The New Educational Review

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Indonesia

Managing Corporate Higher Education: Indonesia's Greatest Challenge

DOI: 10.15804/tner.2018.53.3.03

Abstract

Corporatizing university is among the typical strategic of higher education (HE) management that enables developed countries to successfully position their universities among the best ones in the world. In Indonesia, the varying quality of universities is influenced by several factors: limited funding, inadequate facilities, meager quality of lecturers and researchers, inefficient management, and ineffective use of public spending. These emerged as symptoms that point to a deep-seated obstacle faced by Indonesian universities, i.e., an inappropriate university management and financing model. This study attempted to reveal the essential problem underlying the symptoms and share some thoughts of how to resolve them. It is concluded that corporatizing university in the country is considered among the most effective strategies to establish world-class universities in the archipelago.

Keywords: *higher education, higher education management, corporate university, higher education as industry.*

Background

Nowadays, Indonesia faces a significant challenge to promote its higher education competitive power. Of the 3,000 higher education institutions in the country, its highest-performing university is 724th in the Web-metrics rankings, and its position has worsened over the last ten years. Even in Asia, no Indonesian university has reached the continent's top 100, with the best only reaching 137th (Web-metrics, 2016). Indonesia needs an efficient strategy to transform its university management as such to strengthen their global competitiveness. Building corporate universities requires a great deal of funding to promote the quality of services (Schwab, 2017). Dependent too much on the limited government spending has led the universities to tuition fee hikes in an attempt to raise capital to outlay on service improvements. In fact, increased tuition fees led to inequitable access to higher education in favor of well-off students to access top public universities. Those poorer must choose from one of the many low-quality institutions, leaving them less able to secure a high-quality job upon graduation. To some parts of Indonesian society, the merits of corporatizing universities are doubtful since it creates inequality.

Objective

In an attempt to use the corporate higher education concept to contribute to improving Indonesia's higher education policies and funding models, this study generally aimed to describe whether the corporatization of higher education policy enables the Indonesian universities to scale up toward their world competitive levels. Specifically, this is aimed at investigating the extent to which the academic community believes in the Indonesian university corporatization policy.

Methodology

The presented study analyzed relevant statistical data and document information associated with university development strategies, programs and the structure of national education spending. In 2017, within this cross-sectional survey, five universities were selected, consisting of corporate public and private and non-corporate public and private universities in five provinces; 400 students and 150 university lecturers were selected at random from each selected university. The sampling units were systematically selected across schools and departments within each of the universities sampled. A structured, Google-based questionnaire was validated and posted to each selected sampling unit through the internet. Data analysis was used to find how the university academics perceived the corporatization policy toward global competition.

Conceptual Review

Viewing higher education as an industry is an underlying concept employed by countries with universities in the upper ranks of the world. Day & Newburger (2002) emphasize that the universities in those countries have a great deal of autonomy, and are subject to significantly less intervention from the government. This, too, includes state universities in the United States (US) and Australia, which have long operated as corporate-like institutions, helping them sustain professional strength and advance their industrial interests and competitive force (Edwards, 2004).

Almost three decades ago, Osborne & Gaebler (1992) in *Reinventing Government* asserted that public service organizations had been undergoing a process of corporatization. Universities also participated in this process in an attempt to improve services. Osborne et al., too, suggested that universities are no longer truly a function of government bureaucracy, as they are now largely autonomous. It is in developing countries that autonomy has not well developed; universities rely much on limited government funding, and management models have discouraged innovation to take place. In the last decade, however, Wildavsky, Kelly & Carey (2011) have observed major changes in many countries in East Asia towards corporatizing their universities' management. At the same time, the government played a role as facilitator and shareholder rather than as a 'big boss.' Bergsten et al. (2006) pointed to some countries in East Asia, e.g., South Korea, Hong Kong, Taiwan, and a few ASEAN countries that started to corporatize their universities and in turn some of them evolve into world-class universities.

