

# Governance and Management of National University Corporations

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### **Introduction**

In 2004, Japanese national universities were transformed into national university corporations (NUCs). From their former positions as just branches of the Ministry of Education, national universities became individual juridical public bodies separated from the central government. The transition was implemented through the National University Corporation Act, which was the enactment of the report entitled “New Vision for National University Corporations”. The report indicates three aspects for reform: identifying the missions and goals of universities, defining the management responsibility and giving considerable autonomy in operations through the adoption of business management tools, and introducing a mechanism to stimulate competition between universities in addition to respecting more of the needs of students and business entities. In other developed countries these principles have been clearly and broadly manifested as new public management (NPM) or new managerialism in higher education reform (Teixeira et al., 2004; OECD, 2004), where the focuses are on results and being customer-oriented, the market mechanism, and devolution or decentralisation (Hood, 1991; Pollitt, 1993).

As Yamamoto (2004a) has mentioned, the corporatisation of the national universities contains a considerable element of public sector reform, although the Ministry of Education classes it as educational reform (Toyama, 2004). In fact, the basic regulatory framework for the Independent Administrative Institutions (IAIs), which are semi-autonomous public bodies implementing public services (Yamamoto,

2004b), has been applied to the NUCs. And the incorporation has dramatically changed the governance and management system of the national universities.

First, NUCs are at present placed in an arrangement of a multiple-principals and agent relationship (Bernheim and Whinston, 1986), which is in contrast to the former hierarchical or simple principal-agent model (Holmstrom, 1979) within the ministry. Second, much flexibility in management has been given to the NUCs in exchange for increasing accountability for their results through the medium-term plan, which is approved by the Education Minister. NUCs are required to set targets to enhance the quality of the teaching and research conducted, and to improve their operations and efficiency in addition to financial status, etc. (Article 30 of the Act). Before corporatisation, there was no need for national universities to prepare strategic or medium-term plans, rather just to comply with administrative laws and regulations in which a few targets for results were described. Third, NUCs have full discretionary power in allocating and using operating revenues including operating grants that basically subsidise the difference between current expenses and revenues like tuition fees. In other words, national universities have to manage the balance of spending and revenues, whereas in the previous system they simply had an obligation not to overspend the allocated Spending Budget provided by the Ministry of Education in accordance with line-item control.

Therefore, an investigation of the impact of corporatisation on governance and management within the national university system would illustrate the extent to which the managerial approach in higher education works and identify some of the lessons learned. There are, however, few studies on the outcomes of reform, even while managerialism or marketisation become part of higher education policy around the world (Harman, 2001). Instead, many authors have examined the actual process of reform, including incorporation or transformation of the funding system, in higher education (Eades et al., 2004).

From this perspective, in Section 2, analytical models of the national university system will be examined to investigate the governance and accountability structure of the NUCs. Section 3 describes the real position of NUCs in the multiple-principals and agent relationship. In addition, the actual contents and structure of accountability will be shown, followed by an examination of the introduction of competitive funding in operating grants to the new national university system. In Section 4, the corporate governance of NUCs is compared to the previous structure, linking to the accountability model. Then, using survey data and a governance model for the national university system, the extent institutional management has changed in terms of

organization, performance, personnel, finance and facilities it is examined. Finally, Section 5 presents some conclusions and future research issues.

## **Analytical Framework**

### ***Governance Model for the National University System***

Before corporatisation, national universities were institutionally an educational organisation within the Ministry of Education; thus common rules and regulations for government agencies were applied except with respect to financial and personnel management<sup>1</sup>, owing to the specific nature of teaching and research in higher education. In this regard, the governance structure in the former system was a hierarchical relationship within the Ministry. However, through corporatisation, national universities were separated from the Ministry and located at a multiple-principals and agent relationship due to the change from internal organisation to disaggregation: the corporatised organisation must independently interact with stakeholders other than the competent ministry. In other words, in the previous system, the principal was the Ministry and the agent was the national university. According to the classification by the OECD (2004), the national university system was transformed from “state owned” to an “agency of state”. In addition, each national university as a public corporation (juridical person) must interact with society through delivering public services, and compete with private or local public universities.

Here, in order to investigate the situation where NUCs are placed in a wider, more complex regime, we adopt a multi-interrelated model that Talbot et al. (2005) call the Performance Regimes Model (see Figure 1). The model was developed on the basis of practical experience with performance developments, research and theory. The objective is “to provide an analytical framework for understanding the complex pressures...This also provides a platform for understanding how management of public services can and does respond to these complex external pressures” (Talbot et al., 2005). In the model, eight categories of institutional actors are identified as affecting the performance of a service delivery unit and interacting with one another. If the model is applied to the case of NUCs, which can be considered a service delivery unit for higher education, “Legislature” refers to the Diet, “Central Ministries” involve the Cabinet Office, the Ministry of Finance and the Ministry of Internal Affairs and Communications, while “Ministries” corresponds to the Ministry of Education. Then the “Regulatory Agencies” are the Evaluation Committee for the NUCs, the National

Institution for Academic Degrees and University Evaluation (NIAD-UE) and other accredited institutions. On the other hand, “Audit/Inspection” includes the Board of Audit (National Audit Office) and the external auditors appointed by the Education Minister. “Partners/Contracts” are companies and other research or education institutions implementing joint activities such as research and teaching. Further, “Users” are equivalent to students and service recipients, while “Professionals” are Academic Institutions like the Association of National Universities.

