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A Tale of Two Countries –

New Public Management Reforms in

Universities in the UK and China

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Abstract

New Public Management (NPM) has been one of the dominant paradigms in public management since the 1980s. Its various elements have been adopted by many countries around the world in their public sector reforms. This research examines the most influential models of NPM and draws out the recurring elements among them. These elements are then employed to build the theoretical framework of how NPM may be related to the reforms in higher education sectors in two countries with highly contrasting contexts: the United Kingdom and China. The UK is an industrialized country that has been one of the pioneers in implementing NPM reforms in its public sector; whilst China, being a socialist country where its public sector has long been under the tight control of the government, is among the developing countries as one of the "late adopters" of NPM techniques in its public management reforms. The aim of this study is to examine the extent to which NPM reforms in these two countries shared any commonalities and divergences.

Multiple cases studies are adopted as the main research method. Four universities are chosen: two in the UK and two in China. A comparative analysis of issues relating to the application of NPM techniques in the reforms in these two countries is provided. The NPM elements adopted during the reform processes in the four case studies are analyzed respectively according to the theoretical framework. The conditions under which various NPM elements have been introduced during the reforms are examined and the extent to which they have been applied in the higher education sector in both countries is explored.

Results indicate that there has been a translation of NPM techniques from its original country (the UK) to the Chinese socio-economical and political environment. It has been found that although some of the NPM elements such as delayering and devolution of power are shared by both countries, divergences still exist in many aspects of their organizational changes. Meanwhile, the elite and non-elite group of universities in both countries have chosen different pathways in their reforms, which

have significant impacts on the outcomes. The implications of these case studies for future research on public sector management are discussed in the conclusion.

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Abbreviations

CCP: Chinese Communist Party

CMG: Central Management Group

CNAA: Council for National Academic Awards

CUA: Conference of University Administrators

CVCP: Committee of Vice-Chancellors and Principals in the UK

DES: Department of Education and Science

FMI: Financial Management Initiative

fEC: Full Economic Costing

HEFC: Higher Education Funding Councils

HEFCE: Higher Education Funding Council for England

HEI: Higher Education Institution

HERO: Higher Education and Research Opportunity

HESA: Higher Education Statistics Agency

HMSO: Her Majesty's Stationery Office

LEA: Local Education Authority

MoE: Ministry of Education (China)

NAB: National Advisory Body

NCB: National Collective Bargaining

NPA: New Public Administration

NPM: New Public Management

OECD: Organisation for Economic Co-operation and Development

PCFC: Polytechnics and Colleges Funding Council

PPA: Progressive Public Administration

RAE: Research Assessment Exercise

SEdC: State Education Commission

SMG: Strategic Management Group

TRAC: Transparent Approach to Costing

TQM: Total Quality Management

UGC: University Grants Committee

UFC: University Funding Council

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Chapter 1: Introduction

1.1 Research background

In the past two decades, fundamental changes have taken place in the management of public sectors throughout the world. Many widely held and long established principles and practices of the public sector definition have been challenged. There has been a shift from traditional public sector *administration* to public sector *management*, with more emphasis on the 3Es – efficiency, economy and effectiveness (Pollitt, 1990, p. 59). Such trend in public management reform is usually referred to as New Public Management (NPM) – an umbrella term that first appeared in Hood (1991).

Both developed and developing countries have shown significant attention to this wave of NPM reforms in an effort to find new approaches to improve their public sector management. Various managerial techniques have been experimented with, including creation of competitive environments by contracting out, reduction of government involvement, and emphasis on performance measurement and quality control (Isaac-Henry, 1999; Ferlie *et al.*, 1996; Christensen and Lægreid, 2002; Rouse, 1999; Christy and Brown, 1999). These techniques have been embraced in the reforms of many public sectors that used to be solely owned and managed by the state government, including the health sector, the power sector, and the transportation sector.

Providing one of the most important public services for a country, the higher education sector has also been affected by this wave of reforms. During the past years, significant changes have taken place in the higher education systems throughout the world. Universities started to move out of the idea of 'education' to 'business', responding to financial incentives like private enterprises. For example, there is discussion of and experimentation with new and alternative funding mechanisms in almost every country (Parry, 1997; Wang, 2001; Mok, 1999; World Bank, 1997b). With the rise of increasing demands for higher education, there are

now more challenges for countries to improve quality, reduce public cost, and increase access to all social strata (Ali, 2000).

1.2 Context of study

Efforts have been made by many researchers to categorize NPM into models and theories. However, it is more important to look at the application of each specific element rather than to pigeonhole them into static models. Although NPM is arguably not 'new' anymore, the elements and techniques bearing its core tenet are still widely practiced, and are of great importance to the development of public sectors. Therefore in this thesis, effort will be made on examining the most influential models on NPM research, including the seven principles proposed by Hood (1991), the ten government models in Osborne and Gaebler (1992), the four future government visions by Peters (1996) and four ideal types of public management model by Ferlie *et al.* (1996). The recurring elements among them will be teased out and then employed to build the theoretical framework of this thesis in three aspects: organizational structure, management process and role of the government.

Higher education has always been the focus when it comes to public sector reform. Yet although plenty of work has been done in developed countries, research on the ongoing reforms in the public sectors of developing countries is limited, especially when it comes to the real application and actual results out of the reform. Thus most of the time we can only see what the policy or government claim for the reform is instead of analyzing its actual results. Moreover, there is very little comparative research done on both developed countries which have always been the pioneers in taking action in NPM reform, and developing countries which have been following developed countries' reform paths or making their own ways through it.

It is therefore important to examine NPM reforms in different countries, as any aspects of their differences might lead to strayed ways of approaches in conducting higher education management reforms. Moreover, even within the same country,

universities that belong to the elite group and non-elite group might tend to adopt different ways of reforms or to choose different NPM elements to suit in their practice.

The two countries being studied in this research are the UK and China, which have highly contrasted characteristics in many aspects, yet both have been through extensive reform changes in their higher education sectors over the past years. In the UK, the elite group is represented by the Russell Group universities, which are comprised exclusively of traditional universities, whilst the non-Russell Group universities represents the non-elite group, which is largely comprised of post-1991 new universities. In China, the line between elite and non-elite group of universities are drawn by the 211 Project proposed in the 1990s. The elite group includes 100 211 Project universities, with all the other universities belonging to the non-211 Project group, standing for the non-elite group.

1.3 Research questions

By examining the higher education reforms in both the elite and non-elite group of universities from both developed and developing countries, this thesis aims to shed light on the following three questions:

1. Is there a one-for-all NPM model into which every public sector reform can be fitted?
2. Which NPM elements have been adopted in the higher education reforms in the UK and China and to what extent have they been applied?
3. What are the differences and similarities between the NPM reform approaches adopted in the elite and non-elite groups of universities, and across the two countries that they are based in?

More detailed descriptions and further justifications of these questions are presented at the end of Chapter 3.

1.4 Research method and methodology

The research methodology of this research is qualitative and it takes on an interpretative research paradigm, which aims at bringing out an understanding of the gap between the theories of NPM and its actual implementation and application.

Comparative case studies are adopted along with triangulation of various data source. Four cases are selected with two in each country, representing the elite and non-elite groups. In-depth semi-structured interviews with senior members of staff in all four cases provide the primary data source, while documentation and archival records are also adopted as secondary data sources.

1.5 Research contribution

By examining the above questions, this thesis identifies and generalizes the most influential models and theories of NPM in the public sector management research. These models are analyzed with the interrelations they share and those specific recurring elements among them are teased out to form a theoretical framework that can be applied to wider study settings. It clarifies how NPM works in practice in different settings and points out that the general perceptions of categorizing NPM into exclusive models need to be modified.

This study also draws attention to the comparison across the elite and non-elite groups of universities. With different external and internal conditions, universities within the same country tend to have divergent approaches in their management reforms. Moreover, this thesis addresses the comparison between developed and developing countries, which is an aspect largely neglected by previous researchers, and throws light on the usefulness of potential applications of NPM in the public sector management reforms in the future.

1.6 Thesis outline

Following a review of the development of public sector management since the 1980s, Chapter 2 lays out the theoretical framework for this thesis. It discusses the relevant academic research on NPM and analyzes its concept by examining the most influential models to tease out the recurring elements and instruments. These elements are then categorized into a framework with three aspects of NPM reform, which serves as the major rationale in the analysis of the data collected.

Chapter 3 examines the higher education reforms in the two countries that are studied in this research, the UK and China. The historical development of higher education systems and reform changes in these two countries are described and the effects of NPM reforms on them are discussed. This chapter also serves as a contextual backdrop for the fieldworks that are conducted in these two countries.

Chapter 4 gives a methodological account of this thesis by describing the way that the enquiry is designed and conducted. The data collection methods adopted in this research are presented. The settings of the case studies are also described, with practical issues addressed.

Chapter 5 to 8 present the fieldwork of four case studies in two countries: B1 and B2 in the UK, and C1 and C2 in China. B1 belongs to the British Russell Group and represents the elite group of universities in the UK, whilst B2 as a post-1991 new university represents the non-elite group. C1 as a 211 Project university belongs to the elite group of universities in China, and C2 as its counterpart is a non-211 Project university that belongs to the non-elite group.

Chapter 9 draws on the information collected from four case studies presented in Chapter 5 to 8 and adopts the NPM framework presented in Chapter 2 to analyze these four cases from three aspects: structure, process, and role of the government. Group-specific analysis between the elite and non-elite universities as well as country-specific comparisons between the UK and China are also provided.

Finally, Chapter 10 gives a brief overview of the thesis, outlines its contributions and draws implications for future study on this subject. It concludes the thesis by summarizing the findings contained in the earlier chapters and drawing together the multiple-case studies. Furthermore, the chapter suggests directions for future research.

1.7 Summary

This chapter gives an introduction of the research background and lays out the foundations for the thesis. It introduces the research questions and presents the research method and methodology. The structure of the whole thesis is outlined in the end. On these foundations, the thesis can proceed with a detailed discussion of the background literature.

Chapter 2: Theoretical Background

2.1 Introduction

The nature of public sector and the way it is managed has changed dramatically since the 1980s. The traditional bureaucratic public administration has been gradually replaced by 'management-oriented' approaches to make the government more business-like, favouring greater emphasis on the role of manager, more attention to the service quality and efficiency in resource use, and decentralized organizational structure (Hood, 1991, 1995; Ferlie *et al.*, 1996; Mok, 1999; McLaughlin *et al.*, 2002). Although initially originated in the OECD countries, these managerial techniques labelled under the umbrella term New Public Management (NPM) have transcended national boundaries and influenced the policy-making process in developed and developing countries alike. Various models and theories have been produced by both academics and practitioners to represent this paradigm shift towards a new form of public management.

This chapter begins with an overview on the evolution of contemporary public sector management and discusses how different terms in public management that emerged over time are related to each other. The origination and principles of NPM will be addressed within an international context. Recurring NPM elements will be drawn out based on the literature summary of public management research to develop the theoretical framework for this thesis. The criticisms of NPM will be reviewed and analyzed. In the end, there will be a discussion on the debate over whether NPM should be seen as a 'global paradigm'.

2.2 Contemporary public management: pathways of changes

Traditional public sector administration was often portrayed as rule-bound and process-driven featuring a well-defined hierarchy of authority in its structure (Hood, 1998, p. 5). Considerable academic research and public criticisms have been directed at the way it was organized and functioned, such as lack of incentives to promote effective performance, the cumbersome and bureaucratic structure to adjust to the

changing environment, and largely neglected sense of accountability for the elected representatives (Gray and Jenkins, 1995; Hood, 1995).

A typical illustration of such traditional public administration style is the Progressive Public Administration (PPA) which emerged in the USA during its 'Progressive Era' from the 1890s to the 1920s (Miller, 1994; Hood, 1995). Developed on the basis of Taylor's scientific management theory, its main devices include fixed pay, bureaucratic rules of procedure, centralized staffing structure, permanence of tenure, and restraints on the power of line management (Miller, 1994; Hood, 1991, p. 16). By adopting these approaches, supporters of PPA sought to overcome potential problems in public sector administration with a view to limit corruption, waste and incompetence (Gendron *et al.*, 2001, p. 281). The core administrative value of PPA therefore can be recognized as theta-type among the three clusters of administrative values in Hood and Jackson (1991) (see Table 2.1), which features a distinctive low-trust in the market mechanism (Hood, 1995). The private sector contract-out style was largely discarded based on the presumption that politicians will use every possible chance to benefit themselves through bribery and corruption at the expense of the public, and therefore either the potential corrupt will have influence on the contract awarding process or "the public contract market will be controlled by organized crime", or both (Hood, 1995, p. 93).

Table 2.1 Three clusters of administrative values

	Sigma-type	Theta-type	Lamda-type
Standard of success	Frugality	Rectitude	Resilience
Emphasis	Economy and parsimony	Honesty and fairness	Security and resilience
Control emphasis	Output	Process	Input/process

Source: Hood and Jackson (1991)

Being representative of the "stereotype" traditional public administration which later on the New Public Management and its companions claimed to depart from, PPA emphasizes on two basic doctrines: (1) to keep the public sector sharply distinctive from the private sector; and (2) to stress on procedural rules in order to maintain buffers against political and managerial discretion (Hood, 1995). Bearing the theta-

type administrative value in its core, most components of PPA were instituted to ensure honesty and neutrality in public management. However, on the other hand, it had to compromise the flexibility of the organization with established rules and procedures, which left little discretion for managers and hence inhibited individual initiatives.

By this time, doubts had already been cast on such traditional way of doing public management inherited from Taylorism. The New Public Administration (NPA) in the USA in the late 1960s, for example, questioned the bureaucratic ways of PPA with too much trust in expertise and organizational capability, and recognized an increasing concern for citizens' demands and needs (Frederickson, 1996). However, the conception of NPA remained largely process-oriented, and it blamed technology as a major cause of organizational and policy problems (Frederickson, 1996). Although it has been referred to by some academics (Marini, 1971; Frederickson, 1980; Waldo, 1971), no mainstream influence has been achieved. Nevertheless, such criticisms undermined the authority of traditional public administration and laid foundations for "future intellectual crisis" (Dunleavy *et al.*, 2006).

Major changes in public sectors worldwide started to take place since the 1980s. The old system was replaced by results-driven, managerially oriented approaches with particular emphasis on the 3-Es: efficiency, effectiveness and economy (Lan and Rosenbloom, 1992; Pollitt, 1993; Hood, 1998). A whole new vocabulary has emerged from both academic researchers and government policymakers alike: 'new managerialism' (Pollitt, 1993; Newman and Clarke, 1995; Deem, 2004), 'modernization' (Newman, 2002), 'New Public Management' (Hood, 1991, 1995; Ferlie *et al.*, 1996), 'market-based public administration' (Lan and Rosenbloom, 1992) and 'entrepreneurial government' (or 'entrepreneurialism') (Osborne and Gaebler, 1992). Although their emphasis vary on different aspects of public management, all have been constantly referred to in academic literatures and/or government policy documents to characterize the key components of an international trend towards the transformation of public sector management. Among them, the New Public Management (NPM) is indisputably the most widely cited one, and here

it is used as the representative to mark an era in which the obsolescing habits of public administrative thoughts and actions have been replaced by new globalized paradigms in public sector management (Dunleavy *et al.*, 2006, p. 157). Table 2.2 explores the origination and principles of these terms to illustrate a general trend in the contemporary public management and how they evolved over time to form the "NPM era" paradigm shift.

Table 2.2 Contemporary public management trends:

Time	Trend	Fashionable NPM Terms		Representative Literature	Principles
1890s ~ 1920s	PPA (USA)	Progressive public administration (PPA)		Hood (1991, 1995), Thynne (2003)	- Stress on policy skills and rules, not active management - Qualitative and implicit performance criteria - Monolithic public service units - Fixed staff pay - Centralized structure
1960s ~ 1970s	NPA (USA)	New public administration		Marini (1971), Waldo (1971), Frederickson (1980)	- Criticism on PPA's bureaucratic approaches - Recognition of citizen's demands and needs - Blaming technology as cause of organizational problems - No distinctive influence
Late 1980s ~ 1990s	NPM	Government policy	Reinventing government/entrepreneurial government (USA)	Osborne and Gaebler (1992)	- Focusing on outcomes rather than inputs; - Empowering citizen; - Decentralizing authority and embracing participative management
			Financial Management Initiatives (UK); Financial Management Improvement Programme (Australia)	HMSO (1982), Gray and Jenkins (1986); Richards (1987), Parker and Guthrie (1993)	- Introduction of accrual accounting to calculate cost - Promoting contractual relationship between service purchaser and provider
			Next Steps/agencification (UK)	HMSO (1988), Kemp (1990), Greer (1994)	- Separation of advisory, regulatory, delivery functions
			Modernization (UK)	HMSO (1999), Newman (2002)	- Promoting partnership with public managers - Stress on the achievement of policy outcomes; - Emphasis on public participation
		Academic	Accountingization	Power and Laughlin (1992), Kurunmaki *et al.* (2003)	- Introduction of explicit cost categorization into areas where costs were previously aggregated, pooled or undefined
			Market-based public administration	Lan and Rosenbloom (1992)	- Emphasis on cost effectiveness, entrepreneurship, competition and quality on top of the 3-Es core values: efficiency, effectiveness, economy
			New managerialism/Neo-managerialism	Pollitt (1993), Newman and Clarke (1995)	- Addressing on the role of manager - "Freedom to manage"

An overview of Table 2.2 identifies a gradual shift in the use of language from what used to be called "public *administration*" to "public *management*" (Gray and Jenkins, 1995). Hood (1998) argues that such linguistic shift denotes a movement that matched the "mood for reform" in governments to become more business-like with increased emphasis on the role of managers. This has also been corroborated in many of the ambitious government initiatives and policy documents. The Modernization programme in the UK, for example, was presented by the New Labour government immediately after their election in 1997 as a necessary process of updating services to match public expectations of a "modern" government (HMSO, 1999), or in Tony Blair's words: "bring Britain up to date" (Giddens, 1998, p. 31). In its agenda, the focus of accountability on process featured in PPA has shifted to outcome instead. Partnership has been promoted as the main approach to improve performance and managers are expected to act as agents for delivering citizen's needs (Newman, 2002). Giving managers "the right to manage" lies at the heart of the Modernization programme (Ahmad and Broussine, 2003).

Other government initiatives have also included proven private sector managerial techniques in their reform agendas, such as the Financial Management Initiative (FMI) and the Next Steps in the UK, and the Financial Management Improvement Programme (FMIP) in Australia. FMI was formally launched in the UK in 1982 as a policy of radical change in the internal structuring and running of UK Civil Service departments (HMSO, 1982). It criticizes the traditional cash-flow based accounting procedure in public sector and promotes the adoption of management accounting, which would calculate costs on an accrual basis and relate not only direct but also indirect costs calculated in that way to outputs (McSweeney and Duncan, 1998). This has also been reflected in FMI's counterpart Australian version FMIP in 1988, with additional emphasis on the importance of performance measurement. Both FMI and FMIP also promote a separation between service purchaser and provider. They claim that with calculated and calculating civil servants, centralized control and dispersed control can be simultaneously increased (Miller and O'Leary, 1987).

FMI provided the foundation for the Next Steps initiative in the UK, which moved further to separate the advisory, regulatory and delivery functions of the government. The Her Majesty's Stationery Office report (HMSO, 1988) regarded the UK civil service as being too diverse as a single entity and therefore proposed that the executive functions of government should be carried out by executive units clearly designated within departments and referred to as agencies, which work "at arm's length from government" (Greer, 1994, p. 16). This movement (also presented as agencification in some literature) concurs with the promotion of partnership in the Modernization programme and it addresses the importance of autonomy for managers as motivation for performance improvement.

Whilst government agendas such as FMI and Next Steps tend to focus on specific elements or certain aspects of public management, the reinventing government movement in the USA in the early 1990s has been claimed to have brought more fundamental and systematic impacts on the ways that public sectors are managed. In their best-seller book *Reinventing the Government*, the two American non-academics, David Osborne and Ted Gaebler have elevated the importance of individual choice and promoted the use of competition. Their research will be examined at greater length in Section 2.4. Here we draw the attention to its value of development from traditional public administration. Unlike NPA or PPA, which were largely promoted in the academic area by scholars and theorists, reinventing government stemmed from a more practical background and its idea has been extensively influential in the practices of government at all levels. Meanwhile, it addresses more on external factors that affect public sector management and focuses on the role of government in public sector management reforms (Osborne and Gaebler, 1992). For example, it emphasizes the importance of empowering citizens to embrace a more participative management and focusing on service outcomes rather than inputs or process (Osborne and Gaebler, 1992).

Alongside these ambitious government statements, numerous works in the academic field have also drawn upon this paradigm shift of management style in public sectors.

Three of the mostly cited terms are examined as follows: accountingization, market-based public administration, and new managerialism.

Accountingization is a term coined by Power and Laughlin (1992) to represent the introduction of ever-more explicit cost categorization into areas where costs were previously aggregated, pooled or undefined (Hood, 1995, p. 93). Its application is best represented in the FMI mentioned earlier. Visibility has been stressed in its concept as a shift from the traditional theta-type administration value to lamda-type value, where resilience and security are emphasized (Hood and Jackson, 1991) (see Table 2.1).

Meanwhile, in Lan and Rosenbloom (1992), the concept of introducing competition and viewing individuals as 'customers', namely market-based public administration, has marked a change from theta-type value towards the sigma-type values (see Table 2.1), where cost of resources and service quality are highlighted in the criteria for public service performance. Although the idea of adopting managerial approaches from the private sector was not new, market-based public administration has explicitly spelt out the 3-Es (efficiency, effectiveness, economy) in its core values (Lan and Rosenbloom, 1992).

New managerialism (or neo-managerialism in some literatures) is another popular term which was largely quoted by academics in the UK and US in the 1980s and 1990s (Pollitt, 1993; Newman and Clarke, 1995). It shares the same tenet with the Modernization agenda that managers should be given the "right to manage" – freedom to make decisions about the use of organizational resources to achieve desired outcomes (Clarke and Newman, 1997, p. 56). As argued in Pollitt (1993), civil servants should be given enough autonomy to maintain neutrality as well as flexibility to manage public programmes more efficiently and effectively, yet meanwhile the managers' accountability to government's fiscal and programmatic priorities should still be ensured. To perform this crucial role, managers must be granted reasonable "room to manoeuvre" (Pollitt, 1993). New Managerialism therefore replaces the traditional 'low-trust' relationship between the government and

the public servants/professionals in PPA with more empowerment of managers which is expected to achieve 'continuing increases in economically defined productivity' (Pollitt, 1993, p. 2).

Although interpretation of these terms listed above may differ from various perspectives, there is general agreement that they all represent a major shift from traditional public administration with far greater attention paid to the achievement of results and the personal responsibility of managers. There is an expressed intention to move away from classic bureaucracy in public sector management to make organizations, human resource management, and employment terms and conditions more flexible. All these have been incorporated in the umbrella term NPM, as that such a "generic label" seems to be needed for a general yet not necessarily universal shift in the public management styles (Hood, 1995). The approach in this study therefore recognizes NPM as a reform tool-kit with a cumulative flow of ideas (Barzelay, 2000, p. 2). This depiction of NPM is also helpful in conducting comparative research in public sector management across countries.

Being a catch-all term itself, NPM has brought on an amorphous literature on its discussion, which has in turn caused considerable confusion in its understanding. It is therefore helpful to explore the origination of NPM to see how it has developed over times. In the next section, the origination and principles of NPM will be examined in details to provide foundation for further discussion.

2.3 Principles and antecedents of NPM

The ambiguous nature of NPM is often caused by its numerous definitions around, as different conceptualizations all address different things (Dunleavy et al., 2006). However, if we trace the origination of the term NPM itself, it was first presented by Hood (1991, pp. 4-5). His seminal work represents the early consensus about the definition of NPM, which sets out seven doctrinal components as its key dimensions:

1. A shift towards greater *disaggregation* of large public services bureaucracies into decentralized, corporatized units for each public sector 'product';

2. A shift to greater *competition* with the introduction of contracts (short term) for employees and public service organization outputs (as an incentive);

3. A move towards greater use within the public sector of what is considered to be *private-sector styles of management practice*;

4. A greater stress on *discipline and parsimony* in resource use and "doing more with less";

5. A greater visibility of *"hands-on professional management"* skills for active, visible, discretionary control of organizations (freedom to manage);

6. A move towards more *explicit and measurable standards* of service and performance measurements through clarification of goals, targets, and indicator of success;

7. A shift from the use of input controls and bureaucratic procedures to rules relying on *output controls* measured by quantitative performance indicators.

(*Italics as original in Hood, 1991)

The first four principles are primarily concerned with reducing the distinctiveness of public sector from private sector. By breaking up traditional bureaucratic structure into separately managed corporatized flat units, the first principle of disaggregation and decentralization focuses on the organizational structure and acknowledges the advantage of delegating authority to enable quick and flexible decision-making process which reflects citizens' demands (Hood, 1991, 1995; Pollitt, 1995). This principle has been incorporated in the British government's Modernization programme (HMSO, 1999). Competition is the key word for the second principle. Traditional public services tended to be monopolies and were indefinitely assigned to particular service providers (Hood, 1995; Kaboolian, 1998). By introducing a more competitive style into the public sector, an "internal market" can be established to set out the performance standards required for multiple service providers from both public and private sectors (Walsh, 1995, pp. 26-27). The introduction of competition is also expected to lead directly to the achievement of parsimony in resource use in the fourth principle. As demonstrated by Dunleavy and Hood (1994), opening up

competition to multiple service providers allow citizens more scope to 'exit' from one provider to another, rather than forcing them to rely only on feedbacks as a means of expressing how public service provision affects them. This has changed the focus on service input to output, which is addressed in the seventh principle, as performance assessment is crucial to ensure outputs. Among these first four principles, the presentation of the third principle is rather vague, as it did not specify what exactly "private sector style management" constitutes of. In Hood's explanation however, this principle tends to emphasize more on human resource management, with promotion of flexibility regarding staff hiring and reward system and requirements for top executives to possess professional management skills (Hood, 1991).

Meanwhile, the latter three principles focus on the degree to which general regulation should be applied to ensure the delivery of public services. As a counterpart to the discretion and flexibility allowed, the output-orientation theme in the seventh principle requires both resource allocation and rewards to be linked with measured performance and organizations and staff to meet the targets, (Hood, 1991). This implies abolition or lessening of the traditional input controls and process-orientation as specified in PPA. On the other hand, accountability for outputs is strengthened through the requirement for clear statements of goals and targets, indicators of success, and performance measurement based on pre-determined standards of achievement, as described in Hood's sixth principle. Moving back to a more strategic management viewpoint, the fifth principle suggests that visible top management should control public organizations more actively by wielding discretionary power (Hood, 1991). This has changed the relatively anonymous bureaucrats to visible managers at top level, as clear assignment of responsibility is more likely to ensure accountability rather than the previous diffusion of power.

It needs to be noted that these seven doctrines are interrelated to each other. It is difficult to envisage, for example, how the second, third, fourth and seventh doctrines can be more than rhetoric without the measures of performance that are core to the sixth principle (Christensen and Yoshimi, 2003). For example, the use of

performance measurement is what makes it possible to establish and enforce contracts with specific service levels in the second principle, which in turn facilitates the implementation of private sector management style of practice in the third principle. Furthermore, clear definition of targets and goals increase stress on resource usage in the fourth principle, as well as a greater emphasis on output controls as specified in the seventh principle.

Judging from the administrative value theory by Hood and Jackson (1991) (see Table 2.1), Hood's definition of NPM can be understood primarily as an expression of sigma-type values which emphasize on frugality: cutting costs and doing more for less as a result of better-quality management and different structural design (Hood, 1991, p. 15). These characteristics differentiate NPM from the traditional theta-type value in PPA, with a clear movement towards decreasing distinctiveness the public sector and loosening procedures for public services delivery, as illustrated in Figure 2.1.

Figure 2.1 From PPA to NPM
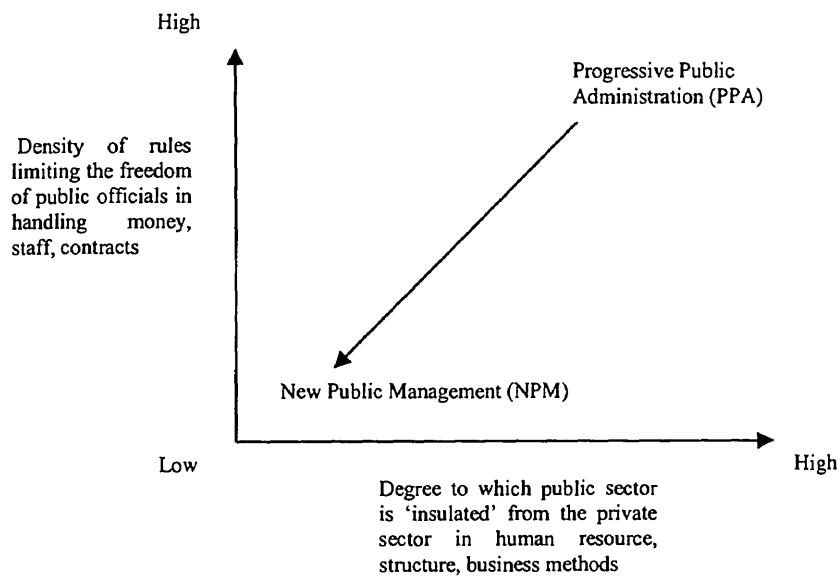
Source: Dunleavy and Hood (1994)

Hood's research has influenced a lot of scholars following his paradigm and has been broadened to various extents. Focusing on its versatile nature, Pollitt (1995) has described NPM as a collective "shopping basket" filled with eight instruments:

1. Cost cutting, capping budgets and seeking greater transparency in resource allocation;

2. The disaggregating of traditional bureaucratic organizations into separate agencies;

3. The decentralization of management authority within public agencies;

4. A clearer separation of purchaser and provider roles;

5. The introduction of performance targets, performance indicators and output objectives;

6. Increased flexibility of pay and conditions, the break-up of national pay scales and conditions and the growth of "performance related pay" linked to improvements in service outcomes;

7. Increasing emphasis on the quality of services, setting standards for quality and responding to customer's priorities.

Most of these elements such as transparency in resource allocation, separation of purchaser and providers, stress on performance measurement, and service quality are familiar as they can be seen as either overlapping with the original seven principles in Hood (1991), whilst the rest can be considered as a further reinforcement of them. For example, the second and third elements explicitly emphasize the idea of agencification, which is best represented in the Next Steps initiative in the UK. The sixth element develops issues regarding human resource management that have been mentioned in Hood's third principle of private style management as well as the sixth principle of performance measurement for individuals.

In the definition by the Public Management Committee of the OECD, NPM is seen a new paradigm for public management which aims at fostering a performance-oriented culture in a less centralized public sector. It is characterized by the following five elements (adapted from Mathiasen, 1999, p. 92):

1. A closer focus on results in terms of efficiency, effectiveness, and quality of service;

2. The replacement of highly centralized, hierarchical structures by decentralized management environments where decisions on resource allocation and service delivery are made closer to the point of delivery, and which provide scope for feedback from clients and other interest groups;

3. The flexibility to explore alternatives to direct public provision and regulation that might yield more cost-effective policy outcomes;

4. A greater focus on efficiency in the services provided directly by the public sector, involving the establishment of productivity targets and the creation of competitive environments within and among public sector organizations;

5. The strengthening of strategic capacities at the centre to guide the evolution of the state and allow it to respond to external changes and diverse interests automatically flexibly, and at least cost.

Among these elements, the fifth one underlines the importance of strategy which is absent in Hood's definition. It stands from a strategic perspective and considers the steering role of government to respond to external changes, resembling the *Participatory Government* model by Osborne and Gaebler (1992) that will be discussed later in Section 2.4.

Nevertheless, these definitions tend to focus on more or less the same strand of thoughts in a simple form of lists of NPM elements. Succeeding academics have developed these early versions of NPM into categories models and theories with distinctive characteristics, such as Peters (1996)'s four visions of future government and Ferlie *et al.* (1996)'s four models, which will both be explored later in Section 2.4. However, even if for its relatively simpler prototype version, it would still be an overstatement to say that NPM represents a coherent theory (Hood, 1991). Instead, it is a bundle of different (and sometimes contradictory) concepts (Aucoin, 1990; Christensen and Lægreid, 2001). The conventional view holds that the origins of NPM mainly rose from two intellectual streams of thoughts: public choice theory and

managerialism. The former recognizes the self-interested nature of the human being and aims to reduce the role of government in public management and to enhance transparency, whilst the latter emanates from the literature on private sector management and emphasizes the importance of 3Es – effectiveness, efficiency and economy (Aucoin, 1990; Boston *et al.*, 1996).

Gruening (2001) however, suggested that the formula *NPM = public choice theory + managerialism* is "seriously incomplete". Rather, NPM can be traced back to a variety of theoretical origins, and the practical individuals who advocated and implemented various NPM reforms were influenced by an eclectic variety of these ideas (Gruening, 2001). In Table 2.3, a generalization of all the main intellectual roots that have formed or influenced NPM is provided in two categories.

Table 2.3 Intellectual streams of NPM

Intellectual stream	Representative	Tenet
New institutional economics (analytical-driven NPM movement)	- public choice theory - transactions cost economics - principal-agent theory	Making managers manage
Managerialism (pragmatic strand of NPM)	- professional management	Letting managers manage

Sources: Hood (1991); Gruening (2001)

The first category, new institutional economics, is built on economic organization theory such as public choice theory, transaction cost economics and principal-agent theory. It focuses on the primacy of representative government over bureaucracy (Hood, 1991; Boston *et al.*, 1996). It stresses that the power of political leaders must be reinforced against bureaucracy and such concentration of power requires attention to centralization, coordination and control, and contractual arrangements are a main device to attain that goal (Christensen and Lægreid, 2001). In this train of thought, the only way to improve government managers performance is to change their incentives by subjecting them to market forces and contracts, which is described as 'making managers manage' (Hood, 1991, p. 6).

The other stream of NPM's origin comes from the managerialist school of thought. Managerialism generates a set of successive waves of business-type 'managerialism'

in the public sector based on the ideas of 'professional management' (Hood, 1991), which focuses on the need to re-establish the primacy of managerial principles in bureaucracy (Kettl, 1997). This concentration on enhancing the capacities of managers to take action requires attention to decentralization, devolution, and delegation (Christensen and Lægreid, 2001). It also stresses on a high discretionary power to achieve results (i.e. free to manage). Hood has put it as the slogan 'letting managers manage' (Hood, 1991, p. 6), meaning discretion for managers and boards with not too much daily interference from the political leaders. This way of thinking is related to structural devolution, with less capacity for central political control.

Such mixed nature of NPM results in tensions from the centralizing tendencies inherent in contractualism, as against the devolutionary tendencies of managerialism. NPM is thus a double-edged sword that prescribes both centralization and devolution (Christensen and Lægreid, 2001). To further explore the inherent contradictory nature of NPM, various models and theories of NPM will be presented in a chronological fashion with their interpretations examined respectively in the next section.

2.4 Influential NPM theories and models

The vagaries in the definitions of NPM and the diversified intellectual streams which it stemmed from all suggest that it cannot comfortably be interpreted as a defined movement, given that a movement cannot be a term applied to a set of contrasting or unconnected ideas. The components of NPM are motivated by different principles with intellectual connections with one another. In order to examine the interrelations in between, a theoretical framework for public sector management norms is needed. Here Hood's two cardinal issues (explicitness of regulations and public sector distinctiveness) depicted in Figure 2.1 are put into a two-by-two matrix model, representing four polar types of different public management paradigms (Dunleavy and Hood, 1994), with the density of rules in the system as one axis, and the degree of distinction between public and private sectors management as the other (Table 2.4).

Table 2.4 Two-by-two matrix for public management

Degree of generalized rules	High	*Gridlock Model* Private providers, 'iron rule-book' (juridification), no political mediation	*Public Bureaucracy State* Extended public provision by distinctive public sector organization
	Low	*Minimal Purchasing State* Maximal corporate presence, state as an 'intelligent consumer'	*Headless Chicken Model* Distinctive but turbulent public sector: 'no-one in charge' management
		Low	**High**
		Degree of separation of public and private sectors	

Source: Dunleavy and Hood (1994)

In the top left *Gridlock Model*, there is no sharp distinction between public and private sector providers. Indeed, many public services may be provided by corporations, but strong and comprehensive procedural rules have been developed at the same time. The top right model, *Public Bureaucracy State*, implies a distinct public sector management style with entrenched core competences and methods of operation that is separated from private sector. In the bottom left model, *Minimal Purchasing State*, market is regarded as the ideal mechanism and public service provision becomes controlled by large private corporations. The last one, *Headless Chicken Model*, is an example of both over-managed and under-managed public services, over-managed at the level of individual organizations, yet under-managed overall as there is no system guidance.

This typology has been developed further in Hood (1998) by adopting the grid-group cultural theory, a form of analysis first proposed by Douglas (1982) and now widely applied in institutional analysis in social science research (Table 2.5). The two organizational dimensions – degree of generalized rules and degree of separation of public and private sectors, are defined as 'grid' and 'group' respectively. Within the context of the public sector, 'grid' denotes the extent to which public management is conducted according to well-understood general rules (degree of generalized rules), while 'group' by contrast means the degree to which public management involves coherent collectives, institutionally differentiated from other spheres of society (degree of separation between public and private sectors) (Hood, 1998).

Table 2.5 Public management in grid-group theory

Grid	Group	
	Low	High
High	*The Fatalist Way* Low-co-operation, rule-bound approaches to organization	*The Hierarchist Way* Social cohesive, rule-bound approaches to organization
Low	*The Individualist Way* Atomized approaches to organization stressing negotiation and bargaining	*The Egalitarian Way* High-participation structures in which every decision is 'up for grabs'

Adapted from Hood (1998)

Constructed with this 'grid/group' approach, four types of culture are classified depending on: (1) whether they are group-centred or individual-centred; and (2) whether they are governed by strong (high-grid) or weak (low-grid) bundles of norms, rules, and conventions. In this sense, the *Hierarchist Way* (high-grid, high-group) is socially cohesive and implies a rule-bound approach to organization. The *Egalitarian Way* (low-grid, high-group) has high-participation structures in which 'every decision is up for grabs'. The *Individualist Way* (low-grid, low-group) involves 'atomized approaches to organization stressing negotiation and bargaining'. Finally, the *Fatalist Way* (high-grid, low-group) features low-cooperation and rule-bound approaches to organization.

These four models represent a move away from the previous simple dichotomies between the state and the market, or between traditional and modern styles of public management (Dunleavy and Hood, 1994). However, it needs to be noted that this typology does not intend to pigeonhole all the viable ways of doing public management into four models. Instead, it provides four polar types of extreme conditions which are not mutually exclusive to each other, and between them hybrid forms of organizations emerge (Hood, 1998). By examining the most influential NPM models – namely Hood (1991), Osborne and Gaebler (1992), Peters (1996) and Ferlie *et al.* (1996) with this typology in the following sections, culturally different variants of NPM can be identified.

2.4.1 Hood (1991) – origination of NPM

Both Hood (1991) and Osborne and Gaebler (1992)'s models of NPM are lists of various NPM elements, although the former stipulated his seven principles around two cardinal issues: the first one being how far the public sector should be distinct from the private sector in its organization and methods of accountability, and the other issue being how far managerial and professional discretion should be fenced by explicit standards and rules (Table 2.6).

Table 2.6 Hood's seven principles

Elements		Characteristics
1. Disaggregation into decentralized units 2. Competition as incentive 3. Private-sector styles of management practice 4. Discipline and parsimony in resource use	**Public sector distinctiveness**	Emphasis on role of manager and clear assignment of power.
5. Hands-on professional management 6. Explicit and measurable standards of service and performance measurement 7. Focus on output control	**Rules vs. discretion**	

Source: Hood (1991)

These seven principles have been explained respectively in Section 2.3. The have also been presented in Figure 2.1 to show that much of the thrust of NPM changes were designed to move public services down-group, in the sense of reducing the degree of distinctiveness between public and private management. And those changes were also designed to move public services down-grid by a process of breaking up formerly monolithic bureaucracies into their component businesses and thereby reducing the degree to which common rules applied across the public sector (Hood *et al.*, 1999, pp. 196-200). By adopting the grid-group theory, Figure 2.2 shows the different cultural perspectives upon which each element is based. It seems that Hood's first four principles are based on an *individualist* way. However, elements such as hands on management stress on the importance of and therefore can be seen as stemmed from an *egalitarian* point of view.

Figure 2.2 Hood (1991) in grid-group theory

The Fatalist Way   **High**   The Hierarchist

Public sector distinctiveness

Rules and regulation

Low

The Individualist   The Egalitarian

(Ovals labelled: 5, 1, 4, 6, 3, 2, 7)
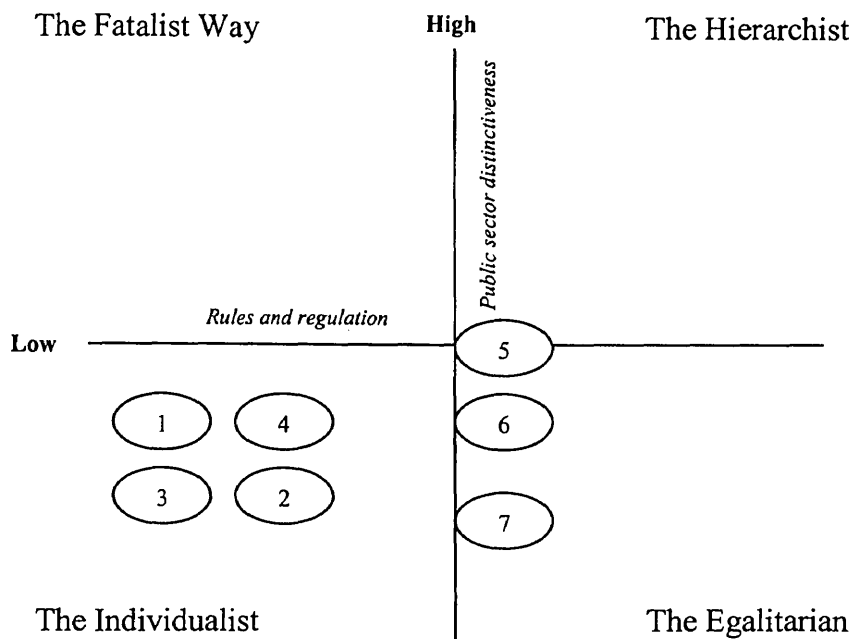
2.4.2 Osborne and Gaebler (1992) – imported from the US

Hood's NPM theory soon gained prominence in the early 1990s. More diversity in the research of NPM has emerged in the following years. In 1992, Osborne and Gaebler (1992, p. 16) first raised the concept of "reinventing government" to map out 'a radically new way of doing business in the public sector'. According to their concept, reinvention is a '(r) evolutionary change process' that had happened before in the Progressive Era in the U.S. and has been occurring again in local governments and elsewhere (Ocampo, 2000, p. 248). This entrepreneurial government model, claimed by them as a basic 'paradigm shift' from the 1930s to 1960s, consists of ten principles:

1. Competitive government: governments promote competition between service providers;

2. Community-owned government: governments empower citizens by pushing control out of the bureaucracy, into the community;

3. Result-oriented government: governments measure performance of their agencies, focusing not on inputs but on outcome;

4. Mission-driven government: governments are driven by their goals – their mission – not by their rules and regulations;

5. Customer-driven government: governments redefine their clients as customers and offer them choices

6. Anticipatory government: governments prevent problems before they emerge, rather than simply offering services afterwards;

7. Enterprising government: governments put their energies into earning money, not simply spending it;

8. Decentralized government: governments decentralize authority, embracing participatory management;

9. Market-oriented government: governments prefer market mechanisms to bureaucratic mechanisms;

10. Catalytic government: governments focus not simply on providing public services, but on catalyzing all sectors – public, private, and voluntary – into action to solve their community problems.

