan 1980; 1992).

There was little by way of Higher Education law. The legal basis of universities’ authority and autonomy lay in the institutional charters, bestowed on them on behalf of the Crown. Universities had become increasingly dependent on state funding during the course of the 20th century but this was administered by a University Grants Committee (UGC) under the auspices of, first, the Treasury, then the Department of Education. It was dominated by academics and effectively constituted a “buffer” organisation protecting uni-

versity autonomy within higher education policy. It operated on shared principles of trust, discretion, informality and the essential role of academic judgement in resource needs and allocation. Authority and accountability were largely undefined

By contrast, polytechnics were under the control of local authorities. They had no degree awarding powers. These were in the hands of a specially designated national body, the Council for National Academic Awards, which regulated their standards through a system centred on peer review, in which, again, university academics were dominant.

As the process of massification got under way and diversity on either side of the binary line was increasingly acknowledged, there was internal recognition by “co-opted academics” (Kogan and Hanney 2000) in the UGC and some institutional leaders (the Committee of Vice Chancellors and Principals) of resource limits and the need for more systematic planning and control. Meanwhile, polytechnic directors were increasingly frustrated by their governance structures, particularly that of local government.

By the early 1990s, government had implemented structural changes at central government level that had profound implications for the government and management of higher education at the institutional level. The most important was to bring together universities and polytechnics into a unified (though not uniform) university system. This could be said to have freed the former polytechnics from the most irksome restraints (they had exchanged local authority control for corporate governance), while significantly increasing state control over the existing universities. At the heart of this system was the new funding council. The context of resource constraint and resource problems is critical for understanding change in higher education governance and management in Britain. The minister’s power to direct the council was made explicit by law. It was to incorporate transparency, through formula funding, based heavily on output performance and quality. It was also required to establish arrangements to assess the quality of higher education, as well as taking over the research assessment exercises started by the UGC. In other words, evaluation was institutionalised within a financial framework.

Evaluation has been a powerful mechanism for change by the state in the governance and management of universities in Britain, and initially probably the most powerful. The following features should be noted. First, is the comprehensive nature of external evaluation in this country, and most of it is mandatory. It incorporates the separate assessments of research and teaching, the audit of institutional quality assurance arrangements, financial audit and the use of performance indicators. Second is the linkage between funding and evaluation, realised in research, officially envisaged in teaching. Third are the intrusiveness and detail of much of the evaluation. Fourth, the conversion by the media of evaluation and performance measures into “league tables”. The transfer of the originally separated functions of quality audit and quality assessment of teaching to the Quality Assurance Agency, funded by the higher education institutions themselves as well as the Funding Council, did little until recently to lessen their impact or the influence upon them of government policy.

The funding council is potentially a structure through which the state pursues the kind of “steering at a distance” that characterises the changing philosophy of higher education governance in much of Continental Europe. It is also a recognised feature of new public management. The precise extent of state control the council exerts is contested (Kogan

and Hanney 2000). However, the extensive issuing of instructions (financial memoranda) on the use of council funds, the pressure it exerts on institutions to adopt government policies and the close monitoring of the charges made by institutions for their income generating activities and the way they use such income (Fulton 2002) suggest that its function is more like an agency of state control. It does use mechanisms such as incentives to encourage institutions to adopt policies but, again, in the context of resource scarcity, institutions find these difficult to resist.

2. Shift towards market governance

One source of the power of evaluation over universities is government's policy of marketisation. Evaluation helps to construct the public reputation of universities, and so influences the markets for their work (increasingly understood in terms of products and services). Marketisation has taken a number of forms, including pursuing contracts, sponsorships, joint funding and other forms of collaboration with business; the establishment of intellectual property rights; the launching of "spin-out" companies; the franchising of courses. More recently, the principle of variable fees for undergraduate courses has been established, reinforcing the now longstanding encouragement to universities to treat students as customers and to students to regard themselves as such and become more informed consumers (HEFCE 2002; see also Newby 2005).

Policies in this vein that even more directly affect the governance and management of universities have been those to give more power and representation to industry and other forms of business on national higher education and research bodies and on the governing bodies of universities.

This last is also one aspect of the commitment of government to installing management structures and practices in universities, based upon those of the private sector. Probably the most influential document in this context was the Jarratt report, which was commissioned by the CVCP, but at the behest of the Secretary of State for Education in the early 1980s. This made far-reaching recommendations about the governance of universities and for the streamlining of structures and processes of decision making. Universities were to be seen as "corporate enterprises". Governing bodies should reassert themselves against "the senates' "natural conservatism" and "the potential for [them] to resist change" (Jarratt 1985). Vice-Chancellors should exercise the role of chief executives, and deans and heads of department that of middle managers, while senates should become primarily advisory bodies.

The structures for the governance of higher education at the systems level represent a decisive shift in the balance of power and authority in its co-ordination and control between the state and the academic profession. However, the incorporation of the market and management in the government's reforms reflects a key objective, which they shared with higher education reforms across the world, the strengthening of the authority and power of the institution, as distinct from its departments or professors, in the overall structure. In Britain, it is possible to see in the reforms something like a radical redefinition of institutional autonomy rather than its destruction. Government's determined implementation of austerity policies, at same time as it allowed and, indeed, promoted growth from a highly elite to a mass system in less than a decade, meant that universities were forced to reduce

their financial dependence on the state by taking steps to generate income from outside it. In the government's terms, marketisation was the solution. However, engaging with various forms of market meant that the functions of universities became much more complex and enhanced the pressures upon them. They needed to become more strategic organisations. To achieve that, they had to increase their organisational capacity and revise their systems of internal governance and administration. Again, in the government's terms, this meant incorporating into them the expertise and *modus operandi* of the private sector.

Questions remain, first as to whether the changes in modes, structures and mechanisms of governance at system level have made it easier or more difficult for institutions to act more independently. They represent a framework characterised by tension rather than by the security of coherence or value consensus. Are the tensions engendered by the increasing power of the market as well as the state creative or inhibiting? Do they open up opportunity for institutional initiative or generate compliant and reactive approaches? More fundamentally, do the shifts in power, authority and culture threaten to impose structures, language, priorities and pressures that threaten the distinctive value that an institution centred on knowledge and the full range of benefits it represents can bring?

The final section addresses two aspects of how changes at system level in Britain have affected the governance and management at institutional level. It will first identify some shifts in the governance and management of universities and in the balance between academic, managerial and market influence and power at the institutional level. Second, it will consider what impacts the mechanism of evaluation (a key instrument of the shift of control from the academic profession to the state) has had on structures and cultures at this level.

3. Institutional level

1) Shifts from academic to state and market governance

How are system-level changes reflected in the governance of universities? A few general trends will be identified but it should be noted that these mask quite wide differences between universities. More research is needed in our country on the question of differentiation. Although the stratified nature of our system and the division between pre-1992 and post-1992 universities are dominant factors, they are not the only ones.

Universities have become less financially dependent on the state and more reliant on different forms of market activity. On average they draw about 40% of their resources from sources other than the state. However, this figure incorporates quite wide variations, particularly related to the range and types of research funding universities can attract and the extent to which they can recruit students from overseas. Divergences are likely to increase, particularly now that the principle of differentiated home student fees has been established. But already, for some universities the funding council has become less relevant or powerful. Academic strength is a key factor.

Pressures from the centre upon institutions to change their relationships with the state and the market have generated substantial change in the governance and management of universities and in the nature of academic power in the institution and how it is exercised.

In the 1980s and 1990s, the government enhanced the power and made more explicit the

responsibilities of the governing bodies of universities, even if, in the case of the pre-1992 universities, its rights to intervene with their charters were limited. Increasingly it saw the governing bodies, in which lay members are dominant, as “the guardian of propriety in the management of university affairs” (Shattock 2002) and made them accountable for the financial viability of their institutions and the delivery of value for public money. The Dearing Committee (NICHE 1997) also sought to make governing bodies more effective. It recommended that none should have more than 25 members (the number imposed on the post-1992 universities) to ensure effective decision making and that all should produce annual reports reviewing the institution’s performance and its record of compliance with a code of governance practice. Changes in these directions have been made in the majority of universities, on the initiative of the Committee of University Chairmen. In 2003 the Lambert Review of Business-University Collaboration made further recommendations for reform, which seemed set to “institutionalise the dominance of governors from commercial and industrial organisations as core members of governing bodies” (Buckland 2004), reinforcing a view long held in government that university governance should conform more closely to best business practice.

Research by Bargh *et al.* (2000) suggested that while the relationship between university Vice-Chancellors and the chairmen of their governing bodies are crucial and intensive, the role of these bodies often seems to be primarily reactive (see also Bennett 2002 in respect specifically of post-1992 universities). Shattock (2002 and 2004) has further suggested that there is a negative correlation between universities’ position in various league tables and governance structures that most resemble those of company boards. He argues that it is time to move back from idealising corporate models of governance, in which senates and academic boards are reduced to advisory status, to adopting the concept of “shared governance”. This would mean some joint committees and joint formulations of strategy between lay governors and academics and the direct referral by governing bodies of questions to senates or academic boards rather than automatic acceptance of the Vice-Chancellor’s interpretation of the academic community’s views (Shattock 2002).

If, at least in respect of governance, moves towards market models have been uncertain, the case of management has been far less equivocal. In almost all universities, Vice Chancellors have embraced the role of chief executive. They see themselves as responsible for setting the key values and direction of the university (Middlehurst 1993; Bargh *et al.* 2000), as the need to position universities in higher education and also in the wider economy has asserted itself. They see strategic planning and management as key functions. In consequence, they depend on new relationships, new roles and new structures to enable them to carry their new responsibilities.

Management has become institutionalised in universities and corporate in style, in terms of the concentration of executive authority in Vice-Chancellors and small senior management teams (SMTs), comprising academics and non-academics, at the top or centre. Meanwhile, as indicated above, the role of academic governance in the form of senates or academic boards has declined.

There is now a hierarchical line of accountability from the chief executive to the deans of faculties to the heads of departments, who are also seen as managers. A stronger centre is devolving more responsibilities: a process of centralised decentralisation is taking place (Hoggett 1991; Henkel 1997), in terms of, first, budgets but also, increasingly, the man-

agement of human resources.

Management has become a more specialised function. Movement by academics into management has gradually come to be seen as a decisive shift in old as well as new universities. Many Deputy Vice-Chancellor and pro Vice-Chancellor posts (key members of the SMT) are now fixed term or permanent and full time rather than rotating and part-time.

Some university Vice-Chancellors are content to describe their institutions as businesses – across the new and old university divide. Some titles of institutional heads incorporate not just the Chief Executive function but also that of Chief Accounting Officer or Chief Architect of Strategy. Some institutions have exchanged the title of Vice-Chancellor for that of President (Middlehurst 2004). More are now on fixed term contracts.

However, most Vice-Chancellors are still recruited from the academic world. And most recognise that the strength of their university depends ultimately on the reputation and capacity of their academic staff and the degree to which they identify with the university. Styles of management, if not structures, reflect this, though this probably remains truer of old than of new universities.

2) The impacts of evaluation agencies

Evaluation agencies in Britain were of two main kinds in terms of status and function. In the more dominant form external assessments were carried out under the aegis of the funding council of the quality of research and teaching. The second kind was the audit of internal systems for quality assurance by an agency owned by the institutions themselves. However, institutional actors did not necessarily recognise the formal difference in their status, either in ownership or in degrees of independence from government.

Their impacts differed between the established universities and the erstwhile polytechnics. The management of polytechnics had been more bureaucratic than that of universities and their structures were explicitly hierarchical. Promotion in them was to administrative or management positions rather than enhanced academic status. External evaluation (albeit not of outcomes of academic work) and quality assurance were institutionalised in them.

Both forms of evaluation were used in universities by actors who wanted to cause change (institutional leaders, senior academic management and heads of department). In some cases they were used in quite fundamental ways: to enhance institutional capacity for academic development, to restructure curricula and to change the culture of departments or of the institution as a whole. Examples of the latter included the reduction of organisational anarchy (*e.g.* “baronial rule”) and the encouragement of academics to view teaching and research as a collective rather than an individual responsibility (Henkel, 2000).

The Research Assessment Exercise (RAE), however, with its substantial financial implications could be said to have distorted some universities’ priorities. It has been a dominant influence in most universities. Only the most academically and institutionally strong succeeded in subsuming RAE policies within broader strategies combining scientific development with the exploitation of markets and, in some cases, engagement with regional or local economic development (Henkel *et al.* 2000).

Evaluations played a significant role in the restructuring of institutions. They contributed to the centralisation of authority and responsibility for aspects of academic work. They were also triggers for the introduction of new structures, such as central units for academic

development that were not necessarily under academic leadership. This was one of the ways in which the definition of academic work and academic expertise became blurred.

The RAE was an important cause of the abolition and merger of departments, which achieved low grades in the assessment and thus came to be seen as losing income and reputation for the whole institution. Increasingly, restructuring has been taken further and we have seen the creation or extension of supra-departmental structures for various purposes (“increased research power; synergies in new inter-disciplinary areas; and economies of scale...” (Middlehurst 2004)).

The national evaluative structure has to a considerable extent institutionalised research and teaching as separate functions in universities. It has thus endorsed a redefinition of academic work, which is increasingly evident in national government policies and structures. For example, research policy is the responsibility of the Department of Trade and Industry, while higher education is that of the Department of Education and Skills. The 2003 White Paper on Higher Education introduced the concept of “teaching universities” (DfES 2003).

3) Impacts at the level of the basic unit

Research assessment exercises and evaluations of the quality of teaching (“subject reviews”) could, if they brought success, enhance collective identity and self-esteem amongst academics. Audit and subject reviews often stimulated self-evaluation. However, the external evaluation of teaching also caused resistance among academic staff. The intrusiveness of these evaluations (notably in observations of lectures and seminars) was widely resented, particularly in universities where cultures of individualism, autonomy and the privacy of the teaching function had been dominant. They introduced new concepts of teaching emanating from the field of pedagogy, which was held in low esteem by many academics in established universities. The emphasis on the importance of student evaluations encouraged conceptions of students as customers, an idea largely rejected by academics (Henkel 2000).

The grading involved in the assessment of both research and teaching and the consequences that followed were thought to encourage tokenism and compliance, most evident in teaching assessment. Although only assessment of research had financial consequences, both mattered to collective and individual reputation and esteem. Both also were perceived to have impacts upon the competitiveness of the institution in various markets.

Quality was widely perceived as a bureaucratic concept, reflecting bureaucratic values, such as transparency, consistency, predictability, efficiency and equity, and an administrative responsibility - rather than a matter of academic concern.

External assessments had impacts on intra-institutional relationships. For example, they made individual academics and departments more open to scrutiny of administrators as well as academic managers.

Overall, comparisons between the consequences of evaluation in Britain and those in other contexts suggest various factors that strengthened its impact: multiple forms, links with resource allocation; impacts upon actual and potential markets; degree of intrusion and detail (Henkel and Vabø 2000).

There is then the emphasis on assessment. While it is often argued that audit/ quality as-

insurance systems engender more internal commitment and initiative than does quality assessment, the early experience of Sweden suggests that their impacts on institutions are patchy and slow (Högskoleverket 2002). On the other hand, although structures and behaviour did change in Britain, the extent to which that constituted quality improvement, openness to new thinking or enhanced motivation is not clear (Henkel and Vabø 2000).

Conclusion

The picture presented here is one of major changes of national policies, policy instruments, structures and process, driven by governments determined to introduce new aims and values into the governance and management of universities. We have seen that evaluation played a strong role in such changes. However, it is questionable how far they penetrated academic values and how far structural change converted into cultural change. The paper suggests that there is continuing ambiguity in trends at the level of the institution. New structures and functions articulated in new language continue to develop there but there are also signs that institutions can both adapt to new demands and hold onto their core strengths.

REFERENCES

- Bargh, C., Boccock, J., Scott, P. and Smith, D. (2000) *University Leadership: The Role of the Chief Executive* Buckingham, The Society for Research into Higher Education & Open University Press.
- Becher, T. and Kogan, M. (1980) *Process and Structure in Higher Education*, London, Heinemann, 1st edition
- Becher, T. and Kogan, M. (1980) *Process and Structure in Higher Education*, London, Routledge, 2nd edition
- Bennett, B. (2002) "The New Style Boards of Governors – Are They Working?" *Higher Education Quarterly*, 56 (3) 287-302.
- Braun, D. and Merrien, F-X. (1999) *Towards a New Model of Governance for Universities? A Comparative View*. London, Jessica Kingsley
- Buckland, R. (2004) "Universities and Industry: does the Lambert code of governance meet the requirements of good governance?" *Higher Education Quarterly* 58 (4), 243-257.
- Department for Education and Skills (DfES) (2003) *The Future of Higher Education*. Cm 5735, London, HMSO.
- Enders, J. (2005) "Higher Education in Times of Discontent? About trust, authority, price and some other unholy trinitities" in Bleiklie, I. and Henkel, M. (eds.) *Governing Knowledge: a study of change and continuity in higher education – a Festschrift in honour of Maurice Kogan* Dordrecht, Springer, 31-48.

- Fulton, O. (2002) "Higher Education Governance in the UK: Change and Continuity" in Amaral, A., Jones, G. and Karseth, B. (eds.) (2002) *Governing Higher Education*, Dordrecht, Kluwer Academic Publishers, 187-211.
- Gibbons, M., Limoges, C., Nowotny, H., Schwartzman, S., Scott, P. and Trow, M. (1994). *The New Production of Knowledge: the dynamics of science and research in contemporary societies*. London, Sage.
- Henkel, M. (1997) "Academic Values and the University as Corporate Enterprise" *Higher Education Quarterly*, 51(2), 134-143.
- Henkel, M. (2000) *Academic Identities and Policy Change*. London, Jessica Kingsley
- Henkel, M., Hanney, S., Kogan, M., Vaux, J. and von Walden Laing, D. (2000) *Academic Responses to the UK Foresight Programme* London: Centre for the Evaluation of Public Policy and Practice, Brunel University
- Henkel, M. and Vabø, A. (2000) in Kogan, M., Bauer, M., Bleiklie, I. and Henkel, M. (2000) *Transforming Higher Education: a comparative study*, London, Jessica Kingsley Publishers
- Higher Education Funding Council for England (HEFCE) (Cooke Report) (2002) *Information on quality and standards in higher education* Bristol: HEFCE publications Report 02/15
- Hoggett, P. (1991) 'A new management in the public sector?' *Policy and Politics*, 19.4.
- Högskoleverket (2002) *How did things turn out? The National Agency's Quality Audits and Evaluations 2001*, Stockholm: Högskoleverket, National Agency for Higher Education.
- Jarratt Report (1985) *Committee of Vice Chancellors and Principals. Report of the Steering Committee for Efficiency Studies in Universities*. London: CVCP.
- Kogan, M., Bauer, M., Bleiklie, I. and Henkel, M. (2000) *Transforming Higher Education: a comparative study*, London, Jessica Kingsley Publishers.
- Kogan, M and Hanney, S. (2000) *Reforming Higher Education*. London: Jessica Kingsley Publishers
- Middlehurst, R. (2004) "Changing Internal Governance: a discussion of leadership roles and management structures in UK universities", *Higher Education Quarterly* 58 (4), 258-279.
- Musselin, C. (2005) "Change or Continuity in Higher Education Governance? Lessons drawn from Twenty Years of National Reforms in European Countries" in Bleiklie, I. and Henkel, M. (eds.) *Governing Knowledge: a study of change and continuity in higher education – a Festschrift in honour of Maurice Kogan* Dordrecht, Springer, 65-80
- NCIHE (1997) *The National Committee of Inquiry into Higher Education Higher Education in the Learning Society*. London: HMSO. (The Dearing Report)
- Neave, G. (2004) *The Evaluative State and Bologna: old wine in new bottles or simply the ancient practice of "coupage"?* Paper presented at the first research seminar for Europe and North America of the UNESCO Forum on Higher Education, Knowledge and Re-

search: "Managerialism and Evaluation. 4th November. Paris.

Neave, G. (2006) "Times, Measures and the Man: the future of British higher education treated historically and comparatively" in *Higher Education Quarterly* 60(2)

Newby, H. (2005) quoted in *The Times Higher Education Supplement* 11.11.2005

Shattock, M. (2002) "Re-balancing Modern Concepts of University Governance", *Higher Education Quarterly*, 56 (3), 235-244.

Shattock, M. (2004) "The Lambert Code: Can we define best practice?" *Higher Education Quarterly* 58 (4), 229-242.

**Incorporation of National Universities in Japan
and its Impact upon Institutional Governance**

Jun OBA

Incorporation of National Universities in Japan and its Impact upon Institutional Governance

*Jun OBA**

Introduction

In recent years, there have been increasing criticisms about the effectiveness of university governance in many countries, and consequently many proposals for changes have been made. These proposals aim generally at rationalising governance, by clarifying the responsibilities of the president and at the same time, by reducing involvement of the faculty in the institutional decision making process. Such organisational reforms include university entrepreneurship, incorporation or privatisation of public universities, and other institutional reforms.

This article examines the impact of the incorporation of Japanese national universities, carried out in April 2004, by focusing especially on their institutional governance.

I. Incorporation of national universities

1. Objectives of the incorporation

Japanese national universities were until March 2004 a part of the national government (MEXT¹), and were directly operated by the government. On 1 April, by acquiring the status of “national university corporations”, they were given a legal personality and became more autonomous. This reform was regarded as one of the most significant reforms of Japanese universities since the inception of the modern higher education system².

The incorporation was carried out with the objective of enabling national universities to improve the quality of their education and research, build appealing national universities rich in individuality and play a greater role in meeting the expectations of people and society in a more competitive environment³. The new management system encompasses such major innovations as :

1. an increased autonomy in their management, including use of the budget (from line-item budget to block grant), personnel management (non-public servant status), and organisation of the secretariat and other support services ;
2. a management system centred on the president and a handful of executives desig-

* Associate Professor, R.I.H.E., Hiroshima University, Japan

¹ Ministry of Education, Culture, Sports, Sciences and Technology. In this paper, the minister in charge of the MEXT is referred to as the “Minister of Education”.