However, as Talbot et al. (2005) indicated, the eight actors do not have equal influence over a service delivery unit. They identified five performance regimes models within government depending on who has formal power to instruct or steer the unit (see Appendix): the professional bureaucracy model is the case when professional institutes, regulatory agencies, audit and inspection have strong influence; the principal-agent or managerial model involves ministries that directly steer; the regulatory model has influential actors in legislature, regulatory agencies, audit and inspection, and professional institutes; the political model has central ministries, legislature and ministries with strong power; and the learning model has contracts and partners, users, and professional institutes as the influential actors. When the service unit competes with other sectors to provide the service, a market model is assumed in order to ensure equal footing. Higher education service is a good example of such a case. In the market model, influential power rests on regulatory agencies, audit and inspection, contracts and partners, and users. National universities also compete with private and public universities in Japan. Consequently the interactive relationships can be explained by six extended models, as shown in the Appendix.

By analysing the basic concept of incorporation, the NUCs as a service delivery unit can be seen to be significantly influenced by five main institutional actors. This is caused by a hybridisation of four models: the managerial model, the regulatory model, the political model and the market model. Since the corporation itself is to locate national universities as the agents of the Ministry of Education, the relationship with the Ministry is described in the managerial model. Incorporation also introduced an external auditing and evaluation system to the national university system in exchange for providing more flexibility in operations. The audit and evaluation systems are clearly related to the regulatory model. In addition, the system change leads to political decision-making because legislative control and funding methods have to be transformed. Accordingly, the political model will be considered in the situation in which the legislature and central agencies intervene in, or influence the service delivery unit in a system change or reform, while in a normal situation the dominant

actor is just the responsible ministry or ministries. Further, the “New Vision” stipulates that it is necessary to strengthen the teaching function, respecting service users from the demand side perspective. This is an element of customer-oriented management in the market model.

Given the new scheme for national universities, five institutional actors of eight categories will significantly affect the performance of NUCs because the Diet determines only the operating grants and subsidies for capital expenditure that make up a part of the total budgets for funding the NUCs. In the past the total expenditures and revenues were determined and approved by the legislature as a line item, such as personnel and travelling costs. Partners and contracts with the NUCs are fundamentally in a horizontal and equal relationship, not a principal-agent relationship. In a similar vein, Professional Institutes do not wield much power, because the associations and unions for academics are only loosely organised and are set up sector-by-sector: national, public and higher education. Consequently the expected governance structure is shown Figure 2.

Figure 1. Performance Regimes Model

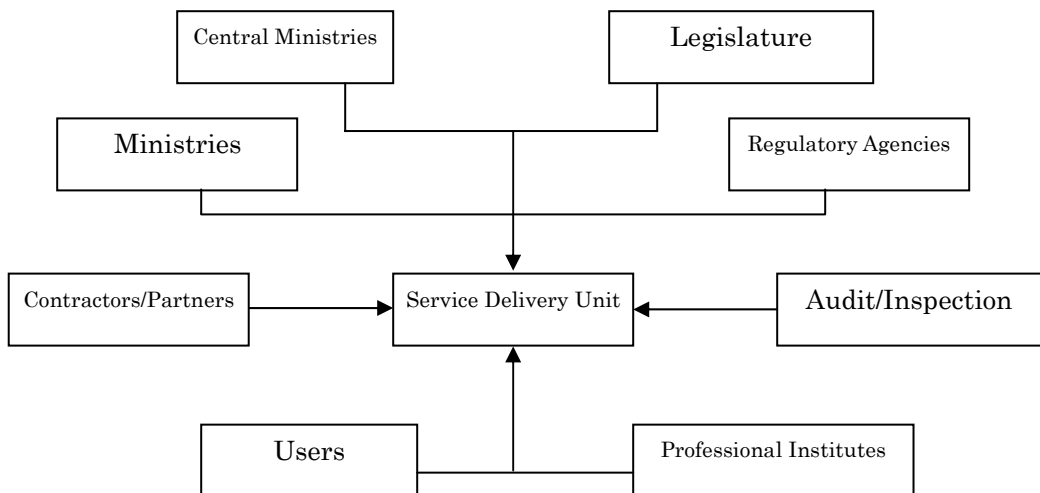
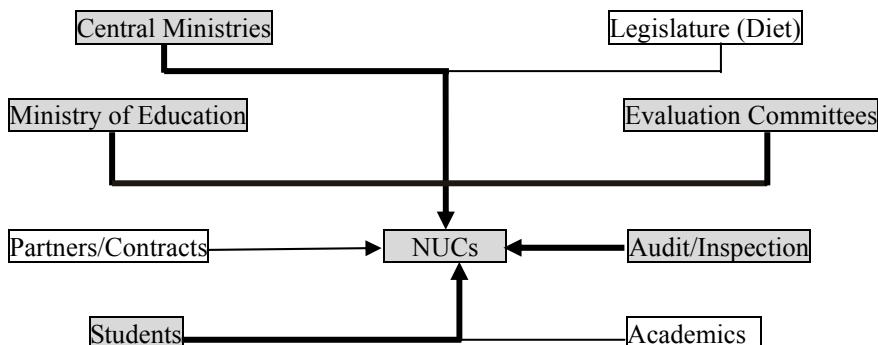


Figure 2. Expected Governance Model for the National University System



### *Accountability Model*

As mentioned before, under the former system, national universities were internal organisations within the government. At that time, academic staff in national universities had academic freedom in teaching and research, although finance and execution were under bureaucratic control, that is, there was a straightforward vertical relationship in compliance with the procedural or input-oriented and process regulations. By contrast, corporatisation transformed national universities into a body separated from the government that provided greater freedom in management in exchange for introducing into the universities a system of management by objectives, which also includes academic work. The transformation in accountability relationships may be described well by using a typological model that Romzek and Dubnick (1994) developed (see Figure 3). The model divides accountability mechanisms into four categories through two dimensions: source of control and degree of control. The first dimension of source of control relates to the origin of the expectations, namely, internal or external, and the relationship of the stakeholders. The second dimension is the degree of control present in the accountability relationship. A high degree of control involves close specification of duties and intense scrutiny of actions, while a low degree of control involves much less scrutiny and the agency is granted a great deal of discretion.

Applying the model to the national university system, we can show that the former system composed of bureaucratic and professional mechanisms is in clear contrast to the new system that has an accountability dimension expanded to legal and political mechanisms. More correctly, NUCs are bodies legally separated from the Ministry of Education, and are granted considerable freedom in resource management, which is different from the previous situation where finance was a line-item control, staff fell

under the regulations for civil servants, and assets and liabilities were directly controlled by the Ministry as government assets and liabilities. Of course, the NUCs are accountable for their medium-term goals to the public through the responsible minister. Academic staff can no longer teach and conduct research in the sheltered collegial world, since expected academic outcomes are to be described in the medium-term goals and plan, and their performance will be reported to society through annual reporting and be reviewed by the Evaluation Committee as part of the operation and management results.

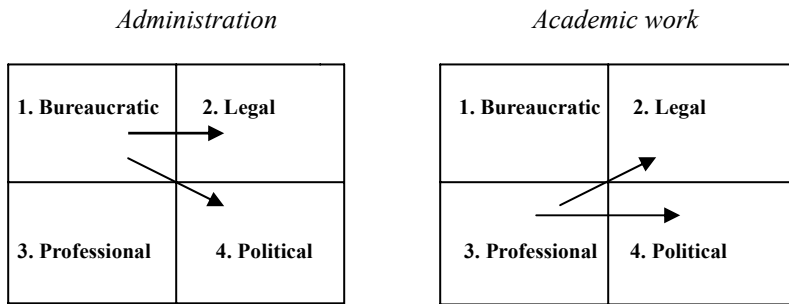
Consequently, it is assumed that accountability mechanisms will take on more external and flexible dimensions (see Figure 4). The transition of accountability is driven by the governance model. As mentioned earlier, the NUCs are located in a synthesised governance model. They previously occupied a position of an internal organisation within the Ministry of Education; therefore, administration in the national universities was basically identical to other government agencies, while academic work differed from administration and enjoyed a professional or collegial style. Incorporation changed this status to now involve interrelated relationships with other influential actors. First, the principal and agent relation or regulation and regulate relationship is a transformation from internal to external control under intense scrutiny (legal accountability for the agency). Second, the customer (user) and service provider relation has moved more toward customer- or stakeholder-oriented behaviour (political accountability for the agency).

Figure 3. Accountability Model

*Sources of Agency Control*

|  |             | <b>Internal</b>   | <b>External</b>  |
|--|-------------|---|--|
| <i>Degree of Control over Agency Actions</i> | <b>High</b> | <b>1. Bureaucratic</b><br>Superior/subordinate<br>Supervision, rules, Standard<br>operating procedure | <b>2. Legal</b><br>Principal/agent<br>Fiduciary<br>Oversight monitoring                |
|  | <b>Low</b>  | <b>3. Professional</b><br>Layperson/expert<br>Deference to experience                                 | <b>4. Political</b><br>Constituent/representative<br>Responsiveness to<br>stakeholders |

Figure 4. Expected Transition of the Accountability Model



## System Governance and Accountability

### *Impact on Governance*

First of all, since the Special Account for National Schools was scrapped through corporatisation, the Diet's mandate in budgeting is now limited to assigning the operating grants and subsidies for capital expenditure, since NUCs are not a branch of a ministry, but a public body supported by the government. In other words, the legislature is unable to control completely the spending and revenue of the national universities; the scope of parliamentary control has thus been decreased.

Second, the new scheme has granted the Executive, the Central Ministries (the Cabinet Office, the Ministry of Finance, the Ministry of Internal Affairs and Communications) and the Line Ministry (the Ministry of Education) more influential power over the NUCs. The Ministry of Education not only approves the medium-term plan submitted by the NUCs but also prepares their annual budget requests to the Ministry of Finance. The Ministry of Finance examines the budget requests each year and has the mandate to consult with the Education Minister on financial matters such as approving the medium-term plan, borrowing or issuing bonds and so forth. The Ministry of Internal Affairs and Communications has been vested with greater power to oversee the semi-autonomous public bodies (IAs and NUCs) established by the recent 21st century public sector reforms. In practice, the Committee of Policy Evaluation and Evaluating Independent Administrative Institutions was set up within the Ministry. The Committee reviews the evaluation results from the Evaluation Committee in the responsible Ministry (in the case of national universities, this is the Evaluation Committee for NUCs) and at the end of the medium term, can recommend the amendment or abolition of activities to the responsible Minister. Of course, the NUCs are subject to the National University Corporation Act, which differs from the



Basic Act for Independent Administrative Institutions in respect to the specific nature of higher education. Accordingly, the Evaluation Committee in the Ministry of Internal Affairs and Communications is located within the Regulatory Agencies, while its power is limited to examining the management and operational issues of the NUCs. In 2007 the Council on Economic and Fiscal Policy (CEFP) in the Cabinet Office discussed reforming the operating grants for the NUCs. The CEFP now has greater power over policy formulation than during its time under the previous Koizumi Administration (2001-2006). Some analysts call the CEFP the headquarters of the Cabinet. Discussion has focused on reinventing the strategies for education and economic growth because education is not only an investment for future society but also an engine of growth. However, the discussion is related to the coming policy debates on how to finance the NUCs in the next medium term. Consequently, the main actors of the Central and Line Ministries under ordinary circumstances are the Ministry of Education and the Ministry of Finance, although the latter focuses purely on financial matters.

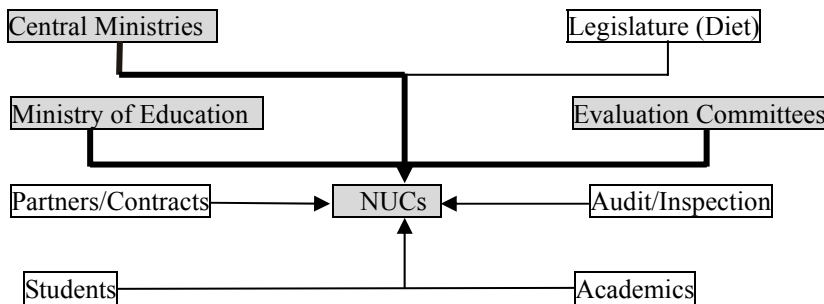
Third, the Evaluation Committee for NUCs in the Ministry of Education has the role of an oversight or regulatory body alongside the NIAD-UE which will implement a review of teaching and research activities for NUCs according to Committee's requests. The Committee evaluates the performance of each national university every year, while the NIAD-UE reviews academic performance in the medium term. In the first evaluation process in 2005, the guidelines of the annual performance report affected the priority in management of the NUCs. These guidelines work toward good practice. In actuality, the Committee is supposed to encourage presidential and strategic management rather than to examine critically the extent to which NUCs have advanced toward their medium-term goals. In other words, to date, the Committee might be considered a supporting institution for the NUCs, although at the end of medium-term period (in 2009) the evaluation results will have to be fed back to those responsible for resource allocation of the operating grants in the next medium term. Policy might be partly affected by the composition of the members: seven former presidents or professors from national universities, four from private universities, and five from the business world. Hence the Evaluation Committee for NUCs is the most influential among the regulatory agencies.

Fourth, the NUCs as the independent body are to be checked by several auditors in addition to the Board of Audit. The Education Minister appoints two auditors in charge of examining the operations of each NUC and an external auditor for financial reporting. However, the functions of the external auditor are limited to examining the financial reporting and the significant auditors come from the related organizations. In

some cases, a former professor has transferred to the post of auditor. Consequently, the audit and inspection so far do not hold strong sway over the NUCs.

Fifth, the power of Users or students as a constituent stakeholder has been growing, since the numbers of young persons entering universities has been decreasing. Some national universities regard students and patients as customers in their medium-term goals and plan. To date, however, the students' union has little power over university management; rather it is supported by the university. As a result, the likely actual performance regimes are shown in Figure 5, where managerial and regulatory relations are dominant.

Figure 5. Actual Governance Model for the National University System



### *Impact on Accountability*

With respect to administration, every NUC must prepare a medium-term plan describing how it will conduct teaching and research, manage its resources and evaluate its performance in order to accomplish its medium-term goals. Many national universities had already set up their missions or long-term goals before corporatisation. However, these tended to be abstract and general, and most had no implementation strategy. Now in the medium-term plan for the period 2004 to 2009, quantitative management and operational targets are defined and accompanied by explanations of how they will be accomplished. Moreover, performance against the medium-term goals and plan are disclosed to the public.

As mentioned earlier, input and process control was replaced with output control by giving NUCs much more freedom in resource management. Under the new scheme, how to spend the operating grants is a discretionary matter for the national universities. Now it is possible to pay somewhat higher salaries to distinguished professors or managers and other skilled employees. This is in stark contrast to the former system in which staff were civil servants and wages were regulated. In addition, the annual

performance reports and medium-term plans are disclosed, although few people in fact see them and most national universities still adopt the former personnel system for public employees under the new scheme. In addition, the mass media now take up the topics of the NUCs more frequently.

Accordingly, we can say that the accountability mechanism in administration has moved toward an external system with a low degree of control, even though the NUCs so far have not fully adapted to the new mechanism. In teaching and research, NUCs are required to set up the medium-term goals and plans to promote the quality of academic work. The outcomes are reviewed by the Evaluation Committee for NUCs every year, and at the end of the medium-term. The NAID-UE examines the extent to which each NUC has accomplished its medium-term goals. Of course, considering the specific character of higher education where it takes some time to achieve results, the annual review of teaching and research is limited to checking the progress against the medium-term goals, and is not an in-depth examination. But in any case, through the introduction of management by objectives into academia, faculty activities in the NUCs are also subjected to external evaluation by evaluators including non-academics such as business professionals. From this perspective, faculties are now accountable to stakeholders other than professional colleagues or peers. In addition, since the medium-plan contains definitions of certain quantitative targets in teaching and research (e.g. employment rate and passing rate of examination), the degree of control over academic activities is now greater than under the former system in which most of the teaching and research targets were qualitative and the universities had no responsibility to reach them.

Consequently, the accountability mechanism in teaching and research activities is shifting along the expected course to a more external (political) system with a higher degree of control (legal). The NUCs no longer sit in an “Ivory Tower”.

### *Competition among Universities*

Corporatisation, as the final report on incorporating national universities describes, intends to introduce a market mechanism or competitive environment between NUCs in resource allocation or government funding. In practice, the new scheme stipulates that the performance of each NUC should be linked to the funding (operating grants) for the next medium term. The Ministry of Education also set up a partly competitive scheme within the operating grants system; a specific amount apart from the monies of the standardised operating grants is reserved as the Special Teaching and Research Fund. Each NUC submits its proposal(s) in accordance with pre-determined subjects to

the Ministry. After appraisal by external members, the Special Fund is allocated to the NUCs.

The size of the Special Fund is not large at just 6-7 per cent of the total operating grants, because the grants are considered to be the basic fund for teaching and research. Analysing the allocation of the Special Fund to national universities shows that in practice, the variation is much smaller than that of the largest competitive research fund, the Grant-in-Aid for Scientific Research (the coefficients of variance are 0.6233 and 2.4083, respectively).

## **Corporate Governance and Institutional Management**

### *Corporate Governance*

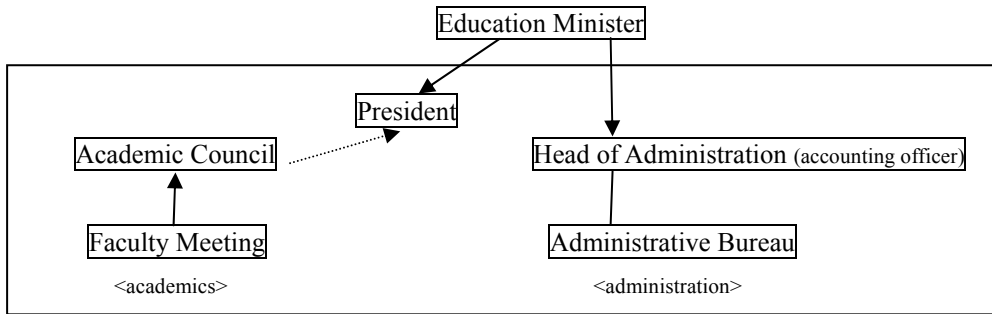
Incorporation of the national universities changed not only the interrelationship between universities and the government, but also the governance structure of each university. Before corporatisation, the national universities were not legal organisations (see Figure 6) and, as a result, there were two different structures depending on the academics and administrators involved. Decision-making on academic issues was undertaken by the Academic Council whose members came from faculties. However, the administrative head as an Academic Officer of the Ministry managed and controlled administrative matters in compliance with government regulations. The president had no mandate on financial issues for the university, although he or she was appointed as the president by the Education Minister based on the votes of academic staff.

Corporatisation granted the national universities legal status as independent public bodies. Therefore, the president now holds decision-making power on all management matters including finance and personnel. Now he or she controls the Administrative Bureau which was previously under the control of the administrative head. The Board of Directors comprising the president and several directors is the executive body for managing the university, while the final decision-making is the remit of the president (Article 11 of the National University Corporation Act). Since the president appoints the directors, the president can exercise strong leadership. The concentrated power held by the president is counterbalanced by several checking instruments. First, two auditors appointed by the Minister will examine the university operations, and second, two councils were established to discuss and offer advice on management and academic matters. The Management Council in charge of management is composed of academic and non-academic external members who shall

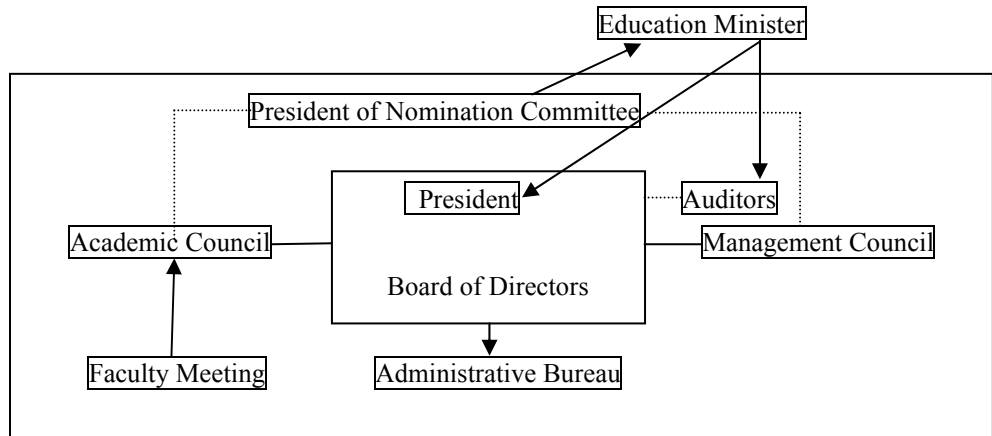
form the majority of the members. On the other hand, the Academic Council consists only of academic members. Third, the president is selected by the President Nomination Committee which is composed of elected members of the Academic Council and Management Council (see Figure 6).

Figure 6. Corporate Governance Structure

*Before Incorporation*



*After Incorporation*



***Institutional Management***

Corporate governance has boosted the leadership of the president in organizational management as well as in teaching and research. According to a survey by Amano (2006), the influence of the president in decision-making has increased post-incorporation. The proportion of respondents who answered that the role of president has become “larger” or “somewhat larger” in relation to annual planning and

resource allocation were 95.2 per cent and 97.6 per cent, respectively, which is in contrast to 56.1 per cent and 61.2 per cent for the administrative head. The remaining power of the administrative head is probably associated with the practical knowledge regarding whether a decision falls within the regulations or not.

A flattened and non-fixed organisation structure was also introduced to promote efficiency and to increase the speed of decision-making. Managerial and regulatory models which are dominant in the governance system require each national university to define targets and measure actual performance against the stated targets, then implement the necessary corrections. In other words, the idea of management by objectives (MBO) has been adopted by the NUCs. Owing to the specific nature of universities, external evaluation is to be based on self-evaluation by the university, which requires a performance management system to be established in each university. In fact, incorporation demands that the NUCs prepare an annual performance report, with financial statements, for review by the Evaluation Committee for NUCs.

Separation from the central government changed the status of university staff from civil servants to non-civil servants. This effectively means that administrative and academic staff no longer have 'employment for life' status. Thus far, the transition from a career-based or seniority system to term-contract and performance- or competence-based personnel management has been progressing gradually. After corporatisation, the linkage between performance appraisal and salary or promotion has been strengthened in some national universities, although few private universities have adopted a performance appraisal system for academic staff. A remarkable practice concerns the flexible control system of personnel costs. In this system, points and unit costs are set for different academic positions and then the total points are calculated by multiplying the points and unit costs for all the staff employed. The faculty or department has full discretionary power over how to employ academic staff when total points are below the target.

Financial management for the NUCs now allows more flexibility in their operations through the receipt of operating grants; the president has full discretion in resource allocation. Revenue and resource allocations are interrelated through the incentive system. Some universities have introduced a linkage system in which the greater the number of academic staff gaining a competitive research fund, the larger the research money allocated to them from the operating grants. Many presidents also have discretionary money for strategic activities. The power provided through presidential leadership assists the president in university management, although personnel costs are regulated by the government through the public sector policy for

total personnel costs control, which is applied to all public bodies including the NUCs. Financial statements are prepared on an accrual basis and audited by accounting firms or accounting professionals. However, as Yamamoto (2007) points out, a dual system composed of cash-based budgeting and accrual-based accounting has caused a matching problem for , or misunderstandings among, the public.

The MOB concept was introduced in the adoption of the medium-term goals and plan. Every year the university must implement a self-evaluation of all its activities, irrespective of whether or not the annual plan was successfully executed. Then the annual performance report and financial reporting submitted to the Ministry of Education are reviewed by the Evaluation Committee for NUCs. The evaluation results are used to improve the university's operations or are fed back into the next annual plan. The review of the Evaluation Committee acts to oversee or monitor the PDCA (plan, do, check, and action) cycle for the NUCs. So far, it seems that the Committee has placed emphasis on encouraging performance management and presidential leadership rather than identifying problems. The survey data corroborate this stance: a larger part of national universities rated preparing the annual report and the work of the evaluation committee as effective (over 75 per cent of respondents answered "effective" or "somewhat effective").

Compared to other aspects of resource management, significant constraints apply to facilities management. Capital expenditure is basically funded by the government through the capital expenditure subsidies for teaching and research and through government bonds for hospitals, excluding facilities for rent and those that are self-financing through donations and reservations. Accordingly, the discretionary power of the NUCs is quite low. The focus is on maintenance and use of facilities. In contrast with the former situation in which all facilities were classed as national property, university facilities are now owned by the NUC. The university is therefore able to use them in what it considers the most appropriate way in order to accomplish its strategic aims, although the disposal of property and facilities must be approved by the government. More efficient space-using and energy-saving activities should enhance the capacity of the university for teaching and research. Consequently a space charges system, which is an internal management mechanism, has been widely adopted by universities: 51.2 per cent of NUCs already operate the system and a further 21.4 per cent plan to adopt it, which is a considerable jump from the mere 20 per cent that had adopted it before corporatisation in 2003 (Amano, 2006).

To sum up, institutional management has changed with incorporation as shown in Figure 7.

Figure 7. Transformation of Management

| Management Area | Before incorporation            | After incorporation                                  |
|-----------------|---------------------------------|--|
| Organization    | Hierarchy, Departmentalism      | Mission oriented, Flexible                           |
| Performance     | Compliance with regulations     | Managing for results                                 |
| Personnel       | Seniority, Life-long employment | Performance and competence based,<br>Term employment |
| Finance         | Line-item control               | Block grant, incentive system                        |
| Facility        | Departmentalism                 | Flexible and Sharing                                 |

## Conclusions

Japanese national universities were transformed into semi-autonomous public corporations, the National University Corporations (NUCs), in 2004. This reform has marked major and rapid changes in governance and management of the higher education sector in Japan. Each national university has become an independent public corporation separated from the government, and the introduction of result-oriented control has granted them considerable freedom in management. In practice, the IAI's governance framework, which has a hiving-off policy of public service delivery, is applied to the NUCs at a basic level. Moreover, the NUCs must now operate in a more market-oriented and competitive environment. Since IAIs are modelled on the Executive Agencies in the UK, which is an organizational reform of NPM (OECD, 1995), the corporatisation of national universities is considered a development of NPM in higher education.

From this perspective, an analysis of the governance structure for NUCs by adopting a multi-principals and agent relational model for service delivery has shown that the Central Ministries, Line Ministry and Evaluation Committee are the primary actors. Contrary to expectations, students as customers or users and auditors so far do not wield great power over the NUCs. On the other hand, it is assumed that the accountability mechanisms for the NUCs were also changed through transforming the governance structure. Using the two-dimensional classification model composed of the sources of control and the degree of control, corporatisation was seen to have provided



the NUCs with more external and flexible control.

Turning to the impact on corporate governance and institutional management, the new governance structure has strengthened the power of the president and executive body in organisational and financial management. In addition, many national universities have adopted business management methods such as management by objectives in corporate accounting. The results are partly explained by the specific national culture, as mentioned by Abegglen (2004), where in this decade Japanese enterprises have radically changed in financial management, while they have changed the least in personnel or human resource management. Actually in the government sector, organisation and financial management reforms have advanced, but civil service reform is still under discussion. In practice, although the NUCs have been given much freedom in operations via operating grants, they have suffered some constraints imposed by the government in personnel and facilities management.

While the future of corporatisation is uncertain, we can envisage four scenarios for the national university system. First is the downsizing of the national university system through decreasing grants from the government. Second is the segmentation of national universities in order to balance financial support with international competitiveness in teaching and research. Third is the privatisation of national universities, and lastly is the promotion of the national university system as intended by corporatisation. The market mechanism coupled with managerialism should accelerate one of these four scenarios toward soft control which focuses on performance and flexibility rather than on equity and fairness. Anyway, each university will probably develop corporate management to adapt to the situation it finds itself in. National universities, however, are higher education institutions, not business enterprises, and as such, we should continue to study the impact or influence of management approaches on teaching and research over the long term.

### **Note**

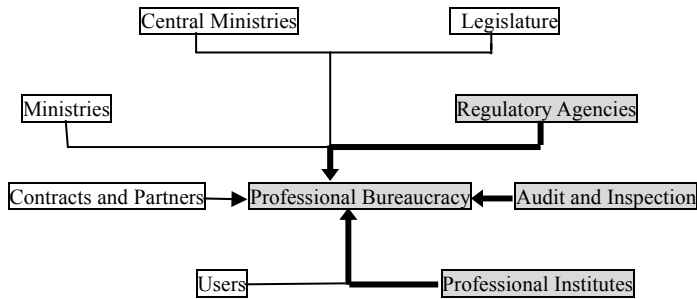
1. Contrary to the General Account, the Special Account for National Schools, for which national universities are eligible, was given some flexibility in finance and personnel. In finance, the Special Account was able to carry over surplus (revenue minus expenditure) into the next year. In addition, the Account was allowed to spend expenditures adding medical cost increase to the original budget approved by the Diet. On the other hand, in personnel management, the academic staff of national universities were granted a privilege of autonomy for teaching and research by the Special Act for Educational Civil Servants, although they were also civil servants.

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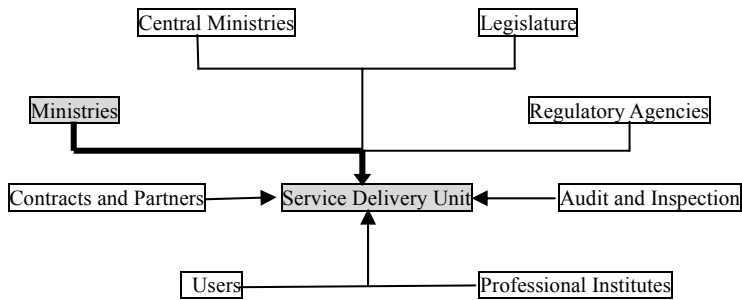
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Appendix

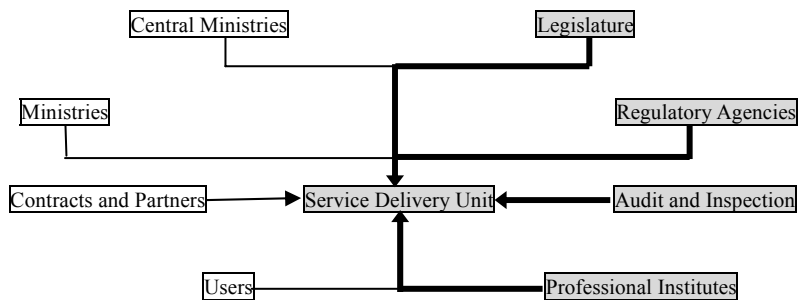
1. Professional Bureaucracy Model



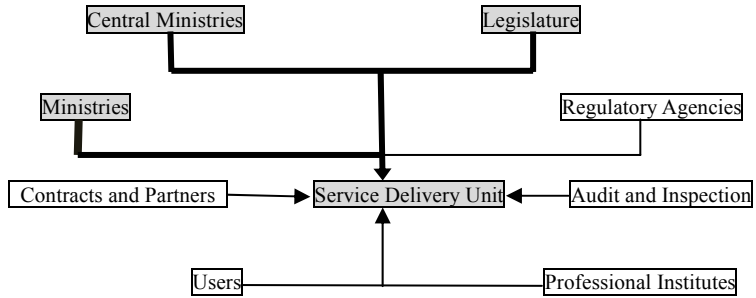
2. Managerial (Principal-Agent) Model



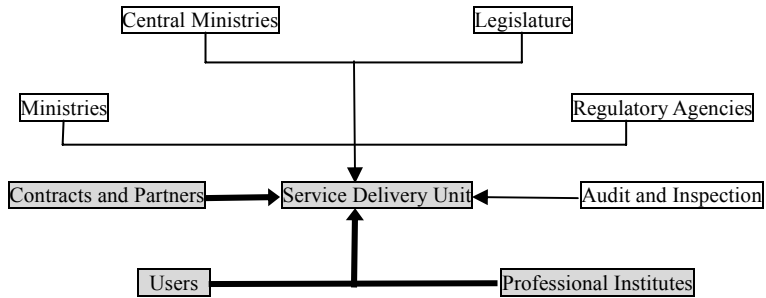
3. Regulatory Model



## 4. Political Model



## 5. Learning Model



## 6. Market Model