To implement the corporatizing strategy, the way higher education is funded must be transformed from direct financing to institutions to providing student aid, while encouraging universities to become professional and financially self-governing. The US Federal Government, e.g., offers increasing amounts of higher education funding schemes through either grant or loan. The aid soared three-fold, from $10 billion in 2000 to $30 billion in 2008. Of the total US$30 billion of Federal Aid in 2008, 92.3% went toward student aid and only 7.7% toward institutions (McCluskey, Neal & Edwards, 2009). The transformation is based on the assumption that higher education stands for private, rather than public, investment.

Higher education in the developed world is among the most productive economic sectors and contributes much to their GDP growth; most universities successfully build first-rate services and invite foreign students. They ensure that the more foreign students enrolled in their universities, the greater capital in-flow to their country. In 2016, e.g., more than 500 thousand foreign students enrolled in Australian universities and formed substantial capital to the country. It was estimated at more than US$19 billion (International-Student-Data, 2016). The same is true of the 1.1 million students in Malaysian universities, more than 100 thousand of whom are foreign students. They come to study in the 49 universities and 23 colleges within the Malaysian universities and the 411 independent colleges (MOHE, 2016).

Providing access to college is a critical social mission of higher education, thereby giving access to people from lower socio-economic backgrounds provides them with improved job prospects (Weisbrod, Ballou & Asch, 2008). To promote universities' social mission, the government must ensure that all students, both poor and rich, have equal access to even the best universities. To make sure that all students regardless of their socio-economic status have a fair chance of being admitted, funding support is given to the most talented individuals through a merit-based selection process (Bergsten et al., 2006).

Higher education is not merely a private interest of each individual; it has to benefit society as a whole (Weisbrod, Ballou & Asch, 2008). The US government provides support to the disadvantaged and gives them equal opportunity to access college education (Edwards, 2004). In the US case, the most substantial portion (57%) of student aid went toward the merit-based student grants, 35% went to the need-based student loans, and the rest went towards the federal administration. In 2008, the net loans stood at US$ 10.4 billion with the repayments assumptions through income tax upon completion of their study and having a job (Edwards, 2004). This loan system has enabled poor and less performing students to access through reducing the cost barrier for students and at the same time encouraged healthy competition among providers to promote their quality of services.

Developed countries spent much less on operating university education as it is considered a private rather than public investment (Wildavsky, Kelly & Carey, 2011). Corporate universities were expected to rely on their self-funding in achieving their competitive quality. Beyond this point, universities could move toward real industry, enabling them to promote their status from cost center to cost recovery and to profit center. After all, they would be able to provide the quality of services, to pay off their funds invested and to secure the battle of competition. In the meantime, the government would be able to increase revenues from higher education as an industry.

However, beyond these technical reasons, Indonesia faced an even more deep-rooted puzzle in developing corporate universities. To the majority of the policymakers, university education is considered more social goods than an industry; they are unconvinced as to promoting the universities in the country to turn into profitable corporate-like institutions (Suryadi et al., 2013). Their mindset is, in fact, different from that of wealthy families around the world, who prefer to send their children to the most competitive universities no matter how much money they must spend (Weisbrod, Ballou & Asch, 2008). In 2016, the number of students from Indonesia flying to Australia and Malaysia was far greater than the reverse; they were driven by reason to get better quality rather than low-cost universities.

Corporatizing higher education is among the best ways that enable the universities in developed countries to become professionally competitive and profitable. Some of the private universities in Indonesia, too, managed themselves as corporate through improving their quality of services that attract international students to enroll. This is observed at least in a few private universities, e.g., Malang Islamic University, enrolling more than 500 foreign students from 22 countries (UMM, 2013). Therefore, the private universities including their related international programs needed the government's support and legal protection.

Although private universities offer relatively less quality of service, they charge significantly more. This is unique to developing countries, e.g., those in African continent, as asserted by Schultz (2004, p. 31): "*The equity of public subsidies for higher education is a disquieting problem for Africa because higher education in Africa absorbs relatively large public subsidies per student, and benefits accrue disproportionately to the children of relatively well-off families*." The same is true in Indonesia. Suryadi (2014) suggests that public universities greatly benefitted students from more financially able families, indicating that the financing model of higher education was deemed subsidizing the rich and taxing the poor. This is a prime source of inequity that contributes significantly to lowering the average competitive level of Indonesian universities.

Analysis and Discussion

Corporatizing Universities in Indonesia

The Ministry of Higher Education in Indonesia piloted a few corporate universities during the period of 2009–2012, based on the Education Corporate Act 2009. The Act not only promotes universities to become autonomous; it encourages the development of primary and secondary schools in an effort to improve quality (Suryadi & Budimansyah, 2016). In Indonesia, the amount of public spending at primary and secondary levels was US$ 2.9 billion to run schools servicing almost

45 million students, whereas the budget for higher education was US$3.8 billion to govern universities that enrolled up to 5 million students. It showed that the financing for public universities was dependent too much on the limited government spending (MOEC, 2014). Therefore, the existing university financing system is considered unsuitable for managing corporate universities. What is more, the public universities in Indonesia were novice in financial self-management.

Table 1. Percentage growth of public spending on education by sub-sectors, years 2014–2015

No	Sub-sector	Budget 2014	Budget 2015	Budget 2016
1	Pre-School	4.18	2.90	3.43
2	Basic Education	22.73	20.13	15.90
3	Secondary Education	18.74	18.45	19.64
4	Higher Education	42.32	49.46	46.82
5	Research and Development	1.62	1.47	1.74
6	Language and Literature	0.44	0.45	0.47
7	Teacher In-Service Training	3.49	3.63	4.85
8	Culture Preservation	1.72	1.47	1.41
9	Supervision	0.24	0.25	0.30
10	Management & Miscellaneous	4.51	1.79	5.44
	TOTAL (in million US$)	6,633.8	6,204.7	5,168.4

Source: MOEC (2014)

The university's financing system in developed countries has enabled them to become profit-generating organizations and manage their own revolving funds (Wildavsky, Kelly & Carey (2011). Conversely, public universities in Indonesia stood as the cost rather than profit centers; they essentially perform only as great public budget spenders. The dependency of public universities on public budget was not just evident in terms of the amount of spending to run the universities, but it also increased all the time, from US$ 1.2 billion in 2008 to US$ 3.8 billion in 2016. Notably, public universities in Indonesia were in a comfort zone because of their long-lasting annual support from the government. Therefore, transforming the financing system is among the most significant challenges for the Ministry of Higher Education to successfully run corporate universities.

Perception of Academic Community

The government promotes some pilot universities in Indonesia to become autonomous corporates in an effort to improve their quality (Suryadi & Budimansyah, 2016). From the outset, the policy had raised social tensions as the university became costlier than it used to be earlier. This survey measured and compared the perception of students and faculty members on how well the corporatization policy had worked.

Table 2 shows that no real pattern exists in the students' responses on how they perceived corporate universities since the responses were not built up from their understanding of the work of the university corporatization. The tension soared as they felt that they were victimized by the policy; the government had reduced public spending allocated to the pilot universities, and they were forced to put the burden onto students through increased tuition fees. It is then sensible to observe that only a tiny part (28.8%) of the students agreed that improving the quality of university services was to be made by way of increasing tuition fees. Likewise, most faculty members (91.3%) believed that improved university services would take place by way of raising tuition fees. From the pattern of the responses, it was apparent that faculty members had a better understanding than their students of the of corporate universities.

The students' responses to the survey were conservative as their answers were centered around 50% or less. No clear-cut attitude of the students was observed toward the work of the corporate universities; they were poorly informed about the extent to which some universities were managed as corporate. Only on the two assertions were the students' responses above the center; 55.1% agreed that higher education management should be a part of the government bureaucracy and almost 56% accepted that universities were mentally professional institutions. It is then evident that the students knew even less than they should do that managing corporate universities would be more and more effective through holding off their dependence on government spendings.

This analysis shows that university corporatization would not work in the absence of the transformation of university financing system. In the developed world, the financing system of universities has allowed them to perform income-generating programs and manage their own revolving funds. It is not true in Indonesia, its financing of public universities was dependent too much on the limited public budget (MOEC, 2014) and their capacity is far from the ability required for financial self-management. Only tiny parts of faculty members (46.0%) and students (43.1%) agreed that to improve their competitive quality, Indonesian universities have to be managed as corporates. Clearly, the greater

Table 2. Academics' opinions on university corporatization in Indonesia

No.	Agreed on the following Assertion:	% agreement of: Fac. Members	% agreement of: Students
	University management should be a part of the government bureaucracy	85.0	55.1
2	University is managed by itself as a bureaucratic institution	83.8	49.7
3	University is an academically professional institution	97.5	55.9
4	To improve its competitive quality, a university needs to be managed as corporate	46.0	43.1
5	To make the quality of services improved, a university should increase its tuition fees	91.3	28.8
6	High quality of university services depends only on the amount of government spending	55.0	46.4
7	As professional institutions, universities should be managed through industrial or business enterprises	45.0	31.6
8	For corporate university management it is imperative to boost its global competitiveness	40.0	32.5
9	High quality of university services has economic value that boosts its revolving funds	90.0	47.7
10	Globally competitive universities can be a substantial source of a country's income	75.0	47.7
	No. of samples	156	427

public spending on higher education placed a heavy burden on the government. However, it is also clear that no matter how much money the government allocated to higher education, it would be far from adequate to establish competitive universities compared to the amounts the world top-ranked universities spent.

There is a thread of declining equity in access to higher education as it relied too much on government spending. To provide equal access, public universities have to lower tuition fees regardless of the quality of services they have to offer. Thus, 85% of the faculty members believe that universities would survive if they were a subset of the government bureaucracy. Despite the fact that almost all the faculty members (97.5%) agreed that universities were professional institutions, most of them (83.8%) also believed that they were to be managed as bureaucracy in itself. From this viewpoint, it was entirely reasonable that the number of the faculty members who agreed to the aim of the university corporatization was slightly lower (65%).

Although most faculty members believed that university was a professional institution, only 45% agreed that university management was primarily a business enterprise. Only 40% of the faculty members agreed that managing universities as corporates was essential to boost their global competitiveness. These responses were prejudiced by the common belief in the country that educational services are considered as public services more than economic enterprises. However, this does not mean that corporatization is such a "taboo" for Indonesian people since virtually all faculty members (98%) continue to believe that improved services quality can be valued economically to strive for university's survival.

Conclusion and Policy Implication

To date, Indonesia has faced a mounting challenge to build well-designed university corporatization strategies, as the bureaucratic management model has led to inequitable access. On the road to corporatizing higher education, Indonesia needs more investment that enables its universities to become financially independent. One of the most critical steps is to transform the financing model from direct institutional financing to an equitable student financial support system. This provides scholarships and the need-based student loan system while enabling universities to become self-funding institutions. This can have a range of benefits, including a dramatic improvement of university services and attracting foreign students, the capital inflow into the country. Before going further, however, Indonesia should start by corporatizing selected higher education institutions for cost recovery and import substitution purposes as the first steps toward creating autonomous, professional and profitable universities.

The Ministry of Higher Education faces the challenge to carry out a robust and neutral policy study of university management to generate a well-designed strategy that includes more operational programs and intermediate targets within a defined time frame. This includes the required measures to ensure that each university reaches the final model of a corporate-like university. Equally important, the government needs to open up the plans to society at large to avoid late refusal from the general public.

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