² See Oba (2004) for the background and process of the reform.

³ MEXT “Incorporation of National Universities”

<http://www.mext.go.jp/english/org/struct/020.htm> (accessed on 14 December 2005).

3. participation of external experts in the decision making process, including selection of the president ; and
4. a third-party evaluation system based on stated goals/plan.

2. Outline of the national university corporation system

1) An increased autonomy

a. The budget

The budget is allotted by the MEXT to each university as a lump sum (operational grant) without earmarking, including staff salaries. The budget allocation is based on a medium-term plan (MTP) prepared by each university according to its medium-term goals (MTG) (Figure 1). The medium-term goals are presented by the MEXT, and are elaborated on the basis of the views of each university. Upon approval of the MTP by the Minister of Education, national universities will be entitled to receive a budget (operational grant) corresponding to the MTP. The duration of medium-term goals/plan is six years.

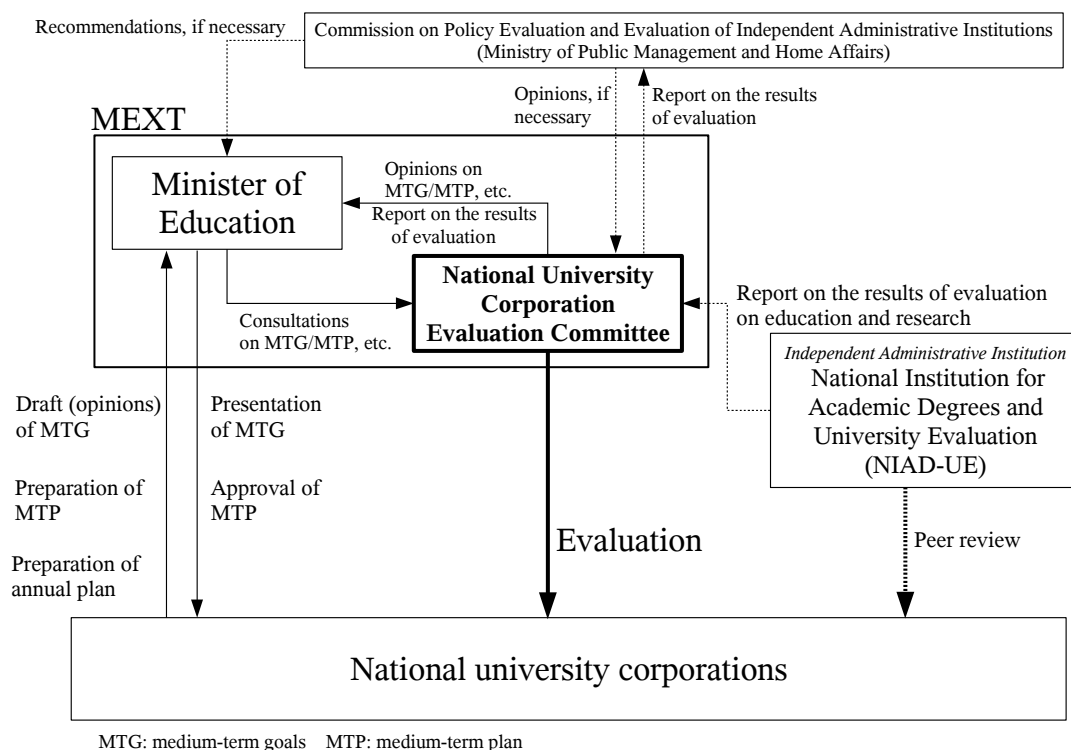


Figure 1. MTG/MTP and evaluation of national university corporations

Tuition and entrance fees are now their own sources of revenue for the national university corporations. Each corporation is allowed to raise tuition and entrance fees by up to 10% from the standards set by the MEXT⁴. All the national universities set fees of the same

⁴ As to the lower limit, there is no regulation.

amount as the standards (520,800 yen for tuition fees and 282,000 yen for entrance fee) for fiscal year 2004. For fiscal 2005, the government revised the standard tuition fees up to 535,800 yen (the standard entrance fee remains unchanged). All the national universities but Saga University revised their tuition fees. However, some universities left partially unchanged their tuition fees. At the University of Tokyo, for example, tuition fees were frozen for doctoral students. The single tuition fee system for national universities came finally to an end.

b. The personnel system

National university teachers and other staff members are no longer public servants. The non-public servant status was adopted in order to allow new national universities to practise more flexible forms of recruitment, salary structures and other conditions concerning personnel affairs. Differences between the two types are shown in Table 1.

All non-faculty staff are nominated by the president, whereas previously high-level secretarial staff members, such as secretaries-general and other directors, used to be nominated by the Minister of Education.

Table 1. Public servant type and non-public servant type of the personnel system

	Public servant type	Non-public servant type
<i>Guarantee of status</i>	Stipulated by law	Stipulated by rules of employment of each corporation
<i>Rights of labour</i>	Disputes are prohibited.	Disputes are not prohibited.
<i>Recruitment of administrative staff</i>	Selection among successful candidates in the national public service examination	According to criteria defined by each corporation
<i>Dual employment, side business, and political activities</i>	Restricted by the National Public Service Law	Stipulated in the employment rules of each corporation
<i>Foreigners</i>	Impossible to appoint them to management positions	Possible to appoint them to management positions
<i>Salaries and working hours</i>	Determined by each corporation	(Unchanged)
<i>Medical insurance and pensions</i>	Similar to national public servants	(Unchanged)
<i>Provisions of the penal code such as bribes</i>	Similar to national public servants	(Unchanged)

c. The secretariat

The structure of the secretariat is now at the discretion of each university, whereas before incorporation it was determined by the MEXT. Many institutions restructured their secretariat so that they might strategically manage clerical works in support of the university management.

2) The governing body

Each national university corporation has the president of the university and executives in

its governing body (Figure 2). In contrast to the previous situation with a single deliberative body (council), three deliberative bodies are set up in each corporation : (1) a *board of directors*, the highest deliberative body before the final decision by the president ; (2) an *administrative council*, to deliberate on important matters concerning the administration of the national university corporation ; and (3) an *education and research council*, to deliberate on important matters concerning education and research. The governance is shared by these three bodies, but ultimate decisions lie with the president, supported by the board of directors.

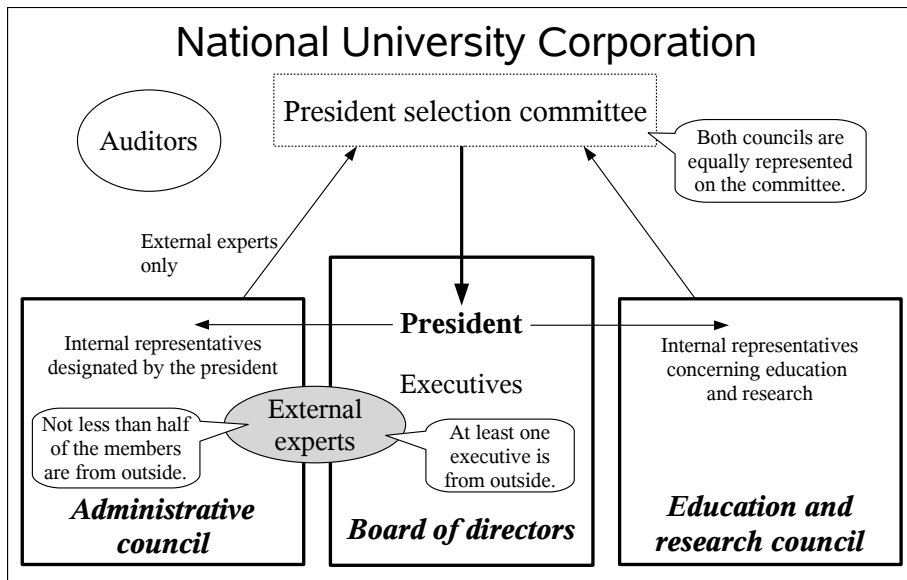


Figure 2. Governing body of national university corporations

3) Participation of external experts

In order to ensure accountability and responsiveness to society, people from outside the university should be solicited to participate in the management of national universities. At least one of the executives, who compose the board of directors, should be a person from outside the university. In addition, not less than half of the total members of the administrative council should be appointed from outside.

External experts participate importantly in the selection of the president. They represent the administrative council on the president selection committee, and are equal in number in the committee to members from the education and research council.

4) The evaluation arrangements

A National University Corporation Evaluation Committee (hereafter referred to as the "Evaluation Committee") has been set up in the MEXT, composed of non-national university members, to evaluate national universities institutionally (Figure 1 above). Every national university will be assessed by the Evaluation Committee on completion of its medium-term goals/plan, and the result of the evaluation will be reflected in the budget allocation for the next medium-term.

With respect to matters essentially related to education and research, the Evaluation Com-

mittee is to receive a report from the National Institution for Academic Degrees and University Evaluation (NIAD-UE), in order to be informed of the specialised nature of the education and research conducted in the universities.

II. Impacts upon university governance

Incorporation of national universities was swiftly carried out without incident (Aizawa, 2005 : 6), although preparations for the incorporation had not been an easy task at all for each national university. Almost two years have now passed since the incorporation, and remarkable changes can be observed today in certain aspects of the university governance⁵.

1. The central administration

1) Selection of the president

Traditionally, university presidents have been elected by vote of the academic staff members and endorsed by the council before formal nomination by the Minister of Education, which was practically a formality⁶. After incorporation, although the president has still to be nominated formally by the Minister, the selection is made by the president selection committee including as many external experts as internal representatives. As to the participation of faculty members in the selection, it was suggested in the recommendation on incorporation (Study Team concerning the Transformation of National Universities into Independent Administrative Corporations, 2002) that participation should be limited to those with sufficient experience and responsibility : although it did not exclude the vote as a means to access receptivity to candidates among targeted people, it did not provide for a vote as a means of faculty involvement in the process.

In many universities, committees have made it a rule to take into consideration the votes by staff members, including at times non-academic staff. However, the selection is not always dependent upon the ballot outcome. In some universities, the second-ranked candidates have been deliberately favoured. Elsewhere, universities including Tohoku University have either not employed or have abandoned the voting system itself. The decision taken by Tohoku University was the first among major universities, which envisaged widely searching candidates from inside and outside the university (Oda, 2005).

The new selection system has been designed to allow university presidents to exhibit effective leadership. However, in universities where the vote is maintained, several presidents known as reformers for their audacious managerial innovations have been defeated at the polls after incorporation. Not a few academics consider the incorporation as administrative restructuring under the name of university reform and as unwelcome, and they are

⁵ Specific examples and other information cited in this chapter, unless otherwise noted, come from National University Corporation Evaluation Committee (2005) and performance reports of the national universities prepared for the evaluation.

⁶ The law stipulated merely that the council should select the president, but most universities put a voting system in practice, which was considered as a requirement of the fundamental principle of university autonomy. However, under the new corporate system where universities have a larger autonomy, the link between the vote and the university autonomy should be weakened, whereas the former used to be regarded as a guarantee of the latter (Shiono, 2005).

likely to be conservative instead of supporting reforms (Sakimoto, 2005).

2) Presidents and boards of directors

The national universities' decision-making system altered fundamentally after incorporation, from a collegial system to a régime centred on the university president. This change notably extended the authority of the president and the board of directors.

In order to effectively centralise decision-making, by concentrating administrative powers in the presidents and the boards of directors, national universities have reduced the number and the frequency of meeting of different committees. Before incorporation, a considerable number of committees were set up to build consensus among faculty members, which was a time-consuming decision-making process. In Aichi University of Education, for example, the number of meetings of the faculty council was reduced from around 19 to 7 in 2004, and the university reduced the number of committees from 36 to 24 as well as the number of committee members from over 400 to around 100.

Most often, presidents have larger resources at their disposal than before incorporation. As of October 2004, more than half (55%) of the university presidents had at their disposal staff resources or a budget for salaries to allocate to strategic projects and others.

The new decision-making framework was designed to permit rapid decisions, reflecting opinions from outside the university, in a small circle of high officers. However, until now the system has not had the outcomes claimed for it in most universities (Isoda, 2005). The problem is that it is absolutely difficult to expect faculty executives to have competence and expertise in university administration, where presidents are selected mainly on the basis of their academic achievement and most faculty members try to escape from managerial work. Consequently, it is difficult to find competent managers among faculty members. As a result, with disappearance or diminution of the integrated secretariat being a contributing negative factor, there has been a decline in co-ordination and even miscellaneous co-ordinated matters frequently go to the presidents thus reducing the efficacy of university management.

3) Administrative support services

Almost all national universities have revised their scheme to assist the president, including reinforcement of the president's bureau, appointment of presidential faculty assistants, strengthening of the planning/managerial departments. With respect to the secretariat, which used to be directed by a secretary-general nominated by the Minister of Education and considered most often as exemplifying ministerial authority, national universities fall into two main groups : those universities that have kept a unitary secretarial structure, and those that divided the secretariat and set up offices under vice-presidents (Sakimoto, 2005).

In the first group with an integrated secretariat, are mainly the smaller universities : clerical work may be executed more consistently, but secretarial staff members ultimately report only to the secretary-general and vice-presidents do not have their own staff except for a small number of secretaries. In addition, co-ordination between vice-presidents and the secretary-general is necessary and often requires further effort. On the other hand, even though integrated secretariats remain, the status of secretaries-general is no longer the same as that before incorporation : most often it has been accompanied by a retrogradation in rank and an abridgement of authority.

In the second group, staff members report to each vice-president responsible for a certain area of the university administration. Although much work may be completed in each office more rapidly under the leadership of a vice-president, this structure often is a source of inconsistency among offices and suffers from a lack of expertise in administrative practice on the part of faculty administrators. In addition, some offices require qualified staff specially trained in a certain area of competence to be effective, but commonly such staff have yet to be developed.

4) Participation of external experts

Every national university has to include external experts as members of the board of directors and of the administrative council. Far the greatest part of these members are from the business community (34% for boards of directors and 35% for administrative councils), followed by people from research and development corporations and the like (Figure 3). Some universities include foreigners in their boards of directors or administrative councils.

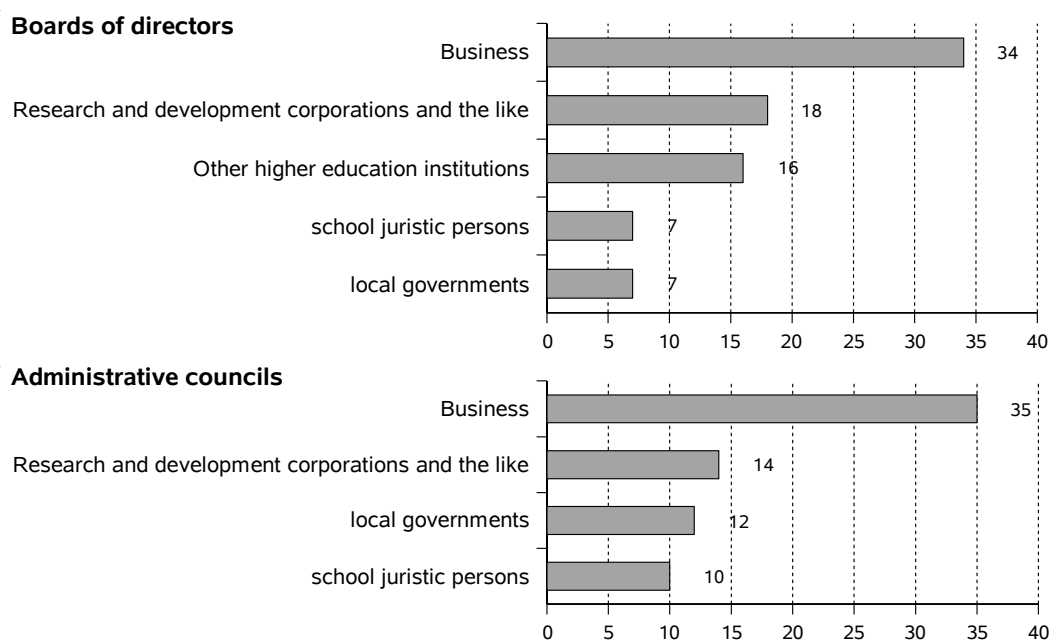


Figure 3. External experts by affiliation or affiliated organisation (%)

Source : JANU (2004)

a. Boards of directors

External experts on boards of directors are expected to provide diverse expertise difficult to find in the university and to contribute to assuring an efficient university management. Out of 403 executives in all national universities, 80 are from the business community, but most of them (over 80%) are in part-time positions (Honma, 2005). Two universities (Tohoku and Kobe) have appointed foreigners as board members. In comparison with administrative councils, external experts on boards of directors represent a very small portion of the membership.

Although the effectiveness of their presence in the university management is still to be examined, some notable examples were reported by the Evaluation Committee. Miyagi University of Education, for example, invited the ex-superintendent of the prefectural board of education to its board of directors for his expertise in school education ; in Osaka University of Foreign Studies, an external executive assumed the role of vice-director of the evaluation office, which was to evaluate every quarter year the implementation progress of the annual plan.

b. Administrative councils

Involvement of external experts of administrative councils in university management is widely diverse. Some universities expressed their intention to consult their administrative council in detail as to their management, including their budget allocation. Others intend to consult only in relation to general directions. The president of Kyoto University, for example, was reported to have said that the administrative council should discuss matters only from a broad perspective⁷.

According to a survey⁸, in fiscal 2004, the frequency of meetings of the administrative council ranged from two to 12 times per year. On average, the administrative council met 5.1 times, and external members participated in it 4.1 times. Most of them (77.7%) found the frequency sufficient ; but a minority (17.0%) found the time and frequency insufficient, pointing to such remarks as too many matters to discuss (32.8%), little opportunity to express their opinions, and unavailability of internal detailed information of the university. The majority of the external experts (60.1%) felt that their opinions had been sufficiently reflected in the decisions of the administrative council ; but nearly a quarter of them (24.3%) thought that their opinions had little impact, and 9.4% of them found only a small number of important matters in the council discussion.

In comparison with the same survey carried out the previous year, fewer experts found the council performing a core role in university management (62% against 66%), and orienting reform of the university (53% against 60%) (Figure 4). Further, more experts feared that the council might become mere a formality before decisions were taken by the board of directors (40% against 35%). From the survey, a kind of disappointment could be observed among external experts in the administrative council.

⁷ *Nikkei News* dated 5 August 2004.

⁸ *Nikkei News* dated 9 May 2005.

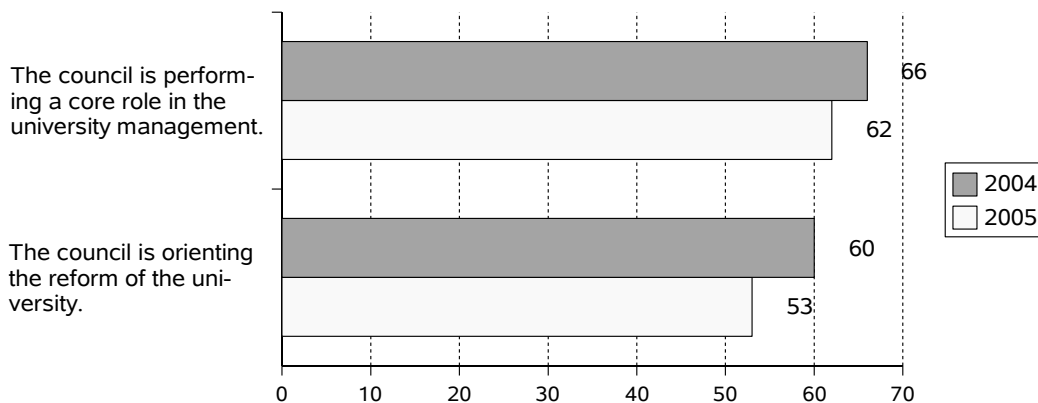


Figure 4. Functions of the administrative councils viewed by external experts (%)

Source : *Nikkei News* dated 9 May 2005.

2. Finance and human resource management

1) The financial management

Given a larger autonomy of financial management, national universities have taken various measures to use their resources effectively. All the universities have adopted annual budgeting policies, and have set aside a budget at the disposal of the president. Most universities have invested in such activities as industry-university co-operation, research activities matching various societal needs, international contributions, and collaboration with the local community.

a. Changing resource allocation policies

In 2004, Tokyo Institute of Technology dedicated about 650 million yen to a budget at the discretion of the president, and spent it selectively on activities such as development of education-research infrastructure, improvement of student services, a research fund for young faculty members, and other activities under the initiative of the president. Tohoku University deducted 5% of the total faculty staff salary as a centrally managed personnel budget, and founded a “University Professor System”, designed to attract Nobel Prize class scholars with a special salary. With this system, the university invited a nobelist in chemistry, which provided a stimulus to education and research on campus.

Rationalisation of resource allocation is mandatory : the operational grant is being reduced by 1% annually, except for the salary of faculty members. Many universities have focused their reforms on managerial efficiency in allocation and utilisation of existing resources. Shiga University of Medical Science, for example, carried out a detailed analysis of costs and applied cost improvement measures to certain areas to improve the financial situation of the university. Mie University developed a “Cost reduction action plan” to reduce by 10% the cost of supplies, electricity, fuel, water, etc. by the end of FY 2009. The University of Tokyo set up a Division of Environment and launched an energy-saving campaign which resulted in a 10% reduction in the maximum electric power demand in the summer 2004.

The effective use of facilities is being pursued as well : previously facilities allocated to units used to be considered as vested property of each unit. Many universities have intro-

duced a Web-based management system for shared facilities on campus. Kyushu Institute of Technology began charging for the use of all facilities, so that the campus community might have a better cost consciousness and be flexible about facilities allocation.

b. Efforts for acquiring competitive funds

Faculty members are increasingly encouraged to acquire external research grants and other types of competitive funds. Niigata University, for example, defined numerical targets concerning Grants-in-Aid for Scientific Research⁹ acquisition in its action plan. Ryukyu University deducted 1% of the research infrastructure fund of the faculties for which the collective application ratio was under 70% as an incentive fund for applicants to encourage grant applications.