Source: Osborne and Gaebler (1992, pp. 19-20)

Examined with Dunleavy and Hood (1994)'s grid-group matrix, Osborne and Gaebler's collection of reinventions can be linked to more than one of the four polar types, suggesting that it combines incompatible worldviews rather than being a 'single paradigm' (Hood, 1995, pp. 406-407) (see Figure 2.3). For example, their much-quoted emphasis on 'steering government' in the tenth principle, a public service ethos and strong leadership from the top is a reflection of a *hierarchist* worldview applied to public management. Meanwhile, the first, third, fourth, fifth, seventh and ninth principles all relate to the conventional *individualist* cultural stance, in which the main recipe for improving public management is competition and market-type consumerism. Such remedies are linked with the doctrines of 'government by the market' in order to make producers responsive to their consumers. Moreover, an *egalitarian* cultural theme is adopted in the second and eighth principles by raising the idea of 'empowering' local collectivities. For the

sixth model: anticipatory government, it is seen as the extreme opposite of the *fatalist* point of view and therefore is placed in the *egalitarian* corner as a direct opposite.

Figure 2.3 Osborne and Gaebler (1992) in grid-group theory
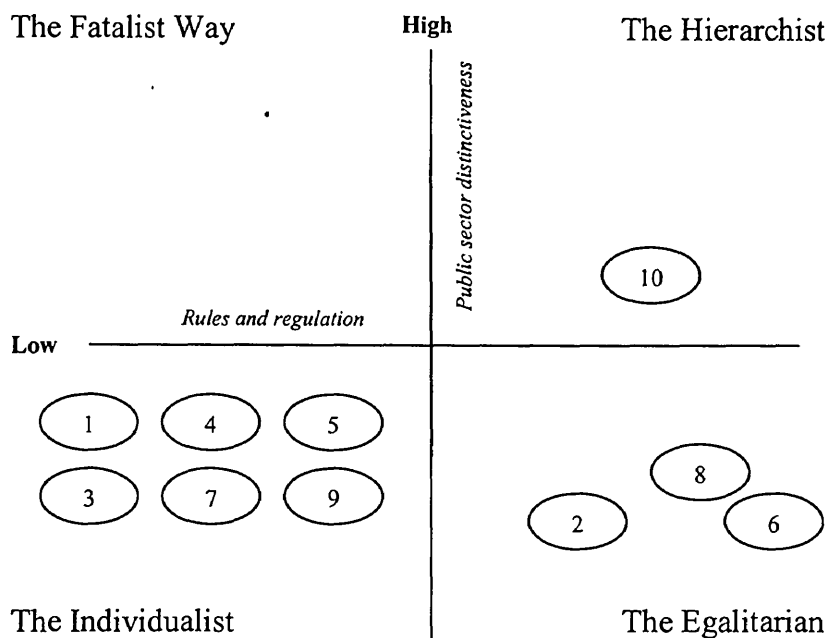
Without referring to each other, both Osborne and Gaebler (1992) and Hood (1991) have addressed at least the following similar elements: decentralization, introducing market mechanism and competition, control on resource use and output, emphasis on performance measurement. Yet one thing that Hood did not give much emphasis on is the role of the managers. He addressed this aspect by putting it in his seven principles as 'hands-on professional management' and emphasized the importance of manager as 'active control of public organizations by visible to managers wielding discretionary power' (Hood, 1996, p. 268). Meanwhile, Osborne and Gaebler seem to accept Deming's view that managers and workers account for only a small percentage (15%) of problems in organizations, while the rest being 'broader system' factors (Osborne and Gaebler, 1992, pp. 159-160). Hood's definition is therefore considered to be too tied to internal factors, whilst Osborne and Gaebler's entrepreneurial government can be seen as a further extension.

2.4.3 Peters (1996) – four visions for the future government

Peters (1996) generalizes the main characteristics of public sector management in terms of the diagnosis they offer to key problems confronting public administration. He proposed a four-part taxonomy of governing models: *market*, *participative*, *flexible* and *deregulated*, relating to different diagnosis of the problems seen by governments (Flynn, 2002). The resultant schema is summarized in Table 2.7.

Table 2.7 Four visions for the future government

	1. Market government	2. Participative government	3. Flexible government	4. Deregulated government
Principal diagnosis	Monopoly	Hierarchy	Permanence	Internal regulation
Structure	Decentralization	Flatter organization	Virtual organizations	No particular recommendations
Management	Pay for performance	TQM; teams	Managing temporary human resource	Greater managerial freedom
Policy making	Internal markets, market incentives	Consultation negotiation	Experimentation	Entrepreneurial government
Public interest	Low cost	Involvement consultation	Low cost coordination	Creativity activism

Adapted from Peters (1996)

Here Peters categorized various NPM elements in a fashion that highlights the different dimensions of reform changes in structure, management, policymaking and public interest. The principal diagnosis provides an identification of a cause, and thus produces the clarity required to engage in the complexity and difficulties in government reform. The other four dimensions of analysis are more specific conceptualizations of problems and particularly of alternatives to the *status quo*. These emerging visions of governance each contain the concept of public interest and an overall idea of what constitutes good government (Peters, 1996, p. 19). By making the implications of the choices available for the government more evident, it provides four options for reformers, characterizing four visions for them to hold their hope onto.

In the *market government model*, the lack of incentives provided for individuals in traditional public sector is regarded as the principal problem. The ideal government would be minimized policy making and lightly regulatory functions only, whilst citizens see themselves as consumers and taxpayers in a public sector infused with market-type mechanisms. This corresponds to the *individualist* view within Dunleavy and Hood (1994)'s two-by-two matrix (Figure 2.4).

The second model – *participative government*, emphasizes on the empowerment and participation of citizens. Similar to the *market government model*, it envisages radical decentralization and a sharp move from bureaucratic hierarchies. However, it adopts more of an *egalitarian* perspective and trusts citizens to be capable and willing to perform well in the governance (Figure 2.4).

The third model *flexible government* regards the traditional public sector as being permanent and inflexible. And it provides the remedy of a "temporary state", where everything from organization structure to individual job position is adaptable. This model appears compatible with the market model, as it can be seen as an extensively contract-based phenomenon (Pollitt and Bouckaert, 2000). Therefore it can be regarded as loosely belonging to the *individualist* perspective (Figure 2.4).

Finally, the four model *deregulated government* regards the heavy constraints of bureaucratic regulations as the main problems of public sector. It is confident and optimistic about the character and motivation of civil servant. In the two-by-two matrix, it sits within both *individualist* model for emphasizing on individual value and *egalitarian* view, as it believes that once the regulation is loosen, then every civil servant would have a chance to show their creativity and therefore the service would be improved (Figure 2.4).

Figure 2.4 Peters (1996) in grid-group theory

The Fatalist Way   **High**   The Hierarchist

Public sector distinctiveness

Rules and regulation

Low

3

1

4

2

The Individualist   The Egalitarian
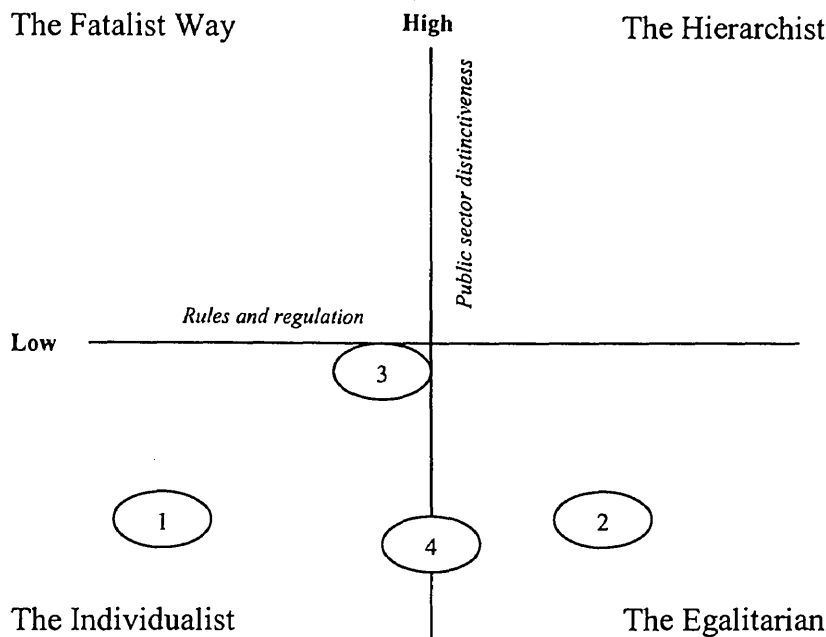
2.4.4 Ferlie et al. (1996) – four ideal types of NPM models

Peters' analysis, although geographically wide-ranging, emphasizes the differences between sectors as the main determinant of the applicability of their models. Whereas in Ferlie *et al.* (1996), such sectoral difference as well as different 'national type' contexts were also acknowledged. Four models of NPM are generated through a review of managerial theory and knowledge of public sector reform programmes, as their 'initial attempt to build a typology of NPM ideal types' (Ferlie *et al.*, 1996, pp. 10-15). The key characteristics and elements of each model are concluded in Table 2.8.

These four models have been built in an incremental way rather than one model replacing another (Quinlivan and Schon, 2002). From the characteristics shown in Table 2.8, a mixture of various paradigms can be recognized. Most elements in Model 1 *Efficiency drive* and Model 2 *Downsizing and decentralization* have already been mentioned in the previous NPM theories. For example, it shares Hood (1991)'s principle of explicit and measurable service standard, as well as with Osborne and Gaebler (1992)'s notions of result-driven government and decentralized government.

A distinctive characteristic of Ferlie *et al.* (1996)'s typology is that, in Model 4 *Public Service Orientation*, it raises the concept of citizenship, which argues that *users'*, rather than customers' concerns and values, should be cared about in the management process. This is a break from early concepts of NPM such as Osborne and Gaebler's *customer-driven government*, which embraced assumed generic private sector management practices. Rather, it promotes a special form of management for the distinctive public sector environment (Dawson and Dargie, 2002).

Table 2.8 Ferlie *et al.*'s typology of four ideal NPM models

Model 1	Efficiency drive	- An increased attention to financial control - A stronger managerial style with management by hierarchy - More market mindedness and a customer orientation - A shift in power from professionals to management - Less bureaucratic and more entrepreneurial management; - New forms of corporate governance
Model 2	Downsizing and decentralization	- More elaborate and developed quasi-markets; - Separation of small strategic core from large operational provider - De-layering and downsizing; - A split between public funding and independent sector provision - More flexibility and variety in the service system.
Model 3	In search of excellence	- Emphasis on organizational development and learning - Recognition of the importance of organizational culture - Radical decentralization with performance judged by results; growth of corporate logos, mission statements and uniforms; - An explicit communications strategy - More assertive and prominent human resource management function - Charismatic rather than transactional forms of leadership.
Model 4	Public service orientation	- Major concern with service quality; - Value-driven approach; - A concept of citizenship; - Scepticism as to the role of markets in public services; - A continuing set of public service tasks and values - A stress on service accountability and collective provision

Adapted from Ferlie *et al.* (1996)

Judged by the grid-group theory, elements such as parsimony on resource use, result driven, output control, performance measurement (Model 1) and quasi-market mechanism, de-layering and downsizing, flexibility and variety in the service system (Model 2) can all be seen as adopting the *individualist* perspective, with the

exception of 'management by hierarchy' which is rather from a *hierarchist* view. Hence Model 1 is placed in the middle of the *individualist* and *hierarchist* polar types (Figure 2.5). Model 3 *In search of excellence* emphasizes the importance of leadership and organizational culture, which is developed from an *egalitarian* worldview. Model 4 *Public Service Orientation* can be seen as the extreme opposite of the individualist view as it highly doubts the value of market in public service, and therefore it is placed at the corner of the opposing *hierarchist* box.

Figure 2.5 Ferlie *et al.* (1996) in grid-group theory
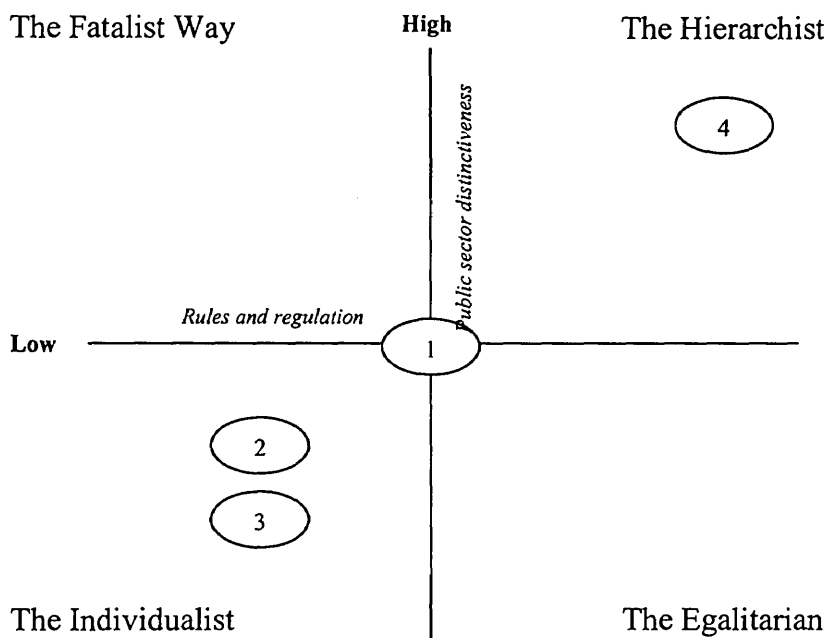
Although Ferlie *et al.*'s typology has been referred to by many researchers in their studies of NPM, there seems to be a lack of empirical study to support its applicability and validity. For those who have adopted this typology as an analytical framework, their research findings show that often more than one model can be applied to an individual case. For example, in Parry's (2001) study about higher education reform in the UK, it appears to have adopted elements from both the *Efficiency Drive* model and *Downsizing and Decentralization* model. Also in Boyle (2001), it is suggested that Model 1 and Model 3 are both evident in the Irish Civil Service reform. Other issues also existed with this typology, one being whether it

may be applied at both organizational and system levels. Moreover, mainly based on Anglo-Saxon cases, this typology fails to pick up on the international experience, and in this sense, Ferlie *et al.*'s study ends inconclusively.

2.4.5 Conclusion

By examining the above four models and theories, it is clear that there is no conclusive and mutually exclusive typology in which every NPM reform can be pigeonholed. In addition to these perfectly categorized ideal types, one or more 'hybrid forms may be emerging as subspecies in the classificatory system' (Ferlie *et al.*, 1996, p. 240). This is also in line with Hood's view (1998) that hybrid forms emerge among the polar types of models, which denotes that a typology of NPM as such will never be complete and ultimate. This is particularly evident judging from Figure 2.2 to Figure 2.5, where each model itself is based on different managerial culture perspective. Even though the *individualist* approach appears to be the most popular one, at times the *hierarchist* as well as *egalitarian* perspectives are also employed to develop public sector management instruments. Many models themselves have to be located in between these four perspectives.

Therefore, instead of trying to categorize various NPM reform techniques and instruments, this research will focus on examining the identifiable approaches and NPM techniques adopted by various countries during their reform processes, from which we will be able to have an idea about what the potential problems at present are in NPM reforms, what are the causes of these problems and whether they could be solved in the near future. Details on the research design will be presented in Chapter 4.

Table 2.9 summarizes these four NPM models and theories with their characteristics highlighted. It seems that although the literature on NPM models and instruments is vast, some of the elements seem to be recurring. The homogeneous terminology of NPM used to misleadingly suggest a comparable implementation of the model. Thus in this research, efforts will be made to draw out these recurring elements to identify

a common body of NPM element categories that can be chosen and adopted by different countries to suit their own public sector reforms.

Table 2.9 Comparison of existing NPM models

Academics	Models		Characteristics
Hood (1991)	1. Disaggregation into decentralized units 2. Competition as incentive 3. Private-sector styles of management practice 4. Discipline and parsimony in resource use	Public sector distinctiveness	- The early consensus of the definition of NPM - Too tied to internal factors
	5. Hands-on professional management 6. Explicit and measurable standards of service and performance measurement 7. Focus on output control	Rules vs. discretion	
Osborne and Gaebler (1992)	1. Catalytic government 2. Community-owned government 3. Competitive government 4. Mission-driven government 5. Results-oriented government 6. Customer-driven government 7. Enterprise government 8. Anticipatory government 9. Decentralized government 10. Market-oriented government		- Focus more on external - A mixture of hierarchist view, individualist view and egalitarian view
Peters (1996)	1. Market government 2. Participative government 3. Flexible government 4. Deregulated government		- Categorize NPM elements into four visions by their major break from past
Ferlie et al. (1996)	1. Efficiency drive 2. Downsizing and decentralization 3. In search of excellence 4. Public service orientation		- Breaking from previous theories of NPM by emphasis on the organizational culture and the adoption of the concept of citizenship

An overview of Table 2.9 also reveals the repeating appearance of certain elements. For example, the market mechanism and performance measurement have been mentioned in all these models, whereas less popular elements such as management by hierarchy has made its comeback in both Hood (1991) and Peters (1996). In the next section, these re-occurring elements of NPM will be explored further from both macro-management and micro-management perspective.

2.5 Recurring elements of NPM

For any types of public management reforms, *structure* and *process* are the two most prominent aspects to examine internally, as reforms essentially consist of deliberate changes on an individual organization's structure and management process (Pollitt and Bouckaer, 2000, p. 8). The *structure* aspect is the skeleton of any organization and represents more system-level features that are not usually changed easily, such as the layout of the organization.

The *process* aspect, on the other hand, refers to issues for line management at more operational level, which can be further broken down into three categories: financial management, human resource management, and performance measurement. Externally, reforms are affected by the influences of social-economic forces as well as the influence of political system.

The role of government in this external environment is therefore crucial to the process and outcomes of public sector reforms on a macro-management level. Both internal and external factors that have impacts on public management reform are illustrated in Figure 2.6.

As can be recognized in Figure 2.6, three aspects on two different levels of management need to be considered when conducting public management reform. The role of the government is undoubtedly at the top level of this map. The separation line between structure and process are not distinctive, as they tend to mingle on the boarder line. However, as argued earlier, structure more often regards top management decisions inside an organization, whilst process can extend to line management level.

Figure 2.6 Map of factors influencing public sector management reform
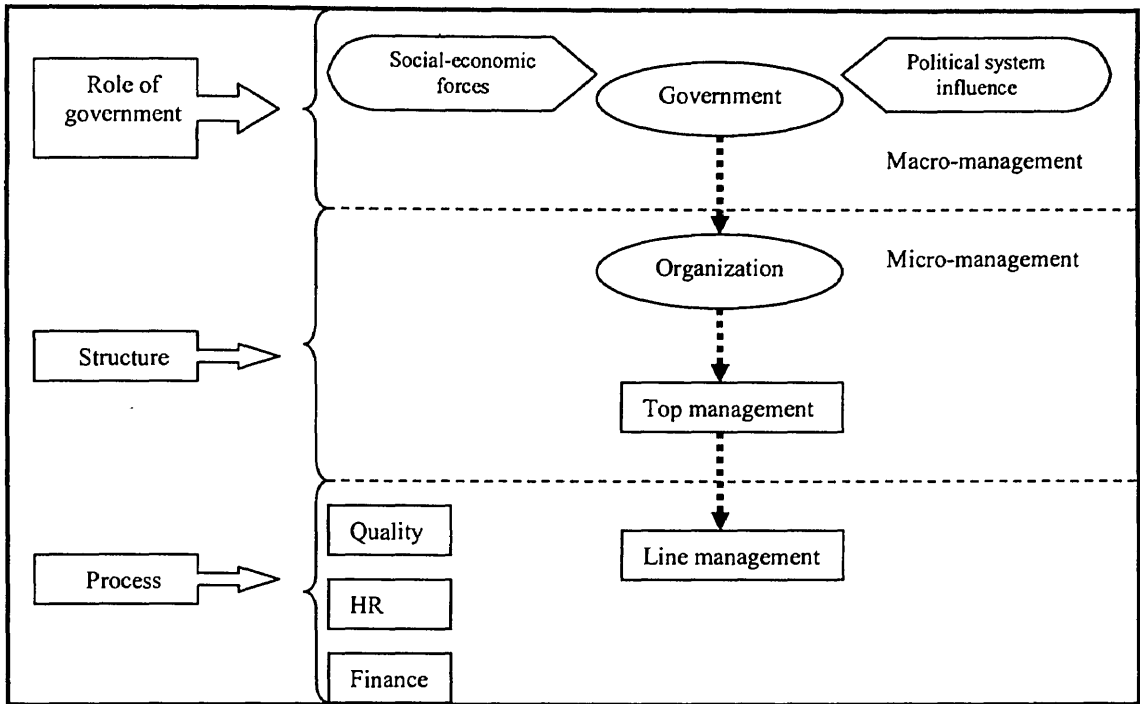
With this map in hand, we can now set various NPM components into these three dimensions to form a general pattern of changes in public sector management. Table 2.10 is a summary of all the NPM elements that have appeared in the previous literature set in these three dimensions. The cross in the *total* category means the frequency of each NPM element's appearance in various NPM models over time. As we can see, in the table there are also some contradictory elements such as *skepticism over the role of market mechanism* and *creation of competitive environment for service providers*. This can be explained by the inherently contradictory nature of NPM itself, as will be further discussed in later sections.

Table 2.10 Recurring elements in NPM models

Time of appearance	Elements	Hood (1991)	O&G (1992)	Peters (1996) M	P	F	D	Ferlie et al. (1996) E	D	I	P
	STRUCTURE										
	Structure Layout										
2	Disaggregation into corporatized units	X		X							
2	De-layering (flatter organizational structure with fewer tiers between the top and bottom)				X				X		
1	Downsizing (reducing pay-roll numbers)				X						
	Power Distribution										
1	A shift of power to senior management							X			
1	A shift of power from professionals to management							X			
1	A shift of power to strategic level							X			
3	Diffusion of power by empowerment		X		X			X			
4	Decentralization of authority/embracing participatory management		X	X	X					X	
1	Clear assignment of power/hands-on professional management	X									
2	Strong managerial leadership/stress on charismatic leadership (private sector role model)						X			X	
1	Management by hierarchy							X			
	Communication and Culture										
2	Explicit communication strategy				X					X	
1	Recognition of the importance of organizational culture as glue									X	
	PROCESS Hood (1991)	O&G (1992)	Peters (1996) M	P	F	D	Ferlie et al. (1996) E	D	I	P	
	Quality Management										
1	Explicit and measurable standards of service performance	X						X			
2	Greater emphasis on outcomes rather than process		X							X	
2	Use of internal competition to enhance efficiency		X	X							
1	Clear definition of goals and targets							X			
2	Major concern with service quality				X						X
	Human Resource Management										
3	Flexible recruitment policy	X						X			
1	Individual performance related pay/merit pay			X		X					
1	Managing temporary employment/abolishing lifelong tenure					X					
1	A more assertive and strategic HR management function									X	

		Hood (1991)	O&G (1992)	Peters (1996)				Ferlie et al. (1996)			
				M	P	F	D	E	D	I	P
Financial Management											
2	Identification of 'cost centers' to devolve budget	X		X							
3	Resource allocation and awards linked with unit performance measurement (market mechanism to allocate resource)	X		X					X		
1	Greater discipline and parsimony in resource use	X									
1	Emphasis on financial control							X			
	ROLE OF GOVERNMENT										
	General										
1	A shift of power from appointed to elected local community										X
1	Responding effectively and voluntarily to changes/steering role of government		X								
2	Virtual organization by managing at systematic level/service system of more flexibility and variety					X			X		
2	Government catalyzes all sectors (public, private and voluntary) into action to solve community problems		X		X						
	Public Sector Distinctiveness										
2	Scepticism over the role of market in public services				X						X
2	Reflection of user (rather than customer) concerns and values, a concept of citizenship				X						X
2	Major concern with service quality				X						X
1	Value-driven approach based on mission to achieve excellence										X
1	Emphasis on organizational development and learning									X	
	Private Sector Style										
3	De-emphasis on rules and regulations		X				X	X			
1	Greater role of non-public service provider							X			
1	Put energy into money earning, not just spending/enterprising government		X								
4	Create of internal market and managing competitive environment	X	X	X					X		
3	Customer orientation/re-define clients as customers		X	X				X			

NOTES:
O & H (1992): Osborne and Gaebler (1992)
Peters (1996): M – Market Government; P – Participative Government; F – Flexible Government; D – Deregulated Government
Ferlie et al. (1996): E – Efficiency Drive; D – Downsizing and Decentralization; I – In Search of Excellence; P – Public Service Orientation

In the STRUCTURE category, NPM instruments are implemented in three aspects: (1) structure layout; (2) distribution of decision-making power; and (3) communication and culture. The typical NPM elements adopted in changing the structural layout include disaggregation and reducing layers to make organization structure flatter, sometimes also along with downsizing by reducing staff numbers. Regarding the distribution of power, the shifts of managerial authority need to be examined, as they often tend to be in more than one single direction. For example, the elements of management by hierarchy and shift of power to senior management imply a *hierarchist* view, whilst diffusion of power and participative management are representative of *egalitarian* points of view. The two most popular NPM elements here are the diffusion of power and decentralization of authority, with the highest frequency of appearances in all models. Finally, whether there is clear communication and recognition of organizational culture is also considered as an important aspect when examining NPM reforms.

In the PROCESS aspect, the management of quality, human resource, and finance are examined. In (1) quality management, most NPM elements emphasize performance standards and clear definition of goals. There is also the *individualist* way of internal competition to increase efficiency. In (2) human resource management, the recruitment policy is the most popular one shared by Hood (1991), Peters (1996) and Ferlie *et al.* (1996). The individual pay and temporary contract are also presented. From an overall perspective, NPM requires a more strategic HR function. In (3) financial management, the most frequently mentioned NPM element is the identification of cost centres to devolve budgets, as well as resource allocation linked with performance measurement. Meanwhile, there is also greater concern in the resource use and emphasis on financial control.

In the ROLE OF GOVERNMENT, the elements are generalized in three types. The general ones include the shift of power to the local community, the steering role of government as presented in Osborne and Gaebler (1992), virtual organization in Peter (1996) and Ferlie *et al.* (1996)'s *Downsizing and Decentralization* model, and finally, the catalyzing role of government shared by both Osborne and Gaebler (1992)

and Peters (1996). The following two types of elements represent different ways to do NPM. The public sector distinctiveness elements are best represented in Ferlie *et al.* (1996)'s *Public Service Orientation* model. It needs to be noted that in this category, the element of major concern over service quality has been re-addressed to represent the government's stance regarding quality issues in the higher education sector as a whole. The category of private sector style consists of NPM elements that are "borrowed" from private sector, such as customer orientation and creation of internal market.

Again, the two main paradigms mentioned in Chapter 2.2 – structural devolution of power and enhanced control by contracts can be observed from these recurring elements. On the one hand, there is a strong demand of state agencies for increased local autonomy and greater flexibility (Kettl, 1997). Various NPM elements in the *organizational structure* are to serve this need for de-regulation, diffusion of power and a more participatory management system. Yet on the other hand, structural devolution raises questions over the development of control systems, which can only be solved by contracting. The price for more devolution, flexibility, competition, autonomy, and discretionary power for the managers in many countries is a more formal and rigid hierarchic control system by extensive use of contracts (Christensen and Lægreid, 2001). This train of thought can mostly be observed in the elements in *management process*, such as an emphasis on performance measurement, market incentives, and contracting out.

2.6 Critiques of NPM

A range of critiques of NPM have been raised in the public management literature. The most prominent one is the claim that NPM is so old that it should not be called as "New" Public Management any more, as it is only "old wine in new bottles". Even sympathetic academics that used to promote NPM have drawn the conclusion such as "NPM is now middle-aged" (Hood and Peters, 2004) or that "NPM has died in water" (Dunleavy *et al.*, 2006). It is undeniable that ever since its debut in the early 1990s, NPM has endured for almost over two decades and indeed can not be branded

as new any more. However, it would be oversimplified to conveniently draw the conclusion that NPM is dead. Dunleavy *et al.* (2006)'s work made this conclusion based only on a limited number of countries – six to be exact, and all being OECD countries. It ignores the fact that NPM techniques are still being extensively applied and promoted in many developing countries. Even in the early-adopter countries such as UK, most of its techniques are largely in practice. Just as the fact NPM did not completely displace the traditional public management orthodoxies (Hood, 1994), the new techniques such as "digital government" can not simply make the fundamental change to replace everything about NPM, not to mention making it disappear overnight.

Secondly, NPM is criticized for ignoring the fact that public management differs from private management in its essential nature. Schick (1996, pp. 25-26) argues that NPM would narrow the responsibilities of the public sector and weaken collective values and interests, even though the responsibilities of government organizations are considered to be broad because of their strong influence on society. Yet as argued by Metcalfe (1998), public management is rarely the task of a single organization. Rather, it involves inter-organizational cooperation and coordination among different levels of government or among networks with other types of organizations. No one has ever claimed that the public sector should be dealt with in exactly the same way as private sector, as there is meant to be distinctiveness between these two. However, certain private sector management techniques can still be introduced to make it operate more effectively without compromising its distinctiveness. This has been best presented in the *Public Sector Distinctiveness* model in Ferlie *et al.* (1996), with skepticism on the role of market yet still being concerned with service quality.

The third criticism of NPM has posed threats to the traditionally respected values and ethics of civil servants, such as fairness, equality, openness, and impartiality, on which public administration has been based. As addressed by Isaac-Henry *el al.* (1997, p. 21), although breaching the rules of probity is not new, there is a general view that NPM has exacerbated the problem. Four factors have been identified that lead to less propriety and are against traditional public sector values, including: (1)

hands-off approach to agencies; (2) attempt at cultural changes to ensure the adoption of private sector values and practices by public sector organizations; (3) increasing practice of judging actions by results (and performance measurement); and (4) development of a managerial culture which embraces risk and initiative taking as well as innovation, giving wider discretion to public servants (Isaac-Henry *et al.*, 1997). However, a decline in values and ethical standards would be extremely difficult to measure and forestall. Also, widespread public concerns over these problems may be dealt with by government intervention. Thus the problem of a decline in civil servants' values and ethics under NPM is considered to be dependant on how the balance between managerial freedom and output controls is achieved.

In addition, NPM is disapproved as making little commitment to democratic forms. Metcalfe (1998, pp. 10-11) criticized NPM for paying little attention to the involvement of citizens, and regarding the users of public services simply as clients or customers rather than as members of democratic states. However, the 'customer responsiveness' element of NPM requires that the public service performance should be measured by the degree of user satisfaction. As the results, when the user evaluation is sent back to the policy makers, it can be said that citizens have been brought into the policy-making process indirectly.

Furthermore, NPM is blamed for focusing on managerial reforms – of which the goal is the pursuit of efficiency and economy within the constraints of pre-determined policy and resources – at the expense of policy issues, and for separating managers and front-line workers from the policy process (Yamamoto, 2003). To put it another way, it blames NPM for focusing on the individual achievements of managerial reforms rather than on any contribution to an overall strategic purpose. To counteract this criticism, the linkage between policy-making and implementation should be strengthened by putting more comprehensive strategies through direct interaction between management and governance.

Another major criticism is that NPM is a self-serving movement designed to promote the career interests of an elite group of bureaucrats (top managers and officials in

central controlling departments/ministries, management consultancies, and business schools) rather than those of the mass of low-level civil servants (Hood, 1991, p. 9; Pollitt, 1993, pp. 134-137). The assertion is that NPM, in spite of its claims to promote the 'public good' (of cheaper and better service for all), is actually a vehicle for particularistic advantage (Pollitt, 1993, p. 134). The suggested remedy on this is to have disproportionate cutback on managerial staff rather than operational staff (Hood, 1991, p. 9).

A final criticism is over NPM's claim of universality. It rapidly became clear that 'if NPM is everything maybe it is nothing' (Rhode, 1997). It seems that the label now covers all types of public sector reform – it excludes nothing (Dunleavy and Hood, 1994). In the next section, this will be discussed in greater length.

2.7 NPM: a global paradigm?

The emergence of NPM is often portrayed as a global phenomenon – a core element in the process of convergence between states, overriding distinct political and cultural characteristics (Clarke and Newman, 1997). During the 1980s and 1990s, changes in the public sector in developed countries – especially in the OECD countries but also elsewhere in Europe – included trends towards privatization, increased accountability, attempts to introduce market mechanisms, the rise of cost-consciousness, the use of performance indicators, auditing system and central monitoring (Ferlie et al., 1996).

Meanwhile, developing countries also followed the path of NPM in their public sector management reform programmes (Polinado et al., 1998; Mok, 1998; Hughes, 1994). For example, steps to improve public service quality through management mechanisms such as Total Quality Management (TQM) have been undertaken in a number of countries, including Brazil, Thailand and Malaysia (Common, 1999; Krasachol et al., 1998). Attempts to increase the participation of citizens are widespread with initiatives such as setting up the Public Complaints Bureaux in Malaysia and Singapore, and carrying out of service delivery surveys in India, Jordan,

Mexico (Paul and Sekhar, 1997; Kattermann, 1999; Klingner, 2000). In the feudal autocracy originated public management in Nepal where the royal family has unlimited power, there have been signs of managerial authority devolution (Atreya and Armstrong, 2002; McCourt, 2001). Some African countries like Ghana and Tanzania are also experimenting with the UK-style principle-agent model in the Next Steps Initiative (Larbi, 1998). These examples all suggest that, though 'in a piece-meal fashion' (Atreya and Armstrong, 2002), NPM techniques are being applied in developing countries and have already become an important part of their public sector reforms.

There have long been arguments on whether NPM is a global paradigm for public sector reform. The advocates assert that an unstoppable new 'global' model is developing in contemporary public management. Such claim is first made explicitly in Osborne and Gaebler (1992) by saying that world-wide ascendancy of a new 'global paradigm' in public administration is historically as inevitable as the rise of PPA in the USA in the Progressive Era (Osborne and Gaebler, 1992, pp. 325-328). Successive OECD studies (1993, 1995 and 1997) also confirmed a global convergence phenomenon. It describes changing trends in the public sector as follows:

> *OECD countries' reform strategies have many points in common. They are aimed*
> *at both improving the performance of the public sector and redefining its role in*
> *the economy. Key reform thrusts are: a greater focus on results and increased*
> *value for money, devolution of authority and enhanced flexibility, strengthened*
> *accountability and control, a client- and service- orientation...and changed*
> *relationships with other levels of government (OECD, 1995, p. 25).*

Some other researchers support the main thrust of Osborne and Gaebler's analysis (Aucoin, 1990; Barzelay, 1992, p. 133; Kettl, 2000). For example, Kettl (2000, p. 1) has stated that, although in a more reserved way than Osborne and Gaebler's *entrepreneurial government*, the movement towards NPM "has been striking because of the number of nations that have taken up the reform agenda in such a short time and because of how similar their basic strategies have been". Furthermore, the

appearance of a whole new international lexicon which comprises of terms such as privatization, agencification, efficiency gains, and activity costing has created a buzz that tends to exaggerate the uniformity of what is going on (Pollitt and Boukeart, 2000).

However, such opinion has been refuted by the argument that NPM is a more nation-specific or even Anglo-Saxon and Commonwealth concentrated phenomenon (Kickert, 1997, pp. 731-732). It seems that most researchers that have claimed NPM as a global paradigm only used examples from OECD countries with concentrations in the UK and New Zealand to support their conclusion. Yet even within the OECD countries, distinctive variations still exist (Halligan. 2001, p. 3). And the differences are of far greater interest than the similarities. Christensen and Lægreid (1998, pp. 470-471) identify that there is 'a sharp distinction between Anglo-American reforms and Continental reforms'. Hood (1995) demonstrates that not all OECD countries have adopted NPM principles to the same extent. He cites Japan, the United States, Germany, and Switzerland as examples of countries whose governments seem to have put much less emphasis on adopting NPM-type reforms in the 1980s than those countries such as UK and New Zealand. Even Kettl himself also noticed this and addressed that there are "significant differences between the USA and Westminster-type systems', and concludes that 'the question of convergence and divergence remains very much open" (Kettl, 2000, p. 66).

According to Hood (1995), the claim of NPM as a 'global paradigm' is exaggerated on three grounds: (1) reform ideas such as Osborne and Gaebler' (1992) are 'culturally plural rather than homogeneous'; (2) specific reform packages show wide variations in actual practice; (3) a stable new paradigm cannot emerge due to contending paradigms and the unintended side-effects and 'reverse effects' of reforms (Hood, 1995, p. 404). Pollitt (2002, p. 277) points out that one of the reasons for this variation is that different countries have not *started* their reforms from the same points, either in terms of the make-up of their public sectors, or the ways in which they think about the role and character of the state. The claimers of NPM as a global paradigm mostly presume that every country has a uniform past, in which

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'traditional bureaucracy' rules. Yet in many countries, the state organizations were usually *not* organized along strict bureaucratic lines. State schools, hospitals and social and community services agencies took on variety of forms, and in many of these autonomous professionals, not bureaucrats, were often the key actors (Clarke and Newman, 1997). Furthermore, governments have not all possessed the same *capacities* to implement reforms. In some countries, such as Germany, changing the central administrative structures is politically and legally very difficult. In other countries, such as New Zealand and the UK, it has been comparatively easy (Pollitt and Bouckaert, 2000). These commentators also note that the ideas of NPM are internally contradictory, for example, calling for hierarchic steering and egalitarian empowerment in the same breath. The commonalities in NPM are also superficial, masking significant underlying differences. The trend to NPM is not uniform. The aims and results of NPM differ, and therefore make it impossible to claim that NPM is "applicable from rich North to poor South" (Hood, 1991, p. 8).

The empirical studies have also supported the opposing argument. The mix of reform concepts and components being considered or implemented may vary greatly from country to country, and even within each country because of the looseness of the term and the flexibility in its application (Wollmann, 2003). Specific reform packages show wide variations in actual practice (Hood, 1995). For example, in the UK, public management strategies developed in the 1980s focused on financial control and mechanism such as devolved budgeting, but then the emphasis appeared to have changed to TQM systems and business planning (Common, 1998).

These cases have raised the question of the applicability of NPM in various contexts. It turns out that Hood's claim of NPM as a 'public management for all seasons' is not universally applied (Hood, 1991, p. 8). Many argue that NPM may not be suitable for developing countries (Nunberg, 1995; Schick, 1998; McCourt, 2001). The mixed results of reform during the past two decades show that developing countries are very different from the developed ones. As argued before, the term NPM itself is loosely defined and can be interpreted differently in varying situations. As Ferlie *et al.* (1996, p. 10) states: "Indeed, sometimes the new public management

seems like an empty canvas: you can paint on it whatever you like. There is no clear or agreed definition of what the new public management actually is". Different countries have chosen whatever is most suitable for their domestic consumption in relation to their own political, economical and cultural characteristics (Pollitt, 1995, p. 133).

So far plenty of comments have been made on the diversity and inherently contradictory nature of NPM. Metaphors of NPM such as 'shopping basket (Pollitt, 1995, p. 133), 'empty canvas' (Ferlie et al., 1996, p. 10), or 'quarry' (Mastronardi, 1998, p. 49) are all made to clarify the fact that NPM is like a toolkit, offering a variety of instruments that reformers can choose according to their specific reform contexts. According to Schedler and Proeller (2002), in all countries NPM reforms were initiated in reaction to current political challenges. The reform objectives pursued with the reforms varied significantly throughout different countries. NPM is introduced under various circumstances, sometimes to save money, sometimes to fight the loss of legitimacy of public administration and on other occasions to deal with dissatisfaction of their public managers and politicians or the opacity of the bureaucracy. The particular tool set a government chooses for its reform model is defined by the political circumstances it faces. Reformers have a wide range of elements that they can choose to fight current challenges. For example, a city that faces financial distress will use NPM elements that will counteract this problem. Such elements would probably be privatization elements, contract management and competition, rather than participation. Also sometimes the demands are multi-fold to stress various problems at the same time. Thus governments should aim for a well-balanced change when choosing NPM instruments according to their own specific context and demand, by asking themselves questions such as how much emphasis should be put on the role of market to counteract the current financial situation, or how far they should go to enhance the current regulations. In this study, the supply-demand theory of NPM will also be adopted to help analyzing the reason behind the choice of various NPM elements in a country according to its context. Moreover, it will help the future reformers to choose from the NPM toolkit when facing various challenges.

Yet there is an assumption that existing characteristics (social, political, economical, administrative) of developing countries are relatively weak when compared to the ones in developed countries, and therefore can restrain the application of NPM reforms in these countries (Atreya and Armstrong, 2002; World Bank, 1997a). According to Hood (1991, p. 16), NPM 'assumes a culture of public service honesty as given'. For example, in order to make the market mechanism work effectively, for example, there needs to be a suitable established regulatory environment. NPM approaches make heavy demands on an already weak management capacity of developing countries (Nunberg, 1995). As developing countries are regarded as less developed in such sophisticated performance monitoring mechanisms, there is a higher risk that once the centralized management controls are relaxed, it could offer chances for error and even corruption (Polidano, 2001, pp. 56-64). They still have to develop effective central control systems to restrain abuses of office and rationalize inchoate management structures, as Britain began to do in the late nineteenth century (Polidano *et al.*, 1998, p. 286). In the next chapter, two countries with highly contrasting characteristics, namely the UK and China, will be examined respectively.

2.8 Summary

This chapter provides the theoretical background of this thesis by examining the concept of NPM and the various elements it is composed of. In this study, NPM is recognized as representative of a "paradigm shift" in the public sector since the 1980s. NPM has never been a single and straightforward term that can be universally applied in public sector reforms. Not only it has stemmed from different intellectual basis, its definition has also been extended further by academics and policymakers. Examining from the culture group theory, it can be concluded that NPM is "cultural plural".

Recurring NPM techniques are analyzed and teased out into three dimensions in Figure 2.10: structure, process, and role of government, to form a common body of NPM elements for the analysis of emerging cases. At the end of this chapter, the

debate over whether NPM should be considered as a global paradigm has been discussed drawing upon both theoretical and practical evidences. It seems that the applicability of NPM techniques differs in various situations and dogmatism should be avoided in its application. The experiences of NPM reforms in developed countries have to be carefully reviewed before they are implemented in the case of developing countries. In the next chapter, the higher education reforms in two countries, UK and China, will be reviewed with emphasis on the various NPM elements that appeared during their reform processes.

Chapter 3: A Tale of Two Countries – NPM in Comparative Context

3.1 Introduction

The application of NPM varies across sectors as well as countries. In this chapter, the application of NPM in higher education reforms will be examined by focusing on two particular countries: the UK and China. As a developed country, the UK has been always regarded as an early adopter of NPM reforms, whilst China as a developing country with its public sector long under the government control has only recently started to introduce NPM elements in its higher education sector reform.

