

## Working Paper

**Chinese Universities At  
The Beginning Of The 21<sup>st</sup>  
Century**

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# ABSTRACT

This paper presents a macro level view of some of the main factors influencing the process of strategy formation in Chinese Universities in 2002. It represents the outcome of a literature search and informal interviews with a range of academic managers and academics in China.

University management is facing a series of issues arising from the reform process that has been in train in China since 1978 which has involved a shift in the process of resource allocation from being the key role of the State to a system that is more oriented to market competition while maintaining the leading role of the Communist Party of China.

The impact of this change is very significant for universities because they are charged with two key responsibilities – the development of new generation of leaders of China and the production of a work force with the new skills and talents for success in a globalising world economy. This role has been given a new focus as a result of China's entry to the WTO in 2002.

Key issues facing Chinese Universities include acquiring the resources to meet the rapidly growing demand for higher education, the reform of the administration of universities to better meet the challenges of marketization, the use of information technology to provide much greater opportunities for participation in higher education and the development of uniform, publicly accepted methods of assuring the quality of higher education.

Issues currently being debated in the educational administration literature in China include the role of the public and private sectors in the provision of higher education, the impact of the marketization of higher education on institutional consolidation, curriculum reform and the inclusion of new disciplines, human resource and financial management to meet the new paradigm, potential roles for foreign universities and mechanisms to provide a quality guarantee system for higher education.

The findings indicate that the managers of Chinese universities are having to respond to a rapidly changing environment with little in the way of sign posts from previous experience to guide them. Thus developing the skills necessary to undertake the process of strategy formation will become increasingly important.

# INTRODUCTION & METHODOLOGY

This paper forms a background to a study of Strategy Formation in Chinese Universities being conducted by the author. It presents a macro, policy level view with the aim of identifying key factors influencing the process of strategy formation with particular reference to joint ventures with foreign universities. It is the outcome of a literature review of English language literature on the topic augmented by assisted interpretation of Chinese language literature on current issues facing Chinese universities combined with focus group activities and conversations with individual managers of Chinese universities. Drafts of this paper have been reviewed by a small number of academic managers and academics in China who have provided valuable feedback.

## Methods

The survey was conducted via a literature review mainly using the ERIC database and by pursuing various authors and key journals. Some Chinese language literature was also accessed using the assistance of interpreters. The methods were to discuss the contents of the paper with the interpreter over sessions of several hours in duration. Some papers were translated in summary form.

Two focus groups were conducted with staff from Shanghai Institute of Foreign Trade.

The first group consisted of:

Vice President Wang Xingsun

Dean Xu Xiaowei

Deputy Dean Nie Qing

The aim of this focus group was validation of the general approach and the topics listed for discussions as potential items of the structured interviews which are to form the basis of the data collection phase of the project.

These people were chosen because they represented the level of management considered desirable for the survey – a senior manager, a Dean and a Program

Manager. All have had some experience in the West. Vice President Wang and Deputy Dean Nie are fluent in English.

The second group consisted of:

Lecturer, Li Li

Lecturer, Sun Haining

Teacher's Assistant, Yan Hai yan

The aim of this focus group was to gather feedback on an early draft of this paper. This group was chosen because they were all under 35 years of age and are involved in delivery of courses accredited in an Australia university with some lecturers and learning resources provided from Australia. These academics have responsibility for contextualising the material and in time can be expected to play an increasing role in the face-to-face aspects of the program. All three are fluent in English and have some experience in the west. The fact that this group is from a different generation to the above group meant that their perspectives on some issues were different to those of the older and more senior group.

Interviews about the issues being researched were conducted with the following individuals:

Roger Bell, (2001) Program Manager (Wuhan), RMIT Business

Huang Yejing, Research scholar at Shanghai Academy of Social Science

Hua Quankun, Vice President for International Programs, Anhui University.

Xu Lilai, Program manager (Shanghai) RMIT Business.

Jiang Yanqiao, (2002) Director International Co-operation and Exchange, Shanghai Municipal Education Commission.

These preliminary interviews were conducted as part of the process of gathering contextual information to assist and deepen the researcher's understanding of the Chinese higher education system. Records of the conversations were made

as soon as possible after the event. Analysis of the interviews were limited to reviewing the content in the light of the themes being pursued in the research. Feedback has also been sought on earlier drafts of this paper from some of the participants.

# INTRODUCTION

Since the early 1980's China has been undergoing a process of reform including a major transformation in the institutions and organizations that allocate resources within the country. There has been a recognition that economic success depends on the integration of investment strategies and organisational learning in enterprises that will have to compete for domestic and global markets. Resource allocation has shifted from being the key role of the State to a system that is more orientated to market competition (Qiwen and Lazonick 2001).

The Higher Education Sector has been deeply affected by this change. This paper sets out a brief history of the Sector, a summary of the current situation (at the time of writing in 2002) and discusses some of the current debates.

Please note the following comments on everyday terminology based on conversations with Chinese academics and scholars.

## ***Note on terminology***

In China the Higher Education sector consists of universities and colleges. In 2001 there were 1225 universities and 686 adult higher education institutions which enrolled about 4.6 million students (Xu L. 2002). Adult higher education institutions offer part-time non-degree programs called "dazhuan" which may require three years of study. Some of these institutions are able to offer Bachelor programs in conjunction with a university and some are affiliated with universities. Examples of colleges include University Distance Education Schools, TV Universities and institutions established by the Communist Party and City Provincial Governments to train Party and Government officials (Xu L. 2002).

This study focuses on Universities exclusive of adult higher education institutions.

"Project 211" is a strategy by which the Chinese Government aims to strengthen 100 key education institutions and key discipline areas as a national priority. Universities participating in the 211 Project are encouraged to co-operate with foreign education providers to improve the quality and scope of courses, as well

as institutional infrastructure. Project 211 universities receive special extra funding which is tied to performance targets (Hua 2002, Xu L. 2002).

A "min ban" college or university is a non-government owned institution (Huang 2002).

"Gongjian" refers to co-building collaborative activities between universities and provincial governments and/or industry.

The concept of "Danwei" applies to all work units. It is the "basic unit of individual identity" in China (Hutchings 2000 p 97). At one level the danwei are employers but at a deeper level the danwei provides not only work but also a range of benefits ranging from accommodation to schooling. In universities it includes a requirement whereby academics are required to repay universities for money spent on their development should they move to another institution (Bell 2001, Li, Sun, Yan 2002).

The "dangan" is a record which is maintained on almost every urban resident, and records the subject's political background, profession, educational qualifications and seniority. An individual cannot be employed by the State if they do not possess a dangan. Those who enter the private sector are required to lodge their dangan at the local "talent exchange centre" (Hutchings 2000).

The "hukou" complements the dangan and the danwei in that it is a system of household registration. The hukou provides a right of residence and changing an approved place of residence can sometimes be difficult and costly (Hutchings 2000). In 2002 a very unusual event occurred in that it became possible for people to obtain a hukou to reside in Shanghai provided they had an invitation from the City government (Xu 2002).

# A BRIEF HISTORY

The first Chinese university in a modern sense, now Peking University, was established in 1898 (Wang C. 2000). Prior to the 1940's many scholars in Chinese universities saw themselves as "guardians of that nation's culture in the face of growing nationalistic and secularistic pressures" (Julius 1997). Over this period universities were small and largely the preserve of the educated and propertied classes (Lutz 1993).

Following the establishment of the Peoples' Republic of China in 1949, the university system developed, strongly based on the Soviet Model (Wang C. 2000). Universities were charged with carrying out Communist Party policy. Private universities were merged with public institutions and the Central Committee of the Party supervised a systematic transformation of the education system, of the universities and of the teaching methodologies. It became a requirement that students enrol in ideological courses such as "Marxism – Leninism" and "The History of the Communist Party". During the 1950's the Central Party Committee consolidated control by ensuring that officials from the Foreign Office and Communist Party were assigned to positions throughout the Higher Education Sector (Julius 1997).

During the Cultural Revolution (1967-1978) universities went through a period of turmoil in that National Entrance Exams for universities were abolished and the "Central Committee of the Party dictated who would be hired, what was taught and who could learn" (Julius 1997 p 144, Wang B. 2000). What this meant in practice was that students selected from the ranks of workers, peasants and soldiers were selected for University entrance by Party officials. In 1978 the National Entrance Exams resumed and new policies were introduced to develop a Chinese university system based on the United States model (Wang C. 2000).

In the 1980's universities were heavily influenced by pressures for modernization and internationalisation arising from the new State policies for economic reform and opening to the outside world. Universities were encouraged to expand enrolments and new institutions were established to produce urgently needed new skills and talents for economic reform and modernization (Hao 2000, Wang B. 2000). However, the special role of politics in Chinese higher education continued and was also highlighted in the actions of students and reactions from

the Government that culminated in the events in Beijing in May 1991 (Sautman 1991).

In 1985 the Central Government passed a "Resolution on Educational Reform". In 1996 this evolved into the "Education Act" which incorporated the "Guidelines of Chinese Educational Reform and Development" first developed in 1993 (Wang C. 2000). These laws and policies promote the decentralisation of institutional administration and management in higher education and the diversification of the sources of finance for education. However, the Central and Provincial Governments retained managerial oversight and policy regulation for universities (Wang C. 2000).

One of the major effects of these changes was pressure to amalgamate smaller colleges and universities. From 1996 a process of merging institutions took place. In 1997 162 colleges and universities merged into 74 institutions. From 1990 to 2000 the number of institutions shrank from 1075 to less than 1020 (Wang C. 2000).

*Number of Institutions*

|      |        |
|------|--------|
| 1978 | 405    |
| 1980 | 675    |
| 1985 | 1016   |
| 1990 | 1075   |
| 1995 | 1064   |
| 2000 | < 1020 |

In Shanghai in the early 1990's there were 50 higher education institutes with an average enrolment of 2600. The then State Education Commission designated Shanghai as an experimental area of higher education administrative reform. By 1998 there were 38 higher education institutes with an average enrolment of 4300 students as a result of mergers and transfers of functions. This action took place with a guarantee from the Central government that funding would be maintained (Department of International Co-operation and Exchanges 2000).

The merger process is continuing. The rewards for institutions participating in mergers included increased resources and higher rankings in the university hierarchy (Wang C. 2000).

# CHINESE UNIVERSITIES IN 2002

## Introduction

Chinese higher education is driven by forces that are common in most countries, namely

- Political and social forces,
- Private or market forces, and
- Financial forces.

As in most countries, there is general agreement on the need to prepare students to be competitive in the global economy of the 21<sup>st</sup> century and on the influence of globalisation and the development of the knowledge economy to lead to common characteristics developing in most higher education systems: "...popularisation, informationalisation, marketability and life-long trend become the characteristics of the world's higher education" (Bai et al 2001 p 21).

In comparison to the United States higher education system on which it is based, the Chinese system has been characterised as small in scale, short in history and immature in development (Wang C. 2000, Wang B. 2000, Shi 2002). However, Chinese academic leaders are limited in their scope of decision making and action by the need to operate within a constrained political environment and to respond to Party initiatives (Julius 1997, Zhang & Xu 2002).

The role of ideology continues to be important in universities. For example nationwide compulsory 3 month to 1 year military education was a requirement for students from leading universities up to 1999. In 2002 this has been reduced to 1 to 2 months except for military universities (Li, Sun, Yan 2002). This political command and control means that universities are not well prepared for the challenges and opportunities of the introduction of a more free market for education (Guo 1998, Hao 2000, Wang C. 2000, Zhang & Xu 2002). For example, most universities do not have clearly defined missions, performance based management or satisfactory financing mechanisms (Wang C. 2000).

Also internal inefficiencies and resource wastage are still prevalent and are reflected in diseconomies of scale, excessively high unit costs, ineffective organisational structures and mismanagement (Hartnett 1993).

#### *Administration*

The organisation of the administration of national and provincial colleges and universities involves National and Provincial Ministries (Wang C. 2000).

At National level administration is carried out by the Ministry of Education (From 1985-1998 known as the "State Education Commission"), and Non-Education Ministries of the Central Government. Universities are funded with budgetary allocations from the Ministry of Finance through the Ministry of Education. Financial allocations are generally based on headcount enrolments plus irregular special purpose funding. In 1995 the then State Education Commission identified 36 national "key" universities. In 1995 these accounted for about 11% of total enrolments. Average enrolment was 6680 students. In 1995 there were 331 Ministry funded institutions accounting for 34 % of total enrolments. Average enrolment was 2100 students.

At Provincial level, institutions are funded by the Department of Finance in each Provincial Branch Office, plus there is "encouraged funding" on an irregular basis from the Central Government. In 1995 there were 687 Provincial and Municipal institutions accounting for 55% of the total. Average enrolment was 1600 students (Wang C.2000).

In 1997 total enrolment in universities and colleges was 3.35 million with staffing of 1.0315 million, 40 percent of whom were academics (Wang C. 2000).

In 2001 total enrolment in universities and colleges had grown to 7.19 million (an increase of 29 percent over the previous year with staffing of 1.2144 million of whom 532,000 (or 44 percent) were academics (Xu L. 2002).

Under the present structure the National State Education Committee determines educational policy and admission standards and exercises formal control over budgets, the curriculum and academic promotions at national level universities (Wang Y. 2002). It also establishes regulations governing research by foreign scholars in China, evaluates the results of research, approves the promotion of

professional staff, and directs exchange programs with foreign and domestic institutions (Julius 1997).

### **Financing**

In most countries governments have been unwilling or unable to provide the financial resources to enable the increasing demand for higher education to be fully funded by the taxpayer (Altbach 1997). China is no exception to this global phenomenon. In China universities are generally funded by a formula based on enrolments (Wang C. 2000, Hua 2002).

The extra resources that may become available to universities depend on factors such as the funding of sponsoring ministries and the wealth of local and provincial governments and access to other revenue streams as well as effective political lobbying. For example universities sponsored by the Ministries of Finance and Economic Relations and Trade are likely to be the beneficiaries of the fact that these ministries are well funded and more powerful than other ministries. Also universities on the eastern seaboard are able to enjoy the advantages emanating from the fact that the coastal provinces are more wealthy than the inland Provinces (Wang C. 2000).

Under the centrally planned system, universities were exclusively financed by government appropriations, where the previous year's allocation formed the basis of the next year's allocation with some incremental adjustment possible. Any unused funds had to be returned, thus there was no incentive for efficient utilisation of funds (Wang C. 2000). The educational reforms of the past 20 years have involved decentralisation of administration, management and financing. Governance authorities now exercise supervisory functions to hold institutions accountable while overseeing their political connections. The Central Government has delegated financing responsibilities to the Provinces and the Central Ministries. Institutional autonomy and a formula based approach that is based on enrolments has been introduced and institutions have increased autonomy in how they spend their funds. Institutions are not required to return unused funds.

Although government expenditure on education grew from 6 percent of total public spending in 1978 to about 16 percent during the 1990's, sources of financing have been diversified and institutions have been encouraged to

generate extra funds in order to acquire needed resources to meet the demand, such as better qualified teachers (World Bank 1996, Yang 1997, Wang C. 2000). New sources of funds have included affiliated enterprises and companies, commissioned training for companies, research and consulting services, donations and gifts and tuition fees. This "marketized approach" to university funding has exposed many inequalities both external and internal to universities; for example, between large and small cities, between market oriented and traditional university departments such as liberal arts and business, and between old universities with established alumni and new universities (Kwong 1997).

Prior to 1978 no fees were charged for university tuition and graduates were assigned to jobs once they had completed their qualification. The 1985 Education Reform Act permitted institutions to admit students who were outside the State Plan but were self-financed or sponsored by enterprises and who were outside the job assignment system (Wang C. 2000). In 1992 National Plan students were levied with an annual tuition fee of 300 - 600 RMB and a fee covering room and board of 100 - 200 RMB. In 1995 the tuition fee was lifted to about 1300 RMB on average with the maximum fee set at 2700 RMB. In 1996 the Ministry of Education required all institutions to charge tuition fees. In 1999 - 2000 one survey showed fees to be in the range of 2700 - 3100 RMB (Wang C. 2000).

### **Enrolments**

In 1999 there was a new "Great Leap Forward" in education when an extra 330,000 university places were made available for new students with the aim of increasing family expenditure on consumption and investment in higher education. The assumption was that given that the typical Chinese student spends about 10,000 RMB per year on tuition and expenses, it could be expected that a wave of extra domestic consumption of about 3.3 billion RMB would be generated via fees and accommodation charges as well as increasing investment expenditure on buildings and equipment financed by running down household savings. The extra enrolment was also expected to reduce pressure from rising unemployment among school leavers (Wang C. 2000).

The percentage of students going on to higher education from senior high school across China was 1 % in 1978, 9% in 1997, 10% in 1999 and is planned to reach 15% in 2010. In 2001 in Shanghai, 76 percent of senior high school graduates entered universities and colleges (Xu L. 2002).

## **Applications of Information Technology**

The geographic size of China and large urban and rural concentrations away from the wealthy coastal regions have led the Chinese government to emphasise the use of information technology in making higher education available to less advantaged regions. This is understandable given the potential economies of scale available from the application of the embedded fixed capital involved to the educational needs of very large numbers of people. China claims to have the largest cyber education system in the world.

Recent developments involving the application of information technology in China include;

- The development of "Long Distance Universities" which combine television broadcasts and internet access for students in remote locations at "TV Universities" and "Internet Institutes". Typically these programs involve students attending at specially equipped locations and having two face-to-face sessions with the teaching staff per semester (Wang Y. 2002).
- The development of the "China Academic Library Information System" (CALIS) which is a digital library providing access to academic literature across all linked universities.
- The "China Cyber Education Network", based on:
  - The China Education Research Network (CERNET). This education internet backbone links 30 major cities.
  - A satellite video system.
  - A campus network linked to local area networks (Wang Y. 2002).

The goals of the cyber education network are to improve the application of education technology with multi media computer skills at its core, the improvement of average teaching quality through the use of the network, and the development of a large quantity of teaching and network resources to meet the increasing need for life-long education to improve the ability of the Chinese people to meet international competition in the 21<sup>st</sup> century (Zhang & Xu 2002).

Outcomes of the project to 2002 include an education internet linking major Chinese Universities and the beginnings of the network of school linkages. Nearly all Provinces have established radio and television universities (Ministry of Education 2000).

Challenges for the government in developing and implementing the model of "long distance education" include provision of the necessary infrastructure including linking the current 8 main networks to 60 universities in major cities and reconfiguring the satellite system to connect the Central Radio and Television University Program to the CERNET and the development and maintenance of high quality education software. At a political and social level the Ministry of Education will supervise the development of the CERNET to ensure that the needs of the society are balanced against market forces (China Education Ministry 2000). For example, as from 2000 all on-line higher education providers are required to obtain a licence from the Ministry of Education. Institutes which attempt to operate without a licence will have their service terminated by the authorities (Ministry of Education 2000). This development combined with the difficulties associated with credit card use in paying for tuition fees has made it difficult for foreign on-line providers to gain a foothold in China (O'Shea 2002).

In 2000, 26 universities were licensed to recruit students into degree programs from either the High School Entrance Examination or the Adult University Entrance Examination. Another 5 universities were permitted to enrol students into VET Diploma programs (Education Ministry 2000).

### **Quality Issues**

There are concerns expressed in the literature about the ability of institutions to absorb the rate of increase in enrolments in terms of facilities and staffing and about the employment opportunities that will be available for graduates. There are also concerns that the rapid growth in enrolments will lead to reductions in the quality of education. There is also debate in literature about methods of introducing a more flexible curriculum including the promotion of skill development and innovative thinking (Julius 1997).

Shanghai provides an example of a current approach to quality assurance.

In 2002 in Shanghai both the national Ministry for Education and the Shanghai Municipal Education Commission (SMEC) are involved in quality assurance audits.

- The SMEC audits foreign joint venture diploma programs.
- The Academic Office of the State and the State Council of the Ministry of Education audit degree and postgraduate programs including foreign joint venture programs.
- For local diploma and degree programs the SMEC and universities operate a system of external audits conducted by panels made up of academics from other universities.

The audit methodology and the outcomes in the form of the final reports are available to the public on the national Ministry website. For foreign joint ventures, two audit failures mean that the license to operate the program will be withdrawn (Wang X. 2002).

# CURRENT DEBATES IN CHINA

Many of the debates in the literature and at conferences around the issues facing Chinese universities have been given added impetus as a result of China's accession to the WTO in 2002. China has signed on to the protocols covering "services", including educational services. For many, education is becoming thought of as an industry rather than simply a function of government (Wu 2001, Zeng K. 2000, Zeng T. 2002, Zhang & Xu 2002). Concerns about the impact of entry to the WTO include the impact of foreign competition for students and staff, and the dangers inherent in globalisation for Chinese culture as well as the influence of foreign ideas, systems and methods of education (Chu 2002, Bai et al 2001).

Debates are under way in universities and in the educational administration literature on:

- How to promote educational reform when universities funded by the government do not have "self determination"? (Huang 2002)
- Can education be viewed as a service industry where universities and colleges can operate as or by private companies? (Wu 2001, Zeng K. 2000)
- Can private (min-ban) universities make a contribution to the promotion of development in Western China? (Shi 2002)
- Are private universities with small scale and limited resources likely to impose a burden on government if they fail? (Shi 2002)
- How to shift the focus of universities to adjust to a more market oriented environment (Julius 1997, Zeng K. 2000, Huang 2002, Zhang & Xu 2002, Chu 2002).
- How can the public be assured of the quality of the education service provided by the range of public and private universities and colleges? (Wang B. 2000, Shi 2002, Wang Y. 2002)
- What are the roles that foreign education institutions can play in China? (Zeng T. 2002, Chu 2002)

## **The Role of the Public and Private Sectors**

In China, categories of universities include non-profit seeking higher education, profit seeking private education and public universities and colleges. According to the Higher Education Law (1995) private universities and colleges can exist but should be "not for profit" organizations which means that the tuition fees should reflect the cost of the operation and should not include an allowance for profit. However, there is a new Higher Education Law under discussion promoting private education where profit is allowable, however the question of what is an "appropriate" level of profit is a matter of continuing debate (Shi 2002, Bai et al 2001).

In the past the Chinese Government has been the main investor in education, but in recent years big companies have begun investing in educational services. For example, in Northeast China the "East Asian Education Group" has been operating for seven years providing schooling from kindergarten to university for the employees of enterprises. Establishment of the Group involved the merger of 11 schools with the co-operation of the local authorities (Wu 2001).

In 2002 an Australian company, Amnet, established a joint venture with the Chongqing Overseas United University to provide information technology, e-commerce and e-business infrastructure and education courses to students in Central China. This involved acquiring all the fixed assets of the College including lands and buildings (Spencer 2002).

An important theme in the debates is to improve the self-determination of, and ability to respond to the market place of universities by altering the role of the government by shifting from "direct administration" to "indirect administration" by dividing ownership from administration (Zeng T. 2002). Whereas in the past, universities have been subject to close direction from National and Provincial governments, the new suggested approach is to give the University President the power to make decisions on matters such as curriculum and joint ventures with foreign institutions (Zeng T. 2002).

There is a developing trend where reformed public universities are adopting a business governance model involving a Board of Directors which appoints a President who has the powers of a General Manager, although the Board of Directors often incorporates the Party Committee (Wang X. 2002). For example

in 1999 in Zhejiang Province a "Technical Normal College" underwent "administrative system reform" which involved investment by an educational group which established a Board structure as described above (Wu 2001). Anhui University has a Board of Trustees with 82 members from State owned or private enterprises, prefecture governments and Hong Kong. The Board provides advice to the University as well as providing a potential market for services from the University (Hua 2002). In 2002 there are more than 1000 private universities operating in China which have no allocation from the government and are administered by the President, which are categorised as "independent legal persons" (Shi 2002).

## **Marketization of Higher Education**

The pressure of market forces on Chinese universities has led to institutional consolidation, competition for admission to new disciplines, demands for more relevant curriculum and more professional staff and a focus on developing the all round abilities of students including creativity and the ability to apply and analyse knowledge (Julius 1997, Hao 2000, Zeng K. 2000, Zhang & Xu 2002).

### **Cost Reductions**

Reforms of the internal administration of universities have been proposed to meet the challenge of international competition, such as increased efficiency, establishment of new human resources systems, improvement of the quality of staff and services provided to students and staff, eradication of the tenure system for staff and its replacement with a competitive system of rewards and penalties. The Ministry of Education urges universities to "strive to create a system environment for the excellent talents to grow up and give full play to their professional skills, construct a high-quality team of teaching and administrative staff and improve the efficiency and overall standard of schooling" (Department of International Co-operation and Exchange 2000 p 25, Zeng K. 2000).

High ratios of administrative to academic costs and low teaching loads have forced Chinese universities to engage in mergers in order to reduce costs and to co-operate with enterprises via co-operative or gongjian activities in order to increase revenue streams. For example, Shanghai University results from a 1994

merger with Shanghai University of Technology, Shanghai University of Science and Technology and the Shanghai Institute of Science and Technology and the former Shanghai University (Julius 1997, Wang C. 2000, Shanghai University 2002).

### **Curriculum Reform**

Because university entrance is a "serious and compelling parental matter for an only child and the key to an affluent life style" (Julius 1997, p 146) the competition for entrance to programs like international business, international trade and telecommunications is pronounced (Julius 1997, Zeng K. 2000). There is also a huge unsatisfied demand for management training and development (Hua 2002). The "war for talent" means that there is severe competition between enterprises and universities for the best students and the best teaching staff. For new graduates Chinese companies seek good academic results plus some, preferably western, certification of skill levels in areas such as English or information technology skills (Li, Sun, Yan 2002). This means universities have to improve their services to students and their attractiveness to teaching staff (Julius 1997). At Shanghai University reforms to the curriculum have given students greater flexibility to choose major streams, courses and lecturers so they "can fully combine the needs of society with their own abilities, interests and special skills" (Shanghai University 2002).

Changes are being contemplated in recognition of the marketization of higher education to enable a wider group to enter universities rather than just "the minority selected to enjoy higher education through examinations arranged by the government" (Department of International Co-operation and Exchange 2000 p 35).

These changes include reducing the number of undergraduate specialisations available across the nation from 504 to 249 in 1998, the revision of teaching plans, contents and curriculum in 1999 and the introduction of a system whereby students can select elective streams and also take time off from studies to seek employment or set up their own enterprise. Changes to the recruitment examinations for university are being experimented with involving a move away from memorisation of syllabus material toward questions that emphasise understanding and application of required knowledge (Department of International Co-operation and Exchange 2000, Xue et al 2001, Zhang & Xu 2002). Disciplines which do not enjoy market support are under pressure (Hua 2002).

## **Human Resources**

The high ratio of administrative to academic staff and light teaching loads has also forced an examination of the workforces in many Chinese universities, which has led to the development of appointment and recruitment guidelines for promotional opportunities and performance based classification and remuneration guidelines. Promotion at lower levels is depending more on acquiring skills, interests and disciplines that are compatible with revenue generating activities rather than on personal contacts or political skills (Julius 1997, Li, Sun, Yan 2002). Targets have been set for reductions in the numbers of non-teaching and research staff, the tenure system has been abolished and incomes are becoming linked to job related responsibilities and achievements with significant rewards to those who make important contribution to education and research (Department of International Co-operation and Exchange 2000).

For example Anhui University is part of the "211 Project" which includes a range of annual performance targets including the area of ratios of administrative to academic staff and performance criteria, such as in the area of performance at National English exams. Meeting these targets can involve "unemploying" some staff and the administration of reward systems for high performing staff including overseas study and attendance at conferences (Hua 2002). At Shanghai Institute of Foreign Trade high performing teachers receive rewards in the form of cash bonuses, public praise in meetings and via red paper notices on public notice boards and special Certificates (Yan, Li, Sun 2002).

Examination of service levels provided to students and staff is being required to evaluate which functions and staff generate the revenue that is required for institutional survival. This may highlight the potential conflicts between ideology and economic viability (Julius 1997).

## **Fee assistance to students**

Various suggestions have been put forward to deal with the problem of students not being able to pay fees such as education insurance, loans to students, part-time work and subsidies to students in financial difficulties (Department of International Co-operation and Exchange 2000). Universities are expected to help by assisting students to find part-time work, by establishing part of the fee in the form of a loan to the student (Department of International Co-operation and Exchange 2000).

### **Services to students and staff**

In the area of services provided to students in the form of social services those matters which have been deemed by National, Provincial and City Governments unsuitable to be run by universities have been delegated to society and eventually to the market. For example in 1998 the "Higher Education Rear Service Ltd Co", a private company, was established in Shanghai to provide supermarkets, restaurants and accommodation for students and teachers. By the end of 1999, 20 different types of staff and student services, known as "rear service" had been separated from universities and 10 rear service centres established (Department of International Co-operation and Exchange 2000). These activities have resulted in a significant improvement in service standards (Li, Sun, Yan 2002).

## **An Higher Education Quality Guarantee System**

The introduction of the market mechanism and private education into China has drawn attention to the fact that there is no unified national system for the evaluation of universities. Also there are new types of universities such as "long distance television universities" and private colleges and universities. Ranking systems that exist are not transparent and the process by which results are arrived at is not clear (Wang B. 2000, Wang C. 2000). An important example of published ranking systems is that conducted by "NetBig" based on 6 primary indicators and 20 secondary indicators (netbig 2002) which has published rankings for 1999, 2000 and 2001. The expressed purpose is "to offer a full picture of Chinese university's development to the government, parents, students, as well as the university itself, thus promote the open level and internationalisation of Chinese universities, provide a source of reference to educational authorities for policy making...." (netbig 2002).

It appears that in the minds of the Chinese public, private colleges and universities are not as highly respected as public institutions. For example, it is said that in Shanghai, privately owned Sanda University is not highly respected even though it is now more than five years' old, its academic staff come from highly regarded public universities, and it enjoys close links with well-known international businesses (Wang B. 2000, Huang 2002).

The situation is that while the Government plays a key role in regulating and managing the evaluation of standards, there is a limited supply of public funds and government officials available while the higher education sector continues to expand rapidly (Wang Y. 2002). The question is how to provide assurances to the public about the quality of all parts of the higher education sector given the relatively declining availability of resources.

One suggestion is to create a higher education guarantee mechanism with "reason, fairness, clarity and authority" (Wang Y. 2002 p 37). This would involve the National Government in establishing a special, independent and autonomous Department of Evaluation and Approbation (Wang Y. 2002). This Department would be governed by a Board of Directors or Management Committee that might include representatives of business and would develop evaluation and regulation methods which would be seen to be independent of government. The final reports of the evaluating sub-committees would be published both in hard copy and on the internet and the reports might include input from the public and alumni. (Wang B. 2000, Wang Y. 2002)

Long term purposes behind the establishment of this Department would be to assist universities to establish a self-evaluation system that would help the public to gain confidence in universities, particularly private institutions and to allow university staff to retain a key role while maintaining the government's right to make laws and regulations and provide financial support. Essentially these ideas derive from the approach to university evaluation adopted by countries ranging from the United Kingdom and Australia to Indonesia and India. These approaches involve the government influencing rather than directly managing the evaluation process and developing an evaluation culture within the higher education sector, perhaps using an acceptable system of rewards and penalties (Wang Y. 2002).

## **Roles for Foreign Universities**

In 1993 the Ministry of Education issued a memorandum (not a law) covering the establishment of joint ventures between foreign education institutions and Chinese universities and colleges, "Guidelines for Chinese Educational Reform and Development". This included restrictions on joint ventures in basic education and religious education.

The Education Law (1995) contained several articles addressing the topic of internationalisation. Article 67 encouraged education exchange and co-operation, Article 68 encouraged the development of study abroad programs and Article 69 encouraged exchange of staff and students as well as articles placing restrictions on the activities of foreign institutions (Wang C.2000).

The view that education is part of the service sector is embodied in the accords of the World Trade Organisation. China's accession to the WTO means that at some point Chinese universities and colleges may face increasing competition from foreign institutions (Zeng 2002). In 2002 about 71 foreign degree programs had been authorised by the Academic Degrees office of the State Council in Beijing of which 18 involved Australian universities (Jiang 2002, Ministry of Education 2002).

Current discussions in China about foreign involvement in Chinese education include:

- The development of a new type of occupational university for offering high level diplomas for part-time study by adults (Zeng 2002).
- Foreign involvement in special universities established for part-time students who do not undertake the National Entrance Examinations. In this system because there is no National Entrance Examination structure, each university would have to conduct its own entrance exams (Zeng 2002).
- Joint venture programs could be permitted where foreign institutions can enjoy majority ownership. Chinese teachers could be employed by foreigners in Chinese universities. These arrangements would involve official invitations to the foreign university and laws and regulations would have to be developed to cover the educational administration of these joint ventures and transparent approval procedures would have to be developed. These joint ventures could assist in attracting foreign students to programs in China (Chu 2002).
- Disciplines which are in relatively limited supply in China could be developed with the help of foreign universities. There is a shortage of graduates in areas such as tourism, logistics, banking and finance,

international trade, international law, and business administration (Julius 1997, Zeng 2002, Chu 2002).

Also there is a need for the Chinese higher education curriculum to respond to the new economic realities associated with the WTO such as certification for professional licenses, standards for language proficiency, and the need for access to the latest developments. Opportunities for staff and student exchange and for foreign students to study in China represent a way of enabling cross fertilisation of ideas and research and would also provide a useful weapon for universities and colleges in the "war for talent" as the competition between business and universities for the most able graduates intensifies (Julius 1997, Bai et al 2001, Xue et al 2001, Zeng 2002).

The impact of the "war for talent" can be seen in recent changes to the circumstances of academics in Shanghai including increases in salaries and other benefits, although salaries vary between institutions according to circumstances such as status and access to revenue streams. Post graduates will sometimes prefer to work in universities rather than enterprises because there is less risk of sudden unemployment and the conditions of employment are more attractive for those motivated by lifestyle or personal development goals. Also it is possible for academics in high demand fields to become Honorary Professors at other Universities and teach there in their spare time. Also teachers can be contracted with a range of public and private universities as well as delivering lectures at private corporations (Nie 2002, Li, Sun, Yan 2002).

In the future it is possible to envisage the development of joint research and training institutes to promote international co-operation in the areas of academic exchange and technical co-operation (Julius 1997, Xue et al 2001).

# FINDINGS

The research indicates that the managers of Chinese universities are having to respond to a rapidly changing environment with little in the way of sign posts from previous experience to guide them. There are extensive debates in the literature and at conferences on the role of universities, the role of government in the provision of higher education, the role of the Communist Party, the role of market forces and the potential roles of foreign universities in the context of China's entry into the WTO and the external pressures that will come to bear on Chinese institutions as a result. Future directions for the Higher Education Sector are unclear. The ascent of a new national leadership in 2003 will possibly clarify future directions at a macro strategy level.

There are many avenues for further research arising out of this study including the processes by which universities respond to the changing environment and how the various stakeholders are able to influence the outcomes.

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