Governing the Learned!!
Corporate Governance In Public Higher Learning Institutions; The Malaysian Experience.

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Abstract

Keyword: Corporate Governance, Public Higher Learning Institutions, Privatization

The higher education industry is in the knowledge business, both creating knowledge through research and transferring knowledge to students. The conventional view on the major role of a higher education institution is always educating students but there are many institutions, particularly the research-oriented universities which contended that the major role of higher education industry should be to generate new knowledge through research activities. Whichever view is adopted, it remains that the major assets of these institutions is knowledge, gaining reputations, students and funding based on how to deal and manage with the knowledge as the major asset.

In Malaysia, the statistics published by Department of Census (DOS) in year 2000, shows that the education industry combined with the health industry are the main actors in the services sector (98.6 percent). At present there are seventeen public universities of higher learning, sixteen private universities of higher learning and hundreds of private colleges in Malaysia; educating hundreds thousands of students, of whom fifty one thousands are international students from one hundred and thirty countries.

The above statistics illustrates the recognition of higher education institutions as one of the corporate actors in Malaysia. For the public higher learning institutions, the notion of doing business may not be proper as they were established to generate professional and educated human capital for the country. On the other hand, by year 2010, all Malaysian public higher learning institutions are expected to generate their own earnings to cover at least thirty percent of its expenditure and this obviously requires some entrepreneurship in the University.

This paper aim to look into corporate governance structure in Malaysian public higher learning institutions and evaluate to what extent it would affect its good governance once the University divert from merely educating/ doing research to become ‘partial entrepreneurs’.

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Introduction

In Malaysia, education has a high priority in the national development with about 15% of total public development expenditure allocated for this purpose under Malaysia's five-year development plans. At present, there are 19 public universities:

1.Universiti Malaya (UM)
2. Universiti Sains Malaysia (USM)
3. Universiti Kebangsaan Malaysia (UKM)
4. Universiti Putra Malaysia (UPM)
5. Universiti Teknologi Malaysia (UTM)
6. Universiti Islam Antarabangsa Malaysia (UIAM)
7. Universiti Utara Malaysia (UUM)
8. Universiti Malaysia Sarawak (UNIMAS)
9. Universiti Malaysia Sabah (UMS)
10. Universiti Pendidikan Sultan Idris (UPSI)
11. Universiti Teknologi MARA (UiTM)
12. Kolej Universiti Sains & Teknologi Malaysia (KUSTEM

13. Kolej Universiti Teknologi Tun Hussien Onn (KUiTTHO)
14. Kolej Universiti Islam Malaysia (KUIM)
15. Kolej Universiti Teknikal Kebangsaan Malaysia (KUTKM)
16. Kolej Universiti Kejuruteraan & Teknologi Malaysia (KUKTEM)
17. Kolej Universiti Kejuruteraan Utara Malaysia (KUKUM)

18. Universiti Darul Iman (UDI)

19. Universiti Malaysia Kelantan (UMK)

To achieve the National Mission during the Ninth Malaysia Plan, the Federal Government allocates a total of RM200 billion for development expenditure, an increase of RM30 billion from the Eight Malaysia Plan. For the sub-sectors, education and training receive the biggest percentage of the allocation, at 20.6 percent, in line with the Government's resolve to enhance the human capital quality. In realizing the government vision, the Ministry of Higher Education is planning a major overhaul of tertiary education from 2006 through 2010. According to Datuk Dr Hassan,[1] the impact must be felt by the end of the Ninth Malaysia Plan (NMP) .[2]The ministry is now drawing up a higher education policy based on the recommendations of the committee headed by Tan Sri Dr Wan Zahid Noordin, a former director-general of education, which spent the first six months of the year studying the direction of local institutions of higher learning as well as their needs and challenges. Academics and educationists provided feedback to the

[1] Director-general of Institutions of Higher Learning Management Department
[2] Santha Oorjitham, Higher Education Revolution during the Malaysia 9th Plan. Retrieved from http://www.bernama.com/bernama/v3/news_lite.php?id=172154 on 30 ecember 2006.

Wan Zahid committee and have stressed the urgent need for a revamp of higher education. The ministry had also asked all universities to come up with strategic plans for the NMP period.

The "education revolution" is expected to focus on seven areas. Firstly, it proposes a new governance system, including a financial mechanism, to make sure that public universities can perform competitively while remaining accountable to the government. The government, which funds these universities, wants a flexible mechanism to check them. Secondly, the ministry wants to improve accessibility so that more students can enroll for higher education, including people from rural areas and poor families. Thirdly, the ministry wants to increase the number of students in higher education from about 600,000 now to1.6 million by 2010. Fourthly, while raising enrolment, the ministry wants to ensure quality teaching and learning. Quality indicators will cover the staff, infrastructure and content. Fifthly, the ministry wants to strengthen research and development. Sixthly, the ministry wants to increase the capability of lecturers. For example, only 30 percent of lecturers now hold PhDs and this is expected to be increased to about 75percent.Finally, the ministry wants to internationalize tertiary institutions, with the assistance of its special envoy, Datuk Seri Effendi Norwawi.

Noting that the global higher education market is worth an estimated US$2.5 trillion, Dr Hassan said Malaysia hoped to increase its very small share. The Dean of the Faculty of Humanities and Social Sciences at Universiti Tun Abdul Razak (UNITAR), Prof. Datuk Dr Ibrahim Ahmad Bajunid, who is also a member of Wan Zahid committee, is optimistic about turning universities around In the university of the future, the curriculum will be personalised, individualised and customised. The chief executive officer and principal consultant of TQM Consultants Sdn. Bhd. Dr Ranjit Singh Malhi said employable graduates could be achieved with close working relations between universities and the industry on skills needed.

Corporatization of Public Higher Learning Institutions

The economic crisis, which started out in mid-1997 as a currency crisis in Thailand, spread quickly to other neighboring countries including Malaysia. The Ringgit (RM) depreciated, the stock market plunged, and the real estate market collapsed. This economic crisis hit the middle class earlier and more severely than it did to the lower-income groups, wiping out a substantial portion of its wealth and, in many cases, people savings concentrated mainly on children's education.[3]

One of the effects of the economic crisis is depreciation of the Malaysian Ringgit from RM2.50 per U.S. dollar to RM3.80 per dollar (as pegged by the Malaysian government). During this time, many middle-class parents are finding it more difficult to send their children to study overseas. Due to the currency crisis, about 2,000 students have already had to return from overseas to continue their studies in local universities.[4] Since then, the number of Malaysian students going abroad to further their studies has dropped sharply.

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[3] Molly N. N. Lee, The Impact of the Economic Crisis on Higher Education in Malaysia, *International Higher Education*, Boston College, No. 15, Spring 1999
[4] Ibid.

Even the Malaysian government has reduced the number of bumiputra scholars sent overseas. In 1997, 18,000 Malaysians studied in the United Kingdom, making up the largest foreign student population there. But in 1998, the figure dropped to between 12,000 and 14,000, with the onset of Malaysia's economic slowdown.

The effects of the economic slowdown and a national campaign to significantly increase the proportion of the population pursuing higher education (part of the government's "Vision 2020" plan) have swelled enrollments at public institutions of higher learning. The number of annual student intakes in eight of the public universities is expected to rise from 45,000 in 1997 to 84,000 in 1999. This jump in enrollments is bound to cause acute financial strain at each of the universities, especially in the face of drastic government budget cuts. In 1998, the government implemented a series of stringent austerity measures, which included an immediate cutback 10 percent on operating and development expenditure. One of the immediate effects felt at all public universities is a total freeze on funds for buying library books and for traveling to overseas conferences. Even subscriptions to academic journals were slashed by 60 percent.