The contexts of NPM reforms in the higher education sectors in these two countries will first be explored, followed by a detailed review on the development of higher education sectors respectively. The NPM techniques and elements adopted in their public sector reforms will be generalized and analyzed. Then a comparison of these two countries in terms of their economic, social and political contexts will be presented in Section 3.5. The research questions will be raised at the end in Section 3.6.

3.2 NPM in higher education reform

Higher education is vital for a country's growth, not only because it ensures an adequate supply of qualified, highly-skilled and well-trained manpower, but it also represents the state's level of technology advancements. It is a powerful intervention in a country's social and economical development. As such it can contribute significantly to the improvement of society and ensure the competitiveness of a country in global economy.

Universities have long been managed as organizations providing an education service rather than as businesses. However, this has changed with the appearance of NPM. One of the major shifts in the 1980s was that higher education institutions

(HEIs) started to experiment with managerial techniques that were previously exclusive to private sectors, such as promotion of competition among institutions, emphasis on performance measurement, and diversification of funding mechanisms, to meet the increasing demand for high quality university education service (Parry, 1997; Wang, 2001; Mok, 2002; World Bank, 1997b).

NPM reforms in universities took divergent pathways in different countries (Sporn, 2003). Pressures for changes in higher education systems can be from both external and internal factors. For example, the application of NPM in Australian universities has received a strong coalition of support between political and bureaucratic leaders, including both Labour and Non-Labour parties, and the changes in its higher education system have been "top-down", driven by both ministers and senior public servants (Harman, 2001). In the case of Sweden, there has been an increasing emphasis on indicator-based performance measurement in universities since the 1990s (Modell, 2004). State policy makers have adopted Total Quality Management (TQM) to restructure its higher education in order to establish a continuous quality improvement process (Bauer *et al.*, 1999; Stensaker, 2000), which is in line with NPM's tenet of emphasis on quality control of public service. Meanwhile, institutions have been granted more autonomy to enhance their self-regulating capacity (Stensaker, 2001). Another example to look at is the UK, one of the most prominent reform models in Europe (Kogan and Hanney, 2000), which will also be one of the countries studied in detail in this research. As one of the "early adopters" of NPM, the higher education system in the UK underwent a series of extensive reforms during the last two decades. The quality movement has been relatively powerful (Sporn, 2003). Stronger external audits, as well as the implementation of the Research Assessment Exercise (RAE) have ensured the quality of teaching and research of the institutions. Also, the whole system has been decentralized into a flatter structure (Williams, 1997).

Comparing to the number of research done in developed countries, especially OECD countries, relatively less research exists on the application of NPM techniques in higher education reforms in developing countries, where its implementation entails a

more difficult approach. In these countries, the pressure for reforms is seen to be primarily driven by economic rather than political factors (Nickson, 2001). It has been argued that increased education will not only raise economic growth rates substantially, but also reduce the extremely high level of income inequalities found in such regions (Inter-American Development Bank, 1997). Yet in most cases, central domination and rigid government control turn out to be the main obstacles for the further development of higher education systems (Nickson, 2001; Mok, 1996). For example, in the case of Latin America, policy-makers adopted NPM instruments such as decentralization of management power to institutional level and emphasis on more efficient use of resources on the belief that it would enhance the quality of education, which in turn would enhance the overall economic development (Nickson, 2001; Inter-American Development Bank, 1997). But limitations appear in the transferability of the NPM in the context of its administrative culture. The redundant bureaucracy of central ministries of education and the centralized decision-making power that they contain have hampered the educational reform (Nickson, 2001). Yet Chile has been a notable exception among Latin American countries. There has been a wholesale restructuring of the Chilean education system along internal market lines, a far more radical change than anything tried in the UK (Parry, 1997). It began with the decentralization of administration of education from central government ministries to regional secretaries, and eventually led to decentralization to provincial departments of education, which has resulted in an appropriate balance of responsibilities between the central government and local institutions (Parry, 1997; Polidano, 1999). In the case of China, the higher education system has long been under the control of the government, which is characterized by the notion of "bureaucratic centralism"[1] (Mok, 1996, p. 3). The administration of HEIs involves both central government ministries and local governments. However, with the transition from planned to market-driven economy, the old system could not meet the changes and thus constrained further development of higher education. With the shift from planned economy to market economy, the functions of central government were also under major changes. In response to this transformation, reforming the current

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[1] As stated by Mok (1996), "bureaucratic centralism" means that strong emphasis is placed on central planning for social and economic development under the influence of ruling groups and administrative or professional elites. For more details, see Laoglo (1995).

administrative system of higher education has become critical to its overall efficiency (Wang, 2001).

As demonstrated by the cases above as well as in Section 2.7 in Chapter 2, NPM can be interpreted differently under various circumstances. In the next section, the case of the U.K. and China will be presented in details and analyzed respectively, with reference to the particular NPM elements that have been adopted by them.

3.3 Higher education in the UK

For many years now British universities have been going through a series of radical reforms to improve the efficiency and effectiveness of the system. The pressure for changes came not only from specific legislation and advice, such as the Jarratt Report in 1985 and the Dearing Inquiry in 1996, but also from a general 'value for money' climate of opinion (OECD, 1995; Ferlie *et al.*, 1996). Universities had to face the intensifying pressures of changes in amount, source and types of funding, which used to be solely dependent on the government, and had to absorb the additional costs that came along with attempts of performance assessment (Pendlebury and Algaber, 1997). Along with it, the expansion in student numbers and the competitions between institutions for limited resources also became fiercer in the 1980s and 1990s. Under such circumstances, universities were forced to become more open about their financial activities and this has in turn caused a fundamental transition from an elite system to a mass system (Shattock, 1999). In order to understand the context of how these changes occurred, a review of the history of British higher education sector is first presented in three distinctive stages to show why such systematical changes were necessary.

3.3.1 History of higher education reforms in the UK

The earliest universities founded in the UK were the University of Oxford and University of Cambridge (which are often given the portmanteau name Oxbridge)

around the beginning of the 12th century. Together with six other universities[2] in England, Scotland and North Ireland, they are often referred to as the "ancient universities", a term adopted to describe the medieval and renaissance universities of the United Kingdom and the Republic of Ireland that have continued to exist till nowadays.

No universities were founded between the 17th and 19th century. Then at the beginning of the 19th century, increasing numbers of colleges were founded by local authorities and wealthy benefactors, among which the most successful ones made great efforts towards gaining the university status by adding more traditional, non-vocational disciplines to their subject base. Eventually, between 1903 and 1909, seven colleges[3] achieved full and independent university status to grant their own degrees, acquiring their name as "red-brick universities"[4].

However, the colleges' academic achievements did not ensure the same success in their financial situation. The fee income could only cover a margin of costs as most of the potential students were too poor to pay the full amount. Many of the universities were on the verge of bankruptcy. Therefore, in 1889, the Government called together an *ad hoc* advisory committee to distribute emergency grants to them at irregular intervals. In the first year, the total sum distributed was only £15,000, but the amount increased rapidly in the subsequent years (Berdahl, 1972; Owen, 1980).

After the First World War, the number of students in the higher education sector increased dramatically, which led to a need for more effective mechanism to channel funding into the long-neglected universities during the war (Hutchinson, 1974). The government therefore decided to set up a new intermediary system to regularize the funding of the universities. Ministers and civil servants were quite concerned about the need for academic autonomy to be preserved, and they genuinely believed that

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[2] These include: University of St. Andrews, University of Glasgow, University of Edinburgh, University of Aberdeen, University of Nottingham, and University of Dublin.
[3] These include: University of Manchester, University of Newcastle, University of Birmingham, University of Liverpool, University of Leeds, University of Sheffield, and University of Bristol.
[4] The term "red-brick" was originally referring to the Victoria Building at the University of Liverpool which is built from a distinctive red pressed brick, with terracotta decorative dressings.

academics knew best how to run academic affairs. They wanted a system which would ensure that increased central funding would not mean increased governmental control. Under such circumstances, the University Grants Committee (UGC) was founded in 1919 under the auspices of the Treasury rather than the Education Department (the Board of Education then). It was controlled by a small group of senior university members, mostly retired professors. The initial idea was that the Treasury would give the UGC an annual recurrent grant within the context of a quinquennial planning cycle. The UGC would then be entirely responsible for its distribution and for annual reports of how well the grant was spent, as well as providing advice to the government on the amount of money needed to be spent in order to fulfil the national needs.

The establishment of the UGC was largely successful in protecting the universities from government interference (Lee and Piper, 1988). Although it could give general guidance on how it thought the university system should evolve, it showed strong respect for the principle of university autonomy – universities were independent corporate bodies that determined their own futures. Meanwhile, universities relied mainly on endowments, tuition fees and local authority grants rather than the relatively modest grants from the government. Government funding accounted for no more than 40% of institutional recurrent income. In terms of capital grants, the UGC's contribution between 1923 and 1929 was only £500,000 against endowments of £3,320,000 (Shattock and Berdahl, 1984). In the period of 1938~1939, tuition fees, endowments and local authority grants provided 56.8% of universities' total recurrent income including research contracts and grants, while the Exchequer Grants only comprised a smaller part of 35.8% (Sizer, 1987). Under such circumstances, planning and development has become an institutional function rather than one of the UGC's. Before the Second World War, the main role of the UGC was confined to advisory on the distribution of recurrent and capital resources from the government in the form of deficiency grants to university institutions, or as described by the Labour Chancellor of the Exchequer, Hugh Dalton, "a buffer or shock absorber" between the universities and the government (UGC, 1968).

After the war, however, major capital expenditure was needed to restore university buildings destroyed during the war, and the required resources were "beyond the resource of private benefaction" (CVCP, 1957). Therefore, in 1963, the acceptance of the Robbins Report has resulted in a "policy-led" expenditure programme for higher education which funded a decade of expansion later on. The number of full-time higher education students more than doubled during this period of time (Sizer, 1987). The whole higher education system became largely funded by the government. Exchequer recurrent grants rose significantly to 69.6% of the total funding for higher education during the immediate post-war period in 1952~1953, and continued to increase to 76.4% in 1972~1973 (HESA, 1973).

With the binary policy in 1965, polytechnics were established in England with distinctive aims from universities (Scottish equivalent: the central institutions). They would concentrate on vocational rather than academic courses. Unlike the "autonomous university sector" (Parry, 1999), which has its own legal independence to award degrees and receives block recurrent grants from the government through UGC, academic degrees in polytechnics were validated by the Council for National Academic Awards (CNAA) from 1965 to 1992. Local authorities were the ultimate owner with control over their strategy, finance and administration (in Scotland by the Scottish government). During this period of time, the number of higher education students in polytechnics increased almost fivefold, whilst the number in universities grew at only about half of the rate (Sizer, 1987). By the time of the demise of the polytechnics in 1992, they had become the larger part in the British higher education sector in terms of student numbers (McLernon and Hughes, 2005).

The policy-led expenditure programmes of successive governments in the 1960s and early 1970s not only increased the university sector's dependence on Exchequer grants, but also made universities ill-prepared to develop systematical plans for fund-raising from non-public sources. The expansion programmes became increasingly dependent on government grants with resources following student numbers driven by resource allocation formulae (Sizer, 1987; Jones, 1991). Although the Minister of State for Education and Science, Mrs. Shirley Williams, suggested universities to

seek ways to increase their efficiency and reduce unit costs in 1969 in a letter to universities and local authority representatives, such proposal was not actively pursued by the CVCP (Committee of Vice-Chancellors and Principals in the UK), and the Department of Education and Science (DES) therefore felt unable to force the pace of change in the absence of consensus (Booth, 1982). Then from the 1970s onwards, there was a general shrinking of resources for higher education and the real 'unit of resource' received by each university decreased continuously (Booth, 1982). Universities were faced with a major financial pressure imposed by the government.

Meanwhile, the traditional notion of UGC as a passive buffer was soon regarded inadequate and obsolete during the post-Robbins expansion (Lord Wolfenden, 1976, p. 276). There were calls for it to become more positive in university development and national planning. In 1964, the responsibility for UGC was transferred from the Treasury to the newly constituted DES. During the period from 1963 to 1979, although UGC made attempts in becoming more active, it failed to retain its power in the government, especially to DES when making certain decisions. This was because, as Shattock and Berdahl (1984) argued in their accounts for the evolution of UGC, the national economic picture worsened, more was needed of the UGC than it was able or willing to deliver. As described in Shattock and Berdahl (1984, p. 490), '...by 1979, the UGC system was in serous disrepair: its planning mechanisms were in tatters, with the chairman being able to do little more than react to the twists and turns of the government's counter inflation policy'. Universities had to find out ways to deal with such situations, and these pressures have become the initial prompts for the reform processes afterwards. Finally in 1988, with the Education Reform Act that will be mentioned in the second stage, UGC was replaced by the University Funding Council (UFC) and thus put a halt in its lifespan. The development of UGC can be recognized into four phases in Figure 3.1.

Overall, it can be concluded that British universities had successfully fulfilled the government's policy to expand the higher education sector from the post-Robbins period to May 1979. Although the financial pressure on limited public funding resources increased the extent of crypto-dirigisme, the crucial areas of autonomy,

such as appointment of staff, recruitment of students, freedom in conducting academic affairs, and the allocation of block grant received, remained intact (Sizer, 1987).

Figure 3.1 Lifespan of UGC
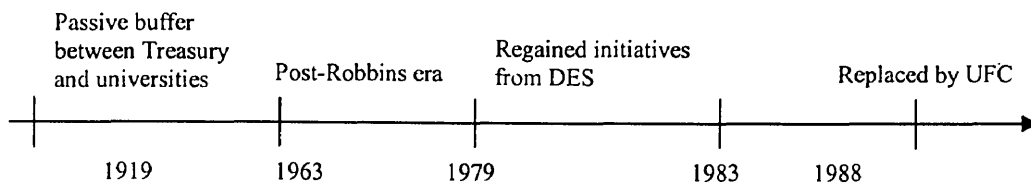
Adapted from: Shattock and Berdahl (1984)

According to Parry (2001), changes in the organization, management and governance of the British higher education system since the 1980s can be examined in three distinctive phases which have been under the impacts of three main policy episodes: the first two terms of the Thatcher government, the Jarratt Report in 1985, and the Dearing Inquiry in 1996.

3.3.1.1 Stage 1 – cutting expenditure and emergence of market (1980-1986)

This first stage from 1980 to 1986 overlapped with the first two terms of the Margaret Thatcher government, marked by a radical programme of privatization and de-regulation, reform of the Trade Unions, tax cuts and the introduction of market mechanisms across public sectors, especially in the health and education sectors. This period saw an end to the higher education system expansion in the 1960s and 1970s with the Conservative party coming to power in 1979. Procedures were undertaken from the early 1980s onwards to reduce public expenditure on higher education under the Treasury's pressure for greater efficiency and effectiveness (Groves *et al.*, 1997). Major policies included demands for more selectivity in the allocation of funding and pressure on institutions to adopt models of strong management (Parry, 2001). For example, in 1980, the public subsidy for overseas students was removed. The public expenditure on universities was cut by 15% in the

following year. During the period 1979~1984, the total recurrent grant each year to the universities was reduced by 11% to 15% (Shattock and Berdahl, 1984, p. 491). Meanwhile, more restrictions were brought on the criteria of introducing new courses.

To counteract the consequences, universities agreed with the minister to have an efficiency scrutiny done. In 1984, the CVCP set up a steering committee under the chairmanship of Sir Alex Jarratt, a senior industrialist and Chancellor of Birmingham University, to undertake a series of efficiency studies of university management. The report was published in the following year, which was usually referred to as the Jarratt Report (CVCP, 1985). It emphasized the lack of management accounting systems in universities, and called for improved financial management information, including a greater awareness of direct and indirect costs, and the devolution of financial responsibility and financial control. It concentrated on the internal efficiency of the universities and emphasized that "there is the greatest scope for universities to improve their performance" in terms of planning and resource allocation (CVCP, 1985).

Universities and polytechnics started to endorse the suggestions made in the Jarratt Report, of which the consequences will be discussed later. Changes for universities were carried out through the UGC and through the National Advisory Body (NAB) for Local Education Authority (LEA) for polytechnics. The NAB strengthened the central authority of polytechnics and college directors and their immediate staff. The heads of polytechnics and colleges now dealt directly not only with the local authorities but with NAB (Groves *et al.*, 1997).

During this period, there was also the emergence of market ideas with the initial attempts to get universities to supplement their government grant with money from the industry, and rationalization of higher education provision by subject areas (Deem, 2004). The deficiency grants were replaced by formula funding, which prompted universities to make the initial attempt in attracting external funding. Legislation was introduced to remove the technical barriers to earning income from business and knowledge transfer. The government also started its first RAE in 1986

to make research funding more competitive. This exercise used peer review to assess the research work of academics in different subjects. Departments that entered were awarded a grade based on the perceived quality of their research and obtained funding on the basis of these grades (Deem, 2004). Although the market mechanism was still at its preliminary stage and not well regulated, it represented the initial move towards important paradigms of NPM, or encompassed a form of "soft managerialism", with an emphasis on efficiency and quality at lower cost (Trow, 1994).

3.3.1.2 Stage 2 – resumption of expansion and the rise of regulated market (1987~1993)

This period was associated with policies of growth and accountability, marking a shift to quasi-markets in public funding and resulting in national quality assurance arrangements for a newly unified sector of universities and colleges. In year 1987, the White Paper of 1987 *Higher Education: Meeting the Challenge* announced plans for student numbers and participation rates to increase and for major changes in the structure, management and planning of higher education. It marked a sudden and radical reversal of previous policies (Parry, 2001). This policy was only aiming for a modest growth at the beginning. Yet it unexpectedly stimulated a steep rise in levels of participation of students over the next seven years. Such moves propelled higher education in the direct of a mass system and transformed the environment in which institutions were managed (Shattock, 1999). By the time this phase was about to end in 1994, the number of students in higher education had increased by more than 40 percent, and the participation rate for young people had doubled to around 30 percent (Parry, 2001).

As mentioned earlier in Section 3.3.1, the Education Reform Act in 1988 put an end to the existence of UGC with its "more business conscious" replacement UFC (Parry, 1999). The polytechnics and about 50 other colleges in England were transformed into independent statutory corporations outside local authority control, and the NAB was replaced by the Polytechnics and Colleges Funding Council (PCFC).

Universities responded differentially to these policy changes. Polytechnics and colleges especially, had experienced massive structural change, with the 1988 Education Reform Act allowing institutions to opt out of local authority control in favor of incorporation. This forced institutions to accept legal financial responsibility, created a strong Chief Executive Officer and centralized financial planning system in each institution, linked funding directly with student numbers, encouraged direct competition with other universities for a proportion of funding, and made institutional strategic plans mandatory (Roberson, 1993). It is argued that this has made institutions becoming more student-as-customer/client oriented, more willing to undertake delayering of structure, and hence more able to adopt the concept of internal markets (Roberson, 1993; Groves *et al.*, 1997). Old universities also responded to Government pressure for greater efficiency. Having been criticized in the Jarratt Report as well as in the Hanham Report (CVCP, 1985, 1988) for their lack of strategic planning and their poor administrative systems, universities were prompted to develop more sophisticated management reporting, cost control and accounting systems (Groves *et al.*, 1997).

Meanwhile, the way of funding allocation to universities has changed. From the 1988 Education Act onwards, a "fully market-oriented system" evolved through the introduction of quasi-markets (Williams, 1997, p. 282). Instead of simply being based on some pre-determined total of student numbers, teaching funding was allocated separately from research funding, with factors such as quality of research, and different fees for different subject categories being incorporated into the funding formula. To oversee and distribute funding, the Higher Education Funding Councils (HEFCs) were established for England, Scotland and Wales under the Further and Higher Education Act promulgated in 1992. These were designed to act as institutional buffers between the government and universities and make the funding allocation process more transparent (Groves *et al.*, 1997; Whittington, 2000). They held responsibility on institutional research and teaching quality assessments as well as the allocation of funding based on them. Such supervisory function and resource allocation powers of the HEFCs have given them considerable influence over the policy direction of individual institutions (Whittington, 2000).

During this period of expansion from the late 1980s, government policy focused on two main objectives. On the one hand, it was committed to increasing student numbers, widening university access, extending course diversity, improving teaching and research quality. On the other hand, there was the call of reducing costs at the same time. The contradictions inherent in this policy were eventually impossible to ignore the government was facing the threat by universities in England to introduce top-up fees for students. In 1996, the government had to announce the appointment of a Committee of Inquiry into the future development of higher education, under the chairmanship of Sir Ron Dearing (Parry, 1999).

Figure 3.2 shows the growth of student number in the HEIs from 1987 to 1993. A steep increase can be recognized with the total number of HE students nearly doubled during this stage.

Figure 3.2 Growth in HE students
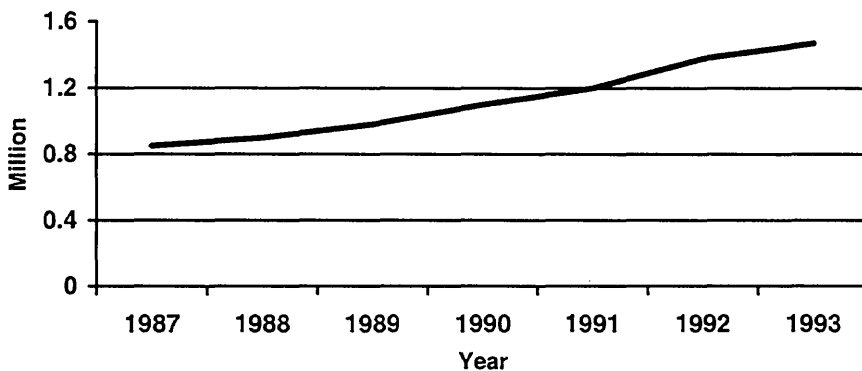
Source: HESA (1987-1993)

3.3.1.3 Stage 3 – consolidation phase (1994 onwards)

This phase is characterized by a deepening crisis of funding. After a decade of radical reforms and continuous changes, the government decided to call a halt to further expansion of higher education sector. The Dearing interlude provided a pause for reflection for the institutional context in which academic work was managed and conducted (Parry, 2001). The Dearing Report led to the introduction of tuition fees

paid by students themselves, more emphasis on the quality of teaching, and a particular stress on the need for stronger governance in universities by lay member of governing bodies (Robertson, 1999; Deem, 2004). The government ended its policy of market led growth. From 1994 onwards, each institution was allocated a maximum aggregate student number. And if it under-recruited or over-shot its target numbers, there would be financial penalties. Under such circumstances, the funding council had to return to a system of centrally planned student numbers, with competition for research resources increasingly focused on the next evaluation exercise and competition for teaching quality grades (later, teaching quality score) within a five-year cycle of subject assessments (Forrester, 2002). HEIs have found their strategic decision-making autonomy shaped and constrained by external policy changes. Indeed, some researchers argue that the centralized government policy has largely dictated the strategic goals of each institution, rather than the quasi-market mechanism originally envisaged (Parry, 2001).

Henkel (1997) observed a significant movement towards universities as corporate enterprises across a range of establishments. In response to conditions of growing complexity and uncertainty, universities were combining strong leadership with devolution of responsibilities and budgets, confirming a trend towards 'centralized decentralization' in institutional policies and management structures (Henkel, 1997). By means of 'a not necessarily conscious mix between bureaucratic and post bureaucratic modes of management' (Henkel, 1997, p. 137), both old (pre-1992) and new (post-1992) universities were in the process of developing corporate identities and strategies to enhance their organizational performance.

In 2003, a Government White Paper on Higher Education in England was produced (DES, 2003). It recommended a greater separation between teaching and research, new rules for acquiring university titles, and extra funding as reward to research departments with higher research quality. Although it was initiated for England only, it has already affected the other parts of the country (Deem, 2004).

3.3.2 Current situation

The general conditions of the higher education sector in the UK as a whole and its development have been discussed. In this section, the management of contemporary British universities will be explored in three aspects: organizational structure, financial management, and human resource management.

3.3.2.1 Organizational structure

The internal organizational structure of a British university differs depending upon whether the institution was established before or after 1992. The most commonly seen top tier management structure comprises of the university governing body and the academic senate, sometimes a general council/court as an advisory body (see in the cases of University of St. Andrews and University of Bristol, for example).

For old universities, the governing body is the University Council (Scottish equivalent: the University Court), which has responsibility for the conduct of all the affairs of the university. Members of the Council (or Court) include officers of the university, elected staff members and student representatives, as well as members who have been appointed by local authorities and affiliated institutions. In new universities, however, the governing body is the Board of Governors which has responsibility for the conduct of all the affairs at the university. Membership of the Board of Governors comprises independent members, co-opted members and members of staff, the student body and the local authority.

The governing bodies are collectively responsible for overseeing the university's activities, determining the direction of the university's future development, fostering an environment in which the institutional mission is achieved and the potential of all learners is maximised and ensuring compliance with the statutes, ordinances, and provisions regulating the institution and its framework of governance. Meanwhile, the Senate is vested with academic authority. It is the supreme academic body for the university, responsible for authorising degree programmes and issuing all degrees to

graduates. Usually all professors in the universities are members of the Senate, sometimes readers and lecturers too.

Both Senate and Council are supported by a range of committees. To execute their power, the Vice-Chancellor is appointed by the Council after consultation with Senate to be the academic leader and administrative officer of the university (University UK, 2002). In Scotland, this position is usually called the Principal with Vice-Chancellor being an honorific. He/she has a general responsibility for the financial management of the university within broad policies laid down by Council and in accordance with the requirements of the funding council, as well as maintaining and promoting the efficiency and good order of the university. In the business world, his role is equivalent to the Chief Executive of the university. In some universities there also are Deputy Vice-Chancellor or Pro-Vice-Chancellor as assistant roles. A typical university organizational structure is illustrated in Figure 3.3.

Figure 3.3 Typical structure of British university
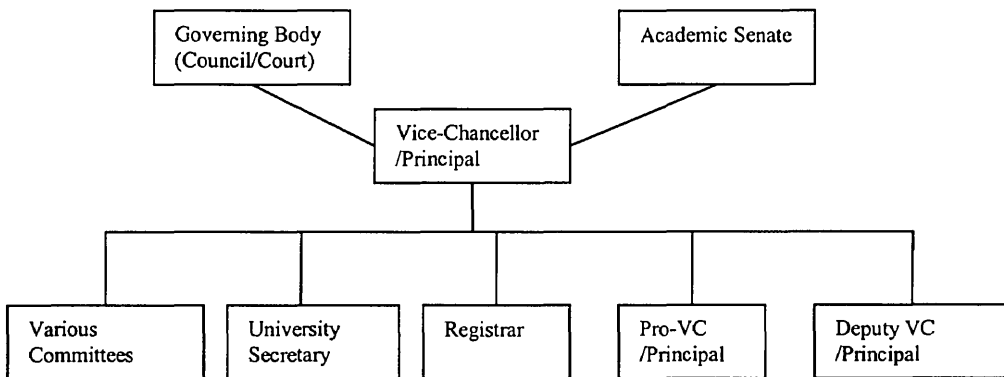
Source: Universities UK (2002)

In general terms, the management structure of a university is very similar to that of any other private sector organizations, incorporating positions such as the Vice-Chancellor as the Chief Executive. In old universities, the Vice-Chancellor is also supported by two or three Pro-Vice-Chancellors appointed for a limited period, and

administrative support reports through the University Secretary or Registrar, who is also very important in the university management. New universities, on the other hand, recognized the stability in service management and have generally opted for Vice-Chancellor with Pro-Vice-Chancellors, each of whom has a line management responsibility for part of the university activities. Such establishment of senior academic management team in support of the Vice-Chancellor, yet meanwhile avoiding imposing centralized policies on units by giving them freedom in budget and recruitment, is very much the representation of Henkel (1997)'s "centralized decentralization" as mentioned earlier. A private sector derived model of university management structure and processes is emerging, with far reaching effects even into the most hallowed and closeted corners of academia (Parker *et al.*, 1998).

3.3.2.2 Financial management

A variety of public and private financial resources are now available for universities, among which the largest proportion is from the HEFCs established under the 1992 Education Act. Different HEFCs were founded in England, Wales, Scotland and Northern Ireland respectively (Table 3.1).

Table 3.1 Higher education funding bodies

	England	Northern Ireland	Scotland	Wales
Government	Department for Education and Skills (DfES)	UK Government	Scottish Executive	Welsh Assembly Government
		Northern Ireland Higher Education Council (NIHEC) (advisory role)	Enterprise Transport and Lifelong Learning Department (ETLLD)	
HE funding body	Higher Education Funding Council for England (HEFCE)	Department for Employment and Learning (DEL)	Scottish Higher Education Funding Council (SHEFC)	Higher Education Funding Council for Wales (HEFCW)

Source: HERO (2006)

The funding from the government goes through funding bodies and is then distributed either directly to the institutions as a block grant, comprising funding for

66

teaching, research and other activities, or in various forms via agencies and other representative bodies (Figure 3.4).

Figure 3.4 Process of funding distribution in the UK

Government

£

Funding bodies

£

Agencies

Representative bodies

Universities and colleges
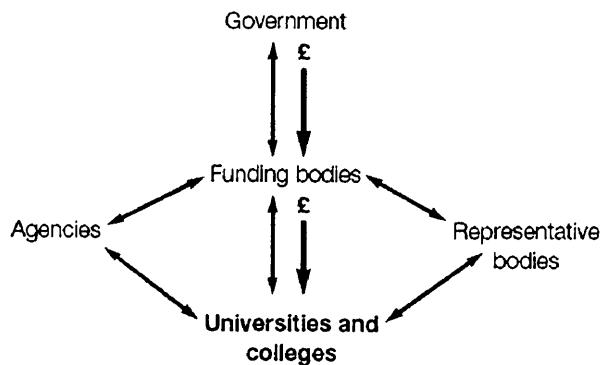
Source: Universities UK (2002)

The total revenue for higher education in the UK was around 15.6 billion GBP in 2002-03, around 61% of which comes from the UK and EU governments (Universities UK, 2003). Universities are encouraged to raise money from various sources, including research councils, contract research and consultancy services.

Apart from the funding council grants, the second biggest financial source is the tuition fees (Figure 3.5). Alongside with student numbers being one of the major measures for government funding, universities undoubtedly find themselves increasingly competing for students, especially in fields of study where there is overlap of institutional offerings.

3.3.2.3 Human resource management

Before 1988, both traditional universities and the LEA controlled HEIs had little freedom in making their own employment decisions. The whole sector was dominated by bureaucratic rules and procedures emanating from central government decisions and National Collective Bargaining (NCB), although the traditional universities had relatively more autonomy. Composition of staff in each sector was highly diversified, including academic and research staff, administrative, clerical and

support staff, as well as a wide range of technical staff. In both sectors, the pay and grading system were determined through the NCB. There was little freedom for institutions to deviate from the national scheme (Holloway *et al.*, 1999).

Figure 3.5 Sources of finance for HEIs in the UK
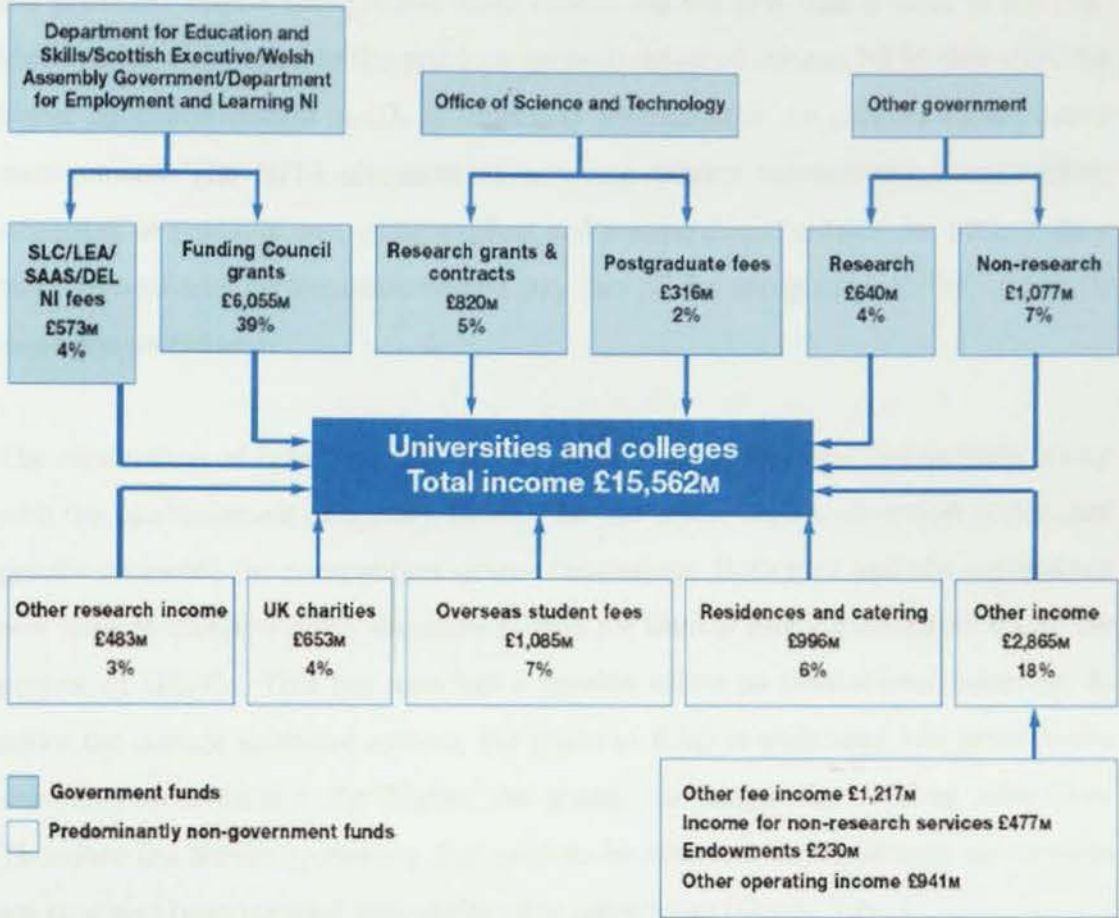
Source: Universities UK (2002)

The 1988 Education Reform Act has brought significant changes. The new employment contracts offered financial incentives to staff, and therefore released employers from the former rigid, collective agreements, especially in new universities (Farnham, 1999). Universities have started to adopt performance-related pay as the new contract encouraged commitment of staff to participate in staff appraisal and development. Moreover, staff training and development have been improved significantly. Now almost all universities have their own staff development officers and educational development units (Holloway *et al.*, 1999).

3.3.3 Conclusion

By examining the development of the higher education sector in the UK, this section introduced the necessary contexts to understand the context of changes in this sector and provided helpful background when examining the two case studies in the UK. Meanwhile, with regard to the previous generalization of various NPM elements, the higher education reform in UK is especially prominent in the process of university management. The NPM elements of adopting market mechanisms, emphasizing efficiency in resource use, using explicit and measurable standards for performance measurement and performance-related pay can all be recognized in the university management process.

The elimination of binary policy that separated the old and new universities, along with the establishment of unitary HEFCs for the whole higher education sector, has greatly promoted the competition among institutions. Both new and old universities now have to compete under the same system for limited funding resources under the control of HEFCs. This has also had a notable effect on institutional behavior, as under the current incentive system, the grade in RAE is translated into grant to the university accordingly: the higher the grade, the larger the funding allocation. Therefore the research capacity that used to be reserved for traditional universities are now also been pursued actively by new universities (Green, 1995).

The efficiency drive in institutional policies has been explicitly emphasized in Jarratt Report in 1985. By criticizing a lack of management accounting systems in universities, it demanded universities to improve their internal efficiency in terms of planning and resource allocation (CVCP, 1985). This was later mentioned in Hanham Report in 1988 as well. Both old and new universities have responded actively to this top-down reform initiative by developing more sophisticated accounting system and adopting the concept of internal market (Grove *et al.*, 1997).

In Chapter 5 and 6, these NPM elements will be further explored in a more 'local' context in two universities in the UK, with reference to the NPM framework in this research.

3.4 Higher education in China

As a socialist country, China used to have a centrally planned economic system where government controlled the factors of production and made all decisions about their use and the distribution of income. The management of its higher education system was also highly centralized, with HEIs under the direct control of either central ministries or local governments. The disadvantage of this system was that the state undertook most of the managerial responsibilities and the institutions lacked the flexibility and autonomy to provide education service according to the needs of local communities. Meanwhile, with ministries and local governments providing higher education separately, the structure of higher education system was rather segmented, which in turn hampered the overall improvement of education quality (Cheung, 2000).

With the aim of improving economic performance and the nation's living standards, the Chinese Communist Party (CCP) initiated the transformation of a formerly central-planned economic system towards a socialist market economy in 1978 (Saich, 2001). The *Decision on Issues Concerning the Establishment of a Socialist Market Economic Structure* by the Communist Party Committee emphasized the importance of introducing market mechanisms into public sectors in China for the first time. In this decision, Chinese authorities set out their policy orientation to transform ownership of state owned enterprises, although still rejected across-the-board privatization (Beijing Review, 1993). Its basic principle was to increase the efficiency and effectiveness of public sector services, which is in line with the tenets of NPM. Like most developing countries, the Chinese government first started its reforms in higher education with the consideration of long term economic benefits. Ever since then, policies addressing the importance of reforming higher education sector have been announced consecutively, including *The Decision on the Reform of*

the Educational System in 1985 and *The Five Forms of University Realignment and Reconstruction in China* in 1994. The claimed benefits of these government propagandas are yet to be confirmed. However, they did have significant impacts on the way that Chinese higher education sector is managed. In order to examine these changes in context, a brief review of the historical background of Chinese higher education system will be presented as follows.

3.4.1 History of higher education reforms in China

Higher education in China has a history extending over 3000 years, which can be traced back in its embryonic forms to as early as Shang Dynasty (1523 -1027 B.C.) (Du, 1992). The Confucian classics formed the main curricular content for centuries and it was the scholar officials that ruled China and dominated the feudal higher educational system, which was geared towards the training of government officials only. The feudal system lasted for centuries until the invasion from foreign countries in1840 broke it down. The development of higher education was promoted by efforts of bourgeois reformists and democrats appeared during that time. The curriculum was much broadened, embracing a wider range of disciplines and subjects. A three-tiered university-college-department structure was developed in most universities. However, universities were not autonomous entities and the management of the whole higher education system remained largely in the hand of the then dominating political party – Kuomintang.

The contemporary period of the Chinese university development started from 1949, with the founding of the People's Republic of China. The CCP took control over the state and started its one-party authoritarian dictatorship. The Communist government repudiated the semi-feudal and semi-colonial system of higher education and gradually gained complete control of all the colleges and universities. Approaches were taken to build a new higher education system within a social milieu of conformity to the policies of the CCP. By taking a series of centrally mandated administrative approaches of either cutting off former colleges with the disciplines in engineering, medicine and agriculture or transforming them into specialized colleges

or polytechnics, it eliminated over 60% of the comprehensive universities. It was believed by the government then that manpower specialized in these subject areas were in urgent need, and therefore the higher education system should be tailored to assist the development of the country. By the end of 1953 when the restructuring was completed, the number of comprehensive universities dropped from 55 in 1947 to only 14, whilst the numbers of specialized colleges showed remarkable increases in subject areas such as engineering and agriculture (Table 3.2).

Table 3.2 Type and number of HEIs in China

Type	Number	
	1947	*1953*
Comprehensive	55	14
Engineering	18	38
Agriculture	18	26
Forestry	n/a	3
Medicine & Pharmacology	23	29
Teacher Training	22	33
Language and Literature	4	8
Finance and Economics	10	6
Political Science & Law	n/a	4
Physical Culture	5	4
Arts	15	15
Other	37	1
Total	**207**	**181**

Source: Ministry of Education (1947-1953)

For each individual university, the former three-level university-college-department administrative hierarchy was replaced by a two-level university-department structure, or in today's more fashionable NPM term 'de-layering'. However, the de-layering in the faculty system did not necessarily lead to devolution of management authority or any changes in the communication process, as the universities themselves were not running as independent entities. The system remained in line with the centrally planned economic development. Moreover, without sufficient consideration of its own condition, the government adopted the model of the higher education system from its neighbouring country, the former Soviet Union, which was also a Communist country at that time. Although the scale of the higher education system expanded nearly six-fold between 1957 and 1960 (see Table 3.3), the long-term development of the system was hampered by the separation of subjects, narrow

specialization and the centralized administration pattern. With the Great Leap Forward[5] during that time exacerbating the situation, the destructive effect of such indiscriminate transplanting of the Soviet model was striking (Du, 1992).

Table 3.3 Number of institutions, enrolment, staff and faculty

Year	1957	1960
Institutions	229	1,289
Enrolment	44,118	961,623
Staff	8,257	194,408
Faculty	70,018	139,142

Source: Ministry of Education (1957-1960)

Fortunately, the government soon realized the damaging effects of its misguided and uncritical adoption of reform model from the former Soviet Union. With the continuing improvement of the national economic conditions, Chinese higher education sector had a comparatively healthy and balanced development from 1961 to1965. The pendulum swung away from the earlier policy extremes to the 'rational and realistic consideration of an effective higher education system suitable for Chinese conditions' (Du, 1992, p. 11). The number of institutions was duly reduced. Principals of universities were given more administrative power regarding finance and human resource issues with the implementation of the "Dangwei lingdao xiade xiaozhang fuzezhi" (the Principal-responsibility system under the supervision of Party Committee) (Wu, 1998). With all these efforts, a viable and effective higher education system started to take shape. The Chinese higher education entered a period of steady development (Croizier, 1979) until 1965, the year before the Cultural Revolution.

During the period from 1966 to 1976, however, the so-called ten-year Cultural Revolution launched by Chairman Mao had a drastic damage on the developed of higher education sector. It was initiated as a campaign against the "liberal bourgeoisie" elements in China to continue revolutionary class struggle. With the

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[5] The Great Leap Forward was initiated by the CCP from 1958 to early 1962. It was believed that progress and its resulting abundance of goods, if implemented fearlessly, could come in great leaps and bounds. The plan did not achieve the intended results, led to widespread economic dislocation, and is widely regarded as a policy disaster (Peng, 1987).

student protests and the persecution of teachers, the number of student enrolment in HEIs was reduced to below the 1949 level. Examinations were abolished, and admission and graduation were largely based on political rather than academic criteria. In short, teaching and research came to a halt. What was called the Cultural Revolution has turned out to be a "Cultural Termination".

After the Cultural Revolution, the Chinese government started to implement a series of reform initiatives in its higher education sector. Three distinctive stages can be recognized as follows: (1) system restoration and expansion from 1978 to late 1980s; (2) decentralization and system slow down from 1985 to 1992; and (3) policy adjustment and system realignment from 1992 to present.

3.4.1.1 Stage 1 – system restoration and expansion (1978~late 1980s)

The crucial task in this stage was to restore the operation of the higher education system, which was in substance sabotaged during the Cultural Revolution. Since the late 1970s, new state policies of economic reform were announced to open up to the outside world. The *Decision on Issues Concerning the Establishment of a Socialist Market Economic Structure* mentioned earlier initiated the country's transitional process from the centrally planned economy to market economy.