On the other hand, almost all universities reduced the amount of research funds distributed uniformly to each faculty member, in favour of funds at the disposal of the president or competitive funds. These funds are utilised for projects proposed by faculty members or selected by the university authority, distributed to research-intensive units, and so on. Okayama University, for example, developed an “Okayama University Priority Projects” programme with a view to setting up new scientific research projects that were not limited to one faculty and to developing creative international research centres (On-campus COE) : eight proposals were selected based on the recommendation of a panel of experts including external ones. Nagoya University implemented a weighted allocation of education-research incentive funds on the basis of the acquisition of Grants-in-Aid for Scientific Research and others.

c. Promotion of income generation activities

External sources of revenue have been vigorously sought by national universities. Income generating activities include industry-government-academy co-operation and various entrepreneurial activities initiated by universities. Most universities have set up or enhanced offices for technology licensing and other co-operation activities.

With the aid of a Programme for the development of intellectual property management offices in universities offered by the MEXT¹⁰, 25 national universities set up offices of this kind. In 2005, the programme was reviewed by a panel of experts in the MEXT. Most notable among the efforts classed as A (excellent) by the panel were those of the University of Tokyo. The university was reported to very effectively manage its intellectual property from creation to licensing, conjointly with TOUDAI TLO, Ltd. (CASTI) and the University of Tokyo Edge Capital Co., Ltd.¹¹, within the office of intellectual property. Furthermore, the University of Tokyo set up a Division of University Corporate Relations that integrated, in addition to the office of intellectual property, an office of commercialisation and an office of industry-university co-operative research promotion, with a view to pro-

⁹ Competitive funds of the MEXT, open primarily to university-based researchers for the purpose of basic scientific researches.

¹⁰ A programme designed to support universities of all sectors for a period of five years to set up offices to strategically manage their intellectual property. It was initiated by the MEXT in 2003 based on the government policy that research results should belong as a rule to the universities. In total, 34 universities were selected.

¹¹ Venture capital recognised by the University of Tokyo, which provides support to entrepreneurial activities using fruits of research and human resources of the university.

viding a common infrastructure for industry-academy collaboration to the campus community and to effectively supporting relevant activities both inside and outside the university.

However, income generation activities have clear limits and cannot be heavily relied upon. They represent only small portion of the revenue of national universities and are unevenly distributed. In addition, they may be successful in some cases only in certain departments, which are likely to be sectors that do not perform traditional university functions.

2) The human resource management

a. Flexible staffing arrangements

Free from the staff quota administration practised strictly by the government, national universities have much more discretion over their human resource management. Before incorporation, the number of staff was meticulously fixed by the government for each unit by positions, and national universities could not modify its staff quota, nor establish new units by restructuring existing units without authorisation of the government. Under these circumstances, the staff quota of each unit tended to be considered as a vested right, which prevented a flexible manpower policy at campus level.

After incorporation, national universities have realigned their human resource management systems so that they might centralise staff quota/budget management and strategically make use of given human resources under the leadership of the president. Gifu University, for example, passed in April 2005 from a staff quota management system to a “points system” that allowed deans and other unit directors to use flexible staffing within the limit of points allocated to each component¹².

Many universities have emphasised needs for a centralised employment function for faculty staff positions, and have made it a rule that posts of retiring professors should be centrally managed, not automatically filled by researchers from the same area to replace retiring professors, so that the executive office may redeploy staff where appropriate. Yamaguchi University, for example, abolished staff quota allocations by department and decided to control the numbers of positions at faculty level and to commit the vice-president to determining whether a post should be filled or not by the same department if a vacant post occurred.

b. Recruitment of experts and experienced managers

Under the previous national university system, permanent administrative staff could be recruited only from among successful candidates in the national public service examination. Free from this restriction, in addition to recruitment by the ordinary employment process¹³, national universities have recruited experts in various managerial areas. In 2004, the University of Tokyo, for example, recruited 10 experts from the business community as associate managing directors (*Fukuriji*) or specially appointed experts (*Tokunin senmon-in*)¹⁴.

¹² A professor accounts for 100 points, an associate professor 78 points, an assistant professor 73 points, and an assistant 60 points (one point corresponds to approximately 100 thousand yen). Each component determines how to utilise its points.

¹³ After incorporation, national universities conjointly organise each year employment examinations by region, and they recruit staff from among successful candidates in the examination of each region.

¹⁴ Among these experts is a patent attorney in the office of intellectual property.

c. Development of administrative staff

Before incorporation, high level secretarial officers were regularly relocated from one university to another by the MEXT. The system came to an end at the time of the incorporation, when the appointing power was transferred from the Minister of Education to the president of each university. However, rotation of these officers is still maintained as a temporary settlement based on an agreement between the Japan Association of National Universities (JANU) and the MEXT¹⁵. For the national universities, it was regarded as necessary to assure knowledge and expertise in university administration.

On the other hand, an increased autonomy emphasises the need for human resource development, particularly in managerial roles. Most universities have realigned their staff development programmes in that direction. Hirosaki University, for example, set up a development programme “Career development training through adult students admission programmes”, open to clerical and technical staff members, with a view to developing core administrative staff.

In some universities, certain administrative positions have been advertised within the universities. The University of Tokyo, for example, advertised some director-level positions and appointed seven successful candidates to the positions in FY 2004.

3. Academic structures and student services

The incorporation policy emphasises a continual revision of academic structures of national universities and encourages them to autonomously seek for appropriate structures so that they may meet the needs of society. Out of 93, including 4 inter-university research institute corporations, 43 corporations were reported to review periodically their education-research structures, by setting up units with an expiration date and so on. In addition, the National University Corporation Law advocates an improvement of student services.

1) Fundamental academic structures

Independently of the incorporation, fundamental academic structures – faculties and graduate schools – are, regardless of the type of control, regulated by the School Education Law and are subject to government approval for any modifications except slight ones. Until now, no fundamental amendments of academic structures have been reported. Although it seems still difficult to reallocate internal resources, assessing the needs of the components, from the areas of least need to those areas of greatest need, certain universities have expressed their intention to review their academic structures on the basis of evaluation results in the future.

Kyushu University, for example, plans to review its academic structures and to reorganise them based on the evaluation results. Additionally, Kyushu University is known for its reform of the structure of graduate education, by which it has divided each existing graduate school into a new graduate school (educational body : *Gakufu*) and a graduate faculty (research body : *Gakuin*) in April 2000. Thus faculty members, belonging to graduate faculties separated from educational bodies, are expected to provide a more flexible approach to teaching.

¹⁵ The fourth permanent committee of the JANU “Personnel exchanges of non-academic administrators after incorporation” 31 December 2003.

2) Interdisciplinary initiatives

National universities have been increasingly cultivating programmes that cross disciplinary boundaries to better meet the needs of society and to maintain and strengthen their scientific excellence. In many universities, no small part of the resources at the disposal of the president have been devoted to developing interdisciplinary approaches that cross the borders of existing faculties gathering researchers from different units and outside.

The University of Tokyo, for example, set up an Comprehensive Project Group¹⁶ in 2004 directly under the auspices of the president. It aims at combining several disciplines and opening up new horizons of knowledge by encouraging interaction between disciplines. Projects in four domains have been planned including the human, the material, the earth, and the universe.

Ryukyu University developed a Transdisciplinary Research Organisation for Subtropics and Island Studies with the president's budget. It envisages strategically promoting specialised research across faculties and advancing education and research of the university.

3) Student services

The National University Corporation Law (Article 22) puts student services concerning both academic and social student life in second place among the corporations' activities after establishment and management of a national university, and before other items of importance. In Japanese universities, particularly in national universities, student services have long remained underdeveloped. However, massification of higher education demands that administrators focus more on the issue. Among efforts undertaken are establishment of positions in student services, improvement of counselling activities and other support services, appointment of advisers, and organisation of peer support groups.

In Yamagata University, for example, one faculty adviser was appointed for every 20 students, and academic advisers were placed in an advising centre offering a "YU supporting system", which dealt with about 4,000 cases of consultation in FY 2004. Kanazawa University developed a "Peer support group" system with the participation of seven volunteer graduate students who were given training in counselling, and they have been giving advice to students on various issues relating to campus life.

4) Student participation

With the end of the pre-corporate collegial system, the university governance was restructured, centring on the president and the board of directors, and voices of faculty members have significantly decreased. In contrast with the decrease in faculty involvement, participation of students in university governance is a newly observed phenomenon. Traditionally, students have not been regarded as full members in the campus community in Japan. After incorporation, in some universities, students are found as full members in evaluation committees and other decision making organs.

In Okayama University, for example, students and academic/non-academic staff members sit conjointly on a Student-Staff Committee on Educational Improvement, where 38 students are present among 56 members (as of January 2005). The committee has proceeded with faculty development activities largely inspired by students, including establishment

¹⁶ Provisional translation of *Sokatsu Project Kiko*. In the University of Tokyo, the term *Kiko* is translated into group, organisation, or institute.

of new courses and improvement of student questionnaires on teaching.

4. Accountability and quality assurance of the national universities

1) Public relations

Most universities have enhanced their public relations, by improving their Web sites, issuing mail news, advertising in newspapers, and so on. Hokkaido University, for example, concluded a comprehensive agreement on co-operation with a publicity agent to improve its public relations structure and establish a university brand.

In addition, many universities have opened branch offices in major cities for multiple reasons, including student recruitment, industry-academy co-operation, and government relations. Hiroshima University, for example, has now four branch offices in Tokyo, Osaka, Fukuoka, and Beijing in China.

2) Audits

As required by law, every national university has two auditors as directors¹⁷, entitled to check its business operations. In addition, national universities are subject to audit by external accounting auditors. Although an audit system has not yet been effectively established in most universities, some universities have used audit results in a positive manner to improve university management. In 2004, all the corporations conducted internal audits, and 41 corporations out of 93 set up an audit office or assistant positions under the auditors with special attention to the independence of the auditors. Yokohama National University, for example, set up an audit office with eight staff members directly under the president, responsible for both internal and external audits.

3) Evaluative activities

a. Academic staff evaluation

After incorporation, an increasing number of national universities have developed or begun study of their academic staff evaluation system. Traditionally, evaluation of faculty members has been carried out almost exclusively through peer review in Japanese universities. Although peer review remains the most effective and important evaluation means, many universities have acknowledged the necessity for an evidence-based academic staff evaluation, and have been in search of a system to better evaluate performance of academic staff in order to improve the quality of education, research and other services.

For example, Okayama University put in place a staff evaluation system in 2004 to classify academic staff into four groups (excellent, good, fair and poor) based on multiple performance indicators¹⁸. In 2004, among 1,280 participating academic staff members, 897 were classified in the overall performance evaluation as excellent but 20 as poor (Figure 5). The university has not yet utilised its results to link pay to performance, but it remains within the scope of consideration.

¹⁷ Although auditors are classified, like presidents and executives, as directors by the National University Corporation Law, they do not sit in on the boards of directors.

¹⁸ Report at the seminar on the academic staff evaluation system, organised by the Evaluation Committee of Hiroshima University on 22 December. Its objectives are defined as to make education-research and other activities more active and to promote changes in awareness, to collect information for the purpose of improvement of the university management, and to keep the university accountable.

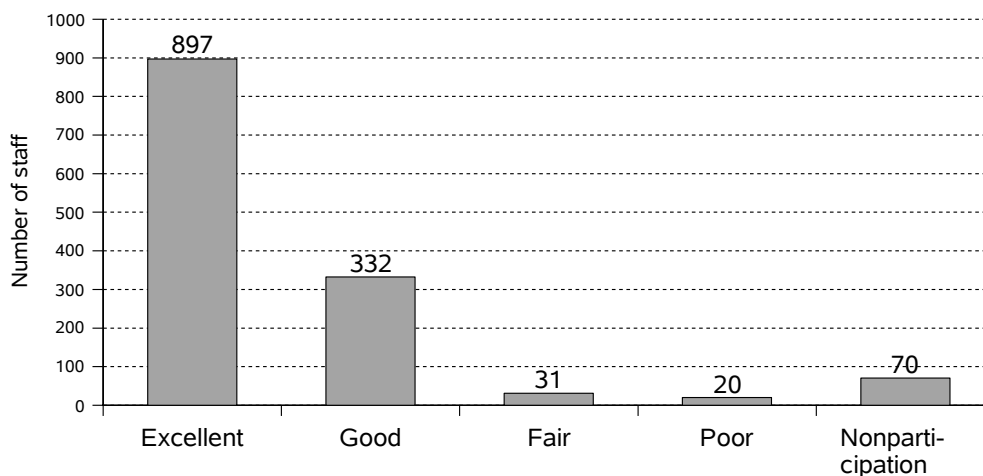


Figure 5. Overall performance evaluation of the academic staff in Okayama University, 2004

Source : See note18 above.

b. Unit-level evaluation

Some universities have opted for a unit-level evaluation, in place of a staff-level evaluation at campus level. Osaka University is an example, which has been conducting faculty-level evaluations on an experimental basis. Evaluation of academic staff members is up to each faculty or other unit. However, an academic staff database has been developed by the university, into which every staff member is required to input his/her data concerning academic performance.

4) The institutional evaluation by the MEXT

All the national universities are to be institutionally evaluated by the Evaluation Committee after the period of MTG/MTP. In addition, the Evaluation Committee assesses their performance annually based on the self-monitoring and self-evaluation of each national university corporation. The Evaluation Committee released on 16 September 2005 its first annual evaluation report for FY 2004. The Evaluation Committee expressed its satisfaction in the name of its chairman, recognising that, as a whole, national universities had been coping positively with the reforms, that they had consolidated their management base within a limited amount of time during the first year of incorporation, and that they had been accomplishing satisfactorily their mid-term plans. At the same time, the Evaluation Committee pointed to several problems including a delay in building a management base, room for improvement in personnel management and administrative rationalisation, and in effective use of managerial resources in some national universities.

The annual evaluation was carried out on five levels : 1) improvement and optimisation of the business; 2) improvement of the composition of finances; 3) self-monitoring and self-evaluation as well as disclosure of information; 4) other business affairs; and 5) improvement of the quality of education-research and other related services. The results are shown in Table 2.

Table 2. Results of the annual evaluation by the Evaluation Committee for FY 2004
(number of corporations¹⁹/percentage)

	Excellent status	As planned	Largely as planned	Slightly behind the plan	Much improvement needed
Improvement and optimisation of the business	7 (8%)	37 (40%)	39 (42%)	10 (11%)	0 (0%)
Improvement of the composition of finances	3 (3%)	50 (54%)	40 (43%)	0 (0%)	0 (0%)
Self-monitoring and self-evaluation as well as provision of information	4 (4%)	51 (55%)	35 (38%)	3 (3%)	0 (0%)
Other business affairs	1 (1%)	52 (56%)	37 (40%)	3 (3%)	0 (0%)
Improvement of the quality of education-research and other related services	The report did not classify initiatives but pointed to both excellent and retarded elements.				

III. Conclusion

1. Major challenges for national university governance

1) The financial resources issue

The largest source of revenue for national universities comes from the MEXT as an operational grant, which represented 47.7% of the total revenue of all the national universities in FY 2004²⁰. However, as a result of the negotiation between the Ministry of Finance and the MEXT in the winter 2003-2004, it was agreed that the operational grant would be reduced by 1% every year except for the component corresponding to salaries of faculty members.

National universities have been rationalising their administration and multiplying resources. However, as mentioned earlier, additional resources are limited and unevenly distributed. In FY 2004, external resources, including income from commissioned research, donations and others, represented only 6.2% of the total revenue of national universities. In addition, major national universities, represented by seven former imperial universities and another three universities (collected more than 60% of the external resources (Figure 6).

¹⁹ Includes 89 national university corporations and 4 inter-university research institute corporations in the total.

²⁰ The second largest was income from university hospitals (25.5%) and the third was tuition, entrance and examination fees (14.6%).

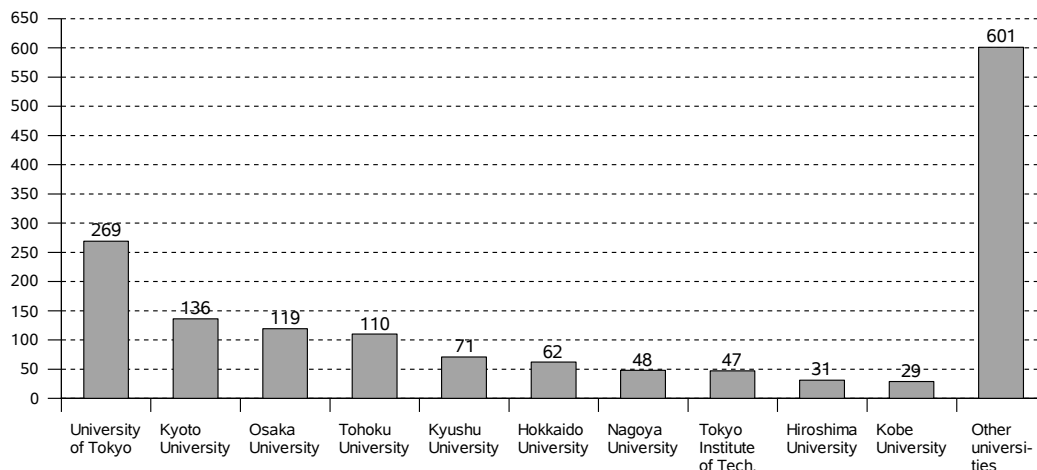


Figure 6. External resources of national university corporations in 2004 (100 million yen)

Source : MEXT

The income generated from co-operative and other entrepreneurial activities in the universities forms a very small share throughout the world. Even the best examples of resource mobilisation by universities, highlighted by Burton Clark as the most successful examples of entrepreneurial universities, indicate that it can have only a limited impact to replace state funding : these universities are financially worse off in the 1990s than they were in the 1980s (Varghese, 2004). In addition, those universities/departments mobilising resources through entrepreneurial activities are not the sectors which perform the traditional functions of the universities, which may imply that they have grown at the expense of traditional disciplines that are not revenue producing but may be essential for society.

The cost-sharing measures including tuition fees, currently studied in many countries where public universities are dominant (*e.g.* most continental European countries), are not applicable to Japanese national universities. The fees that students must pay to public institutions are already exceedingly high and often dissuade enrolment from lower – and even middle – class society.

M. Aizawa, president of the JANU, pointed to three major challenges to be tackled first and foremost by national universities (Aizawa, 2005), including a guarantee of the costs associated with facilities and equipment, avoidance of failure of university hospitals, and particular special factors in the national universities. The financial issue will remain the most important issue for national universities and it will determine primarily the success of incorporation of national universities. In particular, the policy of reduction of the operational grant should be revised in the near future.

2) Developing effective leaders and staff

Before incorporation, national universities did not really need effective and far-sighted managers, since it was the government that managed them and was responsible for their operation. Presidents could be elected without so much problem among researchers on the basis of their scholarly achievement, even if the candidates were not administratively competent. Therefore, in Japan, there have been very few programmes for development of effective presidents or vice-presidents, whereas such programmes are commonplace in the

US and some other countries.

Shortly before the incorporation, some efforts in this direction have been observed. Since 2004, the JANU has organised university management seminars for high level administrators such as presidents, vice-presidents, deans and other managers. Prior to the incorporation of the national universities, the Centre for National University Finance and Management (Centre for National University Finance until March 2004)²¹, had already started seminars for senior administrators in preparation for the incorporation of the national universities. Although these activities are still modest and not systematic, development activities are rapidly spreading, involving other associations and private professional development providers.

In addition, development of the clerical and technical staff, especially those specialised in each functional area of university administration, is important. In particular, staff in planning sections and in charge of evaluative activities should be developed immediately. Student services and industry-academy co-operation are also important. In the short term, however, some such staff can be recruited from outside the university as a temporary settlement.

3) Participation of the campus community

Incorporation has given the university presidents a key element to exercise executive authority over the campus and to put their policies and priorities into practice. However, a genuine institutional policy cannot be developed without involving faculty members, whereas faculty involvement in the decision-making process has been significantly reduced by the incorporation arrangements.

In the United States, the importance of faculty involvement in personnel decisions, selection of administrators, preparation of the budget, and determination of educational policies has been emphasised by the entire higher education community. A 1966 *Statement on Government of Colleges and Universities*, jointly formulated by the American Association of University Professors (AAUP), the American Council on Education (ACE), and the Association of Governing Boards of Universities and Colleges (AGB), stated that faculty members, who had primary responsibility for such fundamental areas as curriculum, subject matter and methods of instruction, research, faculty status, and others, should actively participate in the determination of institutional policies.

Similarly, R. Birnbaum emphasises the fundamental needs for a shared governance in academic institutions. He asserted, drawing on C. Kerr's *The uses of the university*, that faculty involvement in shared governance processes might slow down the making of decisions, but that it also should assure more thorough discussion and provide the institution with a sense of order and stability, and he regarded shared governance as the most effective process through which academic institutions may achieve their indefinite goals (Birnbaum, 2003).

On the other hand, student participation should also be considered. A US *Joint Statement on the Rights and Freedoms of Students*, formulated in 1967 by the American Association of University Professors, the United States National Student Association, the Association

²¹ Established in April 2004 as an independent administrative institution, the centre grants loans to national university corporations to cover their facilities expenses and provides development activities for national university staff members.

of American Colleges, the National Association of Student Personnel Administrators, and the National Association of Women Deans and Counselors and endorsed by many other organisations, stated that students should be free to express their views on issues of institutional policy and on matters of general interest to the student body, and that they should have clearly defined means to participate in the formulation and application of institutional policy affecting academic and student affairs²². Furthermore, in European countries, student participation in the governing body is commonplace, and even student vice-presidents are found in some countries (Persson, 2004). In a European survey, student participation in the university governance is widely welcomed by the academic community at all levels, and is considered to enhance the quality of higher education. In some Japanese national universities, students have begun to participate in certain committees and the like, as seen in the case of Okayama University mentioned earlier.