In 1998, five public universities were corporatized with respect to their management and system of governance. However, because of the economic downturn, the new remuneration scheme for the academic staff was not implemented; thus faculty members did not receive a promised pay raise. With corporatization, the public universities are expected to adopt quasi-business approaches to increase administrative efficiencies and to generate their own income. Several public universities have increased fees for graduate programs fourfold, although none have increased fees at the undergraduate level. To cope with increased student enrollments, many public universities have franchised their matriculation programs to private colleges' off-campus, a move that that has sparked some controversy. There were charges that planning was being neglected and that the universities and private colleges were out to make profits at the expense of students, with critics citing high fees and inadequate facilities and premises.

Corporate Governance

Corporate governance is a key element in improving a company's efficiency and growth as well as enhancing investors' confidence. It is about how a company should be managed and controlled..

The Organization for Economic Co-operation and Development (OECD) described corporate governance as:

> "The system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decision on corporate affairs. By doing this, it also provides the structure through which the companies' objectives are set and the means of attaining those objectives and monitoring performance"

The Malaysian Code on Corporate Governance[5] has defined corporate governance as:

> "The process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long term shareholder value, whilst taking into account the interest of other stakeholders."[6]

In short it is about a system, which governs the board of management consisting of directors, company secretary, auditors and officers of the company on how to manage the company in the best interest of the shareholders as well as the stakeholders. The importance of practicing good corporate governance has emerged after the failure of some well-known companies around the globe. The downfall of those companies has been linked to poor corporate governance practices.[7] Thus the involvement of higher learning institutions into entrepreneur world should take into account good governance practices to ensure its long-term success.

Corporate Players in Corporate Governance

In a company, the board of directors which represent the company and the shareholders are known as its most important organ. However corporate governance recognized company–stakeholders relationship besides the definite relationship between the board and the shareholders. The definition of corporate governance as discussed by Malaysian Code on Corporate Governance reflects that the board of directors should manage the company towards prosperity for the shareholders' benefit and whilst doing so the interests of the stakeholders should be protected. Academics writers suggested that corporate governance should be perceived as a 'social contract' between the company and the wider constituencies of the company which morally obliges the company and its directors to take account of the interest of other stakeholders.[8] Stakeholders have been defined to include parties such as employees, customers, suppliers and environment.[9] These parties have generally accepted as stakeholders based on these reasons:

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[5] Finance Committee Report on Corporate Governance, *Report on Corporate Governance,* Malaysia, (February 1999).
[6] Ibid Paragraph 1.1 at 52
[7] For examples Enron and Worldcom in United States, BCCI in United Kingdom, Parmalat in Italy and HIH Insurance in Australia
[8] Dr Saleem Sheikh and prof SK Chatterjee, Perspectives on Corporate Governance, in Dr Saleem Sheikh and Prof William Rees(eds) *Corporate Governance & Corporate Control*, (Cavendish Publishing Limited, London, 1995) at 3.
[9] Refer Philip TN Koh, Principles, Practice and Prospects of Corporate Governance: The Malaysian Legal Framework, Malayan Law Journal,[1994] Vol 3 at ix and Thomas Sheridan, Nigel Kendall and Arthur Kendall, *Corporate Governance: An Action Plan for Profitability and Business Suc*cess, (Pitman Publishing, London, 1992) at 27.

- Employees – their livelihood depends on their employment with the company and their job represent great investment and great interest in the future of the business[10]
- Customers – their response towards the company's products or services will affect the success of company's business as any health hazard products may lead to the decline in the number of customers.[11]
- Suppliers – if they have made substantial investment in durable assets that could not be redeployed without sacrificing productive value if the relationship with the corporation were to be terminated prematurely.[12]
- Environment – anything done by a company without regard to proper safety and pollution control procedures will pollute the air and will endanger the surrounding community.[13]

In summary stakeholders are those with specific investments or interest in the company.[14] To determine who are the stakeholders' references should be made to the extent of the relationship between those parties and the company. A 'good' relationship between a company and its stakeholders will enhance the stability and strength of the company in a long term. According to *Corporate Governance & Corporate Control:*

> "The corporation affects the destinies of employees, communities, suppliers and customers. All these constituencies contribute to, and have a stake in, the operation, success, and direction of the corporation…the nation and the economy…has a direct interest in ensuring an environment that will allow a private corporation to maintain its long term health and stability."[15]

In higher learning institution, the important organs would be the university, the academic staffs and the students. The university would be represented by its top management which may consists of the vice chancellor, deans from all faculties as well as top management officers. The university main objectives are to produce professional graduates and educated human capital for the country as well as developing knowledge through the medium of its academic staffs.

For higher learning institutions its stakeholders may comprise the administrative staffs, the academic staffs, students, the public and the government and when it involves in business the creditors or financier as well as the suppliers would be included in the lists of stakeholders.

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[10] Sir Owen Green, Corporate Governance – Great Expectations, in Dr Saleem Sheikh and Prof William Rees(eds) *Corporate Governance & Corporate Control*, (Cavendish Publishing Limited, London, 1995) at 147.
[11] *Roberta Romano, Foundations* of Corporate Law, (Oxford University Press, 1993) at 161.
[12] Above note at 160.
[13] Refer above note 11 at 162.
[14] Simon Deakin and Alan Hughes, Comparative Corporate Governance : An Interdisciplinary Agenda, *Journal of Law and Society*, (1997) Vol.24, 1 at 4.
[15] Quoted from Dr Saleem Sheikh and Prof SK Chatterjee, Perspectives on Corporate Governance, in Dr Saleem and Prof William Rees (eds) *Corporate Governance & Corporate Control,* (Cavendish Publishing Limited, London, 1995) at 46.

Importance Elements of Corporate Governance

i) Responsibility

The responsibilities of a company could be divided into legal responsibilities and social responsibilities. These responsibilities lie in the board of directors and managers of a company

Legal Responsibilities refers to the responsibilities of the directors as imbued in the statutes, rules and codes. These responsibilities could be summarized to include:

- Reviewing and adopting a strategic plan for the company[16];
- Overseeing the conduct of the company's business to evaluate whether the business is being properly managed[17];
- Identifying principal risks and ensure the implementation of appropriate system to manage these risks[18];
- Reviewing the adequacy and the integrity of the company's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines[19].;
- Appointment of new members to the board, directors' remuneration, relations with the shareholders and the company's account[20];
- Submitting quarterly report, annual audited accounts and annual report and certain material information in certain events[21]

For higher learning institutions the responsibilities are to be carried out by the top management and it would be delegated to various faculties and departments. Similarly, the top management is responsible for the strategic planning of the university as well as the implementation of appropriate system to manage those faculties and departments. They would also be responsible to ensure that the university's involvement in business would not jeopardize its objective of generating educated human capital.

Corporate Social Responsibility or social responsibility means that the company as a person or citizen should naturally have a sense of responsibility towards its surrounding i.e. the community in which he lives in. Such idea was evolved in the early twentieth century in the United States when business leaders of large corporations mooted the idea

[16] Finance Committee on Corporate Governance, *Malaysian Code on Corporate Governance*, (Malayan Law Journal Sdn Bhd on behalf of the Malaysian Institute of Corporate Governance, January 2001) at 11.
[17] Ibid
[18] Above note 16
[19] Above note 16
[20]Committee on Corporate Governance, *The Combined Code on Corporate Governance, (*June 1998) United Kingdom
[21] Chapter 9 of Bursa Securities Listing Requirements.

that the business sector should use its powers and control for social purposes and not merely profit-making.[22]

Corporate social responsibility can be defined as the involvement of a company in solving social problems and its contribution towards the welfare of the society.[23] This means that a company should have a sense of social responsibility towards the well being of the community, besides its profit maximization objective. A company with good corporate governance will anticipate the needs of the society as well as solving these social problems. Any social project that is going to be undertaken by a company should address the needs of the society irrespective of whether such projects contain economic implications or not.[24]

In addition, a company is said to be socially responsible when its action goes beyond the legal requirement for the purpose of social good rather than the maximization of profit.[25] However in doing so there should be a balance between interest of those groups as social responsibility and the interests of the proprietors of the company:[26]

In higher learning institutions it is their responsibility to address the society's needs either directly or indirectly. Programmes organize by the university through its faculties and departments as well as its students would have the objective to educate the society in specific issues or in general.

ii) Accountability

According to Professor Gower corporate governance is a means of ensuring that those who controlled and managed such companies did so for the benefit of the shareholders and were effectively accountable to them.[27]

Accountability arises in the relationship between the company (or directors) and shareholders because the shareholders are said to have delegated their responsibilities as owners of the company to the directors who oversee the management of the business on their behalf.[28] In the Cadbury Report it was stated that:

The formal relationship between the shareholders and the board of directors is that the shareholders elect the directors, the directors' report on their stewardship to the shareholders and the shareholders appoint the auditors to provide an external check on the directors' financial statements. Thus the shareholders as owners of the company elect

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[22] Prof. Abdul Manap Said, *Corporate Social Responsibility - A Malaysian Perspective,(*ROC Centennial International Conference On Corporate Governance, Kuala Lumpur, 7-8th July 1998).
[23] Abdul Manaf Said, Corporate Social Responsibility And The Company Secretary, *The Company Secretary*, (September/October 1997) 3
[24] Ibid.
[25] Carla Munoz Slaughter, Corporate Social Responsibility : A New Perspective, *The Company Lawyer*, (1997) Vol 18 no 10, 313 at 321.
[26]Refer J.E. Parkinson, Corporate Power and Responsibilities, (Clarendon Press, Oxford 1993) at 267.
[27] L.C.B Gower, *Gower's Principles of Modern Company Law*, (Fifth Edition, Sweet & Maxwell, London, 1992) at 71.
[28] Bosch H, *Corporate Practices and Conduct, (*Third Edition, Pitman Publishing, Melbourne, 1995) at 7

the directors to run the business on their behalf and hold them accountable for its progress.[29]

This means that accountability may take effect through a two-way communication i.e. by the disclosure of the necessary information by the directors and the willingness of the shareholders to accept it and react on it. The Malaysian Code on Corporate Governance[30] and the Combined Codes on Corporate Governance[31] have also discussed about accountability in corporate governance. The discussion concentrates on the importance of having an independent audit committee. This is because matters concerning financial data and internal controls of the corporation would be better dealt with by an independent audit committee. Furthermore it ensures that the auditor will have free rein in the audit process. The committee has the task of monitoring the company's financial position and therefore it should be independent. To preserve its independence the Listing Requirement stipulate that majority of the committee including the chairman must be independent and no alternate directors could be appointed to the committee.[32] The committees could directly communicate with the external auditors and obtain independent professional or other advice.[33]

According to Sir Adrian Cadbury, effective accountability is the essence of any system of good corporate governance.[34] The establishment of an accountability mechanism in corporate governance is necessary to ensure:

- honesty and integrity on the part of the board.
- that directors do not pursue their own economic self-interest at the expense of the interest of others who have a stake in the company.
- that there are in place effective structures for monitoring and evaluating the stewardship of directors.[35]

Bearing in mind their degree of accountability the directors should thus be very careful in their conduct.

It has been suggested that the concept of accountability carries with it some corollary obligation on the part of the shareholders.[36] The Cadbury report shared the same view on this point whereby it has asserted that effective accountability will arise when the directors provide the shareholders with quality information and the shareholders exercise

[29] Sir Adrian Cadbury Chairman, *Report of the Financial Aspects of Corporate Governance*,(1992) at paragraph. 6.1
[30] Above note 16 at 46.
[31] In principle D.1-D.3 of Committee on Corporate Governance, *The Combined Code on Corporate Governance*, (June 1998).
[32] Para 15.10
[33] Para 15.18
[34] Roberto Romano, *Foundations of Corporate Law*, (Oxford University Press, 1993) at 161.
[35] D. D. Prentice, Some Aspects of Corporate Governance Debate, in D.D Prentice and P.R.J. Holland (editors), *Contemporary Issues in Corporate Governance*, (Clarendon Press, Oxford, Allen & Overy, 1993) at 25.
[36] In Final report of the Hampel Committee on Corporate Governance (January 1998)

their responsibilities as owners.[37] Thus the principle of accountability requires the effort of both the company and the shareholders in order to become effective.

The concept of accountability would be equally applicable in the higher learning institutions. Since the university comprised of few important parties like the top management, administrative and academic staffs and the students, they are accountable to each other. Disclosure of material information and constant submission of important report would ensure the effectiveness of this concept.

Corporate Governance in Malaysia

Malaysia is committed towards improving the quality of corporate governance in particular amongst its listed companies. Two important committees have been established for that purpose such as:

- High-level Finance Committee on Corporate Governance – 1998
  The committee comprised of people from the government as well as from the industry. In March 2000 the Malaysian Code on Corporate Governance has been published.
- Corporate Law Reform Committee
  Established by the Companies Commission of Malaysia in 2003 to undertake a comprehensive review of the corporate law in Malaysia. At present the committee has published few consultation documents on certain issues.

In August 2000, a Minority Shareholders Watchdog Group was established upon recommendation by the Finance Committee on Corporate Governance to be a resource center for the minority shareholders. The Watchdog Group is expected to encourage independent and proactive shareholders participation as well as to influence decision - making process in listed companies.

In addition, the revamp of Bursa Securities Listing Requirement in 2001 brought the Malaysia Code on Corporate Governance into full effect by requiring mandatory disclosures on the state of compliance with the Code by listed companies. The revamp of the Listing Requirements includes among others the requirement for quarterly reporting, independent directors in board composition, related party transactions, role of audit committee and also provisions governing whistle blowing. All these indicate the positive steps taken by the government in enhancing the standard of corporate governance in Malaysian, in particular the public companies.

[37] See note 29, at paragraph. 3.4

Corporate governance in public higher learning institutions

Under the new policy framework, higher education has been privatized and public universities have been corporatized. Starting in 1998, 5 public universities have been corporatized. The corporatisation of public universities is very much in line with the global trend of changing universities into enterprises and to develop corporate culture and practice that enable them to compete in the market place. This trend is reflected in the corporatization of Australian universities and the changing of public universities into "entrepreneurial universities" in Singapore and "autonomous universities" in Indonesia and Thailand. Universities are being made to operate like business organizations. Instead of producing and transmitting knowledge as a social good, the universities are placing emphasis on the production of knowledge as a marketable good and a saleable commodity. Universities are engaged in market-related activities. Matters like which courses to teach, which research initiatives to fund, which student populations to serve, and which enrolment policy to adopt is increasingly being determined by market forces

It can be seen that educational institutions in both the public and private sectors in Malaysia are adopting a commercial approach to higher education. The corporatization of public universities involves changes in the governance structure, the diversification of revenue, and the institutionalization of corporate managerial practices. A significant change in university governance is the reduction of academic representation in the Senate, which also reflects the diminishing influence of the academia in the decision-making process.

The Vice-Chancellor operates like a Chief Executive Officer (CEO) who is often called upon to make top-down decisions in response to external environment. The corporatized university has to raise a portion of its operating costs through market-related activities like research grants and consultancy, franchise educational programs, rentals from university facilities, and full-fee paying foreign students. Besides diversifying its source of revenue, a corporatized university has to take steps to improve its institutional management internally. Management techniques from the private sector like mission statements, strategic planning, total quality management, ISO certification, right sizing and benchmarking are beginning to be institutionalized in all public universities.

All these changes in the management practices can be seen as a more powerful role for the university's central authorities in resource management and in orienting and controlling department activities. There have also been attempts to restructure departments into larger groups to form viable decision-making and administrative units. There are also additional units for industry liaison for revenue-generating activities, as well as for institutional development purposes. With the expansion and diversification of higher education, the Malaysian government has to expand its role from being the main provider to a regulator and protector of higher education. As a provider, the state allocates resources to institutions of higher learning and provides funds for scholarships and student aid, research, and capital expenditures. As a protector, the state takes on the function of consumer advocacy by improving access to higher education, formulating policies to promote social equality, and by monitoring the quality of academic programs.

As a regulator, the state ensures oversight of new and emerging institutions through institutional licensing and program accreditation. The state also steers by structuring the market for higher education services to produce outcomes consistent with government priorities. The state plays these additional roles through legislative interventions.

Conclusions

Similar to many countries, which relied on public institutions, Malaysia has adopted strategies to reduce reliance on the State for financing higher education institutions. Two trends that characterize major changes in higher education can be identified as privatization and the emergence of the private sector in higher education. Privatization implies applying private sector or market principles in the operation and management of the institutions of higher education while ownership rests within the public domain. The private sector, on the other hand, indicates the growth of the non-government sector in higher education.

With privatization of the public universities, the institutions became managerial and entrepreneurial in their approach, as well as in their operations. Institutional autonomy, levying a price on services provided to generate income, the corporatization of public universities, the creation of private companies within public universities, introducing cost recovery from students, and the initiation of income-generating activities will be unavoidable. In any case, these changes have led to dramatic transformations in university operations. Even today, institutions have become progressively more independent from the government and certain departments/units have gained in autonomy. Many have reorganized their activities in a cost-conscious corporate style even though they remain within the public sector domain. This institutional restructuring process is the single most important change that has taken place in universities during the past decades.

Institutional restructuring resulted to changes in both the governance and management of institutions. Governance involves structures and processes of decision-making, whereas management implies the implementation of decisions. Therefore, across university administration as a whole, such as education and research, organization management, personnel and finances, national universities should work to clarify rules, ensure transparency and actively provide information to society.

It is also important to have external experts and specialists with considerable insight participate in management, thereby reflecting the wide-ranging opinions of the people and society appropriately in the management of individual universities, carrying out monitoring, actively using the diverse knowledge of society, and strengthening the functions of universities.

At the same time, in managing universities, it is important to emphasize not only the ideas from the supply side of education and research, but to constantly emphasize the ideas of demand side in the form of students, industry and the local community. There is particularly a strong need to strengthen the education function from the standpoint of the students who are educated at these universities. Further, appropriate principles of competition based on third-party evaluation should be introduced into the world of education and research in national universities. In order for this to occur, a strictly fair and objective third-party evaluation system should be established, and in addition to substantiating the results of education and research by national universities and their staff, resources should be allocated with priority in accordance with the results of evaluation.

It is also important for public universities should clarify the existence of authority and responsibility in university administration in response to the expanded autonomy and independence in university administration, such as the dramatic expansion in authority of management brought about by corporatization. It is also important that the expanding authority in terms of management is utilized to drastically strengthen management frameworks within universities to strategically revise the allocation of resources that cross the borders of faculties to dynamically determine and execute this allocation. It is also important to establish top-down decision-making mechanisms from a whole-university perspective, while ensuring that consensus within the university is achieved. Similarly, in each faculty, dynamic and maneuverable management mechanisms and smooth reaching of decisions should be introduced, centering on faculty deans, the people responsible for management, based on the university-wide management policy.

As a conclusion, the adoption of corporate governance principles in the higher learning institution would be essential since it going to be involved in business besides educating and doing research. Such step is necessary to ensure the success of the university in both areas as well as to ensure the rights of its stakeholders in particular the staff, students and creditors would be protected. Bearing in mind the different structure of a company and university corporate governance principles should be adopted with suitability.