The institutional framework and operation mechanism for the Chinese higher education system prior to this stage was formed in the context of the centrally planned economy in the 1950s. University admissions policies were tightly controlled by the state. Students did not need to pay any tuition fees and were assigned jobs upon graduation (World Bank, 1997a). Higher education was taken as part of the central planning process as demonstrated in Figure 3.6. The state government first formulated the national socio-economic development plan and corresponding manpower plan. According to these, the State Planning Commission and the State Education Commission (SEdC) jointly formulated the higher education enrolment plan, which included: (a) the number of total students enrolled; (b) enrolment quota for each sector and each province; (c) the distribution of student enrolment by field and study; and (d) institutional enrolment quota by discipline and

specialty (Zhou, 1997). HEIs would then decide their curriculum and instruction plans with regard to the specific local manpower requirements. A graduate job assignment plan was formulated by the government with regard to the staffing plan of individual line ministries[6] and provinces. Students were usually trained in a relatively narrow specialization and would be granted jobs upon their graduation and enter the workplace.

Figure 3.6 Operational framework in the centrally planned economy in China

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┌─────────────────────────────────────────────────────────┐
│         National social-economic development plan        │
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                            ▼
┌─────────────────────────────────────────────────────────┐
│                      Manpower plan                       │
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                            │
                            ▼
┌─────────────────────────────────────────────────────────┐
│                Higher education enrolment plan           │
└─────────────────────────────────────────────────────────┘
                            │
                            ▼
┌─────────────────────────────────────────────────────────┐
│                Curriculum and instruction plan           │
└─────────────────────────────────────────────────────────┘
                            │
                            ▼
┌─────────────────────────────────────────────────────────┐
│              College graduates job assignment plan       │
└─────────────────────────────────────────────────────────┘
                            │
                            ▼
┌─────────────────────────────────────────────────────────┐
│                 Graduates entering workplace             │
└─────────────────────────────────────────────────────────┘
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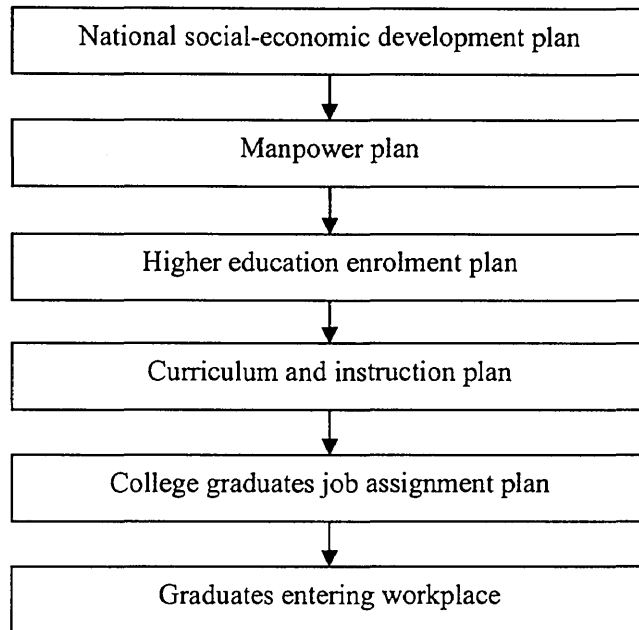
Source: Min (2002)

It can be observed in Figure 3.6 that within such framework, universities were in essence attachments to governmental agencies and their management was highly centralized. The whole higher education system was so departmentalized and segmented that even until 1995, among the 1,358 national level universities and colleges, there were 35 belonging to the SEdC; all other 1,323 universities and colleges were under the jurisdiction of 62 different central line ministries, such as the Ministry of Electronic Industry, Ministry of Metallurgical Industry and Ministry of Agriculture (China Statistical Yearbook, 1995).

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[6] Line ministry refers to a government ministry that is responsible for a programme or group programmes as opposed to one responsible for general planning and administration (Saich, 2001)

The political and economic reform initiated in 1978 marked a new era for the Chinese higher education sector. The announcement of accomplishing goals of the 'Four Modernizations Programme'[7] by the central government and the CCP in 1979 set objectives for the nation's social, economic, and educational development. The National Conference for Science and Education held in the same year gave priority to the reform of higher education sector by providing training programmes to large numbers of human resources in specialized areas as well as increased funding to facilitate the reform process. The following years saw a remarkable sector expansion. Between 1978 and 1985, the total number of HEIs rose from 598 to 1080, and the number of student enrolment increased from 625,319 to 1,703,115 (excluding continuing education, TV and radio universities) (MoE, 1985).

However, the old administrative system and management structure was still in existence. Both central and provincial governments maintained excessive control over financing, admission policies, instruction design, curriculum, and leadership assignments of HEIs (Du, 1992). Such highly centralized system impeded sector development and inhibited institutions from changing to meet social, political and economic challenges.

3.4.1.2 Stage 2 – decentralization and system slow down (1985~1992)

The fast growth and development in the first stage not only increased the financial burden on the government, but also led to several other problems (Min, 1991). First, overspecialization of courses impeded the efficiency of the system. In 1988, there were over 870 different types of institutional specialties (MoE, 1988), which resulted in both low utilization of specialized equipment and low teaching loads for faculty members and a relatively low student/teacher ratio. Moreover, the whole system was expanding so fast that the speed of increase in state appropriations for higher education could not keep up with the growth of the cost (World Bank, 1997b). With

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[7] Four Modernizations refers to modernization of agriculture, industry, national defence, and science and technology (Ng and Tang, 1997).

the increase in the number of institutions, the enrolment of students reached 2.06 million in 1988 compared with 1.02 million in 1979, while the total expenditure on higher education increased at a rate higher that the growth of the total government revenue in the early and mid 1980s (Min, 1991). Keeping up with the system expansion as well as retaining the cost-effectiveness of the system caused low internal efficiency and led to low external efficiency as the government had to provide enough funding to keep the pace of its development. With the economic difficulties facing the government in the late 1980s, the rate of increase in investment in higher education gradually slowed down, especially in 1990 and 1991.

The government has recognized the problem in this stage as the lack of devolved authority in university management. Therefore, in 1985, the government promulgated *The Decision on the Reform of the Educational System*. It stated that:

> *The key to success in the reform of the higher educational system... is to change the management system of excessive government control over the institutions of higher learning, expand the powers of decision-making of the institutions of higher learning in school management... and enable the institutions of higher learning to have the initiative and ability to meet the needs of economic and social development (MOE, 1985).*

This new policy was aimed at delegating more authority to universities regarding teaching instructions and curriculum design, as well as the freedom to set admission policies to admit students outside the state plan that were either financed by enterprises or by themselves. From 1989, universities and colleges were also allowed to charge a small amount of tuition fees on state-financed students who were previously exempted from fee payment (World Bank, 1997b). Table 3.4 shows the changes in the composition of university's revenue between 1978 and 1992.

It appears that in conjunction with cutting down in public subsidies, the government has also encouraged universities to generate their own revenue and to charge tuition fees, although the level of these tuition fees was still decided by the government. Universities also started to seek funding through private sources rather than solely reliant on government allocation. This marked the first step of financial decentralization and autonomy of the Chinese higher education system.

Table 3.4 Distribution of funding from different sources

Year	1978	1992
Total Budgeted Allocation from Government	95.9%	81.8%
Total University Generated Revenue	4.1%	18.2%
- Income from university funded activities	4.1%	12.8%
- Donations and others	n/a	0.8%
- Student Tuition Fees	0	4.6%

Source: China Statistical Yearbook (1978-1992)

3.4.1.3 Stage 3 – policy adjustment and system alignment (1992 to present)

The main theme of the reforms in Stage 3 was to make adjustments to improve the existing system. As stated earlier, the previous structure of the Chinese higher education system under central-planned economy in the 1980s was characterized by considerable departmentalization and segmentation, which hindered its development as an integrated system. Given the financial constraints on the higher education sector, the central government and the SEdC started to improve the administrative system and restructure the higher education system (MOE, 1995). Meanwhile, SEdC proposed to make joint efforts with the local governments in supporting and transforming universities. In December 1994 at the National Forum on the Reform of Higher Education System, five forms of university realignment and reconstruction were spelt out, namely, joint construction, cooperation, merging, reassignment and transfer, and combined efforts (Wang, 2001). Their key characteristics are generalized in Table 3.5.

These policies had various impacts on both the management structure and process of higher education system in China (Li, 1997). For example, under the policy of *combined efforts*, universities were encouraged to cooperate with enterprises and external research units. A three-way relationship was thus built among institutions, R&D organizations and enterprises. This has not only generated extra funding for universities but also reinforced connections among these entities. Moreover, this three-way integration between education, research and production strengthens

universities' capability to adapt themselves to the needs of social and economic development.

Table 3.5 Five forms of university realignment and reconstruction in China

Joint construction	Dual leadership of institutions with the central government ministries and the provincial government
Cooperation	Build collaboration among colleges and universities within the same geographical proximity but with different disciplinary focuses
Merging	Consolidate small specialist colleges to form larger scale comprehensive universities
Reassignment and transfer	Transfer university administration from a ministry of the central government to a local government
Combined efforts	Encourage enterprises and research units to participate actively in the management and operation of educational programs in colleges and universities

Adapted from Wang (2001)

Under the policy of *cooperation*, universities within the same geographical proximity yet with different disciplinary focuses began to collaborate with each other by sharing resources to supplement each other's strengths in building curricular. This has improved efficiency in the use of limited resources.

Through the *joint construction* and the *combined efforts* policy, the financial burden on the central government has been relieved with more local financial support. Colleges and universities have benefited from the increasing investment of their local governments. For example, SEdC and the Shanghai Municipal Government jointly invested 1.2 billion Yuan each into Fudan University and Shanghai Jiaotong University for the fiscal period 1999 to 2001, which contrasts sharply with the limited financial support from the local government before (Weihui Daily, 2001).

Another impact of the *joint construction* policy is that it broke the previously ossified and closed system into an organized and open system (Wang, 2001). It replaced the one-to-one affiliation relationship with a multiple partnership. By transferring a college or university's administration from a ministry of the central government to a local government, the managerial structure has been decentralized (Kim and Lau, 1995). Moreover, it reduced duplication of similar types of schools in the same

locations (World Bank, 1997b). Alongside with the policy of reassignment and transfer, the responsibility for educational funding and management has been delegated from central to local, particularly provincial government. Colleges and universities became closer to the local provinces and more active in serving local interests, for example, universities based in provinces adjacent to the sea specialized in marine related subjects. The implementation of such a decentralization policy has allowed far more autonomy and flexibility at local level to finance and run educational services (Mok, 1996).

Meanwhile, *merger* among universities has become a trend, which was also partially the consequence of the 211 Project introduced in the late 1990s. This project was initiated by the state government to attach a new financial and strategic importance to the top 100 universities and ensure that these identified institutions become world-class in the early 21st century. Central to the scheme was a plan to introduce competition among universities by rewarding the top HEIs. Universities are assessed by quantifiable, objective criteria such as staffing, buildings, libraries, laboratories, research to determine whether they are qualified to be included as the top 100 institutions. Most importantly, the selected universities will receive greater levels of funding, status, support and recognition subsequently from both the central and provincial/municipal governments.

For non-211 Project universities, the situation became more complicated as they had to compete harder to attract funding, support, recognition and equipment (Willis, 2000). In order to become qualified for the 211 Project, many universities have initiated mergers with each other to improve their research and academic profile (Christiansen, 1996; Rosen, 1997). Hundreds of universities and colleges were reorganized since the late 1990s. For example, Beijing Medical University under the Ministry of Public Health merged with Peking University, which is under the direct control of Ministry of Education (MoE). In 1998, about 71 universities and colleges under the leadership of 9 ministries and commissions of central government were restructured or merged. The majority of these had their jurisdiction changed either to the Ministry of Education or to local government (China Statistical Yearbook, 1998).

In 1999, 25 universities and colleges were restructured or merged, followed by a further 242 universities which had been under the jurisdiction of 50 government departments (ministries, commissions, local government and other departments). It was believed that consolidation of these smaller scale HEIs would bring benefits such as optimized curricular structure, improved resources utilization, and financial resources from different sources will be integrated into a more cohesive whole (Wang, 2001). After a series of mergers and consolidations, the number of colleges and universities in China has been reduced from 1,080 in year 1994 to 1,020 in year 1999 (China Statistical Yearbook, 1994-1999).

All these changes have been carried out on a systemic scale rather than in piecemeal attempts (Wang, 2001). The newly acquired decision-making power and increased institutional autonomy regarding student enrolment, curriculum design, human resource management, and funding disposal, which were often taken for granted in many Western countries, marked a new stage in Chinese university management (Du, 1992). In the next section, the impacts of these changes on individual universities will be again examined from the following three aspects: organizational structure, financial management, and human resource management.

3.4.2 Current situation

The 211 Project, alongside with other reform initiatives implemented by the government in the 1990s, have triggered the restructuring of the Chinese higher education system. Collaborative arrangements have been set up among HEIs and the existing departmentalized boundaries of different ministries have been broken down, which have in turn caused changes in many internal aspects such as university's organizational structure, financial procedure, human resource system and, most importantly, the relationship between universities and the government at both central and local level. These aspects will be examined respectively as follows:

3.4.2.1 Organizational structure

The current structure of the HEIs in China is a much closer match to the American presidential management style than the committee structure of Senate and Council that has been dominating the British university system (Wang, 2001). With the Principal holding the ultimate authority on the top level of senior management, the structure tends to be excessively flat with relatively large number of people reporting directly to the Principal. Vice Principals, usually ranging from six to eleven in most of the national universities, are appointed various functional decisions such as finance, human resource, teaching and research activities. Although the committee structure does exist, its role is confined to supporting and consultative only. And the work of collecting and providing information and carrying out decisions is still largely in the hands of the officers and departments (Willis, 2000). A typical example of university organizational structure in China is presented in Figure 3.7.

As shown in Figure 3.7, the Party Committee sits at the very top of the university management structure, providing general guidelines on the operation of the university. The Principal works as the Chief Executive Officer of the university along with the Academic Committee and other *ad hoc* Committees (including academic affairs, planning and financial management committees), which serve as assistant roles in the decision-making process. In some universities, the committees have the rights to veto on important university affairs (World Bank, 1997a). However, for most of the time their opinions are consultative only.

One might notice that an unusual, possibly unique feature of the current managerial structure of Chinese universities is the omnipresent involvement of the political party power. Although it is common for political power to have influence in universities in many other countries such as the former Soviet Union and Korea (Du, 1992; Mauch and Sabloff, 1995), as a one-party government, the CCP tends to exert its presence in every aspect of the organization's daily operation. There are establishments of CCP Committees at all levels in the university management structure. For example, at

Figure 3.7 University organizational structure in China
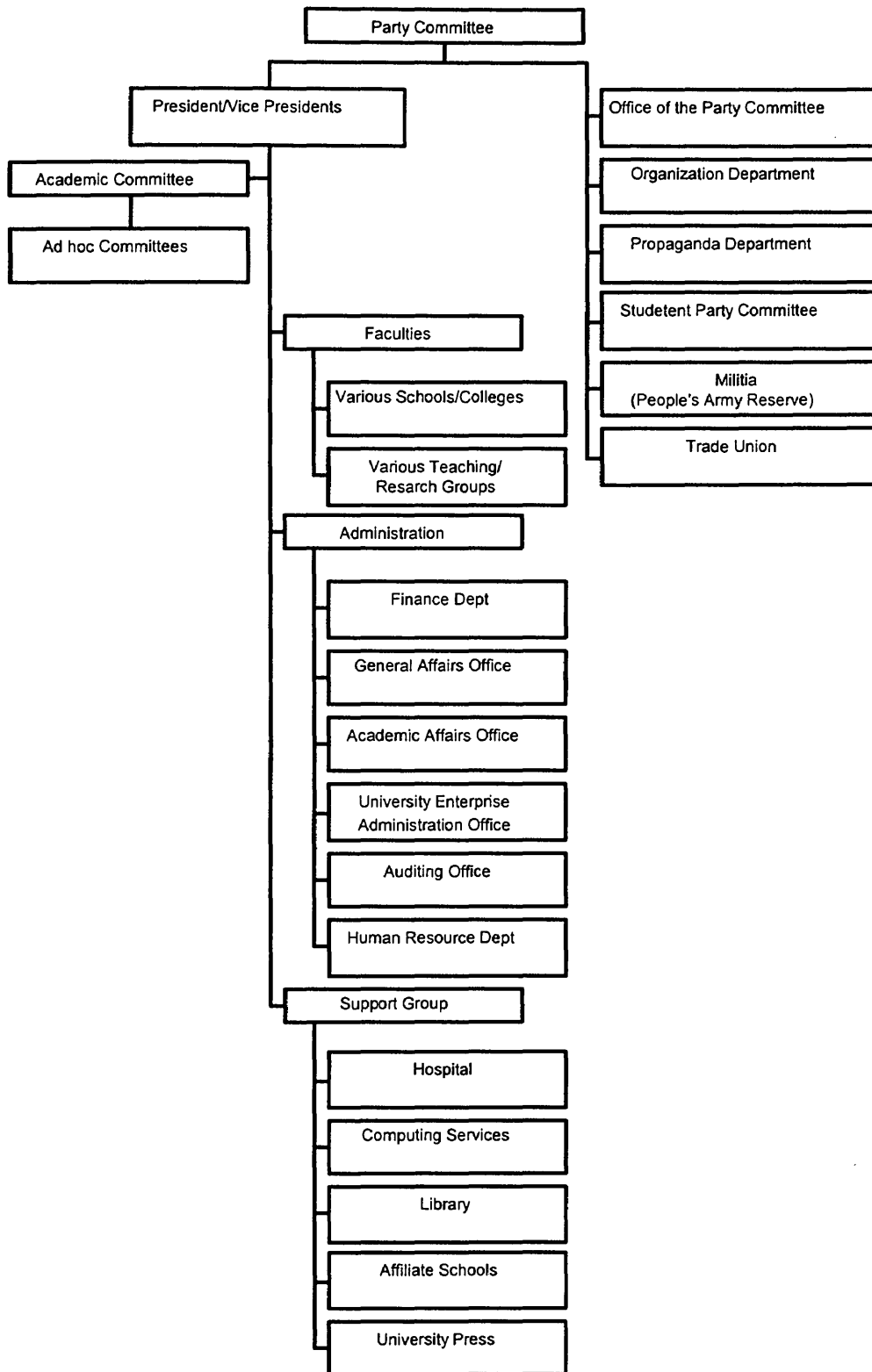
Source: Tsinghua University (2004)

senior management level, there is University Party Committee Secretary whose responsibility is to monitor and coordinate with the Principal's decisions (the post of Secretary General has the same seniority as that of Vice Principal.); at college/school level there is a college/school Party Committee Secretary; even among students (in classes), there are sub-divisions of Party Committee that oversee the activities of students. An illustration of the relationship between the Party Committees and the rest of the University management structure is shown in Figure 3.8.

The duality of this system is characterized by the integration of administrative and political powers (Law, 1996). One can recognize from Figure 3.8 that the two streams of management power from both the Party Committee and the academic managers exist in the organization at the same time. The Party's authority reaches down to exert its control on the University Party Committee parallel to the direct control on the Principal and Academic Committee from the ministry or provincial bureau by which the university is funded. The Party Committee directs the general principles on which universities are run. As stated in the 1993 Educational Reform Plan, the University Party Committee Secretaries are given powers to guarantee and supervise the implementation of the CCP's principles and policies. Each section/level of the university has the Party's branch, which in turn elects representatives to a higher level. The same pattern is followed in all institutions, schools, university enterprises and hospitals, so that a chain of representation reaches up to the highest Party Committee from all of them. Such system very much resembles the "shadow organization" mentioned in Shaw (1997). With the Principal in charge of both curriculum and administration, the function of the Party Committee are supervisory, conducting investigations and political and moral education, assisting the Principal in his duties, disciplining Party members, and ensuring the implementation of the CCP line and policies (Lu, 1989). Their role is to help, as was claimed in the statement in 1993, and not to interfere with the exercising of the managerial power of the Principal (MoE, 1993).

Figure 3.8 Duality in the university management in China
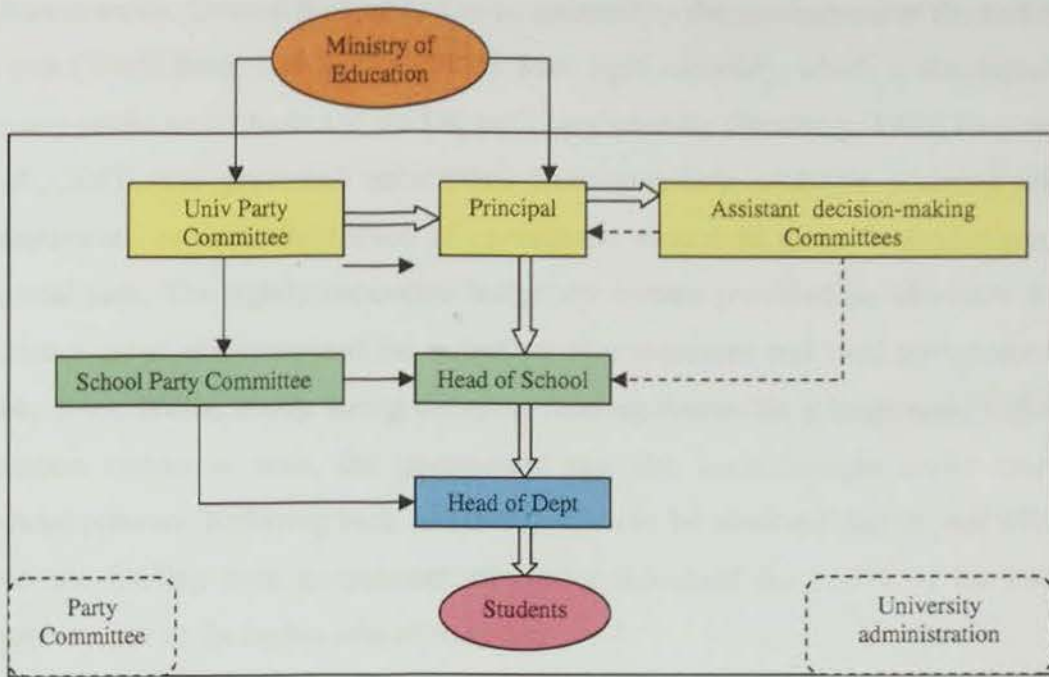
Source: Xi *et al.* (2005)

Notes: ⟶ means direct leadership; ⟹ means supervising relationship; ----▶ means arrow end provides information for arrow head;

The depiction of the Party's influence was of "a benign ideological force with no part in daily decisions, a sort of 'established church', which could be expected to provide a moral lead or exert a moral influence" (CUA, 1983). However, with its power permeating through all levels of any public sector organizations, the Party Committee has the means to monitor how closely its guidance is being followed and has ideological impacts on major developments in universities, through both formal and informal channels (Du, 1992). However, how the power of the Party Committee has been carried out in practice remains unclear in existing academic research.

3.4.2.2 Financial Management

Before the 1990s, HEIs received their funding almost exclusively from government appropriations through the unitary state budgetary plan. Based on the previous year's allocation, the government would make incremental adjustments according to the

needs and development of the institution and the total budget available for the higher education sector. Unused funding had to be returned to the government at the end of the year (World Bank, 1997a; Min, 2002). Such rigid annuality, which is also typical of many public sector bodies in the UK until very recently (Newbery, 1999; Ezzamel et al., 2005), has prevented universities from long-term strategic planning and commitments, as the authorization of expenditure cannot be given beyond current financial year. The tightly controlled budgetary system provided no incentive for efficiency gains, and hampered the initiatives of universities and local governments (Mok, 1999; Willis, 2000). Being the main funding source for a large-scale higher education system as such, the government has also been brought under much financial pressure. Referring back to Table 3.4, it can be observed that in year 1978 alone, the funding from government allocation accounted for 95.9% of the total annual revenue of the higher education system.

The reforms in the late 1980s saw a radical economic change throughout the country. With less governmental control on many previously state-owned sectors through devolving more managerial authorities to them, various reform initiatives have been carried out towards privatization and decentralization. In the higher education sector, as it has already became a heavy burden to the government to fully support the HEIs, several significant reforms covering financial decentralization, new funding mechanisms and resource mobilization were implemented in order to facilitate the development of the higher education sector.

Firstly, as part of the overall economic reform that allowed provinces and stated-owned enterprises to retain a higher portion of their earnings for own development, the central government has delegated financial responsibilities to provincial governments and line ministries which had not much authority in financing higher education sector before. Such financial decentralization has encouraged experimentation of innovative funding mechanisms for HEIs. Colleges and universities became closer to the local government and more active in serving local interests. For example, universities specialized in marine related subjects being based in provinces adjacent to the sea. Universities are also encouraged to establish

partnership with local enterprises to help economic development of the local community. However, financial capacity varies from province to province. Regional disparities in funding higher education have serious implications for the ability of poorer provinces to attract and retain capable faculty members and to provide quality education (World Bank, 1995). Table 3.6 shows the wide range of allocation per student in different municipalities and provinces. Among the five chosen places, municipality like Beijing and Shanghai, and provinces that are in more developed South Eastern area such as Guangdong generally can provide more financial support to their local universities, while provinces in less-developed central or North Western areas such as Sichuan and Anhui can only afford a fraction of the former.

Table 3.6 Government funding allocation per student

Municipalities/Provinces	Beijing	Guangdong	Shanghai	Anhui	Sichuan
Total Govt Allocation per student	7,007	6,630	5,341	4,154	3,471
Recurrent Allocation per student	5,309	5,157	4,707	3,613	3,019
Capital Allocation per student	1,698	1,473	634	541	452
Provincial GDP per capita	6,434	3,514	7,925	1,243	1,357
Percentage of GDP for Higher Education	2.9	1.5	2.4	1.8	1.6

Source: World Bank (1995)

Even within the same province, the resources available for provincial universities and national universities are very different. Take Shanxi Province in 1995 for an example, in the total amount of 1,115 million Yuan revenue in higher education in this province, 787 million Yuan (including government allocation, own-generated income, and tuition fees) was spent on SEdC and line-ministry universities, and only 328 million on the provincial universities and colleges. Further more, of that 328 million Yuan, 260 million came from the provincial government, and 68 million from student tuition fees and self-generated income generation. Consequently, the unit expenditure per student for provincial universities was 4,162 Yuan, while that for national universities in the same province in the same year was 7,494 Yuan in 1992 (World Bank, 1997b). The effect of such disparity in funding is apparent enough to see that the provincial universities and colleges were heavily disadvantaged when compared with SEdC and line-ministry universities.

Secondly, there have also been changes in the budgetary allocation process. In conjunction with financial decentralization, the reform replaced the pre-determined line item budget with a block grant allocation from the state to the universities, and gave HEIs the autonomy in deciding how to spend the money (Mok, 1999, 2000). The state only exercises audit and supervisory functions to hold universities accountable for the appropriate utilization of public resources. The regulation of returning unspent money to the government at the end of each year has also been abolished (Wang, 2001). The incremental approach to allocating recurrent funding described earlier was replaced by a formula-based approach, of which the major allocation parameter is the number of full-time equivalent students.

Finally, there have been diversified funding resources. In parallel with the reductions of public subsidies, more autonomy has been given to HEIs to generate their own revenues. Institutions have been encouraged to generate their own revenue and to charge tuition fees (although the level of which is still decided by the government at large). The difference in the level of tuition fees between self-financed students and those financed by state and enterprises was eliminated in 1994, and universities continued to generate more money from extra activities. And universities initiated a search for 'multiple channels' for the financing of education (Cheng, 1990). Many institutions began to generate income through various activities such as consultancy, affiliates with enterprises, and providing training and adult education courses. In 1992, 14% of the income was generated by the higher educational institutions themselves from diversified sources, when compared to only 4% in 1978. Among these additional resources, the university-run enterprises generated income accounted for the largest percentage. In 1999, the sales income of university-run enterprises totalled 37.9 billion Yuan, and 64 of them generated sales incomes exceeding 100 million Yuan (MOE, 1999). The university-run enterprise will be discussed later in this section. Table 3.7 shows the variation in the amount of government funding in university income throughout the previous years.

Table 3.7 Sources of education funding (Unit: Billion Yuan)

	1996	1997	1998	1999	2000
National aggregate expenditure	226.2	253.2	294.9	334.9	384.9
Budgeted appropriation	121.2	135.8	156.6	181.6	208.6
Local education tax revenues	24.0	26.8	27.9	28.2	28.4
Enterprises	11.6	11.9	12.9	13.2	13.6
Non-government organizations and individuals	2.6	3.0	4.8	6.3	8.6
University-run enterprises and services	8.7	9.9	5.9	5.7	5.7
Donations and funding raised from society	18.8	17.1	14.2	12.6	11.4
Tuitions and fees	26.1	32.6	37.0	46.4	59.5

Source: China Ministry of Education (1996-2000)

On the revenue side, the institutional data confirmed that the state allocation continued to be the bulk of revenue for them, except where the university can obtain a large share of its resources from "other sources or donations" (World Bank, 2002). Revenues fluctuated widely across institutions and within institutions from year to year. This made long-term planning difficult, and there is a case for state funding of non-human resource cost on a triennial basis, channelled through a university and college council, which would allocate funding on the basis of strategic plans and evidence of improvement of efficiency and productivity (Mok, 1999).

On the expenditure side, the major components of recurrent higher education expenditure are as follows, as adapted from Mok (2000):

- Human resource cost (salaries and benefits)
- Student financial aid (which each institution provides to its student in need)
- Administration cost
- Equipment maintenance and repair
- Logistical services (such as running canteens and dormitories)

Among these above components, human resource cost accounts for the largest part. Capital expenditure is mainly for the construction of buildings for instructional and administrative purposes, student dormitories and residence for faculty members and other staff. Research is not funded on a regular basis but research expenditure is considered as a part of the total spending. Universities are also able to charge an

overhead ranging from 5% to 15%, depending on the nature of the research and the source of funding (Mukherjee, 1997).

As stated earlier, many universities have started to run businesses to generate extra funding. According to Zhou (1995)'s study of 50 Chinese HEIs, there were 238 university-run companies, 144 factories, 43 three-tier enterprises, diverting over 40% of the profit from these enterprises to support academic activities. With these additional income resources, universities can allocate more money to raise the salaries of teachers and improving teaching and research facilities. In addition, many faculty members of staff have established a closer link with the industrial sector, playing either the role of consultants or even managerial role in enterprises (Mok, 1998, Pepper, 1995; Zhou, 1995).

These companies are usually referred to as 'spin-off companies'. The concept of such companies has become increasingly popular in recent years with policy-makers, partly because spin-off companies provide a relatively cheaper way to promote the development of knowledge economies in different places. According to Carayannis *et al.* (1998), universities are more likely to create a spin-off company to commercialize new technologies when there is a lack of industrial receptor capacity in the local economy. Universities that are research-based are particularly interested in setting up spin-off companies as a means of generating revenue and thus reducing their exposure to external (governmental) interference, which in turn reduces the financial burden of government (Benneworth and Charles, 2004).

However, there are also downsides of spin-off companies. First of all, with the salary of jobs in higher education still at a low level compared to non-public sectors, teachers would rather go for jobs like consultancy for companies which are usually better paid than daily teaching, which resulted in a general unwillingness among members of staff towards teaching activities (Mok, 1999). Secondly, not all income generated from university-run enterprises would be used in academic activities. Yet at the same time, these enterprises share the usage of university resources, sometimes even occupation of classrooms for teaching, which have become a problem in several

universities (Mok, 1999; Wang, 2001). Universities have to keep balance between these issues so that spin-off companies can be of most utilization for both local economy development and university operation.

3.4.2.3 Human resource management

The human resource function in a Chinese university is very different from that in a British one. It is usually staffed by graduate officers and works either directly with the Principal or through the Vice Principal who is in charge of human resource. It keeps staff files and records and has a role in the distribution of staff salaries. However, no major roles are granted for human resource department to make any key decisions. The welfare is determined by the state cadre-management system and is more of a Party's matter (Du, 1992). Promotion of staff is dealt with by the Heads of Schools and Academic Committee as an academic matter, with external approval where necessary (World Bank, 1996).

The recruitment decision process used to be in the hands of the government before the 1980s. However, the 'Principal-responsibility system' granted such authority to the hand of Principal and each university can now set its own recruitment policy. Compared to the party patronage for recruitment, greater emphasis has been placed on technical expertise, which resembles the "partial adoption of progressivism" in Hood (2000). Universities now also have the freedom to recruit renowned academics from overseas with the abolition of the previous Education Law which stipulated that university Principals and other major executives must be citizens of mainland China and therefore excluded the influence of such people through holding top administrative positions (Chinese Education Law, 1995, Article 29). The old 'iron rice bowl'[8] life-long employment system was abolished and the contract-based employment has been gradually introduced and implemented in most universities in China.

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[8] The 'Iron Rice Bowl' is a Chinese idiom referring to the system of guaranteed lifetime employment in state enterprises. Job security and level of wages were not related to job performance – but adherence to party doctrine played a very important role (Saich, 2001).

With regard to the remuneration scheme, universities replaced the old state-planned double-track wage system, where a staff member's income is divided into two parts: the state-planned salary and the institution's "internal allowance" (or "xiaonei jintie"). The former usually included a basic salary, a seniority subsidy and a post subsidy, which were all stipulated by the state under multifarious names such as bonuses, service subsidies, special item allowances and special-task subsidies. The key to double-track wage system is the internal allowance, as it stands for flexibility and fluctuates each term according to the changes in an individual's specific tasks, teaching hours, research projects and various services to the university as well to society at large. It is here that market influences set in, as everyone is consciously marking his/her services

3.4.3 Conclusion

By referring back to the recurring NPM elements in Table 2.10, several eminent themes can be recognized in the Chinese higher education sector reform. In the organizational structure, as argued earlier, decentralization and devolution of managerial authority can be observed. Also, the cooperation between institutions and with enterprises and R&D organizations denote a rise of strategic alliance at systematical level.

Meanwhile, the relationship among universities, government and society has been gradually filtered out by ways such as joint establishment, adjustment, cooperation and merger. A two-level education provision system has taken shape in which the central and local governments undertake different responsibilities to provide education with the former responsible for the overall planning and management. As a result, the overlapping of education was overcome. At the same time, the government streamlined their administration and delegated more power to the universities, expanding their autonomy of providing education for the society according to the laws. From 1992 to 2001, 251 HEIs have been merged into 135, with the decrease of 116 HEIs, 87 adult HEIs have been merged into regular HEIs. 177 HEIs have taken part in the joint establishment, among which 43 are affiliated to the Ministry of

Education, 44 to other Central departments and 90 to local governments. The joint establishment has five forms by provincial government and central departments, by municipality and central departments, by provincial government and municipality, by provincial government, municipality and central department and by central departments. Nationally, 168 HEIs which were directly under the administration of central departments are now under the local governments. 8 HEIs which used to be administrated by provincial professional departments are now under the administration of provincial education committees. 317 HEIs have developed inter-institute joint education provision and established 277 cooperative education provision entities. Among the participating HEIs, 43 are affiliated to the MoE, 140 to other central departments and 134 to local governments. 241 HEIs have cooperated with 5218 enterprises to provide education with various forms. With enterprises, enterprises groups and research institutes taking part in higher education provision, the relationship between HEIs and society is strengthened and the overall capacity of schooling of HEIs is increased (figures from Min, 2002).

One of SEdC's policy objectives has been to strengthen the management role of the university Principal. Although much formal documentation presented to the World Bank mission showed the Principal as still being subject to the direction of the Party Secretary, there was no evidence that this was in opposition to the Principal's academic autonomy. What remains less clear is the respective role and power of University Councils regarding the provincial bureau or SEdC. There is also a potential area of confusion in those cases where universities have established Boards of Trustees to link with outside organizations as well as a governing council.

In the process part however, except from the emphasis in more efficient use of resources and devolved budgeting, there is also the element of competition and market mechanism which is triggered by the 211 Project. Also, with regard to the budgetary management, the old system in which the funding of higher education depended solely on the governments has been changed and a new system capable of pooling resources from diverse channels with the main responsibilities on government has been gradually established and perfected.

With regard to the role of the government, various NPM elements including competition between universities, devolution of managerial authority can be recognized in Chinese university reforms. Competition has been promoted on a limited basis, under strict regulation and surveillance of the state. Universities have gained more authority regarding curriculum design, staff recruitment and funding allocation. Adopting Hood's categorization of NPM models using cultural theory, the Chinese higher education reform is marked by highly hierarchism (strict central control), coupled with individualist approaches (promotion of competition among universities, diversification of funding resources). Institutions under the previously tight government control are now more autonomous yet also more accountable to the government. As argued by Mauch and Sabloff (1995), the relationship between universities and the state is a client-patron model, with the former rely on the latter for revenues and the latter in turn gives regulation regarding various activities including teaching, research and administration.

Unlike NPM experiences in the UK and other Western countries, the reforms in Chinese higher education sector have not yet entirely oriented towards a 'managerial approach' which is believed by many academics to be the most effective way to improve the performance, efficiency and effectiveness of service delivery (Henry, 1997; Welch, 1998). Although many universities have introduced aspects of what might be termed a competitive and deregulated higher education system including the diversification of funding and delegation of power, these changes and initiatives have been introduced in a "slow, cautious and somewhat incremental manner" (Willis, 2000).

What characterizes Chinese experiences is the institutional transition from a highly centralized economic planning system to a market economy (Li, 1997). In the midst of the transition, the CCP has gradually retreated from the public domain, trying to mobilize non-state sectors or governments at the local level to engage in public service/policy provision (Mok, 1999). There is still much to be done for the Chinese higher education system on its way toward modernization.

3.5 From the West to the East

Table 3.8 shows a comparison of the UK and China regarding their higher education sector reforms. The UK and China are two countries that are different in many aspects including their social, political and economical contexts. As a representative industrialized country, the UK is among the first ones to take actions of NPM; whilst China, as a developing country, has its own specific socialist market economy background which is very different from the UK. It appears that both higher education sectors in these two countries have been through three distinctive reform stages, with more or less the parallel timescales. Both have endured rapid system expansion at the beginning of reforms, followed by settling-down consolidation phases.

Table 3.8 Comparison of higher education sector in the UK and China

	UK	China
Country	Developed country; NPM early adopter	Developing country; newcomer to NPM practice
3 Stages: 1st stage	1980-1986	1978-late 1980s
2nd stage	1987-1993	1985-1992
3rd stage	1994 onward	1992 onward
University autonomy	Yes	No
HEI funding body	UFC	MoE

However, there are also some significant divergences in the characteristics between these two countries and their higher education sectors. In the UK higher education sector, universities are regarded as independent corporate bodies that can make decisions about their own futures. Although the government can give general strategic guidance, this is usually done through an "agent" body – UGC before 1988 and UFC afterwards. Meanwhile, as mentioned earlier, the government funding accounts less than half of the total amount. Overall, the principle of university autonomy is highly respected and university's operational management is therefore free from political interference. In the case of China, however, universities are not seen as independent organizations. Rather, they are controlled either by the MoE or by the local governments. Although some managerial authorities have been gradually devolved to the university level, certain decisions can still not be made solely by the

universities themselves. Even the financial resources have become more diversified, a large amount of funding still comes from the government. Finally, the interference of political party inside the organizational structure and operational management of universities is a distinctive feature of HE management in China.

Thus by putting the examination of the higher education reform process of two highly contrasting countries together can help us to see how NPM elements and techniques can be adopted through various approaches under certain circumstances.

3.6 Research questions

As discussed in Chapter 2, although extensive research has been carried out on the higher education reform in UK, existing literature on the Chinese higher education in specific contexts is largely absent. There is almost no empirical evidence as to the extent and quality of these reforms by providing particular examples. Moreover, little comparative research have been done between developed countries that are pioneers in practicing NPM and developing countries that have just started implementing the idea of NPM.

The major motivation of this research is therefore to extend the knowledge of the implementation of NPM techniques in higher education reforms in two different countries, and to fill a gap between the research on NPM theories and the actual practices of them in the ongoing reforms in universities. This research will take a comparative perspective to explore the adoption of NPM elements in the reforms of universities in both the UK and China by undertaking case studies. The UK is one of the pioneer countries that have been practicing NPM reforms for a long period of time, while China has only recently started to introduce such ideas into its public sector. Therefore by comparing the experiences of China with examples of reform in European countries such as UK, where the idea of NPM originated and was first practiced, it will not only provide insight into the understanding of NPM implementation, but also have practical benefits for future academic researchers as well as policymakers.

The following three research questions provide the focus and direction for this research:

1. Is there a one-for-all NPM model into which every public sector reform can be fitted?
2. Which NPM elements have been adopted in the higher education reforms in the UK and China and to what extent have they been applied?
3. What are the differences and similarities between the NPM reform approaches adopted in the elite and non-elite groups of universities, and across the two countries that they are based in?

3.7 Summary

This chapter reviewed the application of NPM reform in two countries – the UK and China, by focusing on the various elements that appeared during the reform processes. The changes of higher education sectors in both countries are explored as contexts, with their historical development and current situation examined. It shows that although both have been through extensive reforms in their higher education sector with practices of NPM techniques, they have shown significant divergences in many aspects. As comparative researches that focus on NPM reforms in contrasting contexts between developed and developing countries are scarce, it is therefore the aim of this research to answer the three questions raised in the end.

In the next chapter, the research method and methodology adopted to answer the questions above will be presented and justified. The design of the research process and study setting will also be described.

Chapter 4: Research Design and Methodology

4.1 Introduction

In Chapter 3, the history of higher education reform in both the UK and China has been examined within their specific contexts. In order to decide on how to solve the existing research questions, clarification of several confusing terms need to be presented first. In the beginning of Section 4.2, the concepts of research methodology and method in social science are explained, followed by the justification for the chosen paradigm and methodology for this research. In Section 4.3, the research procedure is outlined by a closer examination on the design and setting of the four case studies. The data collection techniques are discussed in Section 4.4. The quality of the research design is examined in Section 4.5. Section 4.6 draws on the practical issues that are related to the research process and Section 4.7 provides a summary at the end of this chapter.

4.2 Justification for the research methodology and method

One of the most common classifications of research methods is between quantitative and qualitative ones. Quantitative methods were originally developed in the natural sciences to study natural phenomena, including surveys, mathematical modeling and laboratory experiments, and are now widely adopted in social science research as well. Quantitative research often assumes that social facts have an objective reality and the researcher holds his/her stand as an objective outsider (Creswell, 1994). Qualitative research, on the other hand, was developed to enable researchers to study social and cultural phenomena, and it often holds the assumption that reality is socially constructed. Examples of qualitative methods include case study, ethnography, action research and ground theory (Hoepfl, 1997).

There have long been debates among social science researchers about whether these two kinds of research are compatible with each other (see Glesne and Peshkin, 1992). The argument is often resulted from a common misconception of using the term *methodology* as a substitute for *method*. According to *The American Heritage Book*

of English Usage, people may have taken to this practice by influence of the adjective *methodological* to mean "pertaining to methods", while *methodological* may have acquired this meaning because people had already been using the more ordinary adjective *methodical* (meaning "orderly, systematic"). However, distinctions between these two terms need to be addressed, especially in the accounts for social sciences research.