In Japanese universities, although it is the role of the president to guarantee an effective use of given resources including their development, the governance system must have clear lines of communication among all groups, and especially with faculty members so that they may share the responsibility, participating in discussions and other forms of involvement. Furthermore, student participation should also be taken seriously into consideration.

4) Improvement in the quality of teaching

The new corporate governance system has certainly contributed to university reform. It has been effective particularly in encouragement of industry-university co-operation and promotion of research activities matching various societal needs in more cost-effective way. However, reform of education has been largely left untouched, since it involves a larger part of the faculty community in comparison with research activities or industry-university co-operation and it is difficult to build consensus (Kai, 2005). In addition, since the outcome of an educational reform will not come into sight immediately, but often only some decades later, result-oriented university executives tend to hesitate over educational reform and concentrate efforts on activities expected to have a prompt outcome.

A detailed description of efforts undertaken for educational improvement is beyond the scope of this paper. But noticeable initiatives were reported by the Evaluation Committee (2005), some of which were mentioned in the previous section. These efforts are expected to supply examples to other universities²³.

Ultimately, even for research-oriented universities, education is the most fundamental mission of the university that must be given the utmost priority. It has a decisive impact on success or failure of the incorporation policy.

5) Evaluations

Evaluations constitute a key element of the corporate governance arrangements. It is understood that, under the new system, the resource allocation pattern has changed from a

²² Furthermore, the Statement on Graduate Students (2000) advocates an enhanced participation of graduate students in the university governance.

²³ The MEXT offers two programmes to promote dissemination of good practices in university education : “Support programme for distinctive university education” and “Support programme for initiatives serving contemporary educational needs”, open to all universities regardless of the control type.

political process to criteria-based resource allocation. Now, both internal and third-party evaluations, from individual staff level to institutional level, that are effectively performed through *ex-ante* and *ex-post* evaluation measures are essential for improvement of the quality of education, research and other activities within the national universities.

In Japanese higher education, evaluation procedures have still to be developed in many areas, such as *ex-post* evaluation of resource allocations, periodic accreditation of institutions, evidence-based academic staff evaluation, and student evaluation of teaching. For these, dissemination of best practices and development of performance indicators, as found in several US state university systems, such as in Indiana and California, will be most useful for institutions, and, as indicated above, some efforts have already been made²⁴.

However, although evidence-based evaluations as well as performance indicators may be more objective than assessments by political process, they also have their limits. As for academic staff evaluation, for example, evidence-based assessment of academic performance serves only partially. For this type of evaluation, peer review is quintessential, and constitutes a fundamental premise of academic freedom, where decisions concerning the quality of scholarship and teaching should be made by reference to the standards of the academic profession, as interpreted and applied by the community of scholars who are qualified by expertise and training to establish such standards²⁵. The aforementioned Okayama University's staff evaluation system is set to target principally the best and worst staff members, not to meticulously assess performance of all the faculty staff.

An evaluation system centred on institutional evaluation should also be questioned. Universities, especially large and comprehensive universities, are very complicated organisations that cannot be evaluated as a whole. Sawa (2005) described the incorporation as a "Soviet-style" reform on the basis that the evaluation and resource allocation scheme of the national universities would act in essentially the same way as the soviet system, which had failed because of difficulty in economic manipulation. The authority of the Evaluation Committee should be limited to certain areas of which the performance is evident and hardly indisputable, with the aid of performance indicators, yet to be developed in Japan. As for the rest, in principle, the evaluation should be implemented on an individual or project basis exposing researchers to a strict but constructive review and criticism by their peers, and a mechanism that provides competitive funds to those who merit them should be assured.

2. Future of national universities

Now that almost two years have passed since the incorporation of national universities and that the first institutional evaluation has been reported, as seen in the previous section, the incorporation process has gradually come into view. However, the incorporation process is still in progress and the future of national universities remains substantially unclear.

The author pointed to several key elements that would guide the future development of na-

²⁴ Among other important efforts is a study on performance indicators concerning resource allocation within national universities by the Centre for National University Finance and Management.

²⁵ AAUP (2003) "Academic Bill of Rights" at <http://www.aaup.org/statements/SpchState/Statements/billofrights.htm> (accessed on 22 December 2005).

tional university corporations in a previous paper (Oba, 2005). One of the key elements was the construction of a university community, where the role of government should consist of providing essential support to universities, developing a culture of dialogue between universities and government. In fact, incorporation of national universities has considerably changed the relationship between the MEXT and national universities. However, far from building a community, the activities of both national universities and the MEXT are being directed respectively by their own interests and behavioural principles, and they constitute now separate and distinct organisations (Isoda, 2005).

In such an environment, construction of a university community is crucial to the future of the national universities. Although the national universities have become largely autonomous, they are still subsidised significantly by the government. The ultimate responsibility of their operation resides with the government. Without a government commitment, which should be supportive rather than directive in nature though, most of the national universities would not be able to fulfil the needs of society, which should not be solved by market forces or privatisation.

In an age of knowledge, the need for advanced education and knowledge is becoming incessantly pressing, both for individuals and for society. Higher education institutions should meet such demands, adapting themselves to an ever changing society, just as the university has done over time. Each university should develop a capacity for change, consolidating its governance. Only a concerted effort, which should be made possible within the university community, will enable higher education institutions to respond to the needs of the ever changing world we live in.

References

- Aizawa M (2005) One Year after Incorporation of National Universities – Current Status and Problems [Kokuritudaigakuhojinka 1nenno genjo to kadai]. *IDE* No. 475 November, 5-10. <in Japanese>
- Birnbaum R (2003) *The End of Shared Governance : Looking Ahead or Looking Back*. Paper presented at the Governance Roundtable 2003, CHEPA.
- Honma M (2005) The Necessary Development of Managerial Abilities within National Universities [Kokuritsudaigaku keieinoryoku migake]. *Nikkei News* dated 15 August.
- Isoda F (2005) One Year as an Executive : From the Standpoint of an Executive from the MEXT [Rijino1nen : Monbukagakusyosyusshinrijino tachibakara]. *IDE* No. 475 November, 52-55. <in Japanese>
- Japan Association of National Universities [JANU] (2004) *JANU Quarterly Report Winter 2004 Vol. 1*. Author.
- Kai S (2005) Untouched Educational Reform: One Year under Corporate System from the Perspective of a Science Professor [Rikeikyojunomita hojinka 1nen – Kyoikumemno kaikakuha tetsukazunojotai]. *IDE* No. 475 November, 27-30. <in Japanese>

- National University Corporation Evaluation Committee (2005) *Progress in the Reform of National University Corporations and Inter-university Institute Corporations* [Kokuritsudaigakuhojin-Daigakukyodoriyokikanhojin no kaikaku suishin jokyō]. MEXT, Tokyo. <in Japanese>
- Oba J (2004) Incorporation of National Universities in Japan – Reform towards the enhancement of autonomy in search of excellence –. In *COE International Seminar on Organization Reforms and University Governance : Autonomy and Accountability*. COE Publication Series 11, RIHE, Hiroshima. 15-50.
- Oba J (2005) The Incorporation of National Universities in Japan : Initial Reactions of the New National University Corporations. *Higher Education Management and Policy* Vol.17, No.2, 105-125.
- Oda S (2005) Homecoming after 30 Years Away to Find Surprising Transformation of National Universities – About the Administrative Council and others – [30nennburino kikokudeshitta kokuritsudaigakuhenbono odoroki – Daigakukeieihyogikainokotomo fukumete –]. *IDE* No. 475 November, 14-18. <in Japanese>
- Persson A (2004) Student participation in the governance of higher education in Europe : results of a survey. In *The University As Res Publica – Higher education governance, student participation and the university as a site of citizenship*. Edited by Bergan S. Council of Europe Publishing, Strasbourg. 31-82.
- Sakimoto T (2005) On the Leadership of the University President [Gakuchono Ridashipunitsuite]. *IDE* No. 475 November, 10-14. <in Japanese>
- Sawa T (2003) ‘Soviet Style’ reforms won't improve national universities. *The Japan Times* dated 10 June.
- Shiono H (2005) The President Selection System in National University Corporations [Kokuritsuhojinno gakuchosenkoseido]. *IDE* No. 475 November, 19-22. <in Japanese>
- Study Team concerning the Transformation of National Universities into Independent Administrative Corporations (2002) *A New Image of National University Corporations*. Ministry of Education, Tokyo.
- Varghese V-N (2004) *A contribution to the on-going debate : Establishment of private universities is yet another response*. UNESCO/IIEP. http://portal.unesco.org/education/en/ev.php-URL_ID=7969&URL_DO=DO_TOPIC&URL_SECTION=201.html (accessed on 3 January 2006)

**The Search for New Governance : Corporatisation and Privatisation of
Public Universities in Singapore and Malaysia**

Ka Ho Mok

The Search for New Governance : Corporatisation and Privatisation of Public Universities in Singapore and Malaysia

*Ka Ho Mok**

Abstract

This paper attempts to analyse how governments in Singapore and Malaysia have adopted indirect policy instruments along the lines of 'corporatisation' and 'privatisation' to reform higher education governance. With focuses on a few key issues related to changing state and education relationships and new regulatory arrangements when higher education service providers and funding sources are increasingly diversified in these Asian societies, the present paper examines whether these 'state-guided' regimes are no longer relevant and become less capable in shaping public policy formation and public sector management, particularly when their policy instruments are becoming more globally driven by 'liberalising and marketising trends'.

I. Emerging New Forms of Governance

Despite the disagreements and diverse interpretations of globalisation impacts on state capacity in governance, the growing impact of globalisation has caused a number of modern states to rethink their governance strategies in coping with rapid social and economic changes. New forms of governance and new governance philosophies have emerged in order to maintain the competitiveness of modern states in recent years. Theories of 'new governance' propose that modern governments are adapting to radical changes in their environments by turning to new forms of governance which are 'more society-centred' and focus on 'co-ordination and self-governance' (Peters 1995; Pierre 2000: 2-6). Instead of relying solely upon government bureaucracy in terms of delivery of goods or services, there has been a massive proliferation of tools and policy instruments such as dizzying array of loans, loan guarantees, grants, contracts, insurance, vouchers, etc. to address public problems. Diversified policy tools and instruments may render the conventional governance model inappropriate. It is particularly true when many of these tools are highly indirect. More states rely heavily on a wide assortment of 'third parties' such as commercial banks, private hospitals, industrial corporations, universities, social service agencies and other social organisations (Salamon 2002).

Therefore, networks and partnerships supplant hierarchical command and control (Rhodes 1997, 2000); in the delivery of services, public authority is shared between governments and non-government actors - what Salamon (2002: 2) calls 'third party government'; services are decentralised and in some cases privatised; and the role of governments in manag-

* Professor in East Asian Studies and Director of Centre for East Asian Studies, University of Bristol

ing the economy is more sharply delineated and circumscribed by new arm's length (from government) market-supporting instruments, in some cases relying on self-regulation (Gamble 2000: 130-131; Jayasuriya 2001). Many possible causes have been highlighted: ideological changes such as the discrediting of 'statist' models; fiscal and bureaucratic 'overload' problems; the growth in supranational bodies that undermine a government's control; and economic globalisation eroding state 'steering capacities'.

Like countries in their western counterparts, Asian states have launched public policy and public management reforms along the lines of ideas and practices of marketisation, privatisation, corporatisation, and commercialisation. Privatisation has been a common theme in evolving patterns of government-business relations in some countries (for example, Malaysia and South Korea) (Gouri *et al.* 1991; World Bank 1995). Pressures for broad governance changes have been strong, coming to a head in the financial crisis of 1997 in Asia. A feature of these pressures is the presence of influential international agencies such as the IMF and World Bank. Their preferred models of governance reflect many of the same tendencies noted above: *a less interventionist and arbitrary state; a strengthening of juridical 'forms of regulation (often associated with fundamental legal reform), more disaggregated and decentralised forms of government, including partnerships and a stronger 'co-production' role for civil society groups; and a preference for market-like mechanisms over bureaucratic methods of service delivery* (World Bank 1995). Hence, it is not surprising that strategies, measures and policy instruments in line with the global neo-liberal orthodoxy of pro-competition are introduced and adopted by Asian states to transform the way public sector is managed (Cheung and Scott, 2003; Mok and Welch 2003).

II. Searching for New Governance and Educational Restructuring

Education policy, management and governance, like other public policy domains, are not immune from the growing pressures for improving service delivery and better governance. In order to make individual nation-states more competitive, schools and universities across the globe have been under tremendous pressures from government and the general public to restructure or reinvent education systems in order to adapt to the ever-changing socio-economic and socio-political environments. Governments across different parts of the globe have to expand higher education but they are facing increasing financial constraints in meeting people's pressing demands for higher education. In order to create more higher education opportunities, modern universities have started to change their paradigm in governance by adopting the doctrine of monetarism, which is featured as freedom and markets to replace Keynesianism (known as static options) (Apple 2000). Like their western counterparts, revitalising the role of family and individuals and involving the private sector, the market and other non-state sectors in education service delivery are becoming increasingly popular in East Asia (Mok 2006). When education meets market forces especially in the context of globalisation, 'its effects in education are largely a product of that financially driven, free-market ideology' (Carnoy 2000: 50), while most recent education reforms in East Asia could be characterised by a finance-driven reform emphasising decentralisation, privatisation and better performance (Mok 2003a; Mok and Welch 2003; Mok 2006).

Such changes are accelerated when more governments are exploring additional resources from civil society or the third sector. One seminal work shows an increasing number of countries have started to revitalise the non-state sectors, including the market, the commu-

nity, the third sector and the civil society to engage in education (Meyer and Boyd 2001). Scholars who support the diversification of education services point out the problems with state action in education. Reconsidering the society-based tradition of education as represented by writers such as Humboldt, Jefferson, de Tocqueville, or Mill seems timely and appropriate under the conditions of cultural pluralism (Meyer 2001). The myriad social ties that connect actors in a community, in the case of education students, parents, teachers, and neighbours, could generate rich social resources as 'social capital' that modern education systems could tap into or use (Coleman 1990). In short, the diversification of education service and funding providers, coupled with the revitalisation of the third sector or the civil society involvement in education, opens new venues and arenas for modern states to reconsider the way education governance activities are to be managed.

The trends discussed earlier in the realm of education are consistent with other public policy domains where notions such as 'co-production', 'bringing society back in' and 'coordinative relations' between state, society and other non-state sectors are stressed. Not surprisingly, the non-state sectors now share more power of control and influence in governing education policy and educational development. 'Co-arrangement', 'co-production' and 'co-management' relationships between the state and the non-state sectors (including the market, the community, the family, the individuals and other social forces) are experiencing changes, hence new coordination efforts and governance modes are in urgent need to evolve. As Salamon has rightly suggested, the proliferation of policy tools and instruments requires 'an elaborate system of *third-party government* in which crucial elements of public authority are shared with a host of nongovernmental or other-governmental actors, frequently in complex collaborative systems that sometimes defy comprehension' (2002: 2). Therefore, public-private partnerships in running the public sector or in delivering social services have started to take shape in different countries (Klijn and Teisman 2003; Reeves 2003; Broadbent and Gray 2003).

During such a restructuring process, the role of the government has shown signs of fundamental change from a 'provider of welfare benefits' to a 'builder of market' role, whereby the state actively builds markets, shapes them in different ways and regulates them (Sbragia 2000). For instance some major tools (ranging from direct government delivery to loan guarantees delivered by commercial banks) that modern states could adopt in education delivery and financing. The proliferation of policy actors in general and diversification of policy instruments in particular has suggested the relationship between the state and other non-state actors in education delivery and financing has changed from a 'hierarchical' to a 'network' relationship; thereby the conventional governance mode of 'command and control' has shifted to a 'negotiation and persuasion' model. Such a critical and reflective analysis could throw more light on changing roles and relationships between the state and other non-state sectors or actors in education governance activities. Such fundamental changes have therefore led us to call for new governance approaches and regulatory framework in education.

The present paper sets out in this theoretical and policy context to examine how Hong Kong and Singapore have responded to the popularity of new governance by adopting indirect policy instruments along the lines of 'corporatisation' in improving higher education governance. A few major issues to be discussed in the following are: Do the selected Asian states lose their control in governing and managing higher education after the adop-

tion of indirect policy instruments? Do these Asian states intend to devise new regulatory frameworks in higher education governance? If so, what regulatory framework(s) will they try to develop? If these Asian states have tried to follow the 'global liberalising trends', would it mean that the conventionally 'state-guided' Asian policy is no longer relevant? Let us now turn to the corporatisation of universities in Singapore and Malaysia.

III. Corporatisation of Public Universities in Singapore

1. Policy Background

Higher education policy and development in Singapore has been affected by the socio-economic changes generated from the external and internal environments. Being a small city-state and an open economy, Singapore has never isolated itself from changes resulting from globalisation challenges. The ruling People's Action Party (PAP) has consistently made the whole society well aware of potential challenges and threats in both the regional and global contexts (Quah 1999).

In order to compete with globally advanced economies such as Japan, the United Kingdom and the United States, the previous Prime Minister Goh Chok Tong announced *Thinking Schools, Learning Nation*, a blueprint for reforming the education system in Singapore in June 1997. The concept of 'thinking schools' entails education institutions developing future citizens capable of engaging in critical and creative thinking. The concept of 'learning nation' emphasises that education is a continuum from the early childhood years through the whole of one's life. Education reforms require a mindset change among Singaporeans to bring about a spirit of innovation, learning by doing and self-improvement in order to achieve the ambition of national excellence (Goh 1997). Realising that future economic competitiveness depends very much upon creativity and innovation, the Singapore government is attempting to change people's mindsets through the reform of its education system. Therefore, various government initiatives have been developed to promote independent thinking skills and creative expression in recent years (FitzPatrick 2003).

In 1999, the Singapore government published a report entitled *Singapore 21: Together, We Make the Difference*, highlighting how the island-state might cope with the emergence of the knowledge economy in the twenty-first century. In the borderless knowledge economy, knowledge and information are changing fast. A lot more brain than brawn is required for work and lifelong learning is essential for human resources (Singapore Government 1999: 9-10). The Singapore government has identified globalisation and the information technology revolution as the two driving forces behind the changes in the new century. Besides the increased flows of trade and investment, globalisation is also about the flows of people, ideas and knowledge. Globalisation is not a choice but a necessity. It means new markets, increased investments and opportunities. Education plays an important role in preparing citizens to manage the impact of globalisation. At the same time, the government envisages the need to prepare workers and the next generation for lifelong learning and employability (Goh 1999). On the other hand, the forces of globalisation challenge the powers of government, as civic groups and non-governmental organisations will want to play a bigger role in governance. With the advent of the knowledge economy, skills, creativity and entrepreneurship will command a premium. Education has to be rele-

vant to the needs of society by bestowing the younger generation with their culture and heritage in addition to their capacity to understand the complexities and the potential of globalisation in order to compete and live in the global village (Goh 2000).

Apart from the globalisation impacts and the potential pressures generated from the regional environment, Singapore's higher education developments have been affected by the wider public sector management reforms taking place in the city-state. The PS21 Project, a reform package aimed at reinventing the public administration of Singapore, has been started by the government to pursue total organisational excellence in public service, to foster a culture of innovation and enterprise, and to cultivate a spirit of openness, responsiveness and involvement (PS21 Office 2001). The most current theme of this project is to cultivate a culture of entrepreneurialism among civil servants by making them aware of the importance of creativity and innovation (PS21 Office 2001). In addition, the Quality Movement in the city-state increasingly shapes higher education development in Singapore. SPRING Singapore, an institution responsible for promoting high-quality services in Singapore, has been adopting market principles and practices to assure a high quality of services offered by both the private and public sectors. Organisations that can reach a certain quality benchmark will have their achievements recognised and certified by SPRING Singapore in the form of Singapore Quality Class awards (Mok 2003c). Hence, the latest higher education reforms and governance changes should be connected to the wider public sector reform and Quality Movement taking place in Singapore.

2. Most Recent Higher Education Reforms

Seeing the quality of its population as fundamental to further success of the city-state, the Singapore government has been aware of the importance of quality higher education. Since the late 1980s, the government has started various comprehensive reviews of its higher education system and different reform strategies have been adopted to strengthen and make higher education competitive in the regional and global contexts. The Singapore government believes that universities have a strategic role in the dissemination, creation and application of knowledge. With the ultimate aim of making the two existing public universities, the National University of Singapore (NUS) and the Nanyang Technological University (NTU), world-class higher education institutions and expand tertiary education opportunities for its citizens, there are two main policies for the future development of higher education in Singapore. One is to expand postgraduate education and research at the universities. Another is to review undergraduate curricula to place more emphasis on cultivating students with creativity and thinking skills. The ultimate goal of reforming university education is to transform Singapore into a hub of education, learning and information in the Asia-Pacific region (*The Straits Times* 25 January 1997). Apart from the restructuring of curricula, more emphasis has been placed on quality assurance and enhancement.

There have been three major stages of higher education reforms in recent years. The first stage was started by setting up an International Academic Advisory Panel (IAAP), comprising prominent scholars from international higher education institutions or community leaders from big corporations, to help the universities develop into world-class institutions in terms of teaching and research (Ministry of Education 2001). Taking the recommendations made by the IAAP seriously, the government started to review its university admis-

sions system by adopting a more flexible admissions policy (Ministry of Education 1999). Moving beyond recruiting students based almost solely upon their academic scores, both the public universities announced in 1999 that they would henceforth pay attention to students' non-academic performance and recognise their achievements in co-curricular activities and school-based project work.

In order to prepare and equip students for globalisation challenges, the Singapore government has reviewed the curriculum design of university education and emphasis is now placed on a broad-based cross-disciplinary university education (*The Straits Times* 13 August 1999). More innovative ways of teaching and assessment have been introduced with a focus on creative and critical thinking. Meanwhile, the role of universities in knowledge creation has been strengthened through postgraduate and research education in the universities. Universities constitute a significant resource of new ideas and inventions with the potential for commercial applications by enhancing their research capabilities and engaging in more multi-disciplinary research initiatives (Lee and Gopinathan 2001).

The second stage of higher education reforms saw the establishment of Singapore's third university in August 2000. The privately owned Singapore Management University (SMU) was formed in collaboration with the Wharton School of Business at the University of Pennsylvania. The foundation of the SMU was a landmark in Singapore's higher education history. By introducing different governance and funding style, the government intends to make its higher education sector more vibrant and dynamic. It also intends to inject a certain degree of 'internal competition' to the university sector despite the fact that these three universities have been tasked to develop their own unique characteristics and niches (Lee and Gopinathan 2001).

The third stage of higher education reforms is closely related to the University Governance and Funding Review (UGF Review) in 2000 embarked on by the MOE, Singapore. The purpose of such a review was to ensure that systems and structures in relation to talent management, organisational processes and resource allocation within the universities were properly linked to their mission and objectives of development in the long run. Overseas study trips to Hong Kong, Canada, the United Kingdom and the United States were conducted in September 1999 to identify good practices in overseas universities (Ministry of Education 2000a).

The review committee released its recommendations on public university governance and funding in July 2000. In exchange for greater autonomy, the NUS and the NTU were urged to be more responsive in making timely decisions and adjustments in order to achieve excellence. At the same time, the universities had to put in place systems and structures of talent management, organisational processes and resource allocation to achieve highest value for money and rates of return from public investment in university education. In short, given further operational autonomy, the universities had to adhere to the principle of greater accountability to ensure an efficient and effective way of spending public funds. Three broad areas of governance principles and structures, funding policies and mechanisms, and staff management and remuneration were covered in the review. In order to foster an entrepreneurial climate and to leave more room for the institutions to manage their funds, the universities were urged to recruit and reward their staff according to their performance in terms of productivity and quality (Ministry of Education 2000b). In 2003, the Trade and Industry Ministry announced it would consider allowing a fourth

university to be set up as a branch campus of a foreign university. As discussed earlier, the Singapore government has engaged in a 'partnership' with overseas universities to establish more undergraduate education programmes to cater for higher educational needs of local Singapore people and other nationals coming from the region (Lee and Gopinathan 2004).

3. Corporatisation of Public Universities

After the UGF Review, under which NUS and NTU were given some operational autonomy, especially in terms of staff remuneration, and a block budget for recurrent expenditure. The internal governance structures of the universities were also strengthened, with university Councils encouraged to play a role in giving inputs for strategic planning, ensuring that the university is progressing according to its strategic plans and stipulated objectives, and overseeing the internal quality assurance systems. However, as statutory boards, NUS and NTU still have to refer to the Government for approval each time they want to make an important decision, for example, changing their core admission requirements or investing in capital projects. Having reflected upon the changing university governance models and evaluated the recent experiences of SMU, coupled with the recommendations from the Steering Committee of *University Autonomy, Governance and Funding Review* (UAGF), the Singapore government decided to reform the governance style of the existing public universities.

In January 2005, the Ministry of Education in Singapore made a press release to accept the recommendations of the Steering Committee of UAGF to make NUS and NTU more autonomous by being corporatised as not-for-profit companies, similar to how SMU is currently run. According to the MOE Singapore, 'as autonomous universities, NUS, NTU and SMU will be given greater flexibility to decide on matters such as their internal governance, budget utilisation, tuition fees and admission requirements: 'these flexibilities given to our universities will enable them to differentiate themselves and pursue their own strategies to bring about the most optimal outcomes for their stakeholders' (MOE Singapore, 6 January 2005: 1). By corporatising these state universities, the Singapore government hopes that universities on the island state could become more entrepreneurial. Key governance changes when public universities are 'corporatised', will make them:

- Free from the operational regulations and constraints imposed on statutory boards;
- More administratively and financially autonomous;
- More accountable to different stakeholders in the local community;
- More responsible for the key decisions affecting university directions and strategic developments;
- More rigorous in terms of internal quality assurance systems;
- More flexible in student admissions and tuition fees policies;
- More decentralised, giving power to deans, department heads and faculty members;
- More performance-driven by developing assessments which will inform govern-

ment's funding decisions;

- More resourceful as the government will continue investing in public universities (MOE, Singapore 2005).

Once the public universities in Singapore are corporatised, it is believed that a greater sense of ownership among the larger university community will be cultivated. As the MOE of Singapore suggested, 'the contributions and support of this larger community, building on the strong government support, will go a long way towards helping our universities achieve peaks of excellence' (MOE, Singapore, 6 January 2005: 1). One point that deserves particular attention here is that the proposed corporatisation project in Singapore's public universities does not mean that these universities, when corporatised, will become entirely independent from the state. The MOE makes its relationship with corporatised universities very clear in the UAGF Review Report,

'Even as we seek to devolve greater autonomy to NUS, NTU and SMU, we remain mindful that our universities are vital national institutions and they have a public obligation to fulfil. They contribute to Singapore's progress and development through providing quality education, and knowledge creation. Hence, we need to ensure that our universities' missions remain firmly aligned with our national strategic objectives. At the same time, our Steering Committee proposes that the Minister for Education appoint the university Council members. In addition, the Steering Committee recommends that an enhanced accountability framework for universities be introduced, comprising the existing Quality Assurance Framework for Universities (QAFU), and the proposed Policy and Performance Agreements between MOE and each university.' (MOE, Singapore, 6 January 2005: 1)

In short, the above paragraph clearly shows even when public universities in Singapore become 'corporatised'; they would never become entirely autonomous. Judging from the future relationship between the government and the universities spelt out in the above-cited paragraph, public universities will certainly enjoy far more operational autonomy but the government will still control and influence their strategic directions and major development plans through the appointment of Council members. Corporatisation strategies, seen in this light, are adopted as policy tools to partially reduce government's burden in financing higher education and to introduce further forces for making public universities more productive and proactive.

IV. Corporatisation and Privatisation of Universities in Malaysia

1. Policy Background

When analysing the corporatisation of public universities in Malaysia, we should examine how Malaysian higher education has gone through the privatisation and marketisation processes. According to Ismail (1997), there are a few major driving forces for liberalising the education market in Malaysia. First of all, the liberalisation of the education market is closely related to the pressing educational needs in Malaysia. Despite the fact that public universities have grown in number since 1962, places have never been sufficient to recruit high school graduates in Malaysia who have strong demands for higher education. Seeing higher education as a main avenue for social mobility and social justice, coupled with the universalisation of secondary education, there is a pressing need to expand higher

education in Malaysia. For instance, 3/4 qualified applicants were unable to be admitted to local public universities in 1993 (Tan 2002). Although the shortfall situation slightly improved in the mid-1990s, still 1/3 candidates failed to get into public universities in 1998 (Kanji and Tambi 1998). It was against such a policy background that the Malaysian government began to allow private universities and even overseas universities to set up their branches to offer higher education learning opportunities.

Secondly, the adoption of market forces and ideas and strategies along the lines of privatisation and corporatisation has to do with the national goals to transform Malaysia from a manufacturing economy to a knowledge-based economy; hence education plays a vital role in nation building and transformation. During the New Economic Policy (1970-1990) era, the ruling regime viewed access to higher education as a means of restructuring Malaysian society and eliminating the identification of the ethnic community with economic functions. According to Lee (1997), the Malaysian government gave concerted efforts to provide more educational opportunities for the Bumiputras (Malays and other indigenous groups), implementing a racial quota policy whereby student admission to public higher education institutions was based on ethnicity. Intending to address social inequity, the government also designated additional resources for scholarships and loans to enable Bumiputra students to pursue further studies in local and overseas institutions. Aspiring to make Malaysia a technology hub and education hub in the region, the government outlined the immense training and educational needs for professionals and high quality personnel. With a national goal to turn Malaysia into an industrialised country by the year 2020, the government believes financing higher education by the state alone would never be sufficient. Similarly to other countries in the globe, there is a strong need for the government to diversify financial sources and allow the non-state sectors (including the market) to contribute to higher education in order to meet the pressing educational needs (Malaysia 2001).

Another major contextual variable driving Malaysia to implement corporatisation and privatisation measures to transform its higher education systems is the economic and social consequences of the Asian financial crisis after 1997. With people's heightened expectations for higher education, the government finds it difficult to finance higher education by government funding alone. Before the Asian financial crisis, those Malaysian families who could afford to pay higher fees for overseas higher education institutions would prefer sending their children to study abroad. Malaysia, like other Southeast and East Asian countries, was not immune from the economic downturn and financial crisis after 1997. It is particularly true when the Malaysian ringgit depreciated from RM 2.5 per US dollar to RM 3.8 per dollar, many Malaysian families found difficulties in sending their children to study abroad, even the upper middle-income class of Malaysians (Wilkinson and Yussof 2005). It was in such a wider policy context that the Malaysian government began to launch the 'corporatisation' of public universities project and privatisation of higher education has become increasingly popular in governing higher education (Kamogawa 2003).

In addition, a conducive legal environment indeed facilitates the rise of private higher education and a flourishing education market in Malaysia. Since the mid-1990s, four educational acts were promulgated and implemented, namely, the Education Act of 1995, the 1995 Amendments to the University and University Colleges Act of 1971, the Private

Higher Education Institutions Act of 1996 and the National Council on Higher Education Act of 1996. With the implementation of the Private Higher Education Institutions Act of 1996 (Private Act, hereafter), the private sector has grown rapidly and its involvement in higher education provision has become increasingly important (Malaysia 2001). After implementation of the Private Act, private higher education institutions and foreign universities are allowed to establish franchises and degree courses. Like other East and Southeast Asian societies such as the Philippines, South Korea and Japan, the majority of students in Malaysia are enrolled in private higher education institutions.

2. Corporatising Public Universities

Compared to Singapore's university corporatisation project, Malaysia has a slightly longer history of university corporatisation. Starting from January 1998, the University of Malaya, the oldest university in Malaysia, was corporatised, while the other eight public universities in the country have gradually turned into "corporatised universities". The corporatisation of public universities has far-reaching significance in higher education development in Malaysia. Before corporatisation took place, a 'state-oriented' model existed in all public universities and therefore the Ministry of Education governed universities in a 'centralised' manner. Academics might complain about the 'centralised governance' for its lack of autonomy but the finance of the public universities in Malaysia was taken care by the state. In contrast, when public universities are corporatised, they become under immense pressures to generate additional resources to finance their activities, as the state has begun to withdraw part of their funding. Corporatised universities would be allowed to borrow money, enter into business ventures, establish companies or consultancy firms, as well as acquire and hold investment shares. As Lee (1999) suggested, 'the government would continue to own most of the universities' existing assets, and to provide development funds for new programmes and expensive capital projects'. But the corporatised universities would assume the burden of raising a major portion of the operating costs. Under the revised Universities and University Colleges Act (UCCA amendments), corporatised universities are expected to raise funds through all sorts of channels. Like running a business instead of staying in the ivory tower as it was in the past, public universities in Malaysia now have to diversify their financial resources by charging students' tuition fees, increasing student numbers, branching out to work closely with business and the industry, offering professional courses and, consultancy and community services. Similar to other 'entrepreneurial universities' in Australia and the USA, public universities in Malaysia are now becoming more 'entrepreneurial' and they are seeking to fulfil the third mission of contemporary universities, *i.e.* promoting social and economic development, while at the same time they have to perform well in the conventional missions, *i.e.* research and teaching as Etzkowitz (2003) suggested.

Adhering to the principles of 'cost recovery' and 'user-pay', public universities in Malaysia are keen to franchise their teaching programmes to private colleges. Under the favourable legal frameworks set out by the Private Act and the UUCA Amendment, public universities began to franchise their programmes to local private colleges. From 1996 to 1999, Universiti Putra Malaysia expanded its franchising programmes from 1 to 33 to local private colleges, while the franchising programmes increased from 11 in 1996 to 32 in 1999 respectively at Universiti Teknologi Malaysia (Higher Education Department, Min-

istry of Education, cited in Tan, 2002: 148). According to the most report published by the Commonwealth of Learning and UNESCO, Universiti Putra Malaysia, Universiti Kebangsaan Malaysia, Universiti Teknologi, Universiti Utara Malaysia and Universiti Sains Malaysia are all involved in franchising their programmes to local private colleges. Under this arrangement, 'students can pursue three quarters of, or even the entire degree programme, in certain private colleges and be awarded degree qualifications without staying as an "internal student" in established local public universities' since these public universities provide the entire curriculum (Middlehurst and Woodfield, 2004: 8). In addition, the Local Public University Degree Franchise Programme also enables students who are not able to get into public universities as 'internal students' to study public university degrees by offering them another route by registering as 'external students' with a local university and studying through local private colleges. These student recruitment strategies have clearly indicated that public universities in Malaysia are becoming more entrepreneurial, especially when 'pro-competition' and 'indirect public policy tools' become more prominent in higher education governance.

The corporatisation processes have not only changed the finance of the public universities in Malaysia but also altered the way that public universities are governed. Openly admitting the problems of the 'centralised governance' model in hindering development of public universities and attempting to address the issues related to over-bureaucratisation of higher education governance, the Malaysian government believes the corporatisation project will give public universities more autonomy and flexibility in administration and finance. Accordingly, all public universities have to go through the processes of corporatisation. One of the frequently cited rationales for corporatisation in Malaysia is to liberalise public universities from the cumbersome bureaucratic processes of the civil service (Kodwani 2002). After implementation of the corporatisation project, the governance structure of public universities has changed. Taking the Universiti Sains Malaysia as an example, the new governance structure of the 'corporatised university' is composed of a Board of Directors comprising eight members, including the Chairperson, the Vice-Chancellor, a representative from the local community, 2 representatives from the government and 3 other people from the private sector. The Board of Directors is the highest authority of the university in deciding major strategic and development directions for the university. The Senate, comprising the Vice-Chancellor as the Chair, together with Deputy Vice-Chancellors, Deans and Directors of centres, as well as professors appointed by the Vice-Chancellor has significantly reduced the representation of academics. With strong decision making power rested upon the Board of Directors and the Vice-Chancellor, the university is now run as a big business company. As Lee rightly observed 'how much influence academic staff have on the decision-making process depends on how willing the Vice-Chancellor is to open up the decision-making process to a small in-group, if he and she chooses to, by appointing academics that can see eye to eye with him or her' (Lee 2004: 67). Since the Vice-Chancellor has the discretion to co-opt certain academic members to become members of the Senate from time to time depending on needs and issues, the new governance model really favours the senior administration of the university, especially when we assess the impact of governance change from a 'corporate' dimension.

In addition to the internal governance structure changes discussed earlier, the same processes of corporatisation have brought about ideas and practice along the lines of 'corporate managerialism'. Taking the case of Universiti Sains Malaysia again, the university has

tried to embrace the new public management culture by stressing the importance of 'accountability', 'efficiency' and 'productivity'. Like other public sectors under the impact of 'managerialism', ideas and techniques of the private sector such as mission statements, strategic planning, total quality management, ISO certification, right sizing and benchmarking are institutionalised as management and governance strategies to transform the institution. After changes along the lines of 'corporate managerialism' are introduced, the university is run just like a big business corporation. All academic units are required to develop strategic plans and they are now subjected to performance evaluation. Obviously, such evaluations have financial implications, since funding is driven by performance. Under the regime of 'managerialism', academic units are under pressures to perform and those under-performing units face the possibility of closing down. In addition, some of the units have attempted to improve their management and governance style by applying the concept of 'total quality management' in reforming their administrative and management structures and systems. In addition, international benchmarking and other management-oriented approaches are becoming increasingly popular in shaping the governance and management of public universities, hence indicating that academics and university administrators are under great pressures to achieve sustainable efficiency and productivity in Malaysia (Lee 2004). Like other university systems in the West or in East Asia, academics in Malaysia find the penetration of corporate culture into the university has generated much anxiety. There have been heated debates regarding the pros and cons of the corporatisation of universities in Malaysia. Those who support the new changes consider public universities now enjoy more autonomy in finance and administration; while those who are against the changes complain that academic freedom is endangered by the market forces and that the collegial approach has been replaced by a corporate approach (Lee 1998, 2004a).

3. Privatising Higher Education

Going hand in hand with the corporatisation of public universities in Malaysia is the privatisation of higher education. Privatisation of higher education means a reduction in the level of state provision and a corresponding growth of private provision in higher education. The changes in Higher Education legislation in 1996 have affected the range and amount of provision in both the public and private sectors. According to Suleiman (2002), there was a 95.2 % increase in the number of higher education providers in Malaysia. By the end of 2002, there were 605 tertiary institutions in the country, including 35 universities and university colleges. More recently, the availability of twinning and credit transfer programmes allows Malaysian students to stay at home for the first couple years and travel abroad for their final year. In 2004, there were 162 private higher education institutions offering 622 courses in twinning mode with 74 foreign universities. With diversified modes of delivery, including 3+0, 2+1, 3+1 twinning programmes, credit transfer, and advance standing programmes, the private provision has undoubtedly constituted a very significant part of Malaysian higher education (Muhamad 2004). Most recently, there is a diversity of post-secondary institutions in Malaysia, including: 11 public universities, 6 public university colleges, 11 private universities (comprising 3 branch campuses), 1 private university college, 4 overseas branch campuses, 1 virtual university or E-university, 1 open university, 518 private colleges and IT academies. Moreover, the government has also permitted other post-secondary institutions to grow by offering non-HE post-second-

ary education. There are currently 12 community colleges, 13 polytechnics and 27 teacher-training colleges in Malaysia (Middlehurst and Woodfield 2004).

Judging from the rapid expansion of non-state higher education institutions in Malaysia outlined above, we can well argue that higher education has indeed a mixed economy in Asian economy. In the foreseeable future, this growing trend will continue under the national goal *Vision 2020*. According to *Vision 2020*, the government is committed to achieve student enrollments up to 200,000 for each corporatised public university. Furthermore, the government is keen to meet a policy target that 40% of the youth aged 19-24 can be admitted to tertiary education, while 60% will be in public provision and the remainder in the private sector by 2020. Analysing the privatisation of higher education experiences in Malaysia in the light of the framework set out by Bray (1996)¹, the privatisation of higher education in this Asian economy has taken the form of shifting the sectoral balance whereby there is a relaxation of restrictions on the establishment of private institutions of higher education learning (Lee 2004). In short, the privatisation of higher education in general and the corporatisation of public universities in particular have clearly demonstrated how the state has tried to draw on other non-state resources to finance and provide higher education. The proliferation of higher education providers and the diversification of higher education financing has led to changes in the governance style for universities and eventually altered the state / education relationship. Now let us compare and contrast the Singaporean and Malaysian experiences of corporatisation of universities.

V. Comparing Corporatisation Projects in Singapore and Malaysia

Comparing Malaysia with Singapore, we may argue the latter is a latecomer in terms of marketising and corporatising public universities. Since the Singapore government has long been 'monopolising' national universities, higher education could be interpreted as one of the government's policy tools in regulating social mobility and a means for social control. Only when the Singapore government realised in recent years that its national universities would not be competitive enough in coping with rapid changes, a new governance model in line with 'corporatisation' was introduced earlier this year. Believing that corporatising strategies would make its national universities more flexible and responsive to external changes, the newly introduced governance changes are more to do with managerial purposes than financial drives, especially when the government openly declared its commitment to further investment in higher education (see MOE, Singapore 2005). In addition, corporatising strategies introduced in the national universities is certainly in line with the 'quest for entrepreneurialism', one of the major national agendas of the city-state in recent years (Mok 2005a).

Table 1 compares and contrasts corporatisation of public universities in Singapore and Malaysia, indicating the similarities and differences between the two city-states. In terms of policy objectives and motives, the corporatisation project in Malaysia was deepened in order to cope with an economic downturn and fundamental economic restructuring in Malaysia. Despite the fact that the Malaysian government is very keen to create more higher

¹ Bray (1996) outlines four kinds of privatisation in education, namely, (1) transfer ownership of public schools; (2) shifting sectoral balance without re-designating existing institutions; (3) increased government funding and support for private schools, (4) increased private financing and / or control of government schools.

education opportunities to enhance its citizens' global competence in general and to improve the global competitiveness of its universities in particular, the government realises the financial constraints characterised by relying solely on state funding alone. The introduction and implementation of corporatising strategies in higher education governance is to serve both management and financial purposes. After funding channels are diversified and education providers proliferated, the Malaysian government not only can reduce its financial burden but also can steer the higher education development in a more efficient and effective way. A recent report suggested that the government would save up to RM 2.5 billion if the outflow of students studying overseas could be stemmed; while the report also estimated the government would be able to generate RM 1.5 billion annually if Malaysia could attract students coming from overseas to study in the country (Muhamad 2004). Such figures clearly show the government has strong incentives for corporatisation and privatisation of universities in Malaysia.

Table 1: Comparing Corporatisation Projects of Hong Kong and Singapore

Areas for Comparison	Singapore	Malaysia
<i>Government managerial approach</i>	Soft Managerialist State	Hard Managerialist State
<i>Policy Objectives and Motives; Change of University Status</i>	Moderate financial reasons Strong managerial reasons Become independent legal bodies, incorporated as non profit corporations	Strong financial reasons Strong managerial reasons Governed by different legal framework, becoming 'corporate' in nature
<i>The Market in Higher Education</i>	Starting to evolve	Already developed and becoming more prominent
<i>Higher Education Governance Model</i>	De-regulated Governance	Societal-Market Governance

Our comparative studies between Malaysia and Singapore discovers that the educational marketisation and corporatisation project in Malaysia has already driven the education sector to follow a market-led model, especially in the case of higher education at a time when Malaysia has to expand higher education with budgetary constraints. The diversification of educational providers and the revitalisation of non-state sectors in educational financing will eventually lead the sector to shift towards 'societal-market governance', whereby transformations and changes along the line of marketisation, privatisation and societal-led regulation will become more popular. Like other policy areas in Malaysia, market forces and privatisation practices are becoming increasingly prominent. Educational changes and transformations should be connected to the wider context of public sector restructuring in the city-state. When analysing the most recent higher education governance changes in Malaysia from a macro public policy and public management reform perspective, we can argue that the corporatisation of public universities in Malaysia is part of the on-going and extended process of privatisation nationwide, under which the ideas and practices of new public management and new governance have become far more prominent in governing the public sector in Malaysia.

Contrary to Singapore, the Malaysian government is a genuine believer in neo-liberalist doctrine, trusting the adoption of market principles and strategies would promote better

service delivery and good governance in the public sector; while the Singapore government may be more cautious when adopting neo-liberalist ideas and practices. Unlike Malaysia, the Singapore government will not allow the rise of a genuine education market since the government does not want to see education being primarily led and guided by the market. The Singapore government has adopted marketisation strategies only as a means to improve the management of the education sector instead of moving towards genuine deregulation. Analysing the ways that these Asian states have adopted indirect policy instruments, the Malaysian government is a hard managerialist since the project of privatisation and corporatisation of universities was launched in the strong state interventionist context (Lee 2004). In the light of Trow's dichotomy of 'soft' and 'hard' managerialism, I would argue that the Singapore government could be categorised as a soft managerialist, as Martin Trow (1994) suggested. Through the adoption of special measures in unique times, Singapore has successfully maintained its effective developmental state role. Selectively adopting the so-called 'global agendas' and 'global practices' in restructuring its higher education system, the Singapore government has strengthened its governance over the university sector instead of weakening its controls. As Gopinathan (2005) has rightly suggested, the education reforms and governance changes in Singapore are not those of a state pushed to the wall by globalisation; they are the responses of a strong state acting with a view to strengthening the local and the national in order to deal better with the regional and international. Singapore is not a case of a weakened post-colonial state and its current reforms in a number of areas promise a toughened model for tougher times.

VI. Discussion:

1. Searching for New Governance and New Regulatory Arrangements

Conceptualising the recent higher education governance changes in Singapore and Malaysia, we may argue that these societies are experiencing fundamental changes in their governance models, shifting to an *interactionist* focus (government with society), with a growing realisation of government—society interdependence as Kooiman (1993) has suggested. In order to address heightened expectations for better and higher education, modern states and governments realise that depending upon states alone can never finance and provide education sufficient to meet the pressing demands of their citizens. It is particularly true when these Asian states have experienced economic downturn and financial constraints after the Asian financial crisis in 1997. In view of the intensified financial constraints, public universities in these societies have begun to diversify their funding sources from non-state actors or sectors. The market, the community, the third sector or civil society at large have already been revitalised by governments in Malaysia and Singapore to engage in higher education financing and provision. Therefore, notions such as 'co-production', 'bring society back in' and 'governance without government' could be adopted as conceptual tools to analyse the current education developments in these societies. Table 2 shows how coordinating institutions in higher education governance have diversified, with increasing importance attached to the market, community and civil society.

Table 2: Changing roles of coordinating institutions in education governance

<i>Coordinating Institutions</i>	Governance activities								
	Provision			Financing			Regulation		
<i>State</i>	+	-		+	-		+	-	
<i>Market</i>	+	+		+	+		+	+	
<i>Community/Civil society</i>	+	+	+	+	+	+	+	+	+

Notes: +- Important but reduced in importance.
 ++ More active role.
 +++ More anticipated participation.

The revitalisation of non-state actors and the proliferation of actors in education provision and financing imply potential governance contributions from private or non-state sectors that might compensate for the decreasing capacities of nation states in providing education services. Despite the fact that we do not suppose a hollowing-out of the state, the increase in non-state and private contributions to education will certainly challenge the conventional regulatory arrangements in the higher education sector as inappropriate. The major shift of national politics from maximising welfare to promoting entrepreneurial culture, innovation and profitability in both the private and public sectors have led modern states to adopt the technique of steering from a distance. Through adopting the means of regulation, incentive and sanctions to make autonomous individuals and quasi-governmental and non-governmental institutions such as universities behave in ways consistent with their policy objectives, new regulatory frameworks have evolved (Marginson 1999; Henry *et al.* 1999).

In an age of governance, there are two central features of modern pro-competition regulatory regimes. First, 'pro-competitive' regulations prefer removing regulation from the realm of politics and establishing independent regulatory agencies. Second, interactions based on interdependence between public and private actors have grown in importance (Scott, 2004; Schmidt, 2004). As Painter and Wong argue, 'the global neo-liberal orthodoxy of pro-competitive regulation in an era of liberalisation promotes regulatory regimes that place less emphasis on direct, political intervention through state authority and more on indirect, neutral policy instruments' (2005: 1). A more flexible regulatory environment could characterise such a restructuring; thereby public policy formulation is reoriented towards a smaller and more business-oriented state machine. This paradigm shift, manifested by a more individualistic, competitive and entrepreneurial approach, has become increasingly prominent in public management. In short, the nature of the 'pro-competitive' regulatory regime is changing from 'setting down rules and powers' to 'mega-regulation', that is a steering role that includes 'legal underpinning for indirect control over internal normative systems' where 'ends are ultimately set and determined by the sovereign state' (Scott 2004: 167-8).

The on-going processes of corporatisation of public universities in Asia, coupled with the trends of decentralisation, deregulation, privatisation, marketisation and administrative reforms in higher education (Mok 2003a, 2005a & b), should have rendered the conventional state-higher education relationship inappropriate. When education financing and provision is no longer monopolised by the state, the conventional 'interventionist regulation' framework (implying a hierarchical intervention of the state in imposing micro control of

every aspect of education delivery) is found problematic. With diversification of actors and coordination, institutions in education financing and provision, coupled with growing patterns in ‘co-production’, ‘co-arrangements’ and ‘co-management’ in education services, we anticipate a new regulatory model: *Regulated Self-Regulation* will evolve. Through ‘regulated self-regulation’, ‘the state plays a central and active role and disposes of powers and resources which are not available to societal actors’ (Knill and Lehmkuhl 2002: 50). Although the state is held responsible for promoting quality education and meeting heightened expectations of education, the state cannot adopt the same interventionist regulatory framework to govern the relationship between the state and the non-state or private actors especially when education provision and financing is diversified. Special arrangements are to be made in allowing private and non-state actors to participate in policy-making and implementation. One of the ways is delegating power to these non-state actors particularly when they are playing increasingly important roles in education. A self-regulatory framework should be established in governing these newly emerging private and non-state education coordinating institutions, providing that these participative institutions still follow the overarching framework or directions set out by the state.

Table 3: Different Modes of Governance

<i>Mode of Governance</i>	Bureaucratic Governance	Deregulated Governance	Societal-Market Governance
<i>Policy Trend and Style</i>	Centralisation State Dominance	Decentralisation Diversification Mobilisation	Marketisation Privatisation Various Social Sources
<i>Form of Regulation</i>	Interventionist Regulation	Interfering Regulation	Regulated Self- Regulation
<i>Means of Regulation</i>	Government’s direct rules and regulations	Procedural framework, rules & contracts	Monitoring by benchmarking / best practice models

Table 3 shows a *regulated self-regulatory* framework, which could be further developed in conceptualising the relationship between the state and professional bodies. Unlike other private goods, it is believed the overall quality assurance responsibility in education still lies with the state. But state intervention somehow is filtered by professional influences. Taking professional qualifications for instance, it is not the state that sets detailed requirements for approving professional credentials. Instead, professional bodies should have a very important role to play in governing professional standards. Similar to Painter and Wong’s case studies regarding telecommunications regulatory regimes in Hong Kong and Singapore, my comparative studies on changing higher education governance in Hong Kong, Singapore and Malaysia have suggested that these Asian governments have begun to draw on new regulatory modes of ‘self-regulation’ and ‘standardisation’ informed by benchmarking or best practice models (Mok 2005b). What the state has to do with maintaining high education quality is to liaise with the professional organisations concerned or to make reference to international benchmarks to assure quality instead of specifying detailed requirements. Establishing new ‘regulated self-regulation’ frameworks (with more emphasis given to ‘negotiated regulation’) could be developed, especially when cooperative patterns of interaction between private and public actors in education delivery and

‘cooperative contracting’, are becoming increasingly established in education provision and financing.

After introducing corporatising strategies, higher education governance in Singapore and Malaysia has changed from the traditional ‘state control model’ to the ‘state supervision model’ since the governance style of ‘bureaucratic governance’ (that is, having the policy style of centralisation and state dominance) has been transformed into ‘deregulated governance’ as characterised by the policy style of decentralisation, diversification and mobilisation. If the private sector (or the market) and the civil society (or the third sector) continue to play increasingly important roles in education, I believe the education governance of Singapore and Malaysia will be shaped by ‘market-led models’, whereby market governance takes the lead in shaping policy. Policy strategies along the line of marketisation, privatisation and a societal-sources-led approach will become more prominent and popular in shaping future directions and developments of education in these two Tiger economies.

2. New Governance and the Demise of East Asian Developmental State?

Our discussion regarding higher education governance change in Singapore and Malaysia seems to suggest these East Asian states are reduced to the role of the ‘night-watchman state’ of classical liberalism, only taking care of law and order, protecting the sanctity of contract, maintaining the minimum level of welfare to protect those really poor and vulnerable and facilitating the free operation of the market particularly in the tidal wave of a ‘pro-competition’ regime. In this connection, it seems that the capacity and the role of nation states has changed in the sense that they become less autonomous and have less exclusive control over the economic, social and cultural processes and distinctiveness of their territories (Giddens 1999). Nonetheless, before we jump to such a conclusion, we must examine how skillfully and tactically these Asian states have been able to manage to protect their own autonomy when making use of these indirect policy instruments.

Our discussion has shown that adoption of ‘pro-competition’ policy instruments in response to the growing impact of ‘liberalising and marketising’ forces does not necessarily lessen state capacity in public sector management. As outlined earlier, both Singapore and Malaysian governments would find it easier to govern their higher education systems by the introduction of corporatising strategies to drive institutions and academics to perform and enhance their productivity. Not surprisingly, the quality assurance movements institutionalised in these Asian higher education systems and references drawing from international benchmarking and good practices should have strengthened nation states in steering higher education developments rather than weakening state capacity. Our examination of university corporatisation in Malaysia has clearly indicated the role of the state is strengthened instead of being weakened. As Lee has rightly pointed out: ‘the restructuring of higher education in Malaysia is taking place in the context of a strong interventionist state’ (2004: 15). My recent comparative research on educational decentralisation in Mainland China, Taiwan and Japan again reveals a ‘centralised decentralisation’ trend is evolving in education governance, further suggesting that these Asian states still maintain a significant level of control over higher education policy formulation, management and governance (Mok 2003b, 2005a).

According to Castells (1997), the developmental state has now run its course, at least in

Japan, South Korea and Taiwan. It has performed its historic mission and in so doing has made itself redundant. It now represents a barrier to development in the informational economy of the global age. 'The success of the development states in East Asia ultimately led to the demise of their apparatuses and to the fading of their messianic dreams. The societies they helped to engender through sweat and tears are indeed industrialised modern societies. But at the end of the millennium, their actual projects are being shaped by citizens, now in the open ground of history making' (Castells 1997: 286). Contrary to Castells' argument of the demise of the developmental states in East Asia, our case studies have shown East Asian states remain robust and dynamic in pursuing their nation-building projects despite globalisation pressures and crises. It is particularly true when we analyse the current education developments in these societies from a public policy perspective, we may find that the higher education reforms in these East Asian societies are pursued within the context of managing state-building (or government-capacity) and economic growth in a paradigm of governance rather than de-powering the state or government.

In addition, the adoption of new governance in higher education in these Asian states can be interpreted as the strategies adopted by the government to cope with problems of political and bureaucratic governance instead of purely problems of severe economic and social difficulties. Even so, our discussions have suggested the presence of diverse national and local agendas that have given different meanings to common management jargons and statements. Even though similar strategies are adopted by different countries in response to the so-called tidal wave of policy instruments reform, different governments may use the similar strategies to serve their own political purposes. As Hallak (2000) rightly suggested, modern states may tactically make use of the globalisation discourse to justify their own political agendas or legitimise their inaction. Similarly, Painter and Wong, in their recent study of the telecommunications regulatory regimes in Hong Kong and Singapore, also observed in the era of growing pro-competitive regulatory that states still exhibit distinctively different regulatory regimes due to the need to formulate strategies to suit their own traditions, capacities and goals (Painter and Wong 2005).

Conclusion

Contrary to the Washington Consensus advocated use of a small set of instruments such as macroeconomic stability, liberalised trade and privatisation to achieve a relatively narrow goal (*i.e.* economic growth), the post-Washington Consensus acknowledges a broader set of instruments is necessary. Recent comparative studies related to policy instruments and governance in East Asia has repeatedly reported that adopting 'pro-competition' policy instruments may not necessarily weaken the capacity of nation states. In contrast, taking the case of the China mainland for example, accession to the World Trade Organisation and adoption of privatisation strategies in the economy and the social policy reforms are argued as selective internalisation by China of principles, institutions and rules embedded in the world economy being dictated by strategic and instrumental rationale (Wong 2002; Zhang 2003). It is against such particular contexts that some scholars argue the role of government in East Asia is still important, especially when there is a strong need for government to set up appropriate regulations, social protection and welfare. From this point of departure, government is very much conceived as a complement to the markets (Stiglitz 2005).

In conclusion, our scrutiny of higher education governance change in Singapore and Malaysia has clearly shown the revitalisation of non-state sectors (including the market or private actors) in education provision and financing may not necessarily weaken the state capacity (Knill and Lehmkuhl 2002) but instead may drive modern states to reconstitute and restructure their systems to become activist and proactive in shaping policy agendas and policy directions. Pierre has rightly argued, ‘as the state’s traditional power bases seem to be losing much of their former strength, there has been a search for alternative strategies through which the state can articulate and pursue the collective interest without necessarily relying on coercive instruments’ (2000, p. 2). Similar to experiences elsewhere (like the U.K.) when strategies of deregulation, contracting-out, agencification and privatisation have been introduced to reform the public sector (Hood 1991; Bache 2003), the reforms may not necessarily lead to the ‘hollowing out of the state’ and weakening of the state capacity. In contrast, the introduction of new governance, particularly the diversification of non-state actors and proliferation of policy tools, may enable the state to retain and enhance policy control. Our comparative studies once again confirm that the adoption of ‘pro-competition’ and ‘indirect government policy tools’ may strengthen the nation states in East Asia to steer public sector management from a distance. Embracing the ideas and practices along neo-liberalist lines may not necessarily weaken the state’s capacity but, contrarily, enhance modern states ability to manage the public sector and public policy more efficiently and effectively.

References

- Apple, Michael W. 2000. Between Neoliberalism and Neoconservatism: Education and Conservatism in a Global Context. In: *Globalization and Education: Critical Perspective*, eds. by Nicholas C. Burbules and Carlos A. Torres, 57-78. New York: Routledge.
- Bache, I. 2003. Governing through Governance: Education Policy Control under New Labour, *Political Studies* 51: 300-314.
- Bray, M. 1996. *Privatization of Secondary Education: Issues and Policy Implications*. Paris: Division of Secondary Education, UNESCO.
- Broadbent, Jane, and Gray, Andrew and Jackson, Peter M. 2003. Public-private Partnerships: Editorial. *Public Money & Management* 23(3): 135-136.
- Carnoy, Martin. 2000. *Sustaining the New Economy in the Information Age: Reflections on Our Changing World*. University Park: The Pennsylvania State University Press.
- Castells, M. 1997. *The Power of Identity: The Information Age: Economy, Society and Culture*. Volume II, Oxford: Blackwell.
- Cheung, Anthony B.L. and Scott, Ian (eds.) 2003. *Governance and Public Sector Reform in Asia*. London and New York: RoutledgeCurzon.
- Coleman, James S. 1990. *Foundations of Social Theory*. Cambridge, MA: Harvard University Press.

- Etzkowitz, H. Research Groups as 'Quasi-Firms': The Invention of the Entrepreneurial University, *Research Policy* 32: 109-121.
- FitzPatrick, P. 2003. Reinventing Singapore: Changing a Country's Mindset by Changing its Education System. *International Higher Education* 31: 22-23.
- Gamble, Andrew. 2000. Economic Governance. In: *Debating Governance*, ed. by Jon Pierre, Oxford: Oxford University Press.
- Goh, C.T. 1997. Shaping our Future: 'Thinking Schools' and a 'Learning Nation', Speech at the opening of the Seventh International Conference on Thinking, Singapore, 2 June.
- Goh, C.T. 1999. Making Globalisation Work with Social Accountability, Keynote address by Singapore Prime Minister Goh Chok Tong at the Commonwealth Business Forum on 11 November, Singapore: Ministry of Information and The Arts.
- Goh, C.T. 2000. Education - Meeting the Challenge of Globalization, Opening address by Prime Minister Goh Chok Tong at the APEC Education Ministers' Meeting on 6 April, Singapore: Ministry of Education.
- Gopinathan, Saravanan. 2005. Globalization, The Singapore Developmental State and Education Policy: A Thesis Revisited. *Working Paper*, Singapore: National Institute of Education.
- Gouri, G., T.L. Shankar, Y.V. Reddy and K. Shams. 1991. Imperatives and Perspectives. In: *Privatisation and Public Enterprise*, ed. by G. Gouri, New Delhi: Oxford and IBH Publishing.
- Hallak, J. 2000. Globalization and its Impact on Education. In: *Globalization, Educational Transformation and Societies in Transition*, eds. by T. Mebrahtu, M. Crossley & D. Johnson, Oxford: Symposium Book.
- Henry, Miriam, Lingard, Bob, Rizvi, Fazal and Taylor, Sandra. 1999. Working with against Globalization in Education. *Journal of Education Policy* 14(1): 85-97.
- Hood, Christopher. 1991. A Public Management for All Seasons. *Public Administration* 69: 3-19.
- Ismail, R. 1997. The role of the Private Sector in Malaysia. In: *Educational Challenges in Malaysia: Advances and Prospect*, ed. by Z. Marshallsay, Melbourne: Monash Asia Institute.
- Jayasuriya, Kanishka. 2001. Globalization and the Changing Architecture of the State: The Regulatory State and the Politics of Negative Coordination. *Journal of European Public Policy* 8(1): 101-123.
- Kamogawa, A. 2003. Higher Education Reform: Challenges towards a Knowledge Society in Malaysia, *African and Asian Studies* 2(4): 545-563.
- Klijn, Erik H. and Teisman, Greet R. 2003. Institutional and Strategic Barriers to Public-private Partnership: An Analysis of Dutch Cases. *Public Money & Management* 23(3): 137-146.
- Knill, Christopher and Lehmkuhl, Dirk. 2002. Private Actors and the State: Internationalization and Changing Patterns of Governance *Governance* 15(1): 41-63.

- Kodwani, D. 2002. Education: The Role of Markets, Paper submitted to the Second BR Shenoy Essay Competition 2001, Centre for Civil Society, New Delhi, India.
- Lee, Hiu-Hong and Gopinathan, S. 2001. Centralized Decentralization of Higher Education in Singapore, *Education and Society* 19(3): 79-96.
- Lee, Hiu-Hong and Gopinathan, S. 2004. Education Reforms in Hong Kong and Singapore. *Newsletter of Center for International and Development Education* University of California, Los Angeles.
- Lee, Molly. 1997. Public Policies toward Private Education in Malaysia, Paper presented at the *First International Malaysian Studies Conference*, Universiti Malaya, Kuala Lumpur.
- Lee, Molly. 1998. Corporatization and Privatization of Malaysian Higher Education, *International Higher Education* 10(3): 2-3.
- Lee, Molly. 1999. Corporatization, Privatization, and Internationalization of Higher Education in Malaysia, In: *Private Prometheus: Private Higher Education and Development in the 21st Century*, ed. by P.G. Altbach, 137-159, New York: Greenwood Press.
- Lee, Molly. 2004. *Restructuring Higher Education in Malaysia*. Penang: School of Educational Studies, Universiti Sains Malaysia.
- Lee, Molly. 2004a. Malaysian Universities: Towards Equality, Accessibility and Quality, In: M. Lee, *Restructuring Higher Education in Malaysia*. Penang: School of Educational Studies, Universiti Sains Malaysia.
- Malaysia. 2001. *Eighth Malaysia Plan 2001-2005*. Kuala Lumpur: Percetakan National Malaysia.
- Marginson, Simon. 1999. After Globalization: Emerging Politics of Education. *Journal of Education Policy* 14(1): 19-31.
- Meyer, Heinz-Dieter and Boyd, William L (eds.). 2001. *Education between States, Markets and Civil Society: Comparative Perspectives*. New Jersey: Lawrence Erlbaum Associates.
- Meyer, Heinz-Dieter. 2001. Civil Society and Education — The Return of an Idea. In: *Education between States, Markets and Civil Society: Comparative Perspectives*, eds. by Heinz-Dieter Meyer and William L. Boyd, 13-34. New Jersey: Lawrence Erlbaum Associates.
- Middlehurst, R. and Woodfield, S. 2004. *Summary Report: the Role of Transnational, private, and For-Profit Provision in Meeting Global Demand for tertiary Education: Mapping, Regulation and Impact: Case Study Malaysia*, Vancouver: Commonwealth of Learning and UNESCO.
- Ministry of Education. 1999. *Preparing Graduates for a Knowledge Economy: A New University Admission System for Singapore*, Singapore: Ministry of Education.
- Ministry of Education. 2000a. Greater Autonomy for NUS and NTU, Along with Greater Accountability, Press release on 27 January, Singapore: Ministry of Education.
- Ministry of Education. 2000b. Government Accepts Recommendations on University

- Governance and Funding, Press release on 3 July, Singapore: Ministry of Education.
- Ministry of Education. 2001. International Academic Advisory Panel Third Meeting, Singapore, 8-11 January 2001', Press release on 8 January. Singapore: Ministry of Education.
- Ministry of Education, Singapore. 2005. Autonomous Universities - Towards Peaks of Excellence, Press Release of 6 January 2005. Singapore: Ministry of Education.
- Ministry of Education, Singapore. 2005. *Autonomous Universities - Towards Peaks of Excellence. Preliminary Report*. Singapore: Ministry of Education.
- Mok, Ka-Ho. 2000. Impact of Globalization: A Study of Quality Assurance Systems of Higher Education in Hong Kong and Singapore *Comparative Education Review* 44(2): 148-174.
- Mok, Ka-Ho. 2003a. Similar Trends, Diverse Agendas: Higher Education Reforms in East Asia. *Globalization, Societies & Education* 1(2): 201-221.
- Mok, Ka-Ho. (ed.) 2003b. *Centralization and Decentralization: Educational Reforms and Changing Governance in Chinese Societies*. Kluwer Academic Publishers.
- Mok, Ka-Ho. 2003c. Decentralization and Marketization of Education in Singapore: A Case Study of the School Excellence Model. *International Journal of Educational Administration* 41(4): 348-366.
- Mok, Ka-Ho. 2005a. Fostering Entrepreneurship: Changing Role of Government and Higher Education Governance in Hong Kong *Research Policy* 34(4): 537-554.
- Mok, Ka-Ho. 2005b. Globalization and Governance: Educational Policy and Regulatory Arrangements, *International Review of Education* 51(4): 337-379. .
- Mok, Ka-Ho. 2006. *Education Reform and Education Policy in East Asia*. London: RoutledgeCurzon, forthcoming.
- Mok, Ka-Ho. and Lau, M. 2002. Changing Government Role for Socio-economic Development in Hong Kong in the Twenty-first Century. *Policy Studies* 23(2): 107-124.
- Mok, Ka-Ho and Welch, Anthony (eds.). 2003. *Globalization and Educational RE-structuring in the Asia Pacific Region*. Basingstoke: Palgrave Macmillan.
- Muhmad, M. 2004. Meeting the Challenges of Globalization: Exporting and Promoting Malaysian Education Overseas. In: *Globalization and Its Impact on Asia*, eds. by M. Yeoh, K.Y. Chong, C.M. Lim and D. Wong, Kuala Lumpur: Asian Strategy and Leadership Institute.
- Painter, M. and Wong, S.F. 2005. The Telecommunications Regulatory Regimes in Hong Kong and Singapore: When Direct State Intervention Meets Indirect Policy Instruments, Unpublished paper.
- Peters, Guy. 1995. *The Future of Governing*. Lawrence: University Press of Kansas.
- Peters, Guy. 2000. Governance and Comparative Politics. In: *Debating Governance*, ed. by Jon Pierre, Oxford: Oxford University Press.
- Pierre, Jon (ed.). 2000. *Debating Governance*. Oxford: Oxford University Press.

- PS21 Office. 2001. *Public Service for the Twenty-first Century*. Singapore: PS21 Office.
- Quah, S.T. 1999. Learning from Singapore's Development. *The International Journal of Technical Cooperation* 4(1): 54-68.
- Reeves, Eoin. 2003. Public-private Partnership in Ireland: Policy and Practice. *Public Money & Management* 23(3): 163-170.
- Rhodes, Rod A. W. 1997. *Understanding Governance*. Buckingham: Open University Press.
- Rhodes, Rod A. W. 2000. Governance and Public Administration. In: *Debating Governance*, ed. by Jon Pierre, Oxford: Oxford University Press.
- Salomon, Lester M. (ed.). 2002. *The Tools of Government: A Guide to the New Governance*. Oxford: Oxford University Press.
- Sbragia, Alberta M. 2000. Governance, the State, and the Market: What is Going on? *Governance* 13(2): 243-250.
- Scott, C. 2004. Regulation in the Age of Governance: the Rise of the Post-regulatory State. In: *The Politics of Regulation: Institutions and Regulatory Reforms for the Age of Governance*, eds. By Jordana, J. and Levi-Faur, David, Cheltenham: Edward Elgar.
- Singapore Government. 1999 *Singapore 21: Together, We Make the Difference*. Singapore: Singapore 21 Committee.
- Suleiman, M. 2002. IV. Case Study Malaysia: New Providers of Higher Education in Malaysia, In: *Case Studies: Asia and the Pacific for the First Global Forum on International Quality Assurance, Accreditation and the Recognition of Qualifications in Higher Education "Globalization and Higher Education"*, Paris: UNESCO.
- Tan, A.M. 2002. *Malaysian Private Higher Education: Globalization, Privatization, Transformation and Marketplaces*. London: ASEAN Academic Press.
- The Straits Times*, various issues.
- Trow, M. 1994. Managerialism and the Academic Profession: The Case of England. *Higher Education Policy* 7(2): 11-18.
- Wilkinson, R. and Yussof, I. (2005) Public and Private Provision of Higher Education in Malaysia: A Comparative Analysis, *Higher Education* 50: 361-386.
- World Bank. 1995. *Higher Education: The Lessons of Experience*. Washington, D.C.: The World Bank.

The Incorporation of National Universities in Taiwan

Flora F. Tien

The Incorporation of National Universities in Taiwan

*Flora F. Tien**

Abstract

The Council of Education Reform of the Executive Yuan in Taiwan raised the issue of incorporating national universities in 1996. After that initial effort, the Ministry of Education in 2000 revealed its proposal to incorporate national universities in a White Paper on Higher Education Policy. During the last four years, the government has tried at least twice to sell the policy to legislators in Taiwan's Parliament (the Legislative Yuan). The first attempt was made in 2003 when the government submitted its bill to revise the University Act. In the bill, a whole chapter was devoted to regulations concerned with the incorporation of universities. The proposal promised university corporations autonomy, and, in particular, more flexible personnel and accounting systems. The bill, however, failed to pass the Committee of Education and Culture in the Legislative Yuan. In October 2005, the Ministry of Education tried again by including only one article related to the incorporation of universities in the bill. That article was to provide universities with a legal foundation for incorporation, but the Legislative Yuan passed the bill without including that particular article. It thus failed again. The Ministry of Education has not, however, given up on its policy of incorporating universities. In a special NT\$50 billion dollar aid package to universities, the government required that all recipients include a plan for incorporation. In order to receive the special assistance, most universities have chosen not to resist. The incorporation of national universities in Taiwan is an issue that needs to be closely watched in the future.

Taiwan, like other countries in the region, has been promoting the reform of higher education over the last two decades. Research excellence, performance evaluation, resource relocation, re-structuring, ..., have all been included in the new policy. The incorporation of public universities is one topic among the major changes proposed during this process. Although Taiwan has not yet achieved the goal of incorporating at least some of its national universities, incorporation remains a policy goal of the Taiwan government. In the Ministry of Education's (MOE) incorporation plan, national universities, especially the elite universities, have been the intended targets. This paper aims to examine this process. In this paper, the major changes in the development of higher education in the last two decades in Taiwan are introduced first. Then the operation of the national universities is described. Following that is how the idea of incorporating national universities originated in

* Assistant Professor, Center for Teacher Education, National Taiwan University, Taiwan,

Taiwan, and the progress made so far. The major concerns in relation to incorporating national universities are also expressed. Finally, a conclusion regarding the policy of incorporating national universities in Taiwan is provided at the end of the paper.

I. Major Changes in Higher Education in the Last Two Decades

Before we move on to the main issue of incorporating national universities, the system of higher education in Taiwan needs to be briefly outlined. In early 2006, Taiwan had 145 colleges and universities. Fifty-one of them (35% of the total) were public universities and the rest private colleges or universities (Ministry of Education, 2006a). In general, public universities are considered to be superior to their private counterparts in terms of student selectivity, the quality of faculty, and facilities. Of the 51 public universities, only two are under the supervision of the Municipal Government of Taipei. The other 49 are national universities. At the end of the 2005-2006 academic year a total of 1,115,672 students were enrolled in undergraduate programmes, masters' programmes, and doctoral programmes, of which 33% were enrolled in public universities and 67% in private universities. As to teaching staff, there is currently a total of 48,047 faculty members in Taiwan's universities. Among them, 18,415 are working in public universities. The total number of administrative staff is 18,094. Less than a third (5,902) of them are working for public universities (Ministry of Education, 2006a).

During the last two decades, higher education in Taiwan has experienced a series of changes. Some of these changes have been essential to the ongoing development of higher education in Taiwan (Ministry of Education, 2000), and have included the rapid expansion of schools, a shrinking budget, a shifting policy focus and an increased demand for higher quality education.

1. Rapid expansion of institutions of higher education

The total number of colleges and universities in Taiwan was no more than 30 prior to the mid-1980s. Beginning in the late 1980s, new colleges and universities were allowed to be established, and the number of institutions of higher education soon doubled in less than 10 years. The number of universities rose from less than 30 in 1986 to more than 60 in 1995 (see Figure 1, Ministry of Education, 2006a). When we look back over the last thirty years, the growth in terms of the number of universities in Taiwan was as high as 470% between 1977 and 2004.

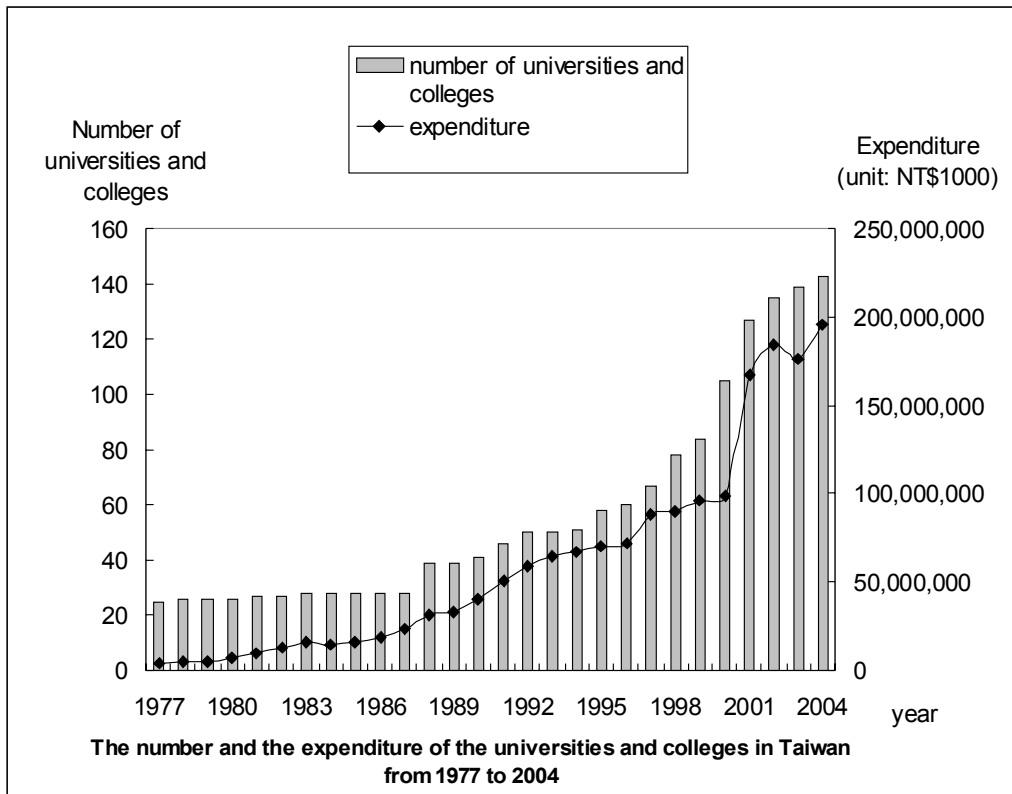


Figure 1 Expansion of Higher Education in Taiwan, 1977-2004

(Data source : Ministry of Education, 2006a)

2. Increased percentage of budget for higher education

Along with the increase in the number of universities, the budget for higher education has also grown significantly. While it grew as shown in Figure 2 (Ministry of Education, 2006b), it has not been able to match the growth of colleges and universities. The shares of the budget for each university have in fact decreased sharply.

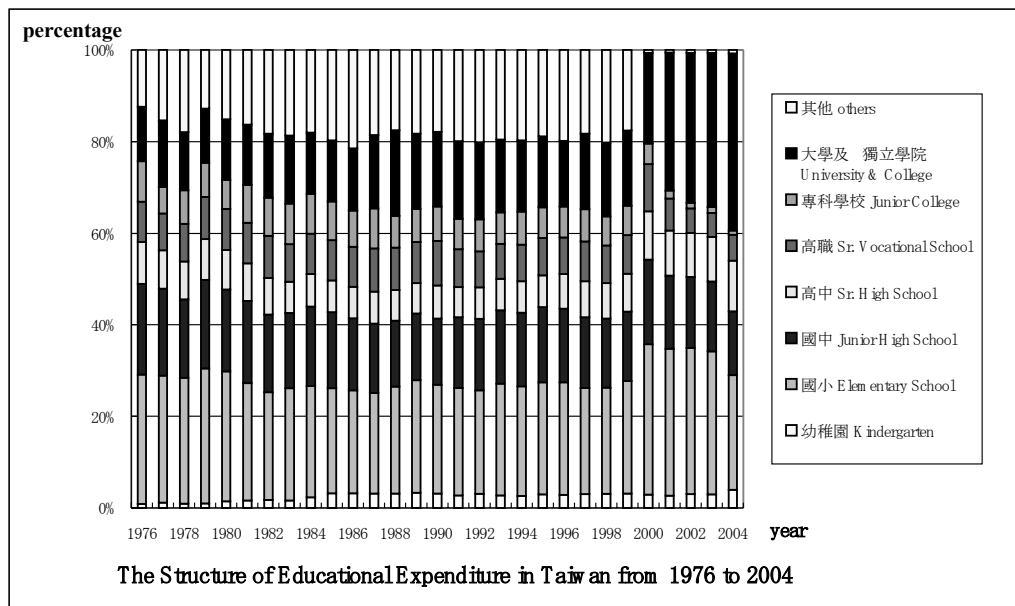


Figure 2 Educational Expenditures, 1976-2004 (by Level of Education)

(Data Source : Ministry of Education, 2006b)

3. Financial deficit of the Central Government

Taiwan's Central Government began to experience financial deficit problems in the early 1990s. For example, in 2001 over 70% of educational expenditures were for legally-required items (there was no possibility of a cut) (Ministry of Finance, 2006). As a result, the Central Government has been unable to balance its revenue and expenditure since 2000 (Figure 3). Due to the sluggish economy, the Central Government has used a budget that has consistently been in deficit to meet the increasing demand for higher education. It is believed that this is one of the main reasons why the Government is so eager to promote reductions in its size and to create national university corporations. Both of these measures are aimed at reducing the financial burden of the Government.

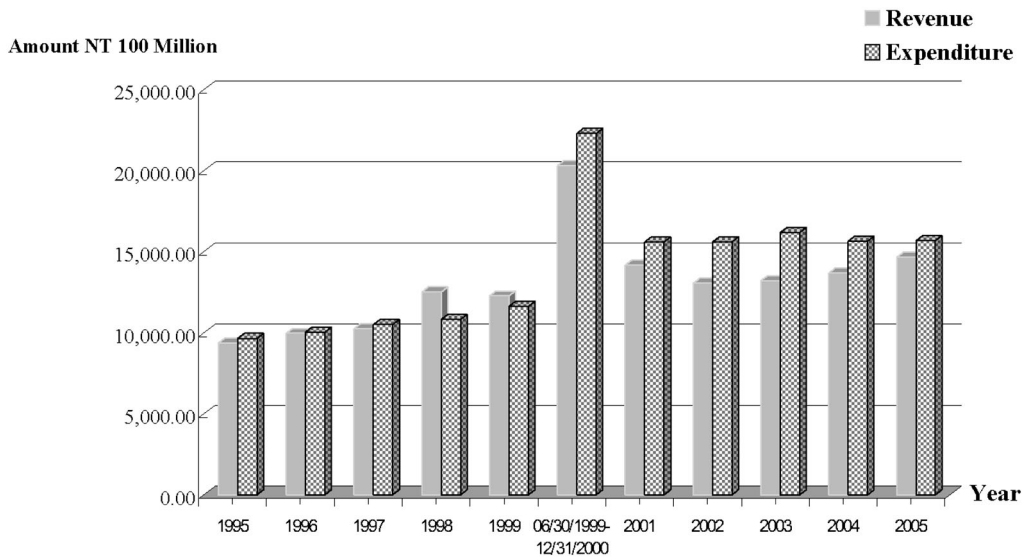


Figure 3 Financial Situation of the Central Government in Taiwan
(Data Source : Ministry of Finance, 2006)

4. Increased demand for quality

Along with the increase in the number of universities and college students, a new concern has surfaced. The quality of college education is believed to be dropping. The average quality of college freshmen, for example, is an evident indicator. College entrance examinations used to pose a major challenge to high school graduates if they intended to go on to higher education. To have opportunity to study in college, they faced strong competition. In recent years, it has been found that usually more than 80% of the applicants who are in the examination distribution channel have been admitted to a college. Some of those who barely achieved the minimum standard in terms of getting a total score of no more than 100 points (out of 500 points) in the entrance examination have been admitted to colleges. How to enhance the ability of these college graduates to compete has become a major concern of society.

There have been other related worries. For example, how to recruit enough qualified teaching staff to meet the expansion in higher education within a very short period of time has been one critical issue. In addition, compared to the active policy of spending a large amount of money on improving higher education in other East Asian countries such as Japan, Korea and China, Taiwan has strong reasons to worry about the quality of its higher education.

II. The Operation of National Universities in Taiwan

National universities have become targets of educational reform because they are characterised by the following important features in terms of their regular operations.

1. Employees of national universities have the identity of civil servants

Most laws governing civil servants also apply to university employees. There is a unified salary system for all employees at the same level. University employees have a high degree of job security because they are protected by laws. They can also transfer to any government agency should they so desire. Their seniority will not be influenced should they do so.

Though most university employees, including teachers and administrative staff, have the identity of civil servants, there are some university employees who do not have this identity. They are hired by the universities on a contractual basis. Theoretically, these employees are not hired by the government because their salaries are not paid out of the government personnel budget. They are paid by the universities themselves. While the government has regulations regarding the hiring, salaries and other benefits of these contracted employees, the universities have more freedom when hiring these contract workers than when they hire those who have a civil servant identity.

2. Financial dependence of national universities

National universities rely on government budgets for a large portion of their expenditures. In order to operate, universities submit budgets annually to the MOE. The MOE then includes the total in the government budget after making some adjustments. University budgeting, therefore, is part of government budgeting.

Most universities do not rely totally on governmental financial aid. In some cases, national universities have to find up to 60 percent of their annual revenue to support regular operations. These universities set up their own university fund and are given a little more flexibility when it comes to using money allocated by the government or fund raised by the universities themselves.

3. Superiority of the MOE

The MOE supervises all national universities. Although academic autonomy is often regarded as a value to be respected, it is reasonable to say that all universities in Taiwan are no more than affiliated institutions of the MOE. Given this fact, the MOE is entitled to direct a university in any way according to the Ministry's own interests and judgments. Universities are subordinate to the MOE.

III. The Origin of Incorporating National Universities

As Kingdon (2003) pointed out, it is difficult to trace the origin of an idea. A policy may originate from literally anywhere, such as an administration, the legislature, the academic community, or special interest groups. Sometimes, there are several origins within the same time period, while at other times a single origin may be identified. The important thing is not where the idea comes from, but which factors contribute to the growth of the idea. The Taiwan case regarding the incorporation of national universities fits Kingdon's theory.

It is not easy to pinpoint when the idea of incorporation for national universities was first

raised in Taiwan. Based on available official documents, the idea can be traced back to the late 1980s when a rewriting of the University Act was discussed in the Legislative Yuan (Ministry of Education, 2003a). A legislator, Shie-Chi Lin, submitted a proposal for rewriting the University Act. He proposed the idea of incorporation to provide universities with more autonomy. The idea was pushed again at the Seventh National Education Conference in 1994. The Ministry of Education elicited opinions from the meeting and subsequently published a White Paper on Education for the Republic of China (Ministry of Education, 1995). In that White Paper, the MOE announced that an investigation into the possibilities of incorporating national universities should be conducted. Meanwhile, public universities needed to adopt measures to reduce their financial dependence on the government and to seek financial resources from the private sector.

In order to improve the overall quality of education, the Executive Yuan established the Council of Education Reform in 1995. The Council was led by Dr. Yuan-Tseh Lee, a Nobel Prize laureate and President of Academia Sinica in Taiwan. After several meetings, the Council forwarded several suggestions on higher education to the government (The Council of Education Reform, 1996a, 1996b). The suggestions included : (1) National universities should formulate plans for incorporation. Before actually becoming incorporated, national universities were to establish a board of trustees that would supervise the universities and be responsible for selecting the university's president; (2) The current personnel and financial accounting systems of the universities should be deregulated so that the universities can enjoy more autonomy; (3) The government should establish a "Higher Education Review Committee" to provide guidance and advice to the MOE on higher education affairs, including how to allocate financial resources to the universities and how to evaluate university performance; (4) All universities should be evaluated and the results should be made available to the public.

In 1997, the Ministry of Education invited Professor Bau-tscheng Dung of National Chengchi University to collect information related to university incorporation in different countries (Ministry of Education, 2003a). Later, an *ad hoc* group was organised in 2000 to work on the content and procedures involved in incorporating public universities. The results were brought to three public hearings around the island. In July 2000, a White Paper on Higher Education Policy was published. The incorporation issue was brought on to the policy-making track.

In order to win the support of universities, different versions of the revision of the University Act were submitted to the Conference of National University Presidents for input (in 2000, 2001 and 2002). As a result, there was only one article regarding the incorporation of national universities in the revised proposal that the Ministry submitted to the Cabinet. The purpose of that article was to give incorporating a legal foundation. The Cabinet decided that detailed regulations were needed in the University Act. Therefore, a complete chapter governing the incorporation of national universities was included in the final version of the bill. It was later submitted to the Legislative Yuan for formal deliberation.

IV. Progress of the Incorporation Issue in Taiwan

The idea of incorporation was publicly revealed in early 2000 when the Ministry of Education completed its draft of a White Paper on Higher Education Policy. The draft was

then distributed to educators and legislators. Three public hearings were held to consult the public, and during this period various criticisms were raised. The Ministry, however, began to promote its policy of incorporation following the completion of the White Paper. Four stages in terms of the progress made in regard to the incorporation issue in Taiwan have been observed since then.

1. First Stage : White Paper on Higher Education Policy, July 2000

The Ministry of Education delivered its “White Paper on Higher Education Policy” in July 2000. In the White Paper, the Ministry briefly but clearly declared that its short-term goal was :

“To incorporate public universities; to provide public universities with an independent legal foundation; to provide financial autonomy to public universities.”

2. Second Stage : The first submission of the Bill to Parliament (Government Bill #9208) in June 2003

After many meetings with university presidents and several public hearings that were open to the general public, a bill to rewrite the University Act was submitted to the Legislative Yuan in June 2003. In this bill, Government Bill #9208, a whole chapter regarding the incorporation of national universities was included (Legislative Yuan, 2003). The major contents may be listed as follows :

1. *An emphasis on the autonomy of universities in the future* : in defending the bill, the Minister of Education, Jong-tsung Huang, emphasised the need for deregulation in areas such as personnel, accounting, budget, auditing, and purchasing in public universities. Due to the rigid nature of government financial laws, the university did not have the flexibility to make long-term development plans, and because of the unified governmental personnel system, there was no room for the national universities to create a flexible salary system. The purposes of incorporation, therefore, were to provide flexibility in hiring and budgeting so that national universities could strengthen their ability to compete internationally.

Another reason for having a chapter governing the incorporation of national universities was that the MOE had argued that under the current system all national universities were no more than affiliated institutions to the MOE. Affiliated institutions needed to follow the rigid guidance of the MOE. Incorporation would provide national universities with better guarantees of their legal independence and autonomy.

2. *Incremental strategies and optional participation* : not all public universities would be “forced” to be incorporated. The government would consult the Screening Committee and the universities themselves to select candidates for incorporation. If approved by the government, these selected universities would then be incorporated. The rest would be governed by the “old” rules. This meant that there would be two groups of public universities : incorporated universities and general universities.

Both would be supervised by the Ministry of Education but would be governed by different decrees.

3. *A flexible personnel system* : the current public servant identity of all employees of incorporated national universities would be abolished. Incorporated national universities would have more flexibility to hire faculty members and staff. Additionally, university corporations would be able to determine their own salary system to replace the current unified salary system that applies to all government employees.
4. *A flexible accounting and auditing system* : the regulations for incorporated national universities would be different from those of other government departments for which the laws are more rigid. New regulations, which would supposedly be more liberal, would be drafted by the government to supervise the purchasing activities of incorporated national universities.
5. *The establishment of a Board of Trustees* : instead of the MOE, each national university corporation would be supervised by a board of trustees or an Advisory Committee composed of members of which at least half would be selected from outside the campus. These members would be professionals rather than government officers. The purpose of this arrangement would be to bring outside input into the decision-making process on campuses.
6. *Ownership of university property* : the government would retain ownership of university property. However, any property purchased by the incorporated universities would be managed as the universities saw fit without intervention from the government.

The government also promised that after the completion of incorporation some measures would be taken to guarantee a smooth transformation. The proposed measures included :

1. *Protection of staff rights and interests* : university employees hired before the creation of the national corporations would retain their civil servant identity. Their rights would be protected by current laws and their benefits obtained during the “old days” would remain unchanged. Current employees would be able to choose to stay in the incorporated national university or retire on favourable conditions. As to employees hired after the completion of the incorporation, they would not have the identity of a civil servant. Their rights and interests would be protected by the contracts signed by them with the incorporated national university.
2. *Providing government aid* : the Higher Education Review Committee would decide the amount of financial aid provided to each national university corporation based on its need for long-term development. The MOE and a university corporation would also be able to sign a multi-year contract for aid in order to be included in the government budget without interruption.
3. *Representation of the Board of Trustees* : some members of the board would be selected by the university senate. No less than half of the members would come from outside the campus. The rationale would be to keep the campus from becoming a closed system detached from changing society.
4. *Ownership of university property* : the current property of the national university

corporation would remain state property. Even after the completion of incorporation, property purchased using government aid would also be owned by the government.

5. *Dissolution of the national university corporation* : the Higher Education Review Committee together with the MOE would be empowered to issue a dissolution suggestion to the Cabinet if a national university corporation's performance did not meet the required standard. A dissolved corporation might be transformed back into a regular national university.

There were other proposed changes to the current system. Some of the major plans were as follows.

1. The university president would be selected by a search committee formed by the university's board of trustees. This design would be to avoid the side-effect of presidential elections being held on many campuses as in recent years. Factional conflicts that arise during presidential elections usually lead to difficulties in implementing university policies introduced later.
2. Effective external evaluation would need to be established and applied. The results of the evaluation would be used to determine the amount of government aid extended to university corporations.
3. Mergers among smaller campuses would be encouraged. One rationale behind the incorporation policy would be to allow university corporations to find their optimal development strategy. Merging smaller campuses might help university corporations reduce their management costs and hence increase their ability to compete.

According to the Rules of Procedures in the Legislative Yuan, the Parliament in Taiwan, a government bill must first be reviewed by a parliamentary committee. Since this was a bill related to education, it was sent to the Education and Culture Committee. The Committee, after three major debates, reported to the floor of the Legislative Yuan that incorporation was not necessary and hence all articles regarding the incorporation of national universities were deleted from the bill (December 30, 2004).

3. Third Stage : Second submission of the Bill to the Parliament, May 2005

Four and a half months after being defeated, the bill was again submitted to the Legislative Yuan. The major difference between the second submission and the first one was that in the new bill there was no chapter devoted to the incorporation of the national university. Instead, only one article was included to allow national universities to be transformed into corporations. That is, an article was added to the bill to provide a legal foundation for the incorporation of national universities. The article simply stated :

“Incorporation of national universities is a policy to be pursued. Specific laws need to be made.”

The Committee of Education and Culture voted it down again in October 2005 and reported to the floor of the Legislative Yuan. Then, on December 13, 2005, the Legislative Yuan passed the rewritten draft University Act with no article referring to the incorpora-

tion of national universities. The MOE's effort to incorporate national universities failed again.

4. Fourth Stage : The game is not over yet

Although the efforts to build a legal foundation for the incorporation of national universities failed to pass through the Legislative Yuan, the Ministry continued to promote the policy. Beginning in 2004 and finally receiving the approval of the Legislative Yuan in June 2005, the government set up a special budget to improve higher education. The plan was to allocate 50 billion Taiwan dollars over five years to help a small number of universities to improve their infrastructure and enhance their ability to compete internationally. One of the required conditions for national universities to receive the special budget was that they would make a promise to prepare to incorporate. The recipients of this special budget were decided at the end of October 2005. Ten national universities and two private universities were chosen. After reading the proposals for the special budgets of the ten national universities, three types of promises could be found. The most popular one was to set up a consulting committee which would be transformed to a board of trustees after completion of incorporation. The more aggressive universities have already set up consulting committees. The third one was a university system composed of four small and medium-sized universities. In their proposal, this university system also promised to transform the current "Directing Committee" into a board of trustees in the future.

At the same time, a working group in the MOE was established to promote the incorporation of national universities. The MOE's efforts to incorporate national universities continue.

V. Major Concerns Regarding Incorporating National Universities

Despite the setbacks, various opinions have been expressed in support of the incorporation of national universities during this process. For example, some legislators have praised the idea of giving universities more room for development, based on the belief that it is the right direction for the flexible and efficient use of educational resources (Huang, 2001; Chen, 2002). Nevertheless, the MOE has failed to carry out its original plan of laying the legal foundation for incorporating. The major reason for this outcome is that the MOE has not been able to convince the higher education community.

After the Cabinet submitted the revised 2003 draft of the University Act to the Legislative Yuan, both faculty members and administrative staff from the universities spoke out to oppose the draft (Chairs of Faculty Association of National Universities, 2003; "NTU against the Draft," 2003; "Incorporation," 2003; "Over the Department of Higher Education," 2003; "NTU submits its own version," 2003). The leading university in Taiwan, the National Taiwan University (NTU), for example, opposed some of the articles in the Draft (National Taiwan University, 2003; "The NTU decries the incorporation," 2003). The NTU's opposition may be summarised in the following sentences :

The NTU believes that the Revised 2003 Draft of the University Act would give the MOE more control over elections for university presidents, as well as the budgets and future development of universities. Since the draft leaves lit-

tle room for university autonomy, thousands of people have endorsed NTU's position in terms of opposing the draft. The NTU will make efforts in the Legislative Yuan to stop the 2003 draft.

In addition to the opinion expressed by NTU, there are other concerns that have been raised regarding the MOE's proposals. Some of the most frequently raised views have been those identified below.

1. Shifting the financial burden from the government to universities

It is not a secret that the Taiwan government is facing financial difficulty. Thus the current increases in the education budget are not able to meet the demands of the expanding community. Reducing the size of government is presently an important policy, as is reducing the burden of educational expenditure imposed on the government. Such a burden will be shifted to the national university corporations once the process of incorporation is completed.

Private universities are not immune from such changes. If some of the national universities become incorporated, they will naturally turn to the private sector for additional resources. This will increase the difficulties faced by private universities in raising funds (Yeh, 2000).

The impact of incorporation will also affect the students. The likely increases in tuition will pose additional challenges for students from poor families (Yeh, 2000).

2. Inviting political influence to university campuses

At the very beginning of the process, some legislators voiced concerns that incorporation would open the university's door to political influence in many aspects of the internal affairs on campus. For example, the power to select the university president would rest with the board of trustees of which more than half of the members would come from outside the campus. Political influence might then have the opportunity to interfere in the selection of a university president (Wang, 2001; Huang, 2001). The NTU (2003) also explained its position on this subject :

'The Board of Trustees is the highest decision-making body within a university. No less than half of the trustees should come from outside the university. These outside members are candidates recommended by the University Senate and the Review Committee of Higher Education and are then chosen by the MOE. The Board of Trustees has the power to decide on the appointment of the university's president and to approve the university's development plans (Article 27 and Article 29, Revised Draft of the University Act, Executive Yuan, 2003). The NTU worries that the Board of Trustees will become an entry point for political influence to interfere in university affairs.'

3. Adding new hurdles that would weaken the universities' autonomy

In addition to voicing concerns regarding possible political inference on campus, the NTU

also referred to the negative impact that incorporation might have on university autonomy. In the plan to incorporate, the university president would be elected by the Search Committee for University President organised by the MOE. No less than half of the representatives on the Committee would be appointed by the MOE. Some ten months before the end of the 4-year term of a university president, the MOE would evaluate the president's performance and decide whether he or she is qualified to continue in the job (Article 34 and Article 35, Revised Draft of the University Act, Executive Yuan, 2003). The draft can be found in the Government Bill #9208). Because of these articles, the president would become an MOE appointee who cares more about the MOE's instructions than winning the recognition and support of the faculty and students of the university.

Another opinion that the NTU expressed concerned the management of university property. Any government agency, if needed, can own and use the university estate, such as land, if they have the consent of the MOE (Article 25, Revised Draft of the University Act, Executive Yuan, 2003). Such an article does not respect the university's own will. It was strongly opposed by the NTU, which is the biggest landowner among the universities on the island.

4. The creation of the Higher Education Review Committee

A related issue is that, according to the bill, the MOE can establish a Higher Education Review Committee that is responsible for formulating higher education policies and for allocating the financial resources of universities (Article 8 and Article 9, Revised Draft of the University Act, Executive Yuan). The Committee would have great power in making decisions regarding higher education affairs, but would not be held accountable to the public. In fact, even before the draft was sent to the Legislative Yuan, the MOE had invited Dr. Yuan-Tseh Lee, the President of Academia Sinica, to chair the Committee. Following Dr. Yuan-Tseh Lee was Dr. Ovid JL Tzeng, the Vice President of Academia Sinica. A very high percentage of the committee members are Fellows of Academia Sinica. Academia Sinica, however, is among many competitors, along with all of the universities, for higher education resources. Its dual role as game player and referee is regarded as inappropriate. The NTU recommended that the Committee invite people with experience of university leadership and professional knowledge in higher education ("NTU submits its own version," 2003).

To sum up, worries concerning the uncertain future of the incorporation of national universities resulted in very limited support for such a policy within the higher education community.

VI. Conclusions

Based on Kingdon's theory of the policy-making process, there are three streams for a policy to form and grow : the problem stream, the political stream, and the policy stream. The major participants in the process of incorporating universities in Taiwan include the Ministry of Education, legislators, scholars, and universities. Each plays a different role from the others. I shall discuss each of them.

1. Problem Streams, Political Streams, and Policy Streams

Taiwan's Central Government has faced budget deficits since the early 1990s, with the national debt having become the major problem that the Central Government needs to overcome. How to increase revenue and cut expenditure has thus been a top priority on the Government's agenda. In order to restore the financial balance of the Central Government, the Government has decided to reduce its size (*i.e.* to decrease the number of government employees and to cut or reorganise government agencies). Universities are subordinate to the Ministry of Education and are thought to be among the government agencies. The incorporation of national universities has thus been one of the policy solutions proposed to solve the problems associated with the nation's financial difficulties.

There are other types of political climate that are conducive to the growth of seedling corporations. Universities have a tradition of pursuing autonomy. If implementing incorporation is able to bring more autonomy that universities can enjoy, many national universities would probably think positively about it. The government also sells the idea of incorporation in the name of university autonomy. According to the picture painted by the government, the personnel and accounting system would be deregulated. Hardly any university would say no at first glance to the idea of incorporation.

The content of the 2003 bill related to incorporation did not, however, highlight the spirit of university autonomy. On the contrary, universities were disappointed because the bill revealed that the government would still retain dominant control over universities even if incorporation were to be implemented. Consequently, universities have strongly voiced their dissent with the MOE in the legislative arena. The MOE lost the first battle with regard to passing the specific chapter regulating incorporation. The universities, however, did not win either. They were forced to promise to implement incorporation in order to compete for the NT\$50 billion budget in 2005. And so the drama continues. The main battles have moved to the universities themselves where they have to make plans for incorporation and compete against each other.

2. Ministry of Education (MOE)

The administration, mainly the MOE, has continued to firmly pursue the goal of incorporation for national universities. Even when the legislative effort to incorporate universities through revising of the University Act failed, the MOE adopted another approach to pursue the policy goal. The competition among the elite universities for the NT\$50 billion special budget has created a great opportunity for the MOE to bring its dream of incorporating national universities to fulfilment. The competing universities have been asked to include a promise to incorporate in their application to use that special budget. In order to obtain the extra funding from the government or risk the possibility of being left behind in the future, only a few universities have dared to say "No" to incorporating. It is thus fair to say that universities are weak in resisting the power of the administration because it is the latter that allocates financial resources.

Another important strategy that the MOE has employed is to make things happen first, and then seek legal approval later. Establishment of the Higher Education Review Committee before submitting the revised draft of the University Act is a notable example. Asking national universities to promise to prepare for incorporation during the process of holding a

special budget competition is another. Regardless of whether the legal action taken would be a success or a failure, the “reality” stays. In the newly-approved University Act (2005), in fact, no article that was passed referred to either the existence or the role of the Higher Education Review Committee. Still, the committee exists, even in spite of its name having been changed to the “College Education Consulting Committee,” and it has a great influence on policy-making in the area of higher education (Chen, 2006).

3. National Universities

National universities are the interest group in the policy game of incorporating. On the one hand, universities are powerful in having a strong network of personal relationships and alumni in the Legislative Yuan. Universities can thus lobby legislators to oppose the University Act relating to incorporation. In fact, the universities have succeeded. On the other hand, universities are weak in the government administration hierarchy when faced with the trend toward incorporation. As mentioned before, the MOE is still pushing toward the goal of incorporation even though its earlier efforts failed in the Legislative Yuan. The MOE’s strong will has brought new difficulties for universities. For universities, it appears that any attempts to resist incorporating are futile because of the financial constraints that they face. What the universities can do now is to build a task force to prepare for incorporation. It is probably the least thing that the universities can do. Creating one’s own rules is better than following the regulations made by the MOE. The National Taiwan University, for instance, has already organized a task force to prepare for incorporation and held its first meeting at the end of December 2005. Still, to what extent the university can make rules regarding incorporation acceptable to both the MOE and the Legislative Yuan is still not clear. Any new system or regulation that is created should correspond to the laws at the national level and will again require legislative support in the future.

4. Legislators

In addition to reviewing the bill submitted by the Executive Yuan, the legislators can also submit their own versions of the proposed bill. The bill currently being discussed most is the version submitted by the Executive Yuan. In the revised version of the University Act, no ideological or partisan arguments have been found.

5. Scholars

Scholars can be divided into two groups. One group is composed of those who have provided professional knowledge to the government for drafting the University Act, especially the articles related to incorporation. They are mainly faculty from law schools. The other group consists of those who enjoy power on or have great influence over the Higher Education Review Committee. They are elite scholars who dominate higher education decision making. Dr. Yuan-Tseh Lee is one of them. Others include many of the fellows of Academia Sinica. It is difficult to label these scholars as participants from outside the government as not only do they participate in the committee called by the government, but they are also decision makers on higher education policies.

To sum up, the expansion in higher education has led to an urgent demand for higher edu-

cation reform in Taiwan. This has resulted in calls for the rewriting of the University Act. The government's budget constraints have been the main reason behind the quest to incorporate the national universities. The government, by using the disguise of university autonomy, has been selling the idea of incorporation very aggressively (Ministry of Education, 2003a, 2003b, 2003c). However, the 2003 bill reveals that the MOE would still have a great degree of control over university affairs. Although the bill related to incorporation has so far failed to pass the Legislative Yuan, the strategy to combine incorporating together with a special budget has given rise to the following question : Will the incorporation lead universities to not only lose budget support from the government, but also lead to the phenomenon of less autonomy in the future? No one has an answer for that question yet. When the time comes, we shall find one.

References

- Chairs of Faculty Associations of National Universities. (2003). *United claim of opposing the incorporation of national universities*. Retrieved January 8, 2006 from <http://www.ncku.edu.tw/~fcouncil/discussion/94-0530.htm>
- Chen, C. L. (2002). *MP Bill #4642*, a Bill-related document published and delivered by the Legislative Yuan on December 25, 2002.
- Chen, D. H. (2006), Rewriting the University Act for college education reform, *Higher Education Newsletter*, 178. Retrieved January 10, 2006 from <http://www.news.high.edu.tw/content02.htm>
- Educational Reform Council, Executive Yuan. (1996a). *The summary report for educational reform*. Taipei: The Executive Yuan.
- Educational Reform Council, Executive Yuan (1996b). *The fourth report for educational reform*. Taipei: The Executive Yuan.
- Executive Yuan. (2003). The Revised Draft of the University Act.
- Huang, C. S. (2001). *Questions on government bill 4-6-05-1437*, October 20, 2001.
- Incorporation of national universities offers opportunities to industry to interfere in university affairs (2003, June 16). *United Daily News*.
- Kingdon, J. W. (2003). *Agendas, alternatives, and public policies*. (2nd ed.). New York: Longman.
- Legislative Yuan. (2003). *Government Bill #9208*, Bill-related document in the Legislative Yuan. Published and delivered on September 20, 2003.
- Ministry of Education. (1995). *The White paper on education for the Republic of China*. Retrieved January 8, 2006 from <http://140.111.1.22/cgi-bin/checkgopher1.pl?school=/home1/gopher-data/moe/secretary//./moe-white>

- Ministry of Education. (2000). *White paper on higher education policy*. Taipei: Ministry of Education.
- Ministry of Education. (2003a) *Q and A for rewriting the University Act*. Retrieved January 8, 2006 from http://www.high.edu.tw/hiedu_asp/intranet/d5/
- Ministry of Education (2003b). *Highlights of the bill of the University Act – The version of the Executive Yuan*. Retrieved January 8, 2006 from http://www.high.edu.tw/hiedu_asp/intranet/d5/
- Ministry of Education. (2003c). *Newsletter for media about rewriting the University Act*. Retrieved January 8, 2006 from http://www.high.edu.tw/hiedu_asp/intranet/d5/920612news.doc
- Ministry of Education. (2004). *Educational Statistics of the Republic of China*. Taipei: Ministry of Education.
- Ministry of Education. (2006a). *Numbers of schools, faculty members, staff, and students at all levels*. Retrieved March 30, 2006 from http://www.edu.tw/EDU_WEB/EDU_MGT/STATISTICS/EDU7220001/data/serial/seriesdata.xls?open
- Ministry of Education. (2006b). *Educational expenditures*. Retrieved January 8, 2006, from <http://english.moe.gov.tw/public/Data/6615163871.xls>
- Ministry of Finance (2006). *The financial situation of the central government*. Retrieved January 8, 2006 from <http://www.nta.gov.tw/business/business101.asp>
- National Taiwan University. (2003). *Stop the revised Bill of the University Act – An open letter*.
- NTU submits its own version, against Articles 23 and 34 (2003, December 21). *Min Sheng Daily*, A2, Front News.
- NTU against the Draft of the University Act: Holding of public hearings on Saturday (2003, December 15). *Central News Agency*.
- Over the Department of Higher Education, MOE? The Review Committee of Higher Education being criticized as a “black organization” (2003, October 17). *United Daily News*, A6. Life.
- The NTU version of the University Act (2003, December 21). *United Daily News*, B8, Education.
- The NTU decries the incorporation of national universities (2003, August 27). *United Daily News*.
- University Act (2005).
- Wang, Y. T. (2001). *Questions on government bill 4-5-01-0041*, February 17, 2001.
- Yeh, Y. C. (2000). *Questions on government bill 4-3-02-0254*, March 20, 2000.



COE Publication Series No. 29

Changing Governance in Higher Education
Incorporation, marketisation, and other reforms
— A comparative study —



Research Institute for Higher Education
HIROSHIMA UNIVERSITY

March 2007

ISBN978-4-902808-32-2