In the Merriam-Webster dictionary, methodology is defined as: (1) a body of methods, rules, and postulates employed by a discipline: a particular procedure or set of procedures; and (2) the analysis of the principles or procedures of inquiry in a particular field. Therefore, research methodology in a broad sense refers to the principles and procedures by which people approach problems and seek answers in conducting their research (Bogdan and Taylor, 1975, p. 1).

According to Cohen *et al.* (2003, p. 3), in the world of social science research, there are three sets of lenses through which the practice of research can be examined, namely:

(1) scientific and positivistic methodologies
(2) naturalistic and interpretive methodologies
(3) critical theory methodologies

Positivism is the direct heir of empiricism (Ryan *et al.*, 1993). It assumes that reality is objectively given and can be described by measurable properties which are independent of the researcher and his instruments. Positivist studies generally test a theory in an attempt to increase the predictive understanding of certain phenomena (Denzin and Lincoln, 2000). In the area of public management research, this paradigm has been relatively rare. However, during the 1970s and 1980s, accounting researchers became increasingly interested in positivism (Watts and Zimmerman, 1986; Ryan *et al.*, 1993). Typical arguments underlined by positivism would be, for example, that if leaders have particular characteristics, then the result is particular

policies, or that specific organisational structures have fixed implications for performance (Boyne, 2002).

The philosophical base of interpretive research is hermeneutics and phenomenology (Boland, 1985). It holds that human actions and social constructs cannot be treated by researchers in the same way as natural objects (Tribe, 2001). Interpretive researchers start out with the assumption that the only access to reality is through social constructions such as language, consciousness and shared meanings. It attempts to understand phenomena through the meanings that people assign to them (Kaplan and Maxwell, 1994). This involves locating structures in their wider social context and examining how they have evolved through time, for example, how the accounting procedure is affected by the socio-economic system or how it shapes certain types of organizational behaviour (Ryan *et al.*, 1993).

The root of critical theory lies arguably in the "Hermeneutic Circle" (Ryan *et al.*, 1993). Critical theorists assume that social reality is historically constituted and that it is produced and reproduced by people. Although people can consciously act to change the circumstances, their ability to do so is constrained by various external factors. Therefore critical research focuses on the oppositions, conflicts and contradictions in contemporary society, and seeks to be emancipatory (Tribe, 2001). In public management research, this involves, for instance, a better understanding of management process and therefore reinforces the *status quo* (Ryan *et al.*, 1993).

The key characteristics of these three distinctively different ways of doing things and directing the research methods are generalized in Table 4.1.

Table 4.1 Characteristics of three research paradigms in social science research

Paradigm	Assumptions	Interests	General Outcomes
Scientific positivism	Separation of fact and values – concentration on fact	Technical	Prediction and control
Interpretive method	Difficult nature of "facts" and importance of relativism	Practical	Enlightenment and understanding
Critical theory	Unification of facts and values	Emancipatory	Liberation

Adapted from Tribe (2001)

While *methodology* identifies 'a general approach to studying research topics', *method* refers to the more specific research techniques, such as case study, ethnography and action research (Silverman, 1993, p. 1). It is the aim of methodology to describe and analyze different research methods, throwing light on their limitations and resources, clarifying their presuppositions and consequences, relating their potentialities to the twilight zone at the frontiers of knowledge (Cohen *et al.*, 2003, pp. 44-45). For a specific research question raised, there can be a range of possible methods to answer it, which can be either qualitative or quantitative, being adopted either alone or as combination, but there is only one methodology for considering the nature of the research question (Tribe, 2001). Figure 4.1 shows the interrelation between the underlying methodology, research method, and data collection techniques.

Figure 4.1 Research methodology, method and data collection
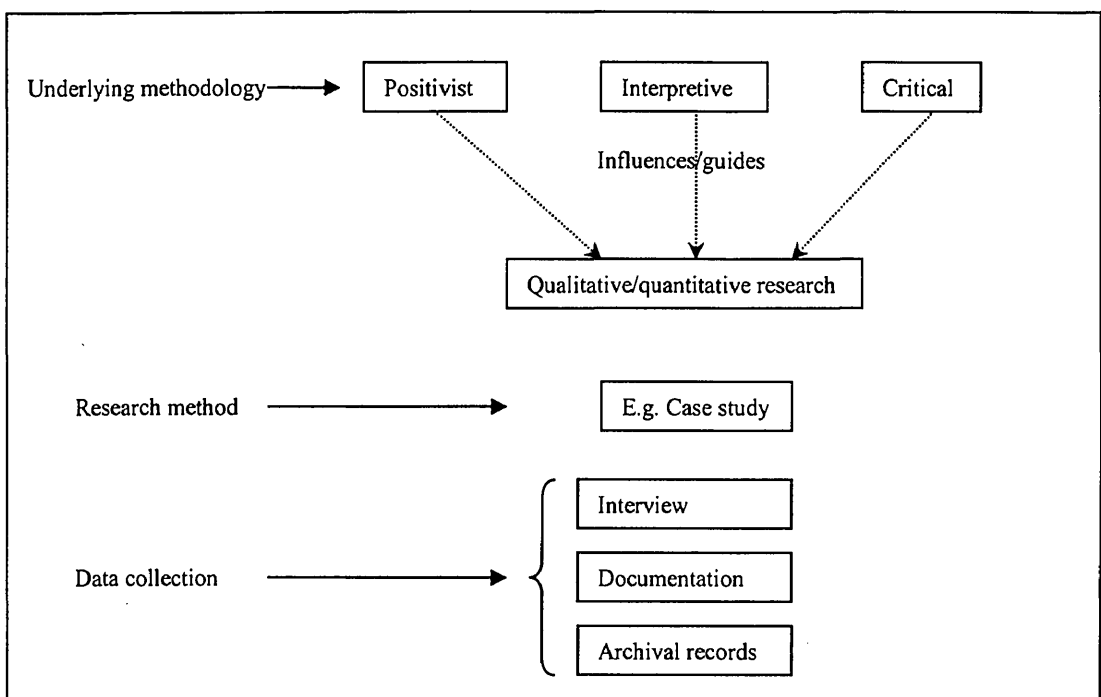
This research takes on a qualitative research approach, which is guided by the interpretive paradigm, as the research problems mainly involve people's constructions of meanings which have not previously been explored (Hassard, 1990). It is also believed that by adopting such a perspective that social structure is both a condition and a consequence of social action, a deeper and richer understanding of

the management in higher education sectors in two highly contrasting countries can be achieved. The research methods and data collection techniques adopted will be discussed in the next section.

4.3 Research design

As mentioned earlier, there are many methods available for qualitative research approach, among which case study is one of the most important and widely adopted in public management research. Instead of using large samples and following a rigid protocol to examine a limited number of variables, case study attempts to shed light on a certain phenomenon with in-depth, longitudinal examination of a specific example. However, as argued by Yin (1994), case study should not be confused with qualitative research. Instead, he suggests that case study can be based on any mix of quantitative and qualitative evidence. There are descriptive case studies, illustrative case studies, exploratory case studies, explanatory case studies, and experimental studies (Ryan *et al.*, 1993), and the distinctions between them are not usually clear-cut. The case study adopted in this research is a combination of both descriptive and interpretive/explanatory ones.

Following Yin's three conditions on how to decide which research method to adopt (Yin, 1994; see Table 4.2), it is believed that case study is the most suitable one for this research. The research question concerns a contemporary management trend that has taken place in higher education sector in two countries. As the purpose of this study is to examine a social phenomenon that takes place naturally, no control is needed for the behavioral events during the research process. Moreover, the research questions that have been put forward at the end of Chapter 3 are mainly concerned about the "how" and "why" questions, which is most suitable situation for using case study as the research strategy (Table 4.2).

As argued by Bell (1993), case study is ideal for individual researchers as it gives them the opportunity to investigate one aspect in depth. A good case study can provide the reader with a three-dimensional picture and illustrate the relationships,

micro political issues and patters of influences in a particular context (Bell, 1993, p. 9). Moreover, as this research is focused on one aspect of management accounting in a distinctive setting (universities), the choice of case study approach can reflect the continuing advocacy of carrying out field research within organizations to explore management accounting process (Kaplan, 1994). It allows the researcher to draw together different factors and examine the interplay of these factors.

Table 4.2 Relevant situations for different research strategies

Strategy	Form of research question	Requires control over behavioral events?	Focuses on contemporary events?
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	Yes/no
History	How, why	No	No
Case study	How, why	No	Yes

Source: Yin (1994)

4.3.1 Comparative multiple case studies

As this is a comparative study of two countries, multiple case studies will be more sufficient to understand and examine the research questions. Such case study design has its advantages and disadvantages. The evidence collected from multiple cases is often considered more convincing, and therefore the overall study is considered to be more robust (Herriott and Firestone, 1983). However, multiple case studies usually take more resource and time than a single one, which can be of increased complexity and difficulty especially for students or independent researchers.

Four case study sites are investigated in the UK and China – two highly contrasted countries which are unique in many ways in terms of size, culture, economic and political conditions. The UK as one of the most industrialized countries is the pioneer in taking NPM reforms in its public sector. China on the other hand, as a socialist country whose public sectors have long been under tight control, represents many of the developing countries that have just started implementing NPM techniques in their public sector reform.

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Whilst doubts may be cast on the representativeness of such a study, there are a number of methodological advantages in comparing two distinct cases belonging to different backgrounds. Firstly, it helps to examine the claim of the universality of NPM and to see if there is any convergence between countries. Secondly, a comparison between the two countries allows a comparative insight into the processes and mechanisms of the application of NPM under different circumstances. Such comparison can be helpful to map out the organizational setting that is likely to maximize the success of future reforms.

4.3.2 Case study settings

In order to enhance the comparability of the cases, a similar division of Russell Group universities and non-Russell Group universities in the UK, and 211 Project universities and non-211 Project universities in China are selected. Russell Group is representative of the "elite" universities in the UK. In year 2001-2002, Russell Group universities accounted for over 60% (more than £1.5 billion) of British universities' research grant and contract income, over 55% of all doctorates awarded in the UK, and approximately 35% of all students studying in the UK from outside the EU. In the 2001 National RAE, 78% of the staff in grade 5* departments and 57% of the staff in grade 5 departments belonged to the Russell Group universities (HERO, 2003).

Meanwhile, in the case of China, a key area of structural change in higher education is the 211 Project in the 1990s. As argued earlier in Chapter 3, 211 Project universities now form the elite group of HEIs of China and have been able to develop a wide range of programs and courses, establish new campuses and refurbish older facilities (Wang, 2001). For non-211 Project HEIs, the situation has been more complicated in that they have to compete harder to attract funding, support, recognition, and facilities. And because of these external constraints, non-211 Project universities have to adopt a way of reform which differs from the 211 Project universities (Willis, 2000).

Therefore, it is reasonable to choose one 211 Project university and one non-211 Project university in China, as well as one university in Russell Group and one non-Russell Group university in the UK for the comparative case studies. By comparing the similarities and differences in the reform approaches of these four universities, it can shed light on the implementation of NPM under different settings.

The choice of case study sites is also a matter of importance. The intention is to target two representative universities in each country that are comparable to each other in both scale and context of reform. Meanwhile, the sites of case studies should have a richness of study setting for the research, that is, the cases being studied should have been or are being under considerable reform changes. Table 4.3 shows the basic information about the four sites chosen for the case studies. They are given the name B1, B2, C1 and C2 for simplicity in expression (B stands for British, C stands for Chinese), as well as for confidentiality reasons, which will be discussed in Section 4.6 later.

Table 4.3 Basic information about the case study sites

Name	Location	Number of students	Number of employees	Annual expenditure	History (founded in)
B1	Scotland, UK	21,000	6,800	£345,142,000	1583
B2	Scotland, UK	4,516	532	£21,641,000	1875
C1	Shaanxi, PR China	32,000	13,400	N/A	1896
C2	Henan, PR China	22,000	N/A	N/A	1912

Sources: Quality Assurance Agency for Higher Education (2003); University B1 (2002-2003); China Ministry of Education (2002-2003).

University B1 is one of the "ancient universities" located in Scotland in the UK. It has been going through fundamental changes since 1991, when the funding structure of the whole higher education sector in Britain was changed fundamentally. In 2000, a major programme review initiated by B1's Principal led to a continuous reform in its management structure and process. Although as a Russell Group university

renowned for both teaching and research quality, B1 is still facing the increasingly fierce competition for resources with other universities.

Located in the same city as B1, University B2 is one of the post-1992 new universities, and it was in the process of applying for a full university title at the time of study. Major restructuring was initiated in the early 2001-2002, with changes in various aspects of the institution, including its academic and management structure, human resource system, financial system and budgetary process. As a non-Russell Group university, B2 faces more challenges from both external and internal pressures.

Recently merged with two other institutions in 2000, University C1 in China has been taking a series of reform actions in its organizational structure, budgetary process and human resource system. Being one of the 211 Project universities, C1 joined the national merging trend in the 1999 with an aim to become a well-developed comprehensive university. However, the merger has caused many unexpected problems and whether it is beneficial for the higher education sector or not is still under debate till this day.

University C2 is located in Henan Province, adjacent to the province where C1 is in. Unlike C1, it belongs to the non-211 Project universities and is under the control of local government rather than directly administrated by the Ministry of Education. Restructuring in C2 also took place after its merger with two institutions, with changes in its organizational structure, financial system and human resource management.

Overall, both B1 and C1 represent the elite groups of HEIs in each country, while B2 and C2 represent the non-elite groups. All four institutions are under or have been through significant changes within the national context of ongoing reform changes in higher education sectors. By comparing the reform experiences of these four universities and analyzing their similarities and differences, it is believed that a more holistic picture of how NPM has been carried out in practice in various setting can be achieved in this research.

4.3.3 Time schedule

Field work for the case studies took place from May, 2005 till December, 2005. For each case study site, the time spent varied from 1 to 3 months, depending on the accessibility and progress of the research (Table 4.4). In general, the two case study sites in China have been more difficult to get access to and therefore took longer time than the ones in the UK.

Table 4.4 Time schedule for case studies

Case Study	Timeline
B1	18/05/2005~08/08/2005
B2	11/07/2005~20/07/2005
C1	04/10/2005~11/11/2005
C2	15/11/2005~02/12/2005

In this section, the research method of case study for this thesis has been discussed with specific settings presented. However, it needs to be noticed that research methods should also be separated from data collection techniques. Ryan *et al.* (1993) has addressed the confusion between these two, stating that the latter is only part of the competent researchers' methods. The case study is therefore a research approach, situated between concrete data taking technique and methodological paradigm. In the next section, the sources of data for this research will be specified, with descriptions of both the advantages and disadvantages for each of them.

4.4 Data collection and analysis

Following the suggestion in Tolbert and Zucker (1996), the research method adopted in this thesis is case study combined with triangulation between different data sources to analyze institutional process over time. As many researchers have noted, a further strength of case study is the capability of using a variety of research techniques to obtain data required (Yin, 1994; Bryman, 1989). It involves the use of a number of different sources of evidence, namely: in-depth, semi-structured interviews, policy and other official documentations, archival records as well as

existing studies. Drawing on Yin (1994), in order to meet the test of construct validity and establish correct operational measures for the concepts being studied, researchers should use multiple sources of evidence. According to him, there are six sources available for case study research, including documentation, archival records, interviews, direct observation, participant observation, and physical artifacts. Table 4.5 generalizes the advantages and disadvantages for each of them.

Table 4.5 Six sources of evidence

Source of Evidence	Advantages	Disadvantages
Documentation	- Stable - Unobtrusive - Exact - Broad coverage	- Low retrievability - Biased selectivity - Reporting bias - Access
Archival records	- Same as documentation (above) - Precise and quantitative	- Same as documentation (above) - Accessibility due to privacy reasons
Interviews	- Targeted - Insightful	- Bias due to poorly constructed questions - Response bias - Inaccuracies due to poor interpretation - Reflexivity
Direct observation	- Reality - Contextual	- Time-consuming - Selectivity - Reflexivity - Cost
Participant observation	- Same as direct observation (above) - Insightful into interpersonal behavior and motives	- Same as direct observation (above) - Bias due to investigator's manipulation of events
Physical artifacts	- Insightful into cultural features - Insightful into technical operations	- Selectivity - Availability

Source: Yin (1994)

Though there are also other sources available such as films and photographs, these six listed in Table 4.5 are the most commonly adopted ones in social science research (Marshall and Rossman, 1995). Within this study, the following data collection techniques are adopted:

- interviews (semi-structured): as primary data source

- documentation: as secondary data source
- archival records: as secondary data source

The reasons for choosing each of these techniques will be discussed respectively as follows.

4.4.1 Primary data source: interviews

The choice of interview is based on its advantages. As argued by Yin (1994), interview is an essential source for collecting case study evidence, as most case studies are about human affairs which can be reported and interpreted through the eyes of specific interviewees. Well-informed respondents can provide important insights into a specific situation as well as shortcuts to the prior history of the situation, helping researchers to identify other relevant sources of evidence (Yin, 1994). Moreover, interview is an approach through which enormous data can be gathered quickly.

Another reason that interviews are chosen as the main source for data collection is because of the nature of this research. Public sector reform is a process that can be highly affected by cultural factors. Social-cultural context, which always plays a crucial role in organizational studies, is even more important on this occasion, and one of the main goals of this research is to examine these issues. Thus interviews are appropriate here as they are flexible and adaptable to individual situations (Davis, 1997). They allow probing into the context of and reasons for changes and the collection of elicit accurate information about the reform processes.

Interviews were held in a semi-structured form with all groups of interviewees. Semi-structured interviews have been chosen as they have the advantage of giving parameters for discussion to prevent dispersion of the topic, yet meanwhile also leave room for further exploration into particular aspects and ideas. The questionnaires for the interviews are attached in the Appendix (see Appendix 1 and 2). The first part of the questionnaire is devised to answer the core questions, while the second part

mainly comprises of tailor-made questions towards individuals that hold specific positions to draw out aspects on which they have expertise. For example, people in the finance department were asked to comment on specific details about changes in budgetary mechanism, while senior management were enquired about how the structure has changed in a macro sense of view.

A total number of 43 interviews have been completed. All interviews have been recorded on digital audio recorder for further reference, subject to the agreement of the interviewees. Interviews in UK were held in English while in China they were all conducted in Chinese. As is cogently argued in Spradley (1979, p.17), language is a tool for constructing reality more than just means of communication. It provides a genuine way of life from native point of view and conveys the subtle meaning of a culture which can gives the reader a deep insight into another way of life. The length of interview ranged from 45 minutes to 107 minutes. Follow-up issues were raised after the interviews for the purpose of clarification and any additional details.

The key informants were chosen according to the different managerial structural settings in both countries. All interviewees hold a senior managerial position in the institutions that they work for, as it is believed that information provided by senior members of staff will be more insightful in order to thoroughly understand the management and operational process. Table 4.6 lists the specific positions that the interviewees hold in each university. Names of the position may vary in different countries and institutions.

The category of Senior Manager (SM), Financial Manager (FM) and Middle Manager (MM) has been set up to classify the various roles held by the interviewees in their organizations. In order to keep the validity of the data and to get a holistic picture by involving opinions from as many as possible key informants within the budgetary purpose, 10~11 interviewees have been chosen at each case study site.

Table 4.6 Positions of interviewees

	B1	B2	C1	C2
Senior Manager (SM)	- Deputy Principal - Head of College	- Principal/Vice Principal - Director of HR - Director of Registry and Secretariat - Head of Strategic Planning and Research Support Unit	- Principal/Vice Principal - University Party Committee Secretary	- Principal /Vice Principal - University Party Committee Secretary
Financial Manager (FM)	- College Registrar - College Accountant	- Director of Strategic Financial Management and Business Services	- Manager/staff in Finance Department	- Head of Finance Department - Vice Principal (in charge of finance)
Middle Manager (MM)	- Heads of Schools	- Dean of Faculties - Heads of Schools	- Heads of Schools - School Party Committee Secretaries	- Heads of Schools - School Party Committee Secretaries - Head of HR Management
Total Number	11	11	10	11

4.4.2 Secondary data sources: documentation and archival records

Apart from interviews, documentation and archival records have also been adopted s secondary data sources. Documentation includes:

- Administrative documents, including reform proposals, progress reports, government policy documents, and other internal documents;

- Previous studies or evaluations of the cases chosen;

- Newspaper clippings and articles in the mass media;

- Agendas, announcements and minutes of meetings, and other written reports of events.

Documentation has been chosen as it can be used to correct and corroborate information collected from the interviews, for example, the name of a specific report or the spelling of certain acronyms for a newly adopted accounting system. It needs to be noted that documentation may include "unmitigated truth" (Yin, 1994, p. 82),

for example, the stated purpose of a reform that needs to be justified with what really has happened.

Archival records that have been used in this study include:
- Organizational records
- Survey data by external organizations, such as World Bank and HESA

Information obtained from archival records shares the same advantages as well as disadvantage with documentation (see Table 4.5). It can provide a broad range of precise and stable quantitative data in an unobtrusive manner. Yet meanwhile, it suffers from the criticism of reporting bias and low retrievability. Moreover, archival records are more difficult to get access to because of privacy reasons.

Overall, examination of documentary sources and archival records are necessary both before and throughout the entirety of the research process. Although such sources of data are more concrete and reliable, they tend to represent a 'static' picture of the cases being studied. Moreover, the primary data source, interview transcripts are used to compensate such limitation.

4.4.3 Analysis

The main type of data generated is of qualitative nature. As argued by Rose (1982), the qualitative researchers have to rely on aspects of data that are illustrative of the research to convince the reader that these illustrations are typical. He suggests that preliminary analysis can be done whilst the research is being carried out, and that it should be cyclical with '….repeated checking, which takes the form of combing through field notes and other data' (Rose, 1982, p. 124). The process of data analysis should be a progress with repetitive revision until it is consistent with the data.

This approach has been adopted in the analysis of this research. All primary and secondary data are 'combed through' a number of times by repeated visits and checking. Some quantitative data may also be presented in the forms of tables.

However, the quantitative data generated in this research is not conducive to statistical analysis and is mainly presented to illustrate particular processes that are supported by other data. It is not intended to demonstrate correlation or cause and effect.

4.5 Quality of research design

According to Kidder and Judd (1986, p. 26), there are four aspects of the quality of any research design (or criteria for judging the quality of research design), including: (1) construct validity; (2) internal validity; (3) external validity; and (4) reliability. Justifications for the choice of research design are examined below, along with the extent to which the research findings are reliable, representative and valid.

4.5.1 Construct validity

Construct validity seeks to establish a specific measuring device for the theoretical concept being studied. In order to increase construct validity, multiple sources of evidence have been adopted, including interview transcripts, documentation and archival records. A second tactic is to establish a chain of evidence. The third tactic is to have the draft case study report reviewed by key informants.

4.5.2 External validity

External validity refers to the extent to which the findings from a certain case study are generalizable or transferable. This has been addressed in the research design by using the replication logic in the case studies, i.e. same study settings and the ways that the interviewees are chosen.

4.5.3 Internal validity

Internal validity is a concern for causal (or explanatory) case studies, in which an investigator is trying to determine whether event x led to event y. To ensure internal validity, one could search for validation of the analysis of research findings by

comments from members of senior management. This has been done at the end of the research.

4.5.4 Reliability

Reliability refers to the extent to which a measure, procedure or instrument yields the same result on repeated trials. This has mainly been achieved by using the secondary data sources. The follow-up questions after the interviews to address specific questions again have also ensured the reliability of data obtained.

Overall, these four tests are considered throughout the design of this research, during its designing process, data collection, and data analysis phase.

4.6 Practical issues

As there are practical issues about the research, in order to ensure the validity of the research, various procedures and preparations have been taken during the research.

4.6.1 Backup case study sites

One potential problem is the access to the case study sites. Although four sites have been targeted and permissions to conduct research have been granted before the field research, there remains the potential problem of accessibility. Possible solution is to include some alternative sites for the study as backups. The criteria are:

(1) Comparable to the present case study sites in both scale and the amount of investment in reform;
(2) There is a rich mix of people, reform processes and structures which are of direct relevance of research questions.

According to these standards, five universities have been chosen as substitutes. These criteria have ensured that the alternatives are all in line with the purpose of the research and the validity of the research in case the original targets are not available.

4.6.2 Ethical considerations

All interviewees have been asked for permission to use their comments in the final report of the thesis. Personal information such as names and specific positions are removed from the quotes in the accounts for the case studies. Instead, all interviewees have been addressed with one of the categories: Senior Manager, Financial Manager or Middle Manager, followed by a number. This stems from the ethical consideration to protect the anonymity of the informants.

4.7 Limitations of the research and key assumptions

As a PhD thesis, there are both time and cost limitations to this research so that it can be finished within the period of PhD study. However, this research can be potentially expanded further to either a larger scale or a more longitudinal study in the future.

Meanwhile, there are also several inherent limitations in the research design. The adoption of a qualitative research approach is open to the criticism of being too subjective and thus not generalizable in the traditional sense. Moreover, the use of case studies is sometimes dismissed because it usually involves a single researcher making decisions on the selection of areas to be investigated and the final data for presentation. However, such research design is essential for the understanding and describing the world of human experience. As discussed before, the ultimate aim of qualitative research is to offer a perspective of a situation and provide well-written research reports that reflect the researcher's ability to illustrate or describe the corresponding phenomenon. One of the greatest strengths of the qualitative approach is the richness and depth of explorations and descriptions for the reader to grasp the idiosyncrasies of the situation (Myers, 2000).

4.8 Summary

This chapter focuses on the research design and methodology of the thesis. The adoption of case study along with the triangulation of various data collection

techniques are presented and justified. Also the study settings in both countries, UK and China, are described and explained. In the next four chapters, the processes and findings of the case studies in two countries will be described and analyzed respectively.

Chapter 5: Case Study B1

5.1 Introduction

University B1 is the first case study in this research. As one of the elite universities in the UK, B1 is renowned for its longstanding history in providing advanced education and maintaining high teaching and research qualities. In recent years, however, it has been through extensive reform processes. In this chapter, the restructuring in B1 will be examined in detail. Firstly, general background information will be provided in Section 5.2 to outline the context of the reform changes ensued. In Section 5.3, seven issues regarding various aspects of university management will be discussed relating to the theoretical framework, including structural changes, financial management and budgetary allocation, performance measurement and HR system, communication coordination, internal and external competition, leadership vs. empowerment, operational environment and role of the government. Section 5.4 draws on the inferences from the analysis of these issues and a summary of this chapter will be given out in the end.

5.2 Background information

University B1 was founded in the 15th century as a civic institution. As one of the largest universities in the United Kingdom, it now has over 16,000 full-time undergraduate students and over 1,700 full-time equivalent (FTE) taught postgraduate students (HESA, 2006). Being a member of the Russell Group which consists of 20 large, research-led British universities, it has an established reputation for excellence in its research profile and a wide range of academic disciplines. Like all other 'ancient' Scottish universities, and in contrast to the situation of nearly all of the other pre-1992 universities which are established by Royal Charters, its constitution is determined by the Universities (Scotland) Acts 1858 to 1966. Governed by the University Court and the Senatus Academicus, it has three chief officers: the Principal, the Rector (a layman elected for three years who chairs the court), and the secretary to the university.

Continuous reform changes have taken place in B1 since the 1990s. In 2002, before the end of contracts of most staff in the university's senior management group and the arrival of new Principal, the university initiated a restructuring programme in its organizational structure, financial system and budgetary allocation mechanism. In 2005, the university has undertaken its first restructuring review since 2002. It showed that the new structure of colleges and schools has been working well and delivering positive benefits. From 2002 to 2005, the total income of the university has increased 23%, of which the percentage of research grant accounted for 2.1%. The total student number has increase by 9.6%. All these figures show that B1 has been growing at a steady speed (figures from HESA, 2002-2005). In the following sections, the reform will be examined in three aspects: organizational structure, performance measurement and human resource system, and financial and budgetary mechanisms.

5.2.1 Organizational structure

The managerial structure of University B1 used to consist of eight top-level budgetary units which were referred to as Faculty and Support Groups. Under these groups there were about 140 departments, each being an independent body with its own Head of Department. Within each group, there were also Planning Units which were normally constituted of several departments of related disciplinary areas (although some of the larger departments had their own Planning Units). Overall there were 48 Planning Units under the 8 Faculty and Support Groups, excluding the Trade Union. A Planning and Resource Committee was also set up at the university level to oversee the activities of all Faculty and Support Groups. This structure was in many cases established in 1964 in the post-Robbins Era and remained almost intact until the early 1990s (Figure 5.1).

Figure 5.1 Structure of pre-merger B1
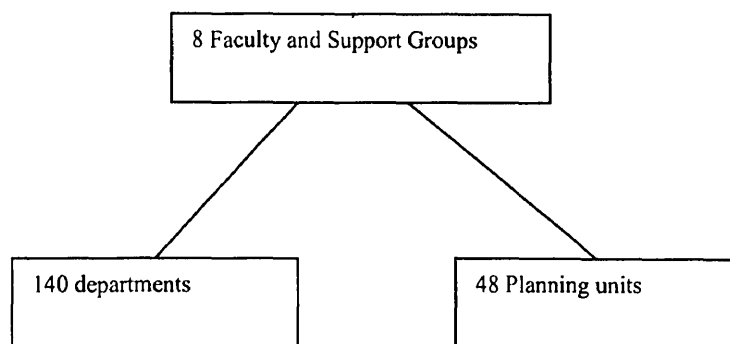
Source: University B1 website (2002)

In 1992, however, with all the polytechnics and some institutions of further education becoming universities, whilst funding for the whole university sector remaining the same, the unit of funding per student and research funding per academic fell dramatically (Parry, 2001). Following the collective financial crises throughout all British universities, B1 adopted an extensively revised organizational structure in 1992, with the number of its departments reduced remarkably by creating schools or divisions with a variety of sub-structures within them. The new structure amalgamated faculties into four groups, each with a newly created post of Provost responsible for overall academic and financial management. In 1998, University B1 has merged with an institute that specialized in education related courses (hereafter referred to as B1-Education), and later it became one of the then five groups. Faculties within these groups continued to exercise academic responsibility in respect of degrees and curricula under the Senatus Academicus and were subject to budgetary constraints. The number of departments was reduced from 140 to 50. The Planning Units were kept as the basic budgetary group but with a reduced total number of around 30 (University B1, 1998). Meanwhile, the Planning and Resource Committee was replaced by a Central Management Group (CMG) which the Principal delegated part of his authority to (University B1 report, 2002). The CMG had responsibility for overseeing the university's planning and budgetary exercises. It was believed that such new changes emphasized the need for enhanced responsiveness, for improved planning and control of resources, and for the integration of these activities with academic affairs.

However, this management structure relied heavily upon the consensus of the extensive committee structure. Academic and non-academic affairs were planned separately with coordination mainly dependent upon informal opinion exchanges arising from cross-membership of committees. The coordinating function which might have been exercised by committees was at too high a level and too remote to have any real impact (University B1 restructuring review report, 2000). There was a widespread feeling in the university that the old structure and procedures were too slow and inflexible to respond to changes. In the summer of 2000, the then Principal initiated a major programme of review of the university's activities. The internal financial projections were showing that, despite the university's then healthy financial position, unless action was taken to increase income or reduce costs, a funding gap of some 12 million GBP would develop by 2004/05 (University B1 document, 2005). A number of internal organizational problems were also revealed, such as rigid structure unable to respond to interdisciplinary development, cumbersome arrangements for teaching and learning activities and so on. Externally, the university was concerned about the increasing uncertainties in the funding environment. All these issues provided the incentive for the university to initiate the restructuring (University B1 document, 2000). A restructuring fund of 40 million GBP was established to support investments in change arising from its reviews and in November 2001, the first proposal for the academic and support services restructuring and strategies was made (University B1 website, 2001).

The restructuring officially started in August 2002. It abolished the previous structure of Faculties and Departments for academic purposes and Faculty Groups and Planning Units for planning and resources. Instead it replaced all these with a single integrated structure consisting of three colleges and 21 schools. Previous Heads of Departments and Deans were replaced by the newly appointed Heads of Colleges through external recruitment. The old central administration was also split into two support groups, one headed by the University Secretary and the other by a Director of Corporate Services, with the previous Library and Computing Services

remaining as a distinct Support Group (University B1 report, 2005). The new organizational structure is shown in Figure 5.2.

Figure 5.2 Organizational structure of B1
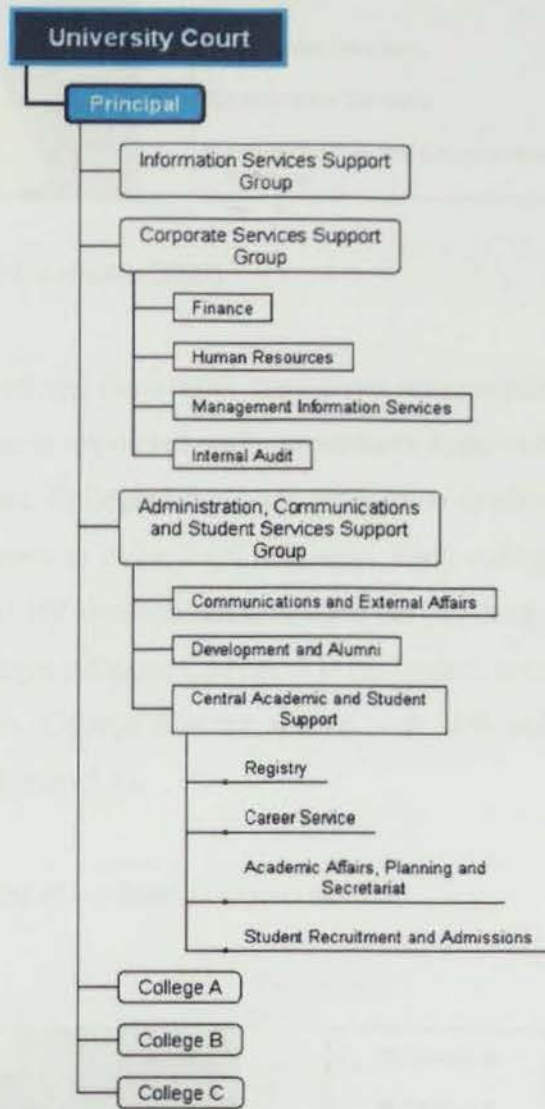
Adapted from: University B1 website (2005)

From Figure 5.2, it can be seen that the new organization structure is comprised of two distinctive parts: the academic part with three Colleges, and their support service groups as the managerial part. All Heads of Colleges and Heads of support groups report directly to the Principal through regular meetings. The number of staff in these three colleges is evenly distributed as shown in Figure 5.3.

Figure 5.3 Distribution of staff in University B1
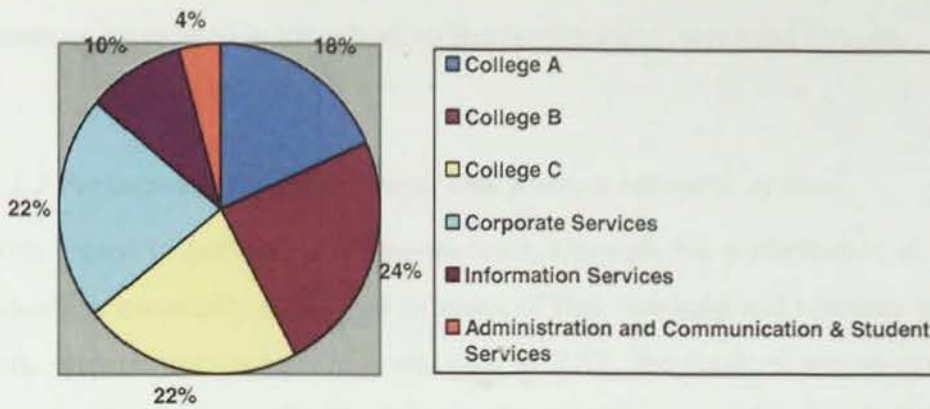
Source: University B1 website (2005)

In each individual college, the overall managerial responsibility is exercised by the Head of College, who is appointed under procedures approved by the Court through external advertisement. Colleges have been given more devolved authority regarding HR and finance matters to make local decisions. Each college has its own support teams of finance and HR division, created from the previous Faculty Group Office staff. Among these three colleges, College A is the largest, accounting for 60% of the total student numbers. College B is the second with 28% and College C being the smallest with 12% (Figure 5.4).

Figure 5.4 Distribution of students in University B1
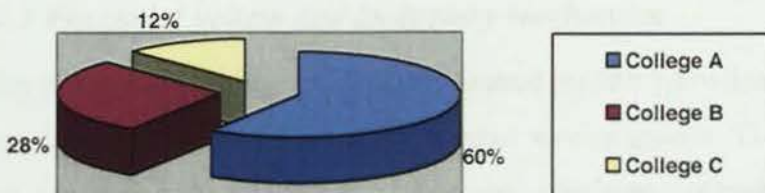
Source: University B1 website (2005)

To ensure consistency across the university, Heads of Schools were appointed to carry the range of responsibilities formerly held by the Heads of Departments and Heads of Planning Units with devolved budget and more freedom in HR. Also the

Heads of Schools work as line managers and can devolve day-to-day management issues to lower level in the school to Heads of Subject Areas and Groups.

5.2.2 Performance measurement and human resource system

With regard to performance measurement, although the performance of individual schools is constantly monitored in terms of their teaching and research qualities by both external and internal reviews, such as RAE, the result of assessment does not directly decide the school's income. In monetary regards, the performance of individual school is essentially measured by the income it brings into the university. Each school has to submit a proposal with predicted number of students for the next academic year as the main assessment criteria. The prediction is then used to make decision on the budget allocation accordingly.

With regard to human resource management, it used to be entirely controlled by the CMG prior to the restructuring. Heads of Departments had no say on how they wanted to hire staff. The reform in 2002 devolved most of the HR function to the College and School level so that now they can decide their own staff hiring policy. Meanwhile, IT software programmes such as *Infoview* have also been introduced into University B1 for easier access to HR management information.

5.2.3 Financial system and budgetary mechanism

Prior to the restructuring in 2002, all finance matters were dealt with by the Finance Department, which was one of the support service groups. The Finance Department then reported to the Director of Finance, who was accountable to the Principal. Faculties and departments had very limited freedom in the budget allocated to them as most of the financial decisions were made at the university level.

Under the new structure, the Heads of Colleges are the main budget holders, operating with budgets devolved to them as block grants. They also work collaboratively with the Heads of Schools in a manner similar to the previous Planning and Resources Committees of the Faculty Groups. The Heads of Schools

operate within the budget that has been devolved from their Heads of College and are responsible for the strategic planning, leadership, and delivery of teaching and research within their school. Heads of Schools can also devolve the day-to-day line management tasks to individuals in the schools. Financial authority has thus been devolved from university central to school level. Moreover, all colleges now have their own financial divisions with professional expertise.

Another scheme that has been adopted in some part of the university (i.e. College A) since the restructuring is the activity-based budgeting. This scheme emphasizes the importance of examining activities that cause overhead expenditures (or cost drivers). By identifying these cost drivers, it is possible to trace the overhead costs to the activities which cause them to be incurred (Cooper and Kaplan, 1988).

5.3 Issues addressed

By analyzing the information gained from the interviews, several issues regarding the restructuring became apparent. From the design of the semi-structured interview questionnaire, these issues can be classified into the following seven categories: (1) structural changes; (2) financial management and budgetary allocation; (3) performance measurement and HR system; (4) communication coordination; (5) internal and external competition; (6) leadership vs. empowerment; and (7) operational environment and role of government. Such category is constructed from the semi-structured interview questionnaire and will be adopted through all four case studies. However, minor adjustment might occur in some cases in regards to specific issues that may rise.

5.3.1 Structural changes

The pre-2002 structure was criticized by most interviewees as being too centralized. All major management decisions were carried out through the CMG. The scales of faculties as well as departments varied significantly, ranging from over hundreds of staff in one department to only two staff in the other. This has resulted in an imbalance between academic units as some of them were too small to have their own

devolved structure or managerial authorities. It can be concluded that the new structure has successfully decentralized the managerial structure by replacing the Faculty Groups and reconciling the previously separated units into single integrated units. This is a distinctive NPM feature in many public management literatures (Peters, 1996; Ferlie *et al.*, 1996). It is consistent with the second NPM model *downsizing and decentralization* in Ferlie *et al.* (1996). By devolving decision making power to the lower echelon of the management structure, the organization embraces a participatory management style and becomes less bureaucratic (Peters, 1996). This will be discussed further in Section 5.3.6: Leadership vs. empowerment.

Meanwhile, the new structure has enhanced the power of the Principal. One of the interviewees illustrated this as the "Robber Baron mentality". It refers to that by bringing the Barons (Heads of Colleges) together to court (regular meetings with Principal), the power now is executed more effectively from the Chief Executive of the university.

> *In the old structure, Principals... didn't have much power, or they had to work very hard to get it. This university was really run by Robber Barons, i.e. the Deans of Faculties. The medieval kings in England in particular solved the problem of Robber Barons by bringing the Barons to court... Now the Robber Barons meet fortnightly with the Principal and Heads of support groups. And they determine the structure of the university and operate in the interests of the university. So they quite often operate altruistically, saying "No, no, that allocation process you just proposed to the council is actually a bit unfair to College B. Why don't you formulate like this so that it can give College B a little bit more..." They've never had it from the previous Robber Barons (SM 1).*

This corroborates the "centralized decentralization" by Henkel (1997) which has been discussed in Chapter 3. With the establishment of senior academic management team in support of the Principal (or Vice Chancellor in the case of English universities), it strengthens the power of senior management, yet meanwhile avoids imposing centralized policies on units by giving them freedom in budgeting and recruitment.

However, several problems still exist in the new structure. There appear to be, for example, duplicated functions between management layers, especially in some functions of the university committees:

> *Previously we had a different layer of bureaucracy. We now have university layer, college layer, and school layer... If you look at the role of university postgraduate study committee as against the colleges', [it's] not clear exactly what the university committee does. Ideally, the university committee should be doing strategic thinking about postgraduate work. I'm not sure that we are doing that. They tend to get... perhaps a little bit above the operational matter, which are really the functions of the college. (MM 2)*

It can be observed from the above comment that there is not much clear assignment of power regarding the university committee.

Some Middle Managers have also expressed uncertainties over whether the new structure is more integrated in the actual managerial practice. Differences, as they argued, exist among various colleges:

> *I think that varies very much from school to school... There are still quite a lot differences between the colleges. So in College B for example, the school seems to be working quite well as an integrated unit... there is a lot of integration of teaching and research within each school. And the schools talk very well to each other. I get the impression that in College A that's still quite a lot departmental structure, still quite a lot of separation (MM 2)*

One explanation for such problems is the organizational learning and unlearning process depicted by Hedberg (1981). For a new formalized organizational practice to be institutionalized, the unlearning of the old one at both individual and group levels is necessary. Unless unlearning processes are powerful enough, the old myth is likely to "survive relatively unscathed" (Hedberg, 1981). Even if the new structure was set for more collaborated managerial processes, it is still possible that people tend to do things the way they used to and the former separated clans therefore are still largely in existence.

Another possible explanation is the cultural clashes between groups inside the organization. Studies show that changes in structure often cause cultural collisions between the previously separated units (Levitt and March, 1988). With regard to the Heads of Colleges, as the unit of schools/colleges was basically formed out of the

previous structure by taking out staff from different backgrounds and cultures, one of the biggest challenges for them seems to be managing changes and sustaining people through them, while maintaining the quality of research and teaching of their school. It has been crucial to bring all these people together and build up a sense of college/school identity. Such difficulties in managing people have been identified among several of the Middle Managers and the Senior Managers as shown in the quotes:

The school is... a very diverse school... One of the challenges is working within two different cultures and trying not to bring them together because that's impossible, but just trying to make sure that we have the procedures necessary to recognize that there are two different cultures (MM 5)

The main challenge was... to develop the school...to take forward separate departments and create a single unit out of those four former departments... So to take out all those people from various backgrounds and different traditions to try to make them more coherent into a single school... to build up a sense of school identity, I think that's the biggest challenge. (MM 3)

As mentioned in the background information of B1, it has been merged with a formerly independent institute called B1-Education before the restructure. From the interviews with some of its staff, however, no strong dissatisfaction has been shown regarding the merger process. This problem is more obvious in the two Chinese case studies where mergers took place among different institutions, which will be analyzed later in Chapter 7 and 8.

5.3.2 Financial management and budgetary allocation

There is a general agreement among the majority of interviewees with regard to the increased accountability and financial pressure in their sphere of responsibilities compared with before restructuring. This fact is more apparent by analyzing the answers of Middle Managers, since they now seem to have "hands-on" experience regarding the increased accountability and financial pressure issues (Hood, 1991). A typical response to illustrate the improvement is presented below:

Under the faculty system, people had no sense of accountability and responsibility at all. There was always someone else to provide. They knew what they wanted. They complained if they didn't get it. They had no idea about resources. Now we have a more transparent

system. And I tell people their problems. I tell people what will happen if we don't meet our targets... I think many of them haven't been talked to like this before. And I think the majority has appreciated that. They chose not to know and close their eyes in the past because nobody bothered to tell them ... (MM 3)

It seems that under the old system, most people were responding to problems and issues that arise because of the opaqueness of the old system. However, with the restructuring and the transparency introduced by the new structure, managers now have much more thorough understanding about issues and demands that allow them to make more rational decisions. Specifically, there was consensus that the devolution of staff from the former Finance Office to College level has greatly helped in generating much better financial information. In addition, integrated financial systems such as *eFinancials* and the *Income-Expenditure Attribution Model* are accessible to all managers, thus making the process of obtaining required financial information easier, as quoted:

Basically, over the last five years in particular school, administrators... have had access to eFinancials so the transparency is greater. There is no need to give them the information. They can actually log on and check it online themselves. (FM 1)

The usefulness of immediately available information is, however, arguable. Although the introduction of these systems has enhanced the accessibility of the financial information, there have been some complaints at the same time. It appears that even though training on how to effectively use these financial management tools are provided to members of staff, there have been numerous complaints regarding the complexity and the level of abstraction of these approaches. This has also been addressed by some Heads of Schools:

It's quite difficult to get accurate accounting information from the university central. I mean certainly on the planning website... there are diagnosis tables for the schools, for the students and that's supposed to tell you how much revenue you get. And they are quite complicated to look at and understand. We have a lot of difficulties... to interpret that data to be honest. (MM 2)

Brown (2001) has examined the use of such IT developments in the public sector modernization and argued that in some cases this kind of projects might fail due to many reasons. To prevent such failures, the initiators of such IT developments

should transform themselves as part of the learning organization so that problems like system complexity can be communicated in time to speed up the organizational learning process.

Another key questions regarding accounting information is whether it is now more focused on current and future decisions. It seems as though people with different managerial roles hold various understandings, as shown in the quotes below:

It's mostly based on this year and next year. We look mostly in this year, how we are doing in the year and next year's predictions. Now within the college we are making obviously related investments that go well beyond next year, so what we are doing in the college is trying to help the schools thinking in three years' cycle. (SM 1)

Because we use this activity-based budgeting, the past very much determines the future... The accounting of the past is important so that I get the right amount of money for what I did last year. (MM 2)

It depends. The activity budget is based on one year ahead so it's looking forward at what numbers of students we intend to recruit. And that is an improvement because it used to be backwards looking and... [even if] you had got a supplementary budget, it came too late really to spend it, whereas the way that we are now, the function is that we all meet our target... this is what our budget is going to be so we can plan ahead. (MM 4)

The contrasting views between Senior Managers and Middle Managers are quite distinctive. On the senior managerial level, the understanding is that all accounting information is based on current and future decisions. Additionally, one could argue that the focus extends well beyond the immediate future, which could prove to have different advantages and disadvantages. However, on the Middle Manager level, although it is seen as a combination of both past and future, there has been an inclination of turning the focus more on the past. This is depicted in the *Efficiency Drive* model as a shift of power to strategic level (Ferlie *et al.*, 1996).

With regard to the budgetary allocation mechanism, all interviewees have agreed that the devolved budget to a school level has been a real improvement, or as one of them described: "*undoubtedly the greatest benefit in all of this [restructuring]*" (MM 5). The budget is allocated to each college on a plan-based system. The student fee is

allocated mechanically, and the rest is decided according to the plans submitted by school/college/support service groups. All of the colleges and support groups produce these plans each year, in which they often argue for particular kinds of additional resources. As a Senior Manager put it:

> *We very definitely don't do it on past performance. We try to do it on a basis of potential performance. (SM 2)*

If the college does not recruit as many students as they plan to, which in terms means that it will not reach its expected performance, there will be penalties in-year as opposed to penalties incurred in the future. And this, as reflected by Heads of Schools, has been a healthy pressure for schools to perform better.

Yet meanwhile, the Heads of Schools often find that there is actually little scope for them in spending the devolved budget on anything but essentials (mostly on funds from salary release from staff turnover). A typical response to address the limitations in the use of devolved budgets:

> *... Compared to the previous structure, the biggest difference is the degree to which budgetary responsibility is devolved directly to the Head of School, and the accompanying transparency as to how budgets are set at the level of the college, for the schools, that is perhaps not as greater degree of transparency as the... degree in the interface between school budgets and the University...the income attributable to my school is in excess of 9 million GBP, the portion of that which is given to the school as its budget is just a little in excess of 5 million GBP... charge for support services such as the library and maintenance of buildings and so on account for the difference between 9 million and 5 million... an individual school is 'taxed' by the centre...by far the greatest part of that budget is made up from staff salaries. And it's the difference between staff salaries and the totality of the budget that really gives a Head of School any room for maneuver. (MM 1)*

There are also complaints about the high level of operational costs by some of the Middle Managers:

> *You might get a different answer if you ask the centre but the way that it seems to us is that the income comes into the university, a certain amount is capped to cover operational costs, and then the remainder is shared pretty evenly, and pretty fairly, between the colleges, and certainly in College B I'm quite happy at the way that it is shared out between the schools. What's... what we the Heads of Schools have no say in, is the amount of the income that is capped at the center for central services. So if you look at the accounts, the income-expenditure allocation model, and then roughly half... of the income remains at the centre. And that often feels quite a lot (MM 6).*

It seems that on the one hand, Heads of Schools have absolute freedom on how to use the budget they have. Yet on the other hand, that budget accounts for only 10% to 20% of the total school budget; and this is what is left for any creative initiatives. Even though the freedom for the Heads of Schools to take creative initiatives exists, the budget required to make them materialized may not always be there, and this ties in with another issue which will be mentioned in Section 5.3.6 about genuine power devolution.

Interviewees have also unanimously agreed that the newly adopted income/budgets scheme has greatly improved the budgetary allocation process, in contrast to the historical-based costing system used previously. Additionally, the advent of Full Economic Costing to fully recover the costs of research projects is expected to be not only financially beneficial, but also incur academic benefits by all the interviewees. As quoted:

> *I think this is all going to become clear when we come to Full Economic Costing. So the research proposals will have every element costed out and I'll be able to see in terms of what we said we are going to spend (MM 3)*

As per the analysis, it seems as though the majority of the budgetary process issues credited to the restructuring are, and are viewed as, beneficial; not only by the Financial Managers but also by the majority of people in the University, who view the new budgetary mechanism as a more coherent and transparent system.

5.3.3 Performance measurement and HR system

For schools and colleges, there are various forms of performance evaluation, including RAE, external audits of teaching, research and academic standards, as well as college and school reviews. As stated earlier in Section 5.2, income is one of the essential criteria in evaluating performance. Penalties occur when schools fail to meet the target:

... last year we didn't meet our targets. We overestimated the number of students that we'll get in this academic year, and because of that, the college has decided to cut our budgets... [for the] next year. (MM 6)

Ballantine *et al.* (1998) have argued that much performance information may still be compiled for seemingly symbolic use, whilst the real concern of senior management is still directed towards financial performance measurement.

For individual members of staff, performance measurement is always considered to be rather challenging, as sometimes it is very hard to balance between keeping a research profile without detriments to academic freedom. One of the Senior Managers used the analogy of management in BBC to illustrate the case:

I think our organization is a little bit like BBC. The BBC has to do its administration perfectly: it has to have its guidelines absolutely spot on; it has to be cost effective and it gets into all sorts of trouble if it appears to be spending too much money... But it mustn't squeeze its talent, because the talent is the lifeblood of BBC. If it can't keep them [the staff] working for BBC then no body is going to want to watch the programme... Universities are gradually working to try to have better ways of performance measurement, but we do have to be very, very careful not to oppress our most talented staff. (SM 2)

Comments also showed that the current HR system were mostly concentrated on the staff redundancy problem. Although some of the Heads of Schools have their own solutions to this problem such as providing fixed-term contracts (see quote below from MM5):

I have instituted something called the Teaching Fellow appointments, where we recruit people on fixed-term contracts from school, whose job is to teach and if possible research... that gives us a bit more flexibility in the budget. (MM 5)

this staff redundancy issue has still been a common problem in most of the public sector organizations, especially universities. This is also contrary to the second NPM element in Hood (1991) where the introduction of short term contracts for employees enables an organizational shift to greater competition, and the *Participative Government* model in Peters (1996). This shows that although the university has broken the old centralized human resource management (*Flexible Government* model

in Peters (1996) and *Efficiency Drive* model in Ferlie *et al.* (1996)), this common public sector problem is going to exist.

5.3.4 Communication and coordination

Regarding the communication and coordination inside the university and the measures taken to sustain it, apparent problems have surfaced. A general issue noted by the interviewees is the lack of a clear internal communication protocol regarding the assignment of managerial responsibilities in at least certain parts of the university. For example, some Middle Managers have mentioned duplications of work done as well as a lack of clarification regarding certain parts of the management process, as quoted:

> ... the relation between schools and support services is still very unclear... even the relationship between different support services... the common thing is that the support services don't pay enough attention to what we need, so they don't communicate enough with schools to find out what we need to do the business. (MM 6)

Meanwhile, horizontal communication across academic groups (schools and colleges) is not necessarily promoted, which relates to the cultural collisions noted earlier in Section 5.3.1. A possible explanation is that the two main organs of communication between academics and the university: the Senatus and the Academic Policy Committee, were considered by some managers as ineffective in providing a forum for genuine discussion:

> There are two main organs of communication between academics and the university. One is the Senatus. That doesn't work at all. That is completely a waste of everybody's time. It's not a forum for discussion, and that's what it needs to be since the Senatus actually determines all the academic policies in the institution. The other is the Committee of the Senatus called the Academic Policy Committee... it's not working... because there is no genuine discussion. Matters come, pre-digested, and it is... very difficult to talk about them. (MM 5)

Heads of Schools also complained about the lack of time for strategic planning, as most of their time has been spent on daily operational management, as quoted:

There are also problems about knowing who is doing what, whom I should approach to do what and so on. And I think frankly that the college has more problems from their point of view looking down at us. They sent me an awful lot of emails that are not for me, that they really want me to send to somebody else. I can't do that. I've got no time to do that...I seem to spend an awful lot of my time settling things that are very, very immediate and very little of my time sitting down to say: well, where do I want this school to be in five years' time? (MM 4)

However, contrasting views were held at the Senior Manager level:

... I think that (*the communication issue) very critically depends on the quality of the Head of School, where you've got really good Heads of Schools who have school meetings and talk to people about what's happening and keep them in touch, and ensure that when things come up it's communicated around and things are drawn to people's attention it works fine... I think where you have situations where Heads of Schools don't do that, then you get lots of complains about lack of consultation and lack of information and all sorts of things...but that's because of the Heads of Schools are not doing what they are supposed to do. The Heads of Schools get papers they are supposed to refer to people that need to know about them and discuss and then come to meetings... Most of them doing it very well, a small number of them haven't. (SM 1)

Now we don't have faculties any more, some staff don't feel that they have roots to influence decision making. I don't think that's true because the university has one of the strongest Senatus in the country... but the perception is that people have lost something with the new structure and we need to try to find ways for the schools to give them a sense of ownership and belonging... (SM 2)

A problem directly noticed is the lack of communication between layers. As it appears, Middle Managers are expecting to discuss matters which in turn come pre-set, with no real margin for discussion. We could suppose that in some parts, discussion, although needed, is disregarded, and the search for someone responsible for the situation does not reveal any genuine findings.

Another problem seems to be the continuous lack of inter-organizational knowledge in regards of responsibilities. People seem to find it difficult to locate the appropriate person to handle a matter that needs to be resolved, proceeding to passing on the matter to irrelevant people. This can only bring confusion and grudges amongst staff in the organization and the need for inter-organizational accountability is apparent.

5.3.5 Internal and external competition

With regards to internal competition, the general perception of the relationship between colleges and schools is that they are more collaborative and supportive rather than competitive, even though competition exists to some extent both at school and college levels. However, as the model designed by the university to allocate budget is activity-based, it does not directly promote competition. Instead, many schools have been engaged in cross-disciplinary cooperation with each other, which is considered to be beneficial for them. It seems that one of the main elements promoted in most NPM theories and models is to adopt competition between units as an incentive (Hood, 1991; Peters, 1996), but it does not necessarily apply to all situations in public sector management.

From an external perspective, the majority of the interviewees agreed on the university being more active in regards to competition with other universities, mainly due to the limited funding provided by the government. As mentioned earlier in Chapter 3, since 1991, the government started cutting down the resources and universities across the UK have been collectively suffering from a financial crisis ever since. The prevailing view among the interviewees was that the government is not providing sufficient funding for the development of higher education in general, and universities have to compete harder for other streams of income. Such pressure will be discussed further in Section 5.3.7: Operational environment and role of government.

5.3.6 Leadership vs. empowerment

One of the aims of the restructuring is to increase efficiency by reducing the time spent on administrative tasks that could be more appropriately and effectively handled by management at local (college/school) level. There was a general presumption that all areas of university activities, including both support services and academic, should be considered as candidates for a greater degree of devolution thus certain authority over decision-makings has been delegated in practice. The Heads of Colleges have extended devolved powers; for example, they have devolved budgets

and, with very modest external review, the power to distribute between salaries, equipment, and running expenses (including the power to top up what is provided by central services in such areas as computing support, estates expenditure, overseas recruitment and staff development). They are responsible for preparing plans for the use of resources allocated to them, for decisions about levels of reserves, and for bids for extra resources. The Heads of Schools also get an activity-based budget from their Head of College, and they have freedom in human resource. Moreover, the day-to-day line manager can be devolved further down by Heads of Schools.

However, there have been debates on whether genuine power has been devolved down to the ground. An example given by one of the interviewees was the process of the approval of undergraduate courses. It seemed that before the restructuring, in order to get a new programme implemented, three levels of hierarchy had to be gone through. However, after the restructuring, it is still done in almost the same way as before, yet to go through three other levels: department level – college level – and then university level. The only difference here is that the college level used to be the faculty groups level. Doubts therefore have been cast on whether genuine decision making power has been devolved:

> *Whether there has been given further devolution... [and] genuine devolution of power, I'm less clear... Why can't schools just take the decision about their undergraduate curriculum? ... You need oversight... well maybe, and so there might be a need for a second step. But why three steps? So that's what I mean: genuine authority, genuine power hasn't been devolved. (MM 4)*

The underlying reason for this, as argued by some Middle Managers, is, again, the malfunctioning of two key organs in the university:

> *So what I think many Heads of Schools feel is that there aren't considerable empowerments, because the two organs (the Senatus and the Academic Policy Committee) which should empower them are not working. (MM 5)*

As discussed earlier in Section 5.3.5, the apparent lack of genuine power of these two bodies not only hinders the communication process but also results in the devolution of authority to lower levels in the university. Their roles are regarded more like a

"Rubber stamp" rather than providing the necessary support for the development of the organization. And the real question now is whether the new structure has been much more different and works more effectively and efficiently than the old one, or as a Chinese saying, it is just 'old wine in a new bottle', as one interviewee put it:

> *Prior I think we had a different layer of bureaucracy. We now have university layer, college layer, and school layer. Sometimes I think we duplicate functions... research students, take that as an example, sometimes they need to be suspended from their study or the study needs to be extended. The school manages that, and then it has to be approved by the college committee. And that seems to me ridiculous, that it should be more trust in the school system, the school level. (MM 4)*

It seems as though the general feelings on this subject are that the devolution of power attained with the restructuring does not differ much in complexity, over what used to be in its place before the restructuring. If this is indeed the case, then it can be strongly argued that the restructuring missed the goal of empowering local management and reducing bureaucracy thereof, which is often considered as inevitable in public sector. However, this could also be the result of the restructuring not being established for a long enough period of time so as to see if the devolution of power is true to its meaning.

5.3.7 Operational environment and role of government

There was a prevailing view in almost all the interviewees that the government has not provided sufficient funding for the development of higher education. The dissatisfaction was clearly shown in the collective comments by the interviewees:

> *The government has been absolutely catastrophic... It hasn't provided anything like adequate funding for the universities in the United Kingdom, and instead of which, it has devised a system for which universities must compete with each other for a slice of the cake, but the cake never gets any bigger. (MM 1)*

> *The government... certainly has a large target of student numbers... but there has been very limited additional resource made available to teach them, so we've got a problem in that respect, and this is why the limitation of central funding is forcing universities like ourselves to go into the market to generate more income from full fee paying courses... (FM 1)*

In addition, the introduction of top-up fee in England has caused a general concern about the aftermath in Scotland induced by it:

The resource has been cut quite dramatically. The future... I think is quite worrying because there are going to be top-up fees in England and that isn't going to be the case in Scotland... it's definitely a disadvantage against England. (MM 3)

There obviously are concerns about what will happen when top-up fees come in England. And that will critically depend on how the new financial arrangement in England relates to the money that the Treasury allocates to Scotland through what is called the Barnett Formula. (SM 2)

Moreover, with limited resources always being a constraint, maintaining the research culture while expanding a steady growth of the organization is also a very demanding job. These tensions were most obviously reflected in the comments by Financial Managers:

The other major challenge is to ensure that we grow the business, that we expand our research activity and our teaching activity. And we particularly need to do that because... in the last 20 years, the value of public funding has diminished quickly. And... comparing to 20 years ago, the units of resource per student that we taught is now half of what it was. (FM 2)

The majority of the interviewees held the common view that the overall effects of the restructuring have been beneficial. This has also been confirmed in the Restructuring Review that was out in July 2005. It stated that 'the restructuring should be seen as a process rather than just an event' (University B1, 2005) and proposed the possible future directions of the restructuring. However, some of the interviewees did express their doubts about it, for example, that this restructuring may not have been necessary in the first place. There are opinions such as:

*... Now the question then is for what was the problem in this college [*College A] that the restructuring is meant to address. Then the answer is I have no idea. If you talk about the university not being quick enough to respond to issues and so on, I think that's true. I think that the people who have to be quick are C and B, because there is big money out there. What do we have to be quick about in this college? ... I mean how do you measure the costs? [*for restructuring] ... I think there are some benefits... we now have in the college... our accountant... HR people... but... the transactional costs have been huge. And I don't think ... the benefits yet outweigh the costs... Maybe we need a longer time scale. (MM 3)*

And although the majority of them hold the view that the restructuring has had positive benefits, there was agreement as to that it was only three years since the restructuring took place and there are still lots of things needed to be done. Specifically, most of the interviewees expressed a negative feeling towards some projects such as semesterisation and curriculum reviews, due to them (as stated) leading to initiative overload and fatigue. As two of the interviewees put it:

> *It was thought to be difficult... to take courses that... across different faculties and so on. I think that difficulty... was exaggerated... Now these things have been addressed in the so called Curriculum Project. But I take the view that it could have been addressed across faculties as easily as across schools. So I'm still working for the problem to which the restructuring was solution. (MM 5)*

> *I don't think the Curriculum Project in particular is a success. I don't think it gives the ability it was supposed to give and it certainly had a lot of cost in terms of time spent and... change management. So I think that's a negative thing... and the change of academic year, it seems... not as beneficial as it was supposed to be... (MM 6)*

Additionally, Heads of Schools have also expressed concerns about the balance between their academic role and their financial managerial role. In particular, they seem to find it quite hard trying to keep a balance of their activities, because as it is apparent, the time they have to divide among their activities is limited by managerial role as Heads of Schools, as quoted:

> *...that's difficult because you essentially have to make decisions about how you are going to prioritize your time... What you have is that for three years (*for Heads of Schools) you are an academic manager, and therefore you have to decide what else you are going to do... You can do as much research as you would like to do, not as much as normally but it's possibly to do... But you can not do everything. That's important. You can't do everything. You have to make decision. And I decided to prioritize the management, then the research, and lastly the teaching. (MM 3)*

This balancing act between academic and managerial role has been more of an issue in the educational sector, where professionals struggle to retain their identity.

5.4 Inferences of the case study

The overall impression on the reform in University B1 is that it has been largely successful so far. The structural changes have transformed the previously segmented structure to a more integrated one and therefore promoted collaboration between units; the new financial system and budgetary allocation procedure increased the transparency of the system and accessibility of financial information; authorities including HR and finance have been devolved through empowerment; schools and colleges now have a greater sense of accountability and responsibility under constant reviews of their performance.

However, problems do exist in many aspects of the university. For example, there seems to be lack of clear communication, especially between different management layers. Duplicated functions can be found in some parts of the new structure; and in several cases, the genuine decision making power have not been devolved to school level. But in general, these issues raised from the interviews appear to be balanced, and they mainly exist because the transition to the new system has not yet fully settled in.

The case of University B1 also demonstrates that NPM techniques can indeed be used as a toolbox. It does not necessarily follow just one specific NPM model (Table 5.1).

Table 5.1 Application of NPM elements in University B1

Issues	NPM elements adopted
1. Structural changes	- Diffusion of power by empowerment - Disaggregation - Embracing participatory management - Shift of power to strategic level
2. Financial management and budgetary allocation	- Resource allocation according to performance
3. Performance measurement and HR system	- Explicit and measurable standards of service performance - Break up with the centralized human resource management
4. Communication coordination	N/A
5. Internal and external competition	N/A
6. Leadership vs. empowerment	- Diffusion of power by empowerment
7. Operational environment and government	N/A

It should be noted that these elements do not necessarily appear in the same NPM model. In structural changes for example, "embracing participative management" is seen in Osborne and Gaebler (1992), Peters (1996, *Market Government* model and *Participative Government* model), as well as Ferlie *et al.* (1996, *In search of Excellence* model). In fact, there might even be conflicting NPM elements coexisting in one certain aspect, while in the others such as internal competition, no NPM elements can be recognized at all. This is consistent with Ferlie *et al.* (1996) that one or more 'hybrid forms may be emerging as subspecies in the classificatory system' (Ferlie *et al.*, 1996, p. 240), and therefore corroborates the argument in Chapter 2 that NPM elements can not be simply pigeonholed, but instead can be chosen individually to set up a "reform package" according to specific contexts.

5.5 Summary

In this chapter, the case study of University B1 is examined. Both the benefits and downsides of the restructuring have been addressed and analyzed with regard to its specific context. It seems that a hybrid form of NPM elements can be found in B1's reform. For example, with regard to its structural changes, the adoption of NPM components such as diffusion of power by empowerment as well as embracing a participatory management all have shown an *egalitarian* reformist view. Yet meanwhile, elements such as performance measurement also denote an *individualist* view.

In Chapter 6, University B2 from a different group, with contrasting profiles comparing with B1, is examined to see how the practices of NPM vary between different institutional contexts.

Chapter 6: Case Study B2

6.1 Introduction

The second case study in this research is University B2, a post-1992 university in the same city with University B1 that has a relatively smaller scale and represents the non-elite group of universities in the UK. Major restructuring started in B2 since 2001 in various aspects of its management, including academic and managerial structure, financial procedure, and human resources system.

In this chapter, the context of reforms in University B2 will be presented in Section 6.2. Section 6.3 generalizes eight different issues which have been addressed during the interviews. Inferences drawn from this case study will be provided in Section 6.4, with reference to the theoretical framework presented in Chapter 2. A summary will be given at the end in Section 6.5.

6.2 Background information

University B2 can trace its origin back to the late 1870s as a local cookery school, of which the foundation was part of the nationwide "Women's Movement" campaigning for improved education and career opportunities for females at that time (University B2, 2005). At the beginning of the nineteenth century, it was designated as a Scottish Central Institution (similar to the polytechnics in England) together with 12 other major higher learning institutions throughout Scotland (HERO, 2006). While they were responsible for providing degree-level education, these institutions emphasized on teaching more than research and also concentrated more on vocational rather than academic courses. Soon after the designation, B2 was granted the college title, with its specialized courses mostly concentrated in domestic science. During the following years, however, a number of other local institutions have been incorporated into University B2 with a wide range of new courses including paramedical science and drama study (University B2 website, 2005).

As mentioned earlier in Chapter 3 (see Section 3.2), unlike the traditional universities which have legal independence in degree awarding, academic degrees in central institutions in Scotland like B2 were validated by the CNAA. From the mid 1970s to the beginning of 1990s, B2 operated under the auspices of the CNAA, raising the majority of its courses to honours degree level and developing its research activities throughout that period. Until 1992, B2 had taught degree awarding powers from the Privy Council and continued to have its research degree validated by CNAA. In 1992, however, the Further Education Act abolished CNAA, and its research degrees validation was handed over to the Open University Validation Service. B2 was granted research degree awarding powers by the Privy Council in 1998. It was formally recognized for its teaching and research quality and was empowered to change to its current name during the following year.

As a post-1992 university, B2 has been struggling with the increasingly fierce external competition for limited resources. The old organizational structure and management process were considered as impediments for the institution's future development by the university's senior management group, and there was an urgent call for a systematic transformation (University B2 report, 2002). With its new Principal coming into post in 2002 as a prompt for change, the major restructuring in University B2 was initiated following a "wide-ranging review of the academic, management and... support services" (University B2 restructuring proposal, 2002), with changes in various aspects of the institution: its academic structure reorganized, management structure streamlined, modernization of its human resource system, new financial programmes and approaches introduced into the financial system and budgetary process. Each of these changes is explained in detail as follows:

6.2.1 Organizational structure

Prior to the restructuring, University B2 had a two-layered faculty-department academic structure. There were altogether sixteen individual departments under four faculties, namely:

- Faculty of Arts
- Faculty of Business and Consumer Studies
- Faculty of Health Sciences
- Faculty of Social Sciences and Healthcare

Each of the sixteen departments had its own Head of Department, who was in charge of all departmental affairs (including both academic and managerial matters) and also reported to the Dean of Faculty directly. However, Heads of Departments had very limited delegated authority as decision-making power was still largely held at the top managerial level of the university. Also there was little cooperation between academic units and. The old structure was considered rather rigid and segmented, and was not thought of as effective for communication among units or sharing resources. Therefore, in 2002, the academic unit of departments was converged into schools, and the role of Head of Department was replaced by Head of Subject Area, whose role is more focused on academic leadership rather than managerial responsibility. Meanwhile, Heads of Schools were appointed for the daily operational management of the schools. The number of faculties was reduced from four to two – one with two schools, while the other with two schools and one research institute. This was also accompanied by a streamlining of the academic committee structure with six major committees reporting to the Academic Council and the faculties holding delegated responsibility for academic standards, quality assurance and quality enhancement (Figure 6.1). The state purpose of this restructuring was to facilitate "cross-institutional working" and "to provide the organization necessary to achieve continued growth and development" (University B2, internal document, 2002).

Figure 6.1 illustrates the change to a new academic structure which is characterized by a chain of managerial seniority from Dean of Faculty to the Heads of School and then down to the Heads of Subject Areas. The new academic structure is three-layered instead of the previously two-layered one. Contrary to organizational structure de-layering that has been portrayed in Ferlie *et al.* (1996) as one of the popular NPM elements, University B2 has changed from a flat structure with line

managers directly reporting to the top, to a more hierarchical one with managerial power shifted to a strategic level.

Figure 6.1 Transition of academic structure in University B2
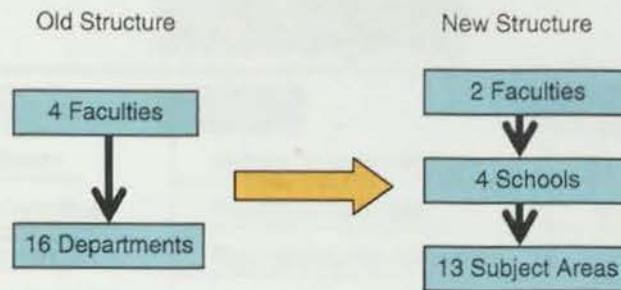
Source: University B2 (2005)

Meanwhile, changes also took place in the university's management structure. At the top of the management structure, there is the Governing Body which comprises lay and academic persons appointed under the university's Statutory Instrument. It is responsible for setting strategic directions and ensuring sound financial management of the institution. Under the Statutory Instrument, the Governing Body delegates the organisation, management and discipline of the university to the Principal and the overall planning, co-ordination, development and supervision of the academic work to the Academic Council. In discharging these functions, the Principal is subject to the general control and guidance of the Governing Body, but otherwise has all powers and duties of the Governing Body related to these functions. In addition, various committees such as the Senior Management Remuneration Committee, Estate Committee, Finance Committee and an Audit Committee also receive delegated authority from the Governing body. Figure 6.2 shows an overview of the management structure of B2.

In practice, the Governing Body delegates the responsibility of organizing and managing the institution to the Strategic Management Group (SMG), and the responsibility for academic planning to Academic Council. SMG is convened by the

Principal and is responsible for the executive management of the institution. At the time of the field study, SMG is constituted as follows (Figure 6.3).

Figure 6.2 Management structure of University B2
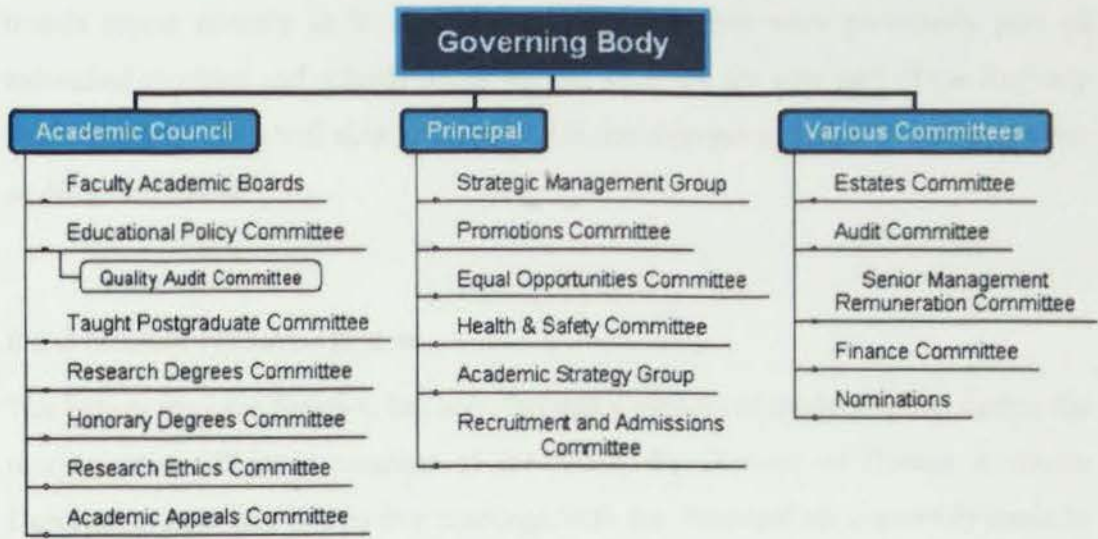
Source: University B2 (2004)

Figure 6.3 Structure of the Strategic Management Group (SMG)
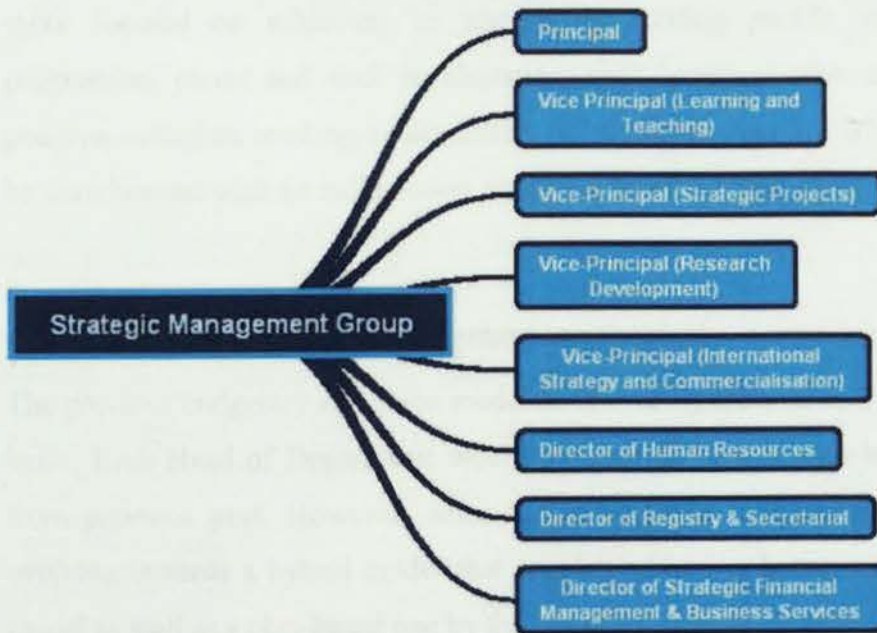
Source: University B2 (2004)

The members of SMG meet on a regular basis internally. It has the ultimate decision making power regarding the university's most important management issues. The

member of the Academic Council is a sub-group of the SMG, which comprises the Principal as the chair, the Vice Principal for Learning and Teaching and two Deans of Faculties. It is also supported by a number of senior committees as shown in Figure 6.3, notably the Educational Policy Committee, and the faculty academic boards report directly to it. Also the support staff that were previously part of individual faculties and schools under the old structure are now part of the Registry and Secretariat. This will also be discussed in the changes in human resource system as discussed below.

6.2.2 Human resource system

The human resource function has been through a process of modernization during the reorganization. Being a member of the SMG, the Director of Human Resource Department now has one-to-one meetings with the Principal on a monthly basis to discuss various issues regarding staff management. The decision making authority on staff appointments has been delegated to the Deans of Faculties and Heads of Schools. The claimed objectives of the Human Resource Department is that it will be more focused on achieving an appropriate staffing profile, reward and pay progression, career and staff development, staff communication and promoting a positive, collegiate working environment. However, whether this is the case needs to be corroborated with the information collection from the field study.

6.2.3 Financial system and budgetary mechanism

The previous budgetary allocation model in University B2 was on a purely historical basis. Each Head of Department would produce an annual plan based on the one from previous year. However, since the university's restructuring, this model is evolving towards a hybrid model that consists of both a historical basis allocation model as well as a plan-based one by the Heads of Schools/Faculties.

In 2003, a new financial system programme called DREAM was introduced. This software package allows an online access to management information in the form of monthly financial reports. These reports can be viewed by anyone that holds a budget

registered in the system and can be updated on a daily basis. It was introduced to replace the traditional paper based report which was only printed once at the end of each month and was considered as inconvenient. In addition, the university's financial system has also introduced Full Economic Costing (fEC) and Transparent Approach to Costing (TRAC) system during this restructuring. Both have been designed on the basis for cost-based funding to secure the long-term financial sustainability of the institution (HEFCE, 2006). The actual outcomes or impacts of these approaches are yet to be confirmed.

All these changes in the academic and managerial structure, HR system and financial procedure have enabled University B2 to keep up with its expansion in student/staff numbers. In year 2004/05, University B2 has a total number of 5,300 students and 530 staff, with an annual turnover of £27 million (all approximate figures). The distribution of students by school and faculty is shown in Figure 6.4.

Figure 6.4 Distribution of student by school/faculty
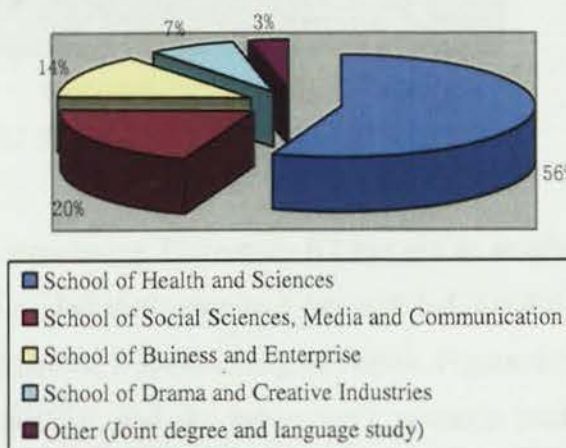
Source: University B2 (2004-2005)

Figure 6.4 shows that the Faculty of Health and Social Sciences, which is comprised of the two biggest schools in the institution, is much bigger in scale than the other faculty. It also stresses the origin of the university college and its emphasis on health sciences.

The financial figures of University B2 from 2001 to 2005 are shown in Figure 6.5, representing a steady growth in the total income generated by the institution over these years. It can be observed in the figure that the overall research income (including research grants and contracts, commercialization and knowledge transfer including consultancy, short courses for sponsors and CPD (Continuous Professional Development)) has risen from £1.80M in 2001/02 to £2.30M in 2004/05, representing almost 10% of the total turnover against an institutional turnover of £27.0M in 2004/05. A closer look at the figure also reveals the fact that tuition fees have not increased significantly over recent years.

Figure 6.5 Financial statistics of University B2 (£000)
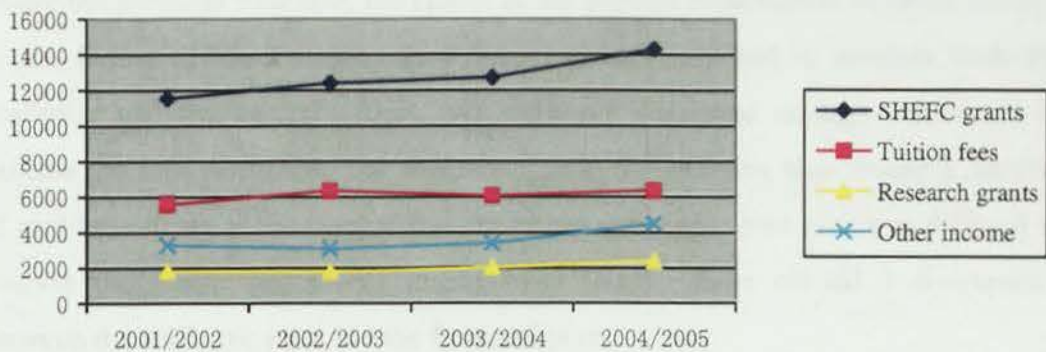
Source: University B2 Statement of Accounts (2001-2005)

At the start of the restructuring, University B2 has put an emphasis on the transition from a mainly teaching-led institution to a research-led institution that does not rely on income solely generated from teaching activities. Figure 6.5 also shows that the funding from both SHEFC and the institution's research income have been on a steady growth over recent years, whilst the income from tuition fees has not changed much since then.

At the time of study, University B2 was also working on a Re:Locate Project to develop a brand new campus site on the east side of the city as part of its development plan of as well as to serve the local community.

6.3 Issues addressed

In this section, eight of the most significant issues will be examined and analyzed, namely: (1) structural changes; (2) management challenges and constraints; (3) financial management and budgetary allocation; (4) performance measurement and HR system; (5) communication coordination; (6) internal and external competition; (7) leadership vs. empowerment; and (8) operational environment and role of government. The second issue: management challenges and constraints, has been specifically drawn out as it has been mentioned in many interviewees in this case.

6.3.1 Structural changes

Under the previous structure, the Heads of the sixteen departments reported directly to the Deans of the Faculties they belonged to. They had to manage both the academic and managerial affairs, yet were not delegated enough authorities to execute the final decisions. The segmentation in the structure also caused a number of problems in the realization of the institution's strategic plan as it was difficult to oversee the whole operational management. Hence there existed a discrepancy between the academic plan and the financial plan.

The restructuring in 2002 has collapsed the formerly sixteen individual departments under four faculties into four multi-disciplinary schools within two new faculties. The main objective of this restructuring is to achieve a significant degree of efficiency and streamlining, but also to create coordination between different subject areas. Increased emphasis has been put on what is called inter-professional education, which according to one of the Senior Managers, is "a little more than multi-disciplinary education with genuinely secure academic dialogue, discourse, sharing and cross-teaching among different professions" (SM 1).

Under the new structure, Heads of Departments have been replaced by the Heads of Subject Areas, whose role is more focused academic leadership (i.e. keeping a research profile of the institution, arranging sabbatical leaves) rather than management (i.e. managing budget, coping with the strategic plan of the university),

while the managerial jobs are now predominantly done by the Heads of Schools and Deans of Faculties. This largely represents a shift in power from professional to management and to senior management, as mentioned in Ferlie *et al.* (1996)'s *Efficiency Drive Model.* This is often seen as representative of Thatcherism, which recognizes the problem of over-bureaucratic and underperforming organization structure (Ferlie *et al.*, 1996).

Moreover, with a new sub-level of schools in its organizational structure, the Deans of the new faculties now have a chain that they can delegate responsibility to, which has been claimed by most interviewees as more effective than before, for example:

> *...before (*the restructuring) it was really a very atomized structure. You had 16 small departments, each of which was simply responsible to the Dean. They didn't have any budgetary discretion – they really didn't have much discretion at all... I think it was probably very inflexible and bureaucratic. (SM 4)*

The segmentation in the structure also caused a number of problems in the realization of the institution's strategic plan:

> *Historically, you have two different things: you have the academic plan over here, and you have the financial plan over there. And they didn't link up very well... The biggest change of the last four years should be trying to get the financial plan, the strategic plan, and the operational plan for each academic unit more closely aligned. (SM 6)*

As the basic managerial unit is now school instead of department/subject area, even though the overall structure seems to become more hierarchical and multi-layered, the actual decision-making power has been delegated to the Heads of Schools. Such devolution of authority is a distinctive feature of NPM which has been mentioned in various models and theories (Hood, 1991; Peters, 1996; Ferlie *et al.*, 1996).

In general, interviewees regard the new academic structure as beneficial for the institution because it enables a much higher degree of collaboration among academic staff that used to be in separate units. It also makes sharing resources between different programmes easier. For some members of staff, it takes more time to orient themselves in the new structure and be prompted to think in terms of a larger

institutional structure. Nevertheless, the diminishing boundaries between subject areas inside University B2 have an overall positive effect on the institution's development, and now members of staff are working in a more collaborative environment than before. Some Senior Managers even predicted the possible future direction in abolishing the faculty structure, for example:

> ... *this has reached an interim state. I think we have one further stage to go, which is probably to abolish the faculty groups. (SM 1)*

This possibility of de-layering can be seen as a new stage for the institution when the immediate problems it will be facing cannot be solved by "management by hierarchy" any more, but it has to achieve more organizational flexibility through the unbundling of vertically integrated forms of organization (Hoggett, 1991). This is also in line with the *Flexible Government Model* in Peters (1996), where termination of traditionally permanent structure of public organization is highly recommended.

Some of the Senior Managers have also criticized the obsolete function of the Academic Council. It was regarded as out-of-date and has no actual decision-making power but rather a "rubber stamp". However, as it was developed under the Statutory Instruments, any changes regarding it therefore have to go through a very elaborate and expensive legal process. This problem is expected to be solved gradually through the process towards obtaining a full university title, when the Statutory Instrument will be changed according to the charter.

Also, significantly changes have taken place after the current Principal came into post in 2002, bringing a whole new vision of how this institution should develop itself. A number of major divisions have been reformed. The Registry and Secretariat has been reorganized and now contain staff that previously belonged to the faculties and schools. According to some Senior Managers, this is to achieve more flexibility in staffing by drawing out specific staff together to work as a team, as well as to give the staff in schools a career structure so that they can move on to other functions in this institution in the future.

6.3.2 Management issues: challenges and constraints

Two most notable strategic challenges identified by the interviewees in University B2 are: (1) the application for the university title; and (2) the Re:Locate project for building a brand new campus site. In order to become a full-fledged university, B2 has made great effort to put more emphasis on research to help it becoming more research-oriented, as the quality of research is one of the most important criteria for a university. Meanwhile, the Re:Locate Project has involved many aspects of changes, bringing a new challenge of getting involved with the new community. As one interviewee described:

> *It's not simply a building project. It's a whole business re-engineering project as well. (FM 1)*

The project aims not only to create a campus that provides a student-centered learning experience, encourages lifelong learning, and facilitates research and commercialization, but also to create a sustainable campus that that will benefit the local community. However, it is particularly difficult for University B2 to take on such a big project because of the limited resources available to it:

> *This organization has got for its size one of the most challenging agendas in the university sector. I think that to obtain the university title, to build the first campus for over 30 years, to achieve our growth plan and to complete our programme plan and HR modernization with the resources that we have are exceptionally challenging. (SM 2)*

As shown in the interviewee's accounts, limited funding has been one of the major constraints for the current development of University B2. Although the total amount of funding from SHEFC is on a steady increase, it is reduced in real terms year by year due to inflation and increase in student numbers. The government policy of a cap on student number has also impeded institutions from getting money from student tuition fees. This will be addressed again in Section 6.4.8. Moreover, the lack of funding has caused difficulties as well as prompted changes in the university's financial management, which will be examined as the third issue in the next section.

6.3.3 Financial management and budgetary allocation

The traditional income allocation model in University B2 was rather crude and on a purely historical basis. The criteria for measurement varied accordingly in different units. For school income allocation, it was mainly based on student numbers, whilst for support services other criteria were also taken into consideration. For example, the funding for Human Resources Department was primarily on the basis of the number of staff. In some other cases such as heating, lightening and space cost, measures of numbers of square meter occupied were used as well for references.

At the time of study, University B2 was already underway in changing its budgetary allocation process. The scheme in use is a combination of historical basis and future prediction, and it is moving towards an income-attribution and full cost allocation model. Each school now has its own income-expenditure account, which is on both a traditional historical basis and a full economic cost basis. At the beginning of each planning year, the Heads of Schools will sign their annual target plans with key elements included, such as student numbers, the fee mix (i.e. the percentage of UK/EU students and oversea students), and research and commercialization income. This reform was still under progress at the time of visiting and the results are yet to be seen.

University B2 has also started to adopt Full Economic Costing (fEC), which has changed the traditional way university operates. The Transparent Approach to Costing (TRAC) has been introduced into University B2 as a new regime designed to secure a more realistic overhead for research and commercialization costs. TRAC identifies that research was under-funded when the total costs were applied at an institutional level, and highlighted significant problems of investment in the HE infrastructure. This has already been recognized by the government and additional funding is being introduced to help to cover this shortfall. A condition of this additional funding is that HEIs should know the full economic cost of the individual research projects that they undertake and recover this where possible:

So we are all now in a transitional stage, moving away from what was rather artificial target for overhead recovery (which) really didn't reflect the real economic costs. And we are now mandated to try to cover our full economic costs. (FM 1)

... Just to give you an example, the UK research councils pay overheads on indirect costs at 46%. But if you did a real economic costing of the cost of research... it was probably a minimum of 70%. And if you went into the medical discipline or life sciences, then it was probably somewhere around 110% to 120%... And not surprisingly, we find that two of our schools are in surplus if you do accounting this way, and the other two are in significant deficit. One of the schools in deficit is also the school that is most active and successful in bringing the research funding... I think it's probably the reflection of the transitional phase towards full economic costs recovery. (SM 5)

However, according to the accounts of some Middle Managers, usually more than 50% of the faculty's income is levied as a tax and goes directly to central support services such as Finance and Human Resources. This has caused dissatisfaction among some of the Middle Managers as it has been a disincentive for schools to generate their own income as the following comment illustrates:

I think the general feeling is that the percentage is too high, particularly for the areas that have to deliver the teaching and researching. Too much of their income is going on support. If they are losing 50% straight away, then that... is quite too big a penalty and is disincentive to do thing... What we have to do is obviously to incentivize people to want to do more research and teaching. If they say: it's not worth it because we don't get the income, then we've got problems. (MM 2)

The newly implemented accounting system DREAM has replaced the traditional paper-based monthly financial report, and has allowed all the financial information to become accessible online. It is believed that when used appropriately, developing an IT strategy can significantly increase the coordination and the efficiency of the organization (Brown, 2001). As shown in the quotes of interviewees', the introduction of IT application is helpful for a more efficient management decision making process:

Previously we've been receiving a printed report month by month, but it always took weeks to get that report... printed. Now the report information is online, so I can go there anytime I like to see my current (financial) position on a daily basis. I don't need to wait until next month for the prints to find out if it is true or not. (SM 3)

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However, the interview did not mention the frequency that accounting information needs to be accessed. The fact that it can be accessed on a daily basis does not necessarily result to improved system utility.

Online accounting information has made the "real time" financial information available to managers, prevented the potential delay of the realization of any incidents that might appear in the financial report, and can be helpful in assisting the management decision making process, as reflected by the quotes below:

> *Until quite recently, it would have been because that the accounting information on which you operated in any given year was the previous year's information, and so there is always this critical lag. It might mean, for example, that in October, 2005, School B has a sudden huge increase in the number of students. But responses have been allocated on the basis of different number of students the previous year, and then you would have to wait until 2006 before you could make the judgment. (SM 1)*

> *From my perspective, in terms of the financial management of this institution, I could be the forward looker, a forecaster and see where we are going. We can't do anything about what happened but we can take decision now to change our income-expenditure in the future. So (the accounting information is) very much forward look... is future oriented. (FM 1)*

The above quotes show a contrasting view on accounting information on the basis of past and future. It needs to be noted that in the quote of Senior Manager 1, the lag between yearly accounting information seems considerable, as the accounting information available in any given year was actually based on the previous year.

Meanwhile, accounting information has also provided a basis for competition between schools/faculties:

> *There is now much, much more accounting information... significantly more than even a year ago and far more than I have seen in the previous institutions... what I think is enhanced information available here is that distribution of income-expenditure figures right across schools, right across faculties, so there is an awareness of what particular courses contribute to our income, what may take more of our expenditure and that kind of information is widespread. (MM 4)*

From the accounts of above interviewees, it can be deduced that the availability of accounting information has promoted an enhanced sense of accountability across schools/faculties as the financial figures can be visited across units as a league table.

6.3.4 Performance measurement and HR system

In terms of measuring the performance of the school and the centre, this measure is conducted at the strategic planning process whereby all areas of the institution have to develop their annual plan, which includes targets and performance measures. The school's performance is then examined by the Principal and the SMG through regular reviews against their plans.

The accounting information has made the financial reporting "sharper" (FM1, meaning more clear for usage), and there is an institutionalized process of quarterly strategic planning and financial reports. The Deans of Faculty and Heads of Schools now have meetings on a quarterly basis with the Director of Strategic and Financial Management and Business Services and other SMG members to review their financial performance over the previous period. During the process, tuition fee budgets for each course will be agreed on. The move to TRAC also means that it will be seen more as a measure of "value for money" in terms of the costs of the support service areas.

However, sometimes the performance cannot simply be judged by quantifiable measures, as there are implications for the figures (Modell, 2004). For example:

> *Let me put it to you this way: of our four schools, the school which has the biggest surplus is School A. But that's also the school which has the most adverse staff/student ratio, which is probably why it is in big surplus. It is also the one which is probably the least successful in generating additional income, and that again is probably because it has such an adverse staff/student ratio. (SM 6)*

Therefore, whether or not a school is in surplus or deficit does not necessarily reflect its teaching and research quality, and it should not be relied upon alone to decide its success in operation. So within academic areas, standards of performance are also

measured via both internal and external reviews (i.e. the External Examining System). There is no equivalent for the academic support service areas, but a benchmarking exercise has been planned according to the interviewees.

In terms of individual performance measurement, University B2 is trying to set personal development plans for each member of staff. It is believe that in this way, the university will have an increased ability to closely monitor their performance and advise individuals accordingly, therefore preventing them from escaping the norm of the strategic plan and successfully guiding them towards the university's future vision, as commented by one interviewee:

> *Now in terms of actually measuring the performance of individuals, that's something that university has not traditionally been ready to do. What we are doing in B2 at the moment is taking forward the implementation of activity planning, which is a process of setting objectives for all individual members of staff to get their own personal development plan. And that's going to be one of the ways that Heads of Schools in particular will be able to actually get individual members of staff much more focused on what they need to be doing to support the strategic plan, and also the development of the plan that they are going to meet. (SM 2)*

It seems that Senior Manager 2 is particularly optimistic about the claimed benefits of such personal development plan. However, no similar comments have been received except one other Middle Manager from Human Resource department.

The new HR system has been able to provide more management information to the managers to help them with the decision making process. As most of the interviewees agreed, the new system will provide the means for increased freedom in operational management that can then be applied in tasks such as the much-needed development:

> *(*Before the HR reform) we were not able to support managers proactively with management information, so we couldn't support them efficiently... We couldn't get them the management information so that they could tell their staff what the turnover was; we couldn't get them the management information of staffing and staff establishment every month... This (new) system has been absolutely critical... in the next academic year we'll completely roll out the whole new system, so for the first time we'll be able to provide managers and staff self-service. And we'll be able to roll out manager's access online to management information on their staff so they can access it*

when you need it. And the idea is that HR will spend more time in providing learning and development rather than managing operation processes. That's the vision. (FM 1)

Responses from interviewees reveal an uncertainty among managers and staff at what all this HR programme on performance is about, even though the educational programme regarding the whole reform process for managers and staff has been planned as well as had a newsletter with relevant information issued (at the time of visit it had just released the first issue of the newsletter). This also shows a discrepancy between the HR statement and the actual outcomes of such renovation programmes.

6.3.5 Communication coordination

Generally, the top-down communication approach in University B2 has been functioning as expected, but the bottom-up communication is not as effective and efficient as it should be. In addition, electronic communication such as email and newsletter has been widely adopted inside the organization. However, it was found that staff have, on many occasions, have chosen not to deal with such information proactively and instead promote a rather passive stance towards it:

> *Many universities and colleges depend a lot on their electronic communication and I assume that people sometimes make assumptions that if I put something on the website/the intranet, then it is published... In my experience, very few people proactively read them through internet on a regular basis... Just because it's on the internet doesn't mean that people would read it and understand it. (MM 3)*

It seems that electronic communication is not very effective in the two-way dialogue communication, as some interviewees specified:

> *I think we have an overly reliance on email, which is the way getting people information, but we have not invested enough in two-way communication... we've been very good at telling people things, but I don't think we've been good at treating... strategic dialogue two-way. (SM 3)*

One of the interviewees who had worked in B1 before also made the following comment:

I think there is an issue of scale in so far as I am Dean of the faculty I know the majority of staff within my faculty. At University B1, that would be impossible. And because I know people, and people can either email me, phone me or speak to me in the corridor. So I think people have a much greater access to those who take decisions and those who can communicate. (MM 2)

The scale of the organization has been regarded by more than one interviewee as an important factor to decide whether the communication is effective or not, and B2 with a smaller scale is expected to have a better environment for active communication.

Some managers have also expressed difficulties encountered in the bottom-up way of communication. To solve the existing problem in communication process, the university has introduced the intranet and electronic newsletters. This has resulted in a general notion that information is getting disseminated well. However, it has been difficult to encourage people to get more involved in active communication, as shown in the quote below:

We've introduce the intranet as a means of trying to improve information to staff, in getting information from staff its always been, I think, difficult. So it's bottom-up and top-down. I think top-down we communicate quite well. And in terms of messages from Principal and senior managers I think information is disseminated well, rapidly. But I think we still struggle with actually understanding what the staff at lower level is actually trying to tell us (the higher-level people). (FM 1)

The fact that B2 is a relatively small scale institution has helped it in terms of collaboration and it has especially coped very well during the transitional process. There were enough time and consultancy assistance around to help people go through this organizational learning period smoothly, as reflected by the interviewees:

The restructuring... was done through a very extensive consultative process. There were dozens and dozens of meetings and that's very typical of this institution. The staff would probably say that they were not consulted, but by comparison with any other universities I've worked in, including (*B1) and (*another Russell Group university), this is very highly consultative... the idea of the new structure (academic structure) really did grow through this process of consultation. (SM 1)

Overall, the communication process in B2 works better from top-down rather than bottom-up. The electronic techniques adopted as communication instruments did not

work as expected as people tend to act passive about the information conveyed through this approach. It seems that the role of technology advancement in the reforms of universities, although is supposed to be helpful, needs careful consideration in the actual application.

6.3.6 Internal and external competition

Competition has always been promoted by reformers as a favorable solution to change the traditional public sector management. In the higher education sector, there is also the trend of making universities become more business-like.

Internally, there is not so much competition: coordination has been observed instead. The main reason for this phenomena stems from the relatively high degree of separation between subjects in various schools, and therefore it does not provide much basis for competition since there are no common grounds for it, for example:

> *I would say that actually the key level of competition is between the two faculties... But actually we are more anxious to encourage collaboration among the schools rather than competition. (SM 1)*

Externally, there is a general agreement and the whole higher education sector has become very competitive now. In order to survive in such environment, one must seek to target different student markets:

> *I think we've become a lot more commercially aware and I think that will fit into a more competitive sort of organization. (FM 1)*

> *... we are trying to create a new (?)... to fill in the gap in the market as a small research-led institution... we can't survive by being big... we can only survive by being different. (SM 2)*

Overall, University B2 seems to have a clear vision of itself as a small but sustainable autonomous and collaborative university with a focus on inter-professional, cross-disciplinary teaching and research in its specialist fields, rather than trying to be a comprehensive, cutting-edge university. The reasons behind this are mainly to do with the limited funding that prohibits it from including subjects

other than the essential ones and the aim the university has set, which is to emphasize and promote its core subjects as much as possible.

6.3.7 Leadership vs. empowerment

The structural changes have enabled managers with more delegated authority. Deans of Faculties now have considerable freedom in the budget allocated to them, and they also have increased responsibility in the appointment of staff:

> *The Dean of the new faculty works better because there is a sub-level of organization underneath it, which is my associate dean. So previously, a Dean of a small faculty has all the responsibility, whereas now I have a chain I can delegate to. (MM 2)*

It seems that the management style has shifted from a mainly top-down process in the past to what Peters (1996) described as an egalitarian way of diffusion of power in his *Participative Model*, marked by the diffusion of power by empowerment:

> *... it's really part of the move from top-down management to much more participative management, because in the past, the model of this institution was very top-down... the cultural change... is to persuade the staff now that they do have discretion, and they should exercise that responsibility. (MM 3)*

Schools are now regarded as key cost centres and budget holders. And planning process has become more bottom-up:

> *The idea now is that the schools will be the key cost centers and budget holders. There is some devolution in there... the idea is that the schools will be the key academic areas and because they now have critical mass, they have some scope to vary budget from among their areas of activities. It's open for the Head of School, for example, to transfer posts from on subject area to another. (SM 3)*

> *To be fair, a lot of planning tends to be bottom-up. So it works from departments to the schools, and then is communicated to the top. (FM 1)*

In this way, Middle Managers have a constant awareness of the institution's position as a whole and how the faculty can contribute to improving the current situation.

Leadership is very important for any organization, especially during its transitional period. Before and at the time of the restructuring, University B2 had two different Principals, each of whom was appointed to fulfill goals necessary to the university at that specific time of the appointment. As such, the Principal appointed before the restructuring was aiming more towards business management whereas the Principal appointed at the time of the restructuring is more research oriented to certain extent; this has also clearly demonstrated the orientation of the university as a whole. Such emphasis on a strong leadership at the top resembles the much-quoted 'steering government' model in Osborne and Gaebler (1992) – a public service ethos marked by a typical hierarchist view. A charismatic rather than transactional form of leadership puts the management reform in University B2 in the *In Search of Excellence* model in Ferlie *et al.* (1996):

> *Universities need different individuals at different times in their history. I think it was beneficial for us to have Professor A (as Principal), who was managerially oriented. However, I now think it is very beneficial to us to have Professor B (as Principal), who is very academically oriented, and he's also very research-oriented... I think we are now clear that we have to think in a managerial sense, but there was a danger that we went too far in the managerial routes, and therefore I think it is appropriate at this point in our history that we reassert the academic nature and the importance of academics into the institution. (SM 4)*

The current Principal has been regarded by almost all interviewees as inspiring the institution with a new vision, which is one distinctive feature of the charismatic leadership:

> *I think our current Principal is very much the type of person that allows senior managers to take responsibility, and that's been quite a change. (MM 1)*

Overall, the management style of B2 has shifted from top-down to bottom-up, and the transition of the organization relies much on the role of the leadership.

6.3.8 Operational environment and role of government

Regarding the general operational environment of higher education sector, the overall responses to whether government has supported the development of higher

education sector appear to be rather negative. There is a general resentment over the government's support (or lack thereof) with regard to the provision of funding to expand the sector. One interviewee commented on the changes that took place in the milestone year 1992 when institutions like University B2 gained their status as new universities:

When the new universities were created in 1992, it was a confidence trick, because at one stroke, the then government doubled the number of universities in United Kingdom. They didn't double the funding available. They expanded the sector by driving down the unit of resources. And the unit of teaching resource is now probably just about half of what it was 25 or 30 years ago. And they did not and have never instituted a financial regime which would allow the new universities to catch up. (SM 2)

The main problem thus seems to be arising from the fact that even though the student numbers increase each year, the amount of government funding remains the same, which in essence can be viewed as a constant reduction in funding per student.

There has also been some tension in the government's policy with regard to increasing the number of students in higher education sector. As mentioned earlier, there is a cap on the number of the students that HEIs can get. It seems that the government funding policy has been rather prejudicial towards new universities, which makes the environment more difficult for their development, as shown in the quote below:

This goes back to the allocation of budgets by formula. The formulae do not allow the new universities to catch up, and there has been little or no discretion refunding which would have allowed them to do so. So the regime is, I would say, highly prejudicial to the new universities. I don't think it has been a favor to the old universities either, but it's certainly prejudicial to the new universities. (SM 1)

In such circumstance, new universities have to adopt different ways of reforms than the traditional universities.

6.4 Inferences of the case study

From the interviews performed at University B2 a number of conclusions can be drawn. It is clear that the reorganization phase that the university is going through

has helped it better to cope with the majority of the limiting factors attributed to universities of its size and age. Table 6.1 has generalized the NPM elements implemented in the reform process of B2.

Table 6.1 Application of NPM elements in University B2

Issues	NPM elements adopted
1. Structural changes	- Disaggregation - Decentralization - Clear assignment of power
2. Management challenges and constraints	N/A
3. Financial management and budgetary mechanism	- Emphasis on financial control - Identification of cost centre - Greater discipline and parsimony in resource use
4. Performance measurement and HR system	- Resource allocation according to performance
5. Communication coordination	- Explicit communication strategy
6. Internal and external competition	N/A
7. Leadership vs. empowerment	- Diffusion of power by empowerment
8. Operational environment and government	N/A

The management structure the university adopted during the restructuring seems to be working sufficiently and as expected. The management decision making process became more participative, and there is a distinctive sense of leadership at the top management, which resembles Ferlie *et al.* (1996)'s *In Search of Excellence* model. A high degree of consultancy involvement can be found during the restructuring process, which has greatly helped the institution through its transitional stage. The development of HR system has been able to produce more sufficient information for management use, although there was a lack of example to show the actual benefit of the HR modernization.

However, it still has a number of significant issues that needs to overcome, which can be concluded in three distinct categories. One of these is regarding its internal communications where University B2 has trouble communicating messages across the entirety of its staff. Specifically, even though the messages that are conveyed in a top-down order seem to be propagated without any specific problems, the bottom-up directed messages seem to be disorganized and scarce. The major potential reason for these is an unwillingness of a large number of staff to be actively involved in message passing and information exchanging.

Funding is another major problem. University B2 does not have many sources of income/revenue and also has limited sponsorship. A partial reason for the restructuring currently underway was the generation of additional income with the introduction and multiplication of research activities. However, this is yet to be seen as the university is still underway its transition.

Finally, a general dissatisfaction against the support from the government can be seen. The government's attitude towards universities of the size and age of University B2 seems to be not the best; it rather is more old-university friendly. Funding seems to be flowing easier to old universities rather than new ones, but this seems to be a general problem for most of the new universities.

Meanwhile, it can be recognized that several different NPM models/elements have been adopted during the reform process. In the structural changes, B2 resembles mostly the hierarchy model of public management. A strong managerial leadership and stress on charismatic leadership (private sector role model) can be found in its management, with the Principal leading the organization through the whole process.

6.5 Summary

In this chapter, the case study of University B2 is examined, with its background information, the study setting, issues that have been addressed during the study, and analysis of the issues. As a new university, B2 has always been looking over its shoulders and kept progressing towards a modernized institution. The general attitude towards reform changes in B2 is positive. Even though not as well-resourced as traditional universities, B2 recognizes its position in the market and emphasizes its specialization courses, and is open to the attempts of new technologies such as electronic communication or IT financial system.

In the next two chapters, we will have a look at two universities C1 and C2 in another country: China, to see how NPM has been carried out in the higher education sector within their institutional contexts.

Chapter 7: Case Study C1

7.1 Introduction

In Chapter 5 and 6, the stories of two British universities have been presented and analyzed. Now the attention will be shifted from the west to the east to look at how universities in China have been applying NPM elements in the development their higher education sector. As presented in Chapter 4, two universities have been chosen for the case studies. In this chapter, University C1 which represents the elite group of HEIs in China will be reviewed.

The background information for University C1's reforms will be provided at the beginning of this chapter in Section 7.2, with particular emphasis on changes in its structure, financial and budgetary procedure and human resource system. In Section 7.3, seven issues regarding changes in the university management that have been addressed by interviewees are presented and analyzed with the theoretical framework provided in Chapter 2. Inferences from these issues will then be drawn out in Section 7.4 and a summary will be provided in Section 7.5 at the end.

7.2 Background information

Located in Shaanxi Province in the North West China that is well-known for its Terracotta Army and for being the eastern end of the "Silk Road", University C1 has enjoyed a long history as the ancient city itself. Its former body was originally established in Shanghai in the late 18th century by a government officer as one of the first public HEIs in China. Since 1928, it came under the supervision of the Ministry of Communications. Under the old national cadre-system where students were designated jobs upon their graduation, its graduate students mainly served as the country's manpower in the transportation industry (University C1, 1999). In 1956, the State Council decided to move the main part of the college to the inland Province Shaanxi, with the hope to help the reconstruction and development of the country's less-developed Western Region, and C1 came under the direct control of the Ministry of Education (MoE) (University C1, 2006).

Prior to the reform in the 1990s, University C1 had a two-layered university-department system. Until 1992, its academic structure was a mixture of both schools and departments co-existing at the same managerial level. Altogether there were seventeen departments and one school (School of Management, which consisted of two departments: Department of Economic Management and Department of Management Science and Engineering). The school unit was in essence a department in larger scale with two closely related subject areas in it, and it had the same managerial authorities that departments had. All departments and school were under the direct control of the university's central administration. Staff were appointed through the centralized national human resource recruitment system, where each member of staff recruited had to be approved by the Ministry of Human Resource first. Schools and departments did not have any income of their own and relied solely on the budget allocated by the university, which was based on the state-planned student numbers and staff numbers (University C1 report, 1992).

As the higher education sector in China developed, related academic disciplines and majors were gradually formed together. In University C1, the separated departments were consolidated into schools, with more diversified subject areas under them. The university-department structure evolved into a three-tiered university-school-department one. By 1999, there were 21 individual academic units in University C1, including 14 schools, three departments and four research centres. The departments outside the schools were still on the same managerial level as the schools and had the same level of autonomy, whilst the departments within schools were in essence research groups, as the Directors of these departments were mostly in charge of the academic matters rather than its operational management.

As described earlier in Chapter 3, the national trend of mergers amongst universities since the late 1990s has greatly reshaped the higher education sector in China. University C1 was not an exception either. In February 12th, 2000, the State Council announced the merger proposal for HEIs that were affiliated with departments of the State Council, such as the Ministry of Education, the Ministry of Agriculture and the

Ministry of Public Health (Central People's Government of China, 2000). Reasons for the merger were not explicitly given out in the proposal, although it did state that such a merger would be beneficial for the university's future development as resources would be more efficiently utilized (MoE, 2000). Along with the rest of the 158 institutions that were listed in the document, University C1 was obliged to initiate its merger in 2000 with two other institutions within the same city (hereafter referred to as C1-medical and C1-economics) which were previously under the control of the Ministry of Public Health and the People's Bank of China respectively (Central People's Government of China, 2000). Statistics show that these two universities differed from each other and the pre-merger University C1 in many aspects, including scales and academic specializations (Table 7.1).

Table 7.1 Three institutions before the merger

	University C1 (pre-merger)	University C1-medical	University C1-economics
Year Founded	1896	1937	1929
Student Number	14,580	6,000*	7,936
Staff Number	6,590	5,200*	1,073
Main Academic Units	14 Schools 3 Departments 4 Research Centres	10 Schools 1 Department (social science) 3 Affiliated Hospitals	3 Schools 5 Departments 4 Teaching Offices
Specialization	A wide range of subjects including humanity and social sciences, electronics and engineering	Medical science	Finance and economics
Supervised By	Ministry of Education	Ministry of Public Health	People's Bank of China

Source: National Statistics Bureau (1999)

* Estimated figures in 1999

University C1-medical was an institution specialized in medical sciences and it used to be under the direct control of the Ministry of Public Health. Until 1999 (the year before the merger), C1-medical had ten schools, one Department of Social Sciences and three affiliated hospitals. University C1-economics, on the other hand, was an institution specialized in finance and economics related areas. It was under the supervision of the People's Bank of China. Under the old national cadre system, its graduate students mainly served as manpower in banks. The departments in both C1-

medical and C1-ecnomics were also on the same managerial level as schools, only with a relatively smaller scale.

As this merger was carried out as more of a "top-down" change from the State Council and Ministry of Education, in order to bring the two newly merged institutions together and coordinate better within the existing system, University C1 had to make considerable changes to its structure. Externally, although the total amount of public funding has been increasing, the increase in the number of students has resulted in a diminishing amount of public funding per quota (MoE, 1998). This has led to fiercer competition with other universities for limited resources and eventually became the prompt for reforms. Therefore, in September 2000, University C1 implemented several reform initiatives to counteract the aftermath of the merger, mostly focused on the following aspects: organizational structure, financial system and budgetary process, and personnel system.

7.2.1 Organizational structure

In the previous structure of University C1, the academic units of schools and departments coexisted on the same level. There were not too many differences between them except that schools had more diversified subject areas and were bigger in scale than departments. It was believed by the senior management group of the university that reorganization was needed as overlaps among subject areas existed in the system and resources could not be shared and utilized efficiently between academic units (University C1, 1999). Therefore, after the merger in 2000, all existing departments have either been re-established as individual schools or amalgamated with other schools. As it stands now, the university has 18 academic units in total, including 16 Schools, one Vocational and Technical & Continuous Education Institute, and one Internet Education School (Figure 7.1). Departments no longer operated as individual units under the new structure and are replaced by schools instead. A typical school structure now includes a Head of School, a School Party Committee Secretary (sometimes a Vice Party Committee Secretary as assistance) and three Vice Heads of Schools in charge of teaching, research, and

finance activities respectively. Some Heads of Schools or Vice Heads of Schools may serve dual roles as the Party Secretary as well. In the case of University C1, there are at least two Vice Heads of Schools undertaking the role of School Party Committee Secretary or Vice Party Committee Secretary.

Figure 7.1 Organizational structure of University C1
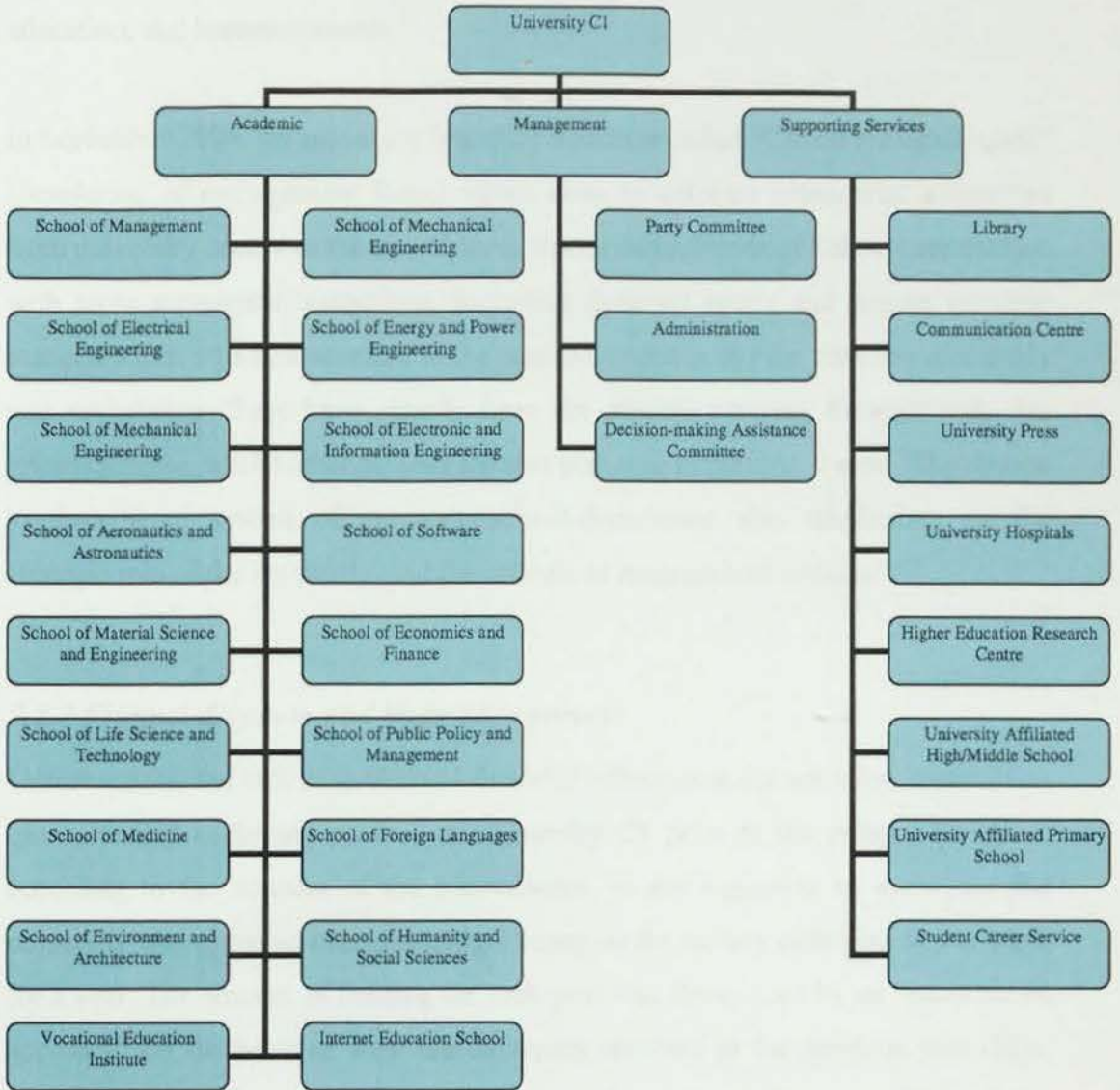
Source: University C1 (2005)

Figure 7.1 shows the organizational structure of C1 as a distinctive three-part organizational structure, including academic faculty, management, and supporting services. This is a commonly seen structure in the HEIs in China as well as in the UK. The managerial structure is shown in details in Figure 7.2. Seven Decision-making

assistance committees are set up with representatives at every level across the university, not only exclusively to those Senior Managers at the top. In fact, the Principal and the University Party Committee Secretary are not allowed to be member of some committees as it is considered to be potential cause for corruption. These committees work alongside the Principal, making final decisions on a wide range of issues including curriculum development, teaching and research, resource allocation, and human resource.

In September 2004, the university launched a scheme called "Guanli zhongxin xiayi" (devolution of management focus) which aims to delegate managerial authorities from university central to the school level. Specifically, Heads of Schools are entitled with more managerial authorities, including financial issues and human resource matters, which will be elaborated in the next two sections. By the time this case study was undertaken, there have already been six schools carrying through with this reform scheme, whilst other schools are also planning to perform it soon. The change to three-tiered system of university-school-department also emphasizes on the strategic role of the university, and the schools as management entities.

7.2.2 Financial system and budgetary process

Unfortunately, the lack of publicized financial information did not allow research on more detailed budgetary process in University C1 prior to the reform. However, according to the account of the interviewees, at the beginning of each year the university was given an itemized budget based on the unitary state plan by the MoE for a year. The amount of funding for each year was determined by an "incremental approach" on the basis of what the university received in the previous year (Min, 1994, p. 114). On average, this budget would account for over 90% of the university's total revenue. However, there was not much freedom for the university to decide on how to spend its budget, let alone to delegate financial authorities for Heads of Schools and Departments. Instead, the money had to be strictly spent as specified by the government. Everything that was left over from the previous year had to be returned back to the state government. Such procedures did not provide any

incentive for promoting cost consciousness. Schools therefore tended to rush in spending all of it when approaching the end of the year (Min, 1994; World Bank, 1997a).

Figure 7.2 Managerial structure of University C1
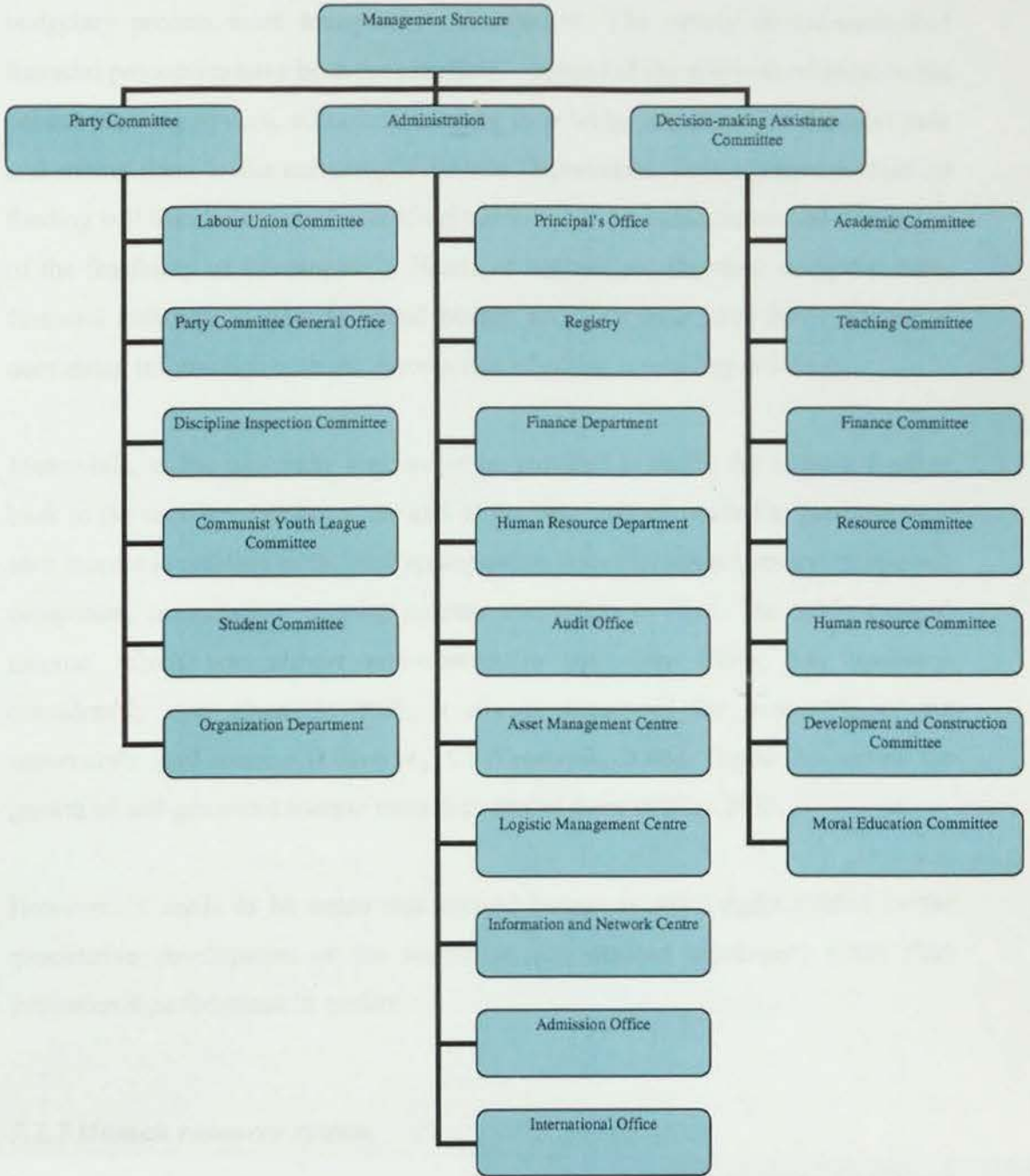
Source: University C1 (2006)

The dominant role of state government in universities' financial management has been gradually reduced as the higher education sector developed. The specific requirements on how to spend the budget were replaced by a block grant from the government each year according to the number of students enrolled in the previous year. After the merger, University C1 decided to make the existing financial and budgetary process more transparent and efficient. The strictly central-controlled financial procedures have been decentralized – instead of the previous reliance on the central planning system, schools now make their budgetary plans for the next year and submit them to the university's Finance Department. The requested amount of funding will then be allocated accordingly after thorough examination and discussion of the feasibility of the proposals. Heads of Schools are therefore delegated more financial authority in how to spend budget and they now have better access to accounting information with the introduction of online accounting software.

Meanwhile, as the university was no longer required to return the unspent funding back to the state government at the end of the year, schools started to generate their own income in addition to the state appropriation through research contracts, spin-off companies, consultation, training courses and other services. The self-generated income, which was almost non-existent in the early 1990s, has increased considerably ever since. In 2000, it already accounted for over 15% of the university's total income (University C1 Yearbook, 2006). Figure 7.3 shows the growth of self-generated income more than tripled from 1998 to 2002.

However, it needs to be noted that current budget is still largely related to the quantitative development of the institution (i.e. student enrolment) rather than institutional performance in quality.

7.2.3 Human resource system

Under the old human resource system, all members of staff in HEIs were hired directly through the state government. Plans had to be submitted in advance to the government regarding the number and type of staff that the institution needed to

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recruit. It is then decided upon the successful review by the government. Universities did not have much power in deciding their own recruitment policy as everything was centrally processed by the state government. Moreover, the "iron rice bowl" scheme ensured that once a member of staff was hired, the job became permanent regardless of the individual's work performance. Such guaranteed lifetime employment provided no incentive for employees to improve their work efficiency and caused considerable staff redundancy (University C1 internal document, 2002).

Figure 7.3 Self generated income of University C1 (Billion Yuan)
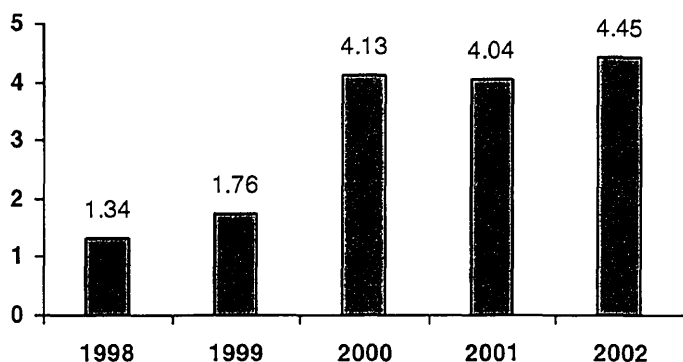
Source: Statistics of Ministry of Education (1998-2002)

The merger in 2000 has brought the three formerly separated institutions together and the new system required some members of staff to be relocated. In the same year, MoE, Organization Department of the CPC and Ministry of Human resource together issued a policy guideline for the HE sector called "Guanyu shenhua gaodeng xuexiao renshi zhidu gaige de shishi yijian" (Decision on Deepening the Human Resource System Reform in Higher Education Institutions) (MoE, 2000). In line with the proposals in this decision, University C1 launched "Quanyuan pinren zhi" (whole staff appointment scheme) or "Zhiyuan zhi" in short (staff appointment scheme) in 2004 to reform of its human resource system. The principle of this scheme, as quoted in the policy guideline, is to "set job positions and hire staff according to needs; open recruitment and fair competition" (MoE, 2000). Several actions have been taken ever since then, among which the following three are the most significant ones:

- Adoption of contract-based employment
- Delegated authority to Head of School regarding hiring policy
- double-track remuneration and performance measurement

The new human resource system has abolished the previous permanent tenure and introducing the contract-based employment. For example, both positions of Head of School and Head of Department are now based on three-year contracts. This has broekn the traditional "iron rice bowl" system where a job would be secured in a public sector organization, and thus provided an incentive for staff to work more efficiently. The recruitment of most positions is now open to the outside of the university as well (except the Principal and University Party Committee Secretary, who are still designated by the MoE and provincial government (University C1, 2005). In year 2004 alone, University C1 has recruited over ten senior staff from all over the world, including US, UK and Japan, for positions such as Heads of Schools and Vice Principals (University C1, 2006).

In line with the tenet of "Guanli zhongxin xiayi" (devolution of management focus), the power of human resource management has also been delegated to school level through the "Zhiyuan zhi" (staff appointment scheme). School managers now have the authority to appoint members of staff that are below Senior Lecturer level without the need to consult with the university central management. However, formalized procedures to go through the university's Human resource Committee to get the final permission are still required. But this is more of a "rubber-stamp" function of the Human resource Committee. The influential factors to decide whom to hire, what qualifications they should have, and so on are largely decided at the school level so that school can adjust the standards according to their specific requirements.

Another important contribution of "Zhiyuan zhi" (staff appointment scheme) is the implementation of double-track remuneration scheme. The double-track remuneration scheme divides the staff income into two parts: the first part is the basic salary, which is still decided by the state government for their job positions; the

other part, however, is a stipend which is decided by the school and it is closely related to the results of the individual performance measurement. Both academic and administration members of staff are now not only dependent on the assessment of individual performance to retain their positions, but also rely on this performance for their income. Also schools can decide their own PM evaluation system. The funding source for the purpose of remuneration is currently provided partially by the university and partially by schools from their self-generated revenue.

Figure 7.4 shows the changes in student numbers from the year 1999 before the merger until 2005 when the field study took place. The "other" students refer to those in continuing study, Open University and part-time training courses. As shown in Chart 7.1, the total student number has more than doubled (from 17,213 in 1999 to 39,477 in 2005) during the past seven years. The steep rise in the figure in year 2000 marked the merger between University C1 and the other two universities, during which time the total number of students more than doubled. However, from 2004, the university started to gradually reduce the number of students enrolled due to the side-effects from the merger, which will be mentioned later. Also from the growth of the "other" student numbers, the implication of a growing diversification of funding resources arises as the university started to generate more income from recruiting students outside the state-plan.

Figure 7.4 Number of students in University C1
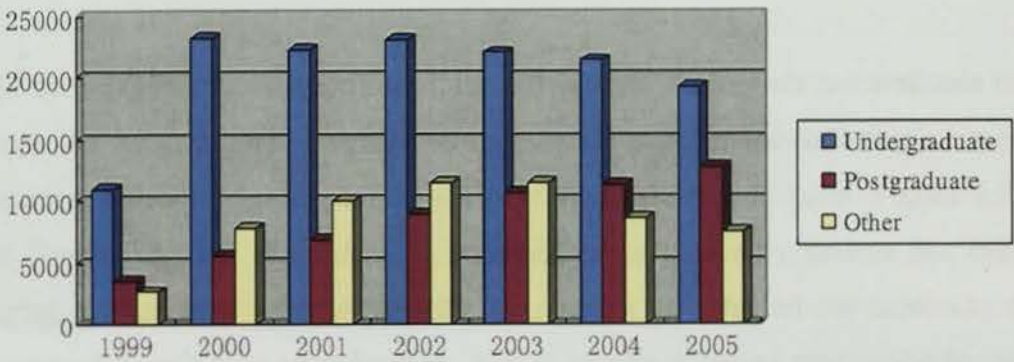
Source: University C1 Yearbook (1999-2005)

The staff numbers show a similar pattern with the students', with a sharp increase in 2000 from the merger (Figure 7.5). Here the "other" includes members of staff who work in support services and affiliated organizations such as the university hospitals. Again the sharp rise that occurred in 2000 was a direct result from the merger. After that time the university started the reform in its human resource system and all staff from three institutions was re-allocated under the new structure, which caused the gradual decreasing in their numbers.

Figure 7.5 Number of staff in University C1
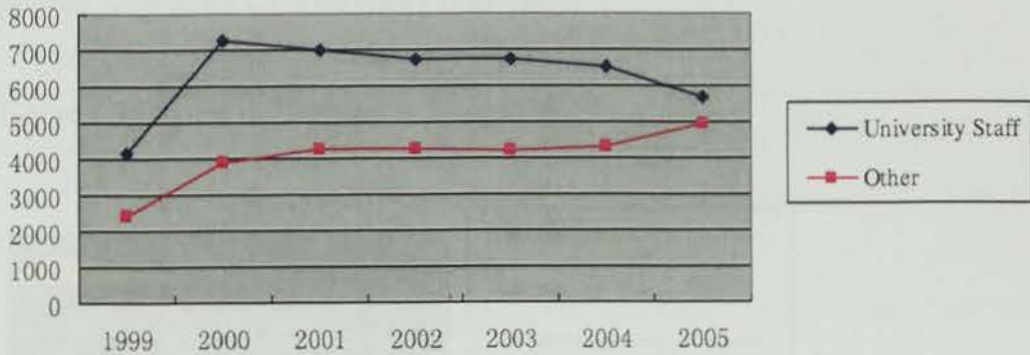
Source: University C1 Yearbook (1999-2005)

As the external environment changed with the funding policy, University C1 has also made efforts to generate more income. Figure 7.6 shows a continuous increase in the university's capital assets over these years. The exact amount of the income and expenditure of the university however, were not published in any public sources.

Public accounts for the composition of the university's income are not available for all years. As for year 2005, income of University C1 included the following sources: government allocation, student fees, self-generated income and loans (Figure 7.7). From Figure 7.7, it is clear that the composition of university income has been changing. Diminishing funding from the government have forced the university to seek more diversified external funding. Also it can be observed that unlike British universities, student fees only account for a relatively small portion of the university's total income.

Figure 7.6 University capital assets (Yuan)
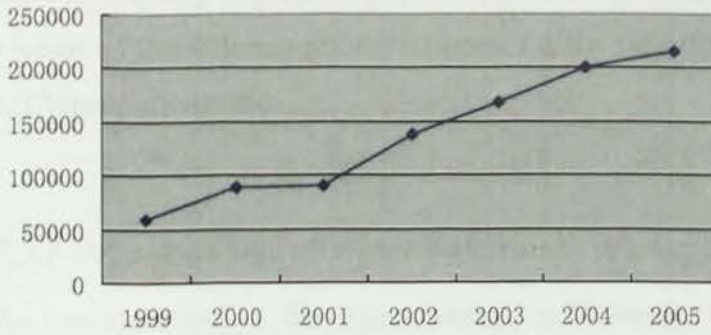
Source: University C1 Yearbook (1999-2005)

Figure 7.7 Income distribution in University C1
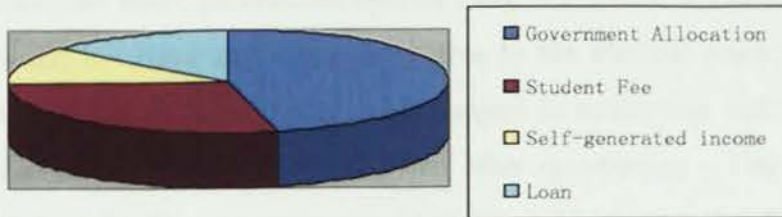
Source: University C1 Yearbook (2005)

It can be observed that University C1 has sustained a steady development overall during the past years. Comparing with other universities in China, University C1 is considered to be one of the elite universities in China among the 211 Project universities. However, it is still not sufficient to say that all the development is a direct result of the reform. The case study therefore also serves as a review of the reform and its results.

7.3 Issues addressed

The issues addressed by the interviewees can be categorized in the following seven sections: (1) structural changes; (2) devolution of managerial authority; (3) human resource scheme and remuneration system; (4) financial system and budgetary

mechanism; (5) role of academic managers; (6) relationship with the government; and (7) influence of the power of the political party. It needs to be noted here that these issues vary slightly from the ones addressed in the two case studies in the UK because of the different reform contexts, i.e. the seventh issue is an exclusive feature to Chinese universities.

7.3.1 Organizational changes – aftermath of merger

As mentioned earlier, the biggest change in University C1's organizational structure was the merger initiated by the MoE with two other institutions in 2000 (Central People's Government of China, 2000). It was believed then by the government that by merging HEIs specialized in different subject areas within the same geographic location, it would offer advantages such as optimized resource utilization, and therefore make universities operate more effectively and efficiently (MoE, 1998). As it did not have any disciplinary area in the medical science, and its management school did not have some of the majors in economics and accounting area, it was decided by the MoE that the two other universities – University C1-medical and University C1-economics, would be merged in a sense that they could make up what University C1 lacked for at that time – a more comprehensive portfolio of activities. It was expected that such acts would bring the resources of each individual institution together and therefore beneficial for the new university's long term development.

However, the overwhelmingly negative responses from almost all interviewees have shown quite the opposite consequence. Resentments were shown at various managerial levels regarding issues caused by the merger. For example, on more than one occasion have the interviewees mentioned the conflicts resulted from different emphasis in teaching and research among the three institutions before the merger. While both C1-medical and C1-economics were previously very much teaching-led institutions, they are now required to change towards more research-led academic units within the new University C1. One interviewee that had worked in University C1-economics before the merger commented:

C1-economics used to be a non-211 Project university... the main emphasis was on teaching rather than research. We are now required to follow the new set of standard which focuses primarily on research... the individual performance is now examined more with regard to his research. This is beneficial to some extent but there have been many difficulties in its practice and staffs need time to finish the transformation. (MM 4)

Additionally, such conflicts resulted in a hierarchical clash of classes amongst schools. The majority of the university staff that used to work in C1-medical and C1-economics seemed particularly dissatisfied with the new structure. As shown from the quote below, it appears that the merger completed as a notion but failed in implementation with most of the staff unwilling to be re-categorised under the new hierarchical system:

After the merger, University C1-medical was restructured into School of Medicine by itself, with its former schools now becoming departments at a lower level... it is now on the same level as other schools such as School of Science. I think it's ridiculous... They shouldn't be on the same level... But it's already decided. We can do nothing about it. (MM 5)

With regard to the utilization of resource, since there still remain three campuses after the merger, all public resources such as libraries, administration offices and student services had to be set up in separate locations, which did not seem to achieve the original aim of optimizing the use of resources. The comments of the Middle Managers confirmed such conflict illustrated by the following quotes:

There hasn't been any preparatory work done beforehand. It (*the merger) was more or less forced upon us by the MoE... Now teachers have to go to different campuses to get their teaching done... also the increased managerial costs... I would say in general the costs it brought to this university are more than its benefit. (MM 3)

The responses from Senior Managers regarding the merger appeared to be more reserved, mostly along the lines of "it is still too early to say whether this merger is successful or not". One Senior Manager even used the term "grinding things out" (MM 1) to describe the process that the institution is still going through now, yet they too tended to agree that there should be more communication and preparation work done beforehand, along with more time allowance.

However, even if more communication were given after the merger, it is still doubtful that the desired outcome could be achieved. As depicted in the interviewees' accounts, the general impression indicates the merger to be a failure overall. The reasons behind it are multi-fold and interrelated. First of all, the decision was made solely by the MoE and then exerted as an order from the top upon these institutions without any chances for further discussion or consultation. Many essential factors were not taken into account including the major differences between these institutions, such as scale, course specialization, location, reputation, and different emphasis on teaching and research. The merger therefore appears to be a top-down management change that did not consider many of these differences between the three institutions. Stroup (1966) has argued that HEIs have many characteristics of bureaucracies. From Knight and Trowler (2001)'s bureaucratic process perspective, the policy or vision of change developed by the "top team" of an organization or by government provides a route map, but is not always sensitive to local road conditions, which demands responsiveness and the exercise of discretion from road users (Brown and Duguid, 1996). In the case of University C1, the result turned out to be unsatisfactory.

The second explanation for the failure of the merger is perhaps the nature of organizational learning. Resistance to change is an inevitable consequence of any organizational change initiative at its beginning (Agocs, 1997), as the old organizational "myth" needs to be unlearnt before taking on a new one (Modell, 2004), and in the case of C1, this is still being served by the process of "grinding things out".

Finally, it seems that there have been problems in the communication between universities and the MoE, as this decision was not carefully planned through to its execution and was exerted rather than progressively introduced to the universities. Opinions of these universities themselves were either neglected or suppressed. Even though much effort has been made to ease the repercussion from the merger afterwards, it can be argued that this is a long-term post-effect that must be dealt with

gradually rather than something that can be solved over a few meetings, as shown in the quote:

> To be honest not many of us would like to talk about the merger, because we were not involved in the decision making process... I think the merger should be looked at this way: the government wanted to make the higher education sector better and they did the reform in order to achieve it. But some part of the reform appeared to be a bit hasty if you look at it now. (MM 2)

In a sense, the merger is like trying to bring the different pits of statues in the Terracotta Army together, yet in essence they still remain separated in the end.

7.3.2 HR system – breaking the "iron rice bowl"

The implementation of "Zhiyuan zhi" (staff appointment scheme) has gained approval from most of the interviewees. It has broken the established life-long employment, which was a distinctive feature of the traditional public sector human resource management and it marks the movement towards private sector style flexible hire and reward schemes (Hood, 1991). Within such schemes, the authority of appointing staff has been delegated to school level. Head of Schools now have the authority to recruit people who are suitable for the school's specific requirements for posts under the level of Senior Lecturer. As claimed by most Middle Managers, there has been much more freedom in the human resource system than before the reform:

> ... we have much more decision making power regarding staff appointing... we can also set our own allowance reward scheme, which is helpful in promoting people's enthusiasm in working. (MM 7)

> Now that the school has the authority to recruit people according to its own requirements, unless in some exceptional cases where some very famous or prestigious scholars need to be appointed, our school usually has the final say on who gets the post. (MM 5)

Meanwhile, the common problem in the public sector regarding staff redundancy still exists. One of the main tasks of university managers is to improve institutional efficiency. Yet they feel constrained in making any major changes in the staff

structure of their schools/university as they do not have the power to dismiss unproductive or ineffective staff, as the following interviewee indicated:

Now that is a problem...You can't dismiss a member of staff unless he has violated certain rules. You can't tell them to go home just because he's not working as efficiently as others... There are some posts in this university that are quite redundant... I mean if we can combine the (limited) responsibilities of these posts with others, it might be more efficient. (SM 2)

This problem is largely due to the social background of the Chinese society. The old "iron-rice-bowl" human resource management style still remains in people's way of thinking regarding jobs in public services. As long as society expects them to provide a whole-life package of care for their employees regardless of the level of the individual's contribution to the university, the universities will not become fully self-autonomous. Much work still needs to be done in this field in the future, possibly by re-evaluating the existing rules along with introducing appropriate individual performance measurement systems.

Parallel to the changes in the staff hiring policy, the remuneration system has also become more flexible. The old state-planned salary system was superseded by the double track system, where each school has its own "internal allowance" that can be distributed according to its own performance measurement system. The specific metrics were not available due to the lack of public information. However, conversation with interviewees revealed at least the following criteria that have been adopted by most schools in their performance measurement systems: (1) teaching hours; (2) papers published in international journals; (3) projects undertaken; and (4) academic awards granted.

Meanwhile, it has been noticed that the assessment criterion of individual performance heavily relies on research instead of teaching. This has considerable influence on how the assessment is carried out and has caused concern in some of the interviewees:

The assessment itself has some problems too...I know one of the Head of School in X School. He used to be ranked as 1st in our university's performance measurement, yet

he's got very low score in another national assessment... this scheme just has its problem. (SM 2)

This is possibly caused by the manipulation of the university's own performance measurement system. The heavy reliance on research not only exists in the performance measurement of individuals but for schools as well. Such systems have also caused a loss of balance between teaching and research activities, and, as some of the interviewees are concerned, this may impede the development of the university in the future (as will be discussed in the later section):

I've been in this university for over 25 years... University C1 used to have this tradition in excellent teaching. But nowadays everyone focuses on research instead. No one wants to do the teaching. This is terrible and I feel really bad about this. And I think unless we find a solution to this, it's going to cause an even bigger problem for the whole higher education system. (SM 1)

Such contradictions between teaching and research have already been mentioned earlier in Section 7.3.1. According to Hayhoe (1996), university authorities have a general expectation that faculties in research institutions should spend two-thirds of their time on research and one-third on teaching; while the reverse expectation is commonly held in teaching institutions. Yet after the introduction of competition in the Chinese higher education sector, the resources and funding of universities are largely determined by their research output and the proportion of graduates entering employment. Inevitably, when such competition is introduced among the higher educational institutions, rewarding winners and showing up losers, faculty members have experienced intensified work pressure to improve their research profile (Mok, 2000), as most of the interviewees stated:

University C1 now orients itself as a research-led comprehensive university. This is understandable, as the improvement in research is the determinant in getting those largest amount of funding such as 211 and 985 Projects... and [it's] very important in the development of HEIs. But now it's obviously inclined in favor of achievements in research over anything else. Young teachers that are new to this university have adjusted themselves better to it because when they are hired, their research profile is an important criterion. But other staff, especially some old professors that have been very good at teaching... it has been difficult for them to catch up. (MM 1)

For schools specialized in social sciences, it is very unfair because we are very unlike to outperform schools such as engineering and sciences... the percentage [of these schools] in getting funding from government and the MoE is much higher... (MM 7)

To counterbalance the excessive focus placed on research, the university has been making efforts to encourage people with teaching by organizing awards in teaching competitions. However, as reflected in the comments of most interviewees the effect of such actions is limited. The suggested solution to this problem may be to reset the performance measurement system so that it includes an appropriate rewarding scheme.

7.3.3 Financial system and budgetary mechanism

With regard to the financial system, managers in Chinese universities appeared to be very reluctant and concerned about revealing certain types of information. This is due to the fact that traditionally, everything regarding financial matters remained inexplicit most of the time. Efforts have been made to make the current financial system more transparent compared to before the reform. The introduction of online accounting systems has played an important part in helping to enhance the accessibility of financial information. Under the "Guanli zhongxin xiayi" (devolution of management focus) scheme, a block grant is given to the school at the beginning of each year according to the plans they submitted last year. Instead of receiving itemized budget with specified uses as it used to be, schools now get a big chunk of money to spend, although a large proportion of this still goes to salaries, which is a typical problem of service industries and has also been recognized in the two case studies in the UK (this will be discussed further in Chapter 9).

Also the university now encourages schools to become more entrepreneurial by generating their own income as "there are never sufficient external resources to fund research" (Tomkins and Mawditt, 1994). It seems that some schools are more apt in getting funding through various approaches including training, consultancy and adult education, while others are less advantageous at this. And this has resulted in certain resentment in some Heads of Schools:

Some schools such as the School of Management can earn a lot of money by their MBA, EMBA and Master courses. We can't do that. I guess all schools with elementary/basic subjects such as Physics, Science, etc are not doing well in this... we used to provide preparatory courses for students who want to do Master courses here. Now it's forbidden by the Ministry of Education. That has cut our school income a lot. (MM 2)

The MoE insisted that "teaching and exams (i.e. the Graduate Record Exam) must be separated" to prevent potential corruption (MoE, 2004), and therefore none of the institutions recruiting postgraduates is allowed to have such kind of preparatory courses for the Graduate Record Exam.

Nevertheless, schools are now more financially motivated to generate their own income. A percentage of "tax", as described in Tomkins and Mawditt (1994), which is around 20% to 30% of the total self-generated income, is levied on all schools to cover central service costs including central administration, library, central computing and estates expenditure. This has greatly enhanced the financial awareness and accountability of managers, especially the Heads of Schools.

However, most of the Middle Managers regarded the current financial system as still largely centrally-controlled. Schools do not have their own accountants and the job of the Vice Head of School in charge of finance is mainly to deal with the budgetary plan. Although there has been recognition of cost centre to devolved budgeting which has been described in Hood (1991) and Peters (1996) as a distinctive NPM feature:

Schools are not independent units and thus don't have their individual accounts or financial centre. Larger scale schools such as School of Management have financial sub-centres which serve mostly as cashier. (FM 1)

We can see that schools are, in the definition of Anthony (1988), cost centres rather than profit or investment centres, as they do not have the power to make full decisions in controlling their expenditure:

7.3.4 Devolution of managerial authority: rhetoric or reality?

As part of the university reform initiatives, "Guanli zhongxin xiayi" (devolution of management focus) was aimed at devolving more managerial decision-making power to the school level, so that schools can operate in a more independent and therefore, more efficient way. This has been labelled as one of the distinctive characteristics of NPM (Hood, 1995; Ferlie *et al.*, 1996).

However, further probing into its actual practices reveals different premises. Firstly, Heads of Schools still do not have the ultimate authority over many managerial issues. Decision-making power is still largely held at the university level. Secondly, the financial and human resource related authority has not yet been entirely devolved to the school level. Although Heads of Schools now have much more freedom in the allocation of funding and appointing staff than before, the authority is still rather limited and conditional in many circumstances. For instance, with regard to human resource, for the members of staff below Senior Lecturer that the Head of School is able to hire, certain administrative procedures still have to be followed and agreement from the university top managerial level (i.e. Vice Principal in charge of human resource) has to be obtained before the final decision; whilst posts such as Senior Lecturer and Professor are not weighed upon the decision of Heads of Schools at all. With regard to financial matters, the block grant that each school receives from the university is subject to restrictions which have been discussed further in Issue 2 and 3 respectively.

The negative responses of Middle Managers to whether they have genuine decision-making power now than before suggest that the devolution of power is rather rhetoric. There has been limited improvement though, according to Middle Managers:

> *It's better than before... actually our level of decision making authority is still relatively low. Most of the key issues are still decided by higher level of the university. (MM 7)*

It can be observed that there has not been a significant, if any, devolution of decision making power throughout the entire new structure. The authority appears to be remaining in the key Senior Managers that applied it before the merger. However,

there has been a transfer of decision-making power from higher to lower levels of the university instead of complete devolution. It is more of a delegation, of which the authority can be withdrawn at the discretion of the delegating unit, rather than a devolution, of which the authority is transferred to an autonomous unit that can act independently without first obtaining permission (Hanson, 1998; Bray, 1999). It has been argued that in the long run, devolution is more effective as it provides continuity in the change process, whilst delegation often brings with it the so-called "yo-yo decision-making pattern" as newly-appointed (and frequently changing) educational leaders delegate or retract authority depending on their motivations of the moment (Hanson, 1998).

7.3.5 Academic managers – a balancing act

Many Senior Managers and Middle Managers interviewed have also encountered conflicts between their roles as manager/fund-raisers and academic leaders. For these academic managers, there are now both traditional and new elements of public management expectations: traditionally they were only expected to oversee research and teaching activities, and staff morale; whilst now there are additional responsibilities including finance, individual performance measurement, and enhanced public accountability (Deem, 2004). As most of the senior members of staff were never professionally trained before to take on managerial tasks, they have experienced complications when trying to reconcile the two disparate functions. Many interviewees expressed difficulties in switching between these two roles and one has to divide his/her limited time between teaching, research, and management, as shown in the comments below:

> I think it is an issue about time management... now I have three aspects to spend my time on: management of over 400 staff, my research and teaching, and personal time* [*after-work time]. The first two are obviously more important, so sometimes I have to sacrifice my own time for them... Both responsibilities as School Party Committee Secretary – managerial, and as a professor – academic, are very important. But if time doesn't allow you to do both and there are conflictions between them, then the managerial responsibility has priority. (MM 2)

> The biggest personal challenge is on the academic research. I did a rough estimation: Party Committee Secretaries like me mostly spend 70% of their time on management,

while only 30% on research... that's also why our school has carried out the "Zhiyuan zhi" reform scheme... so that the staff can focus on only one aspect of the job. (MM 4)

Managers therefore need to find a way of balancing these conflicting priorities in their limited time. And this is usually very difficult to achieve unless there are good support facilities (see Knight and Trowler, 2001, p. 141)

The pressure of keeping a research profile also comes from external environment where job positions are indirectly related to research publications:

> *In Chinese universities, almost all Heads of Schools are professors, and also renowned professors, otherwise it is very hard to take on the leadership of a whole school... For myself, as I haven't published papers in international journals yet, I was really nervous when I first took the job as Head of School. With my research experience, will I be able to lead the school to a better future? It was a lot of pressure. (MM 7)*

It seems that managers are expecting a scheme which can ensure them to be provided enough time dedicated for research without worrying about being left behind in his/her career path. An example of this would be the sabbatical scheme in British universities. It has also been suggested that the newly launched "Zhiyuan zhi" (staff appointment scheme) is partially aimed at solving this problem by making managerial posts contract-based. However, whether it has been effective in practice remains unclear, as the reform is still at its early stage. Meanwhile, the use of professional managerial staff rather than lay managers for some senior management posts and setting up good retirement schemes are both recommended.

7.3.6 Relationship with the government – decentralization and recentralization

The government still has a significant role in the distribution of the funding to the university and shares what was described by Hood (1995) as a "low-trust relationship" with the university. In addition, the local governments have considerable influence on the autonomies entitled to universities. Being directly supervised by the MoE, however, University C1 has been granted greater freedom in this aspect:

Our university is more special as it is not a provincial level institution. It belongs to Ministry of Education directly. Therefore, the interference of local government is less, or rather; the issues that they can interfere with are limited, although as the interferences are less, the investment in us has also dropped accordingly. (MM 3)

Nonetheless, the state's role as a regulator and overall service coordinator seems to have been strengthened rather than weakened under the policy of decentralization. As the state government still keeps a close watch on development and changes that take place in the higher education sector, it is less likely that a genuine devolution of authority can take place in China, especially under a single dominant party retaining the Maoist and Leninist traditions. Therefore, we can easily find the co-existence of both decentralization and recentralization trends in the higher education sector in China, or as what was described in Henkel (1997) "centralized decentralization". Seen in this light, it is wrong to argue that once the decentralization policy is implemented in the education sector, the role of the control of the state will automatically diminish. In contrast, decentralization may be a mechanism for tightening control instead of a genuine devolution of state powers (Hawkins, 2000).

7.3.7 Influence of the Party power – the shadow organization

As described in Chapter 3, the Party Committee structure as a shadow organization is a unique characteristic of HEIs in China. In the case of University C1, at all levels in its managerial structure, there are corresponding Party Committees. At the top management level, the University Party Committee Secretary holds the same seniority as the Principal. At school level there is a School Party Committee Secretary in each school who works in parallel to the Head of School.

The responsibilities of university Party Committee Secretary are rather vaguely defined. In 1991, the basic principle of the university's managerial structure was promulgated by the MoE as "Dangwei lingdao xiade xiaozhang fuzezhi" (the Principal-responsibility system under the supervision of Party Committee) or "Xiaozhang fuze zhi" (the Principal-responsibility system) in short (University C1, 1991). In theory, the Party Committees are responsible for the "appropriate political

direction" (more of a moral/ideology aspect) of all actions of the university. However, the manner in which such principles are carried out in practice remains unclear. A general confusion regarding this issue was also found in the interviews held with Senior Managers and Middle Managers. In practice, the understanding of "Xiaozhang fuzezhi" (the Principal-responsibility system) has been given various implications. According to the interviewees' accounts, several different types of relationships exist between the Principal and the University Party Committee Secretary. They can either be co-operating, working as partners or with one superior to the other in making managerial decisions. There has not been any official settlement for it and according to the interviewees, it seems that it varies to different circumstances, sometimes relying more on the specific person's charisma or capability of taking on the leadership.

In some universities, such as Beijing University, the Principal comes second to the Party Committee Secretary; while in other cases it may come as reversed. It's not set... In our university, I think Secretary works second to the Principal. (SM 1)

This is in line with the *In Search of Excellence* model in Ferlie *et al.* (1996) with a stress on charismatic forms of top-down leadership – identification of charismatic private sector role models for the new style public sector.

The relationship between the Heads of Schools and the School Party Committee Secretary, on the other hand, is relatively clearer. The basic notion is "Gongtong lingdao, gongtong fuze" (co-operation and mutual responsibility). The School Party Committee Secretary usually serves as another Head of School, and takes decisions together with the Head of School on various management issues. According to most Middle Managers, whether they can co-operate well has great impacts on the performance of the whole school. In some cases where no appropriate person can be found for one of the post, these two roles are served by the same person, which is claimed to be beneficial as it avoided potential confliction between two decision-makers. As commented by the interviewees:

... as long as they (the Head of School and School Party Committee Secretary) can get along well with each other in work, there shouldn't be a problem. In our school, the

case is a bit different as I also co-occupy the post of Party Committee Secretary. This has saved some unnecessary trouble... (MM 2)

When being asked whether this kind of political party control over university management will be eliminated in the future, one Senior Manager answered (during the interview, however, the interviewee insisted the recorder to be turned off while he commented on this question):

It is very unlikely such control can be either eliminated or loosen in the near future. As long as CCP is on the throne, the Party structure is going to keep its existence in university structure. (SM 2)

As another interviewee commented: "in China, the government is the communist party; the communist party is the government. There isn't much fundamental difference between them" (MM 2). Such surveillance function of the Communist Party in some sense resembles the Panopticon described in Foucault (1977) – it exists in every level of the organization with the form of a shadow organization.

7.4 Inferences of the case study

As described in Chapter 3, being one of the 211 Project universities, University C1 has been receiving constant support from the state government and the MoE in an effort to help it become a "world-class research-led comprehensive university". However, despite all the efforts made, there exist essential problems that need to be addressed.

Its human resource system has been made more market-oriented with the launch of "Zhiyuan zhi" (staff appointment scheme). Heads of Schools have been given authority to appoint staff who meet the requirements of the school with regard to each school's specific needs and context. The performance of the staff is now evaluated regularly to decide the remuneration that they receive from the schools. Meanwhile, the most significant change in the human resource system is the fact that permanent tenure is disappearing and an increasing number of academics are now on contract-based employment. This along with the new remuneration system has

prompted a sense of accountability among staff, which was absent prior to the reform. Although it might have also brought much pressure on the staff and problems still exist in the criteria that have been used for the system, it has been successful in promoting the sense of accountability among staff.

Financially speaking, University C1 is still largely dependent on the government. 50% of its income comes from funding of MoE and other governmental organizations. Nevertheless, it has still made considerable achievement in getting more diversified funding resources. Schools now have certain amount of self-generated income to distribute on innovative initiatives and staff rewards.

Judging from both the human resource and financial system, it can be concluded that managerial roles however have not really been fully devolved. The merger, which has received huge amount of negative feedback, was done without much consideration of the situation at the time. As an example of top-down management reform action, there clearly appears to be a lack of communication between the university and the MoE. Many potential factors that caused the conflicts after the mergers have not been fully taken into account. The majority of staff do not like the reallocation of their positions and the change of roles. As claimed by one of the interviewees, it is a "government action" which was forced upon HEIs with administrative orders. On the surface, after the merger, the scales of universities have grown significantly over the past few years. Yet there are more problems caused by the merger than the benefits that it brings to the institutions. Many factors should have been taken into consideration before the merger. In the future, it is recommended that the government should first think of how these HEIs differ in their academic environment and cultures, as well as their experiences in management before taking on such merger actions.

Meanwhile, the university's aim to build a "world-class research-led comprehensive university", along with the need for funding from research organizations has meant that much emphasis has been put on research, which has caused an imbalance between the priorities of research and teaching.

Some distinctive NPM elements recognized in the reform of C1 can be generalized in Table 7.2.

Table 7.2 Application of NPM elements in University C1

Issues	NPM elements adopted
1. Structural changes	- Decentralization - Disaggregated units - Top-down managerial change
2. Human resource scheme and remuneration system	- Performance-related pay - Private sector style hire and reward scheme
3. Financial management and budgetary mechanism	- Resource allocation linked with performance measurement - Identification of cost centres to devolve budget
4. Devolution of managerial authority	- Shift of power to lower level
5. Role of academic managers	N/A
6. Relationship with government	- Decentralization and recentralization
7. Influence of the political party power	N/A

Instead of delayering into fewer tiers between top and bottom, the structural changes in C1 showed distinctive NPM element of decentralization with disaggregated units (Hood, 1991; Peters, 1996). And the merger appears to be one top-down managerial change (Ferlie et al., 1996). The shift of power from the government and the MoE to individual universities and from university central administration to school level can be both observed. Elements such as performance-related pay and more flexible hire and reward scheme in its human resource system, as well as increased cost consciousness can also be found in the reform changes. However, it is worth mentioning here that changes sometimes can be appearing on the surface only or to certain extent. In the case of C1, the devolution of managerial authority to the school level has been regarded as partially.

7.5 Summary

In this chapter, the reform in University C1 has been examined from seven aspects. Using the NPM framework presented in Chapter 2, several distinctive NPM elements can be recognized. In the structural changes, there are the elements of decentralization and disaggregation (Hood, 1991; Peters, 1996); for changes in process, performance related payment/resource allocation have been adopted (Hood,

1991; Osborne and Gaebler, 1992; Ferlie *et al.*, 1996); with regard to the role of the government, both tightening of control and devolution of power are recognized (Hood, 1995; Henkel, 1997).

Overall, it can be concluded that although there has been introduction of various NPM elements into the reform of University C1, it has been relatively less popular than in the two case studies in the UK. Some changes are notional rather than fundamental. Meanwhile, the political party's influence on the university's management has been a unique feature of Chinese universities. The Communist Party can exert its power through the setup of party committees at various managerial levels of the organization, which is a phenomenon absent in the UK cases.

University C1 is representative of the "elite" group of universities in China. In the next chapter, the focus will be shifted to a non-211 Project university to see how non-elite universities manage to cope with the changing higher education sector.

Chapter 8: Case Study C2

8.1 Introduction

In Chapter 7, the case study of University C1 has been examined and analyzed. As one of the 211 Project universities, University C1 belongs to the elite group of HEIs in China. And as one of these institutions, University C1 has been enjoying many benefits such as more funding opportunities and less interference from local government in management. In this chapter, the attention will be focused on the non-elite group of universities, as represented by University C2 in this study, to examine the commonalities and divergences in the way this group of universities have conducted managerial reforms.

The background information of the reform in University C2 will be given in Section 8.2. Then the issues encountered during the reform will be set out in Section 8.3 for six aspects. Section 8.4 analyzes these issues with reference the theoretical framework that has been set out in Table 2.10. A conclusion will be drawn at the end in Section 8.5.

8.2 Background information

Adjacent to the east border of Shaanxi Province is Henan Province, where the second case study took place. University C2 was first established in 1912 as a Preparatory School for Further Study in Europe and America. In 1930, it came under the supervision of Henan provincial government with five schools: Humanities and Social Science, Science, Agriculture, Laws and Medicine, and was given the name H University (*pseudo name). During the Sino-Japanese War from 1937 to 1945, the external environment changes forced the university to move to different provinces several times. When it finally settled down in June 1949 in Henan Province, where the famous Shaolin Temple is located, it only had a limited number of majors, as the Medical School and Agriculture School left the university to form individual speciality institutions. The previous academic structure of schools was changed into a departmental structure. In 1979, it was renamed H Normal University (*pseudo

name) and had an Education Department set up. As the name suggested, it mainly focused on the education for training teachers and the establishment of teaching norms. In May 1984, the university resumed its original name and initialized its gradual change into a key comprehensive university in Henan province by adding more new subjects to the existing curriculum. As a normal university before 1984, there were only 14 undergraduate majors, while nowadays it has been increased to 72 undergraduate majors, along with 53 postgraduate majors covering a wide range of subject areas.

The merger proposal announced by the State Council in February 2000 also included University C2 among the other 158 HEIs. In July 2000, the provincial committee of the CPC deliberated over the merger of University C2, University C2-medical, and University C2-normal into a new comprehensive university with eleven branches of academic subjects, including liberal arts, science, engineering, economics, management, law, philosophy, education, history, agriculture and medicine. Information about the academic structure of C2-medical before the merger was not available in publicized sources. C2-normal was comprised of four departments, namely, Chinese Department, History Department, Geography Department and Foreign Languages Department. Both C2-medical and C2-normal were under the joint supervision of provincial and local governments before the merger. Table 8.1 provides some information of these three institutions in year 1999 before the merger. Due to the lack of public information resource, some figures were not available at the time of study.

Table 8.1 Three institutions before the merger

	University C2 (pre-merger)	University C2-medical	University C2-normal
Year Founded	1912	N/A	N/A
Student Number	25,000	N/A	N/A
Staff Number	N/A	N/A	N/A
Main Academic Units	14 Schools 3 Departments 4 Research Centres	N/A	4 Departments
Specialization	Comprehensive	Medical science	Normal
Supervised By	Henan provincial government	City government	City government

Source: University C2 (2005)

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After the merger, University C2 now consists of 25 schools, four teaching departments, and one teaching centre (University C2, 2005). In the academic year 2003, the total student enrolment was 22,000 (University C2, 2003). The accurate numbers of student and staff over years are yet to be obtained due to the restriction of online access to the University's Yearbook. According to information available from other sources however, from 1999 to 2005 the total student number has increased threefold, and now there are over 30,000 students who receive full-time education in University C2 and 3,547 members of staff (University C2 internal report, 2005).

Again, no explicit reasons for the merger can be found anywhere in the published documents, apart from the claim in the proposal issued by the MoE stating that it is beneficial for resources utilization among universities (MoE, 2000). As a top-down management decision, it did not allow much discussion between the universities and the government and therefore caused various problems in the newly founded institution. After the merger, University C2 initiated reforms in its organizational structure, human resource system, and financial processes in order to improve the situation. These changes will be examined in detail as follows.

8.2.1 Organizational structure

A review of the current institutional structures of University C2 shows that it consists of four essential parts: the Party Committee structure that represents the power of the CCP, the academic faculty structure, the administration structure which is led by the Principal, and support services (see Figure 8.1).

Four distinctive parts of the structure can be recognized: Party Committee, Academic Faculty, Administration which is mainly the operational management function of the university, and Support Services. Here we draw the attention to two specific parts: the Academic Faculty structure (Table 8.2), and the Party Committee structure Figure 8.2).

Figure 8.1 Organizational structure in University C2
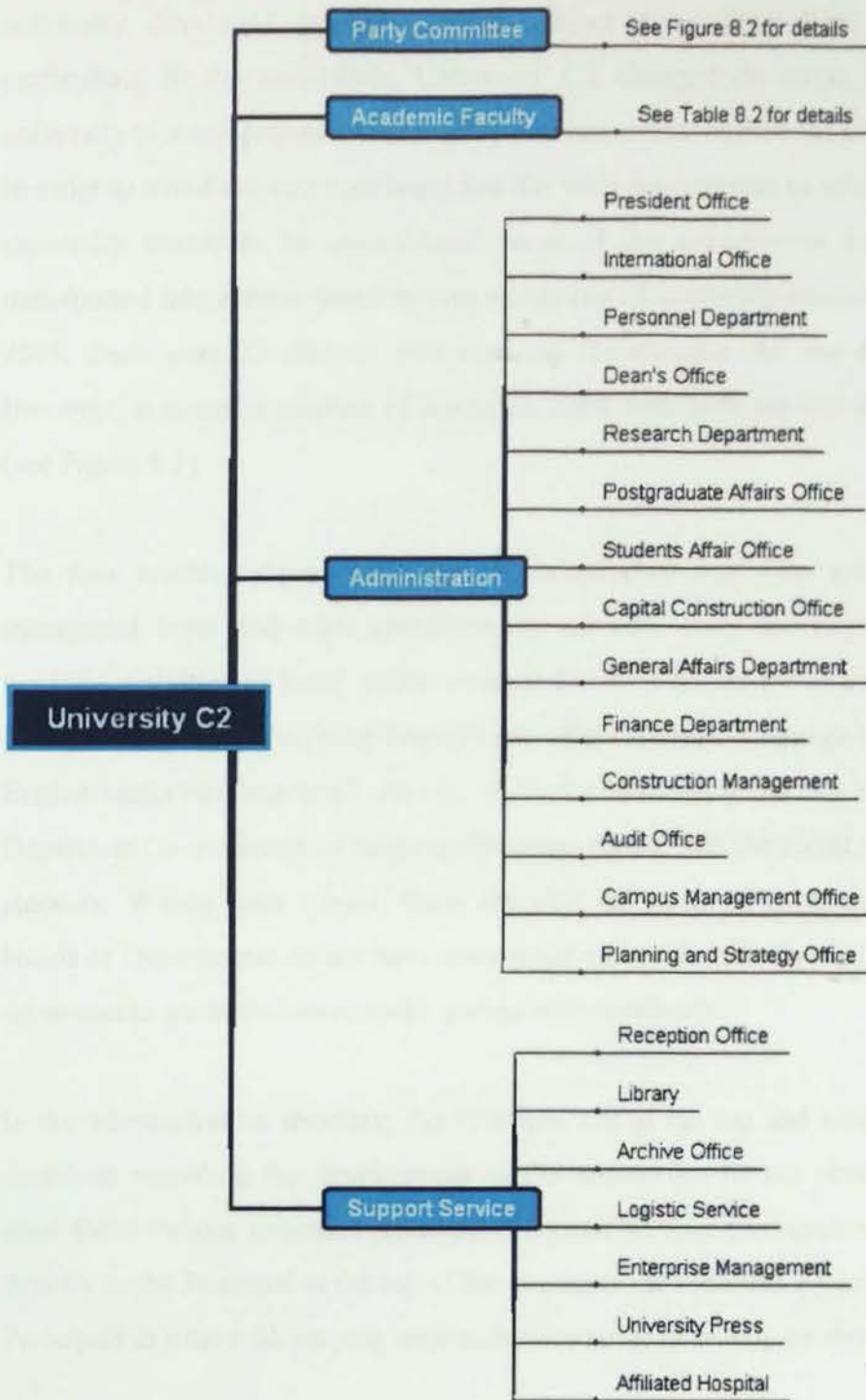
Source: University C2 (2005)

The old academic structure of University C2 was a two-tiered university-department system, which was originally established in the 1930s with five departments, including Humanities and Social Science, Science, Agriculture, Laws and Medicine.

Under each department there were also research groups called Offices. As the university developed gradually, more subject areas have been added to the curriculum. In the mid-1980s, University C2 changed its status from a normal university to a comprehensive university and had a total number of 125 subject areas. In order to avoid the structure being too flat with departments as academic units, the university started to be consolidated some of the departments into schools and transformed into a three-tiered system consisting of university-school-department. In 2005, there were 25 schools, five teaching departments and one teaching centre. However, it is still a mixture of academic units with both schools and departments (see Figure 8.2).

The four teaching departments are all independent academic units at the same managerial level and with authorities as schools. They are responsible for the teaching activities of basic public courses for all schools: for example, the Public Foreign Languages Teaching Department offers English language courses to non-English major students in all schools; whilst the Marxism-Leninism Moral Education Department is in charge of teaching Marxism theory and the moral education of all students. Within each school, there are also sub-units of departments. However, Heads of Departments do not have managerial authorities devolved to them and these departments are more like research groups within schools.

In the administration structure, the Principal sits at the top and makes the ultimate decisions regarding the development of the university. At the senior management level these various responsibilities are delegated to Vice Principals who then report directly to the Principal at the top of the management structure. There are seven Vice Principals in total with varying responsibilities some of which are shown in Table 8.2.

It can be observed that the responsibilities of each of the Vice Principal have been clearly spelt out in the university's regulation. Apart from casual individual reports to the Principal, VPs also hold regular meetings altogether with the Principal as well as Secretary of the Party Committee to discuss various managerial issues.

Figure 8.2 Academic structure of University C2

Schools (25)	- School of Literature
	- School of History and Culture
	- School of Foreign Languages
	- School of Management
	- School of Economics
	- School of Law
	- School of Education Sciences
	- School of Chemistry and Chemical Engineering
	- School of Computer and Information Engineering
	- School of Arts
	- School of Physical Education
	- School of Philosophy and Public Administration
	- School of Environment and Planning
	- School of Mathematics and Information Science
	- School of Physics and Information Optoelectronics
	- School of Life Science
	- School of Civil Engineering and Architecture
	- School of Journalism and Communication
	- Medical School
	- Pharmacy School
	- Nursing School
	- School of International Education
	- School of Adults Education
	- MinSheng School[9]
	- People armed School
Teaching Departments (4)	- Public Foreign Languages Teaching Department
	- Marxism-Leninism Moral Education Department
	- Public Computer Teaching and Research Department
	- Public Physical Education Teaching Department
Teaching Centre (1)	- Basic Experiment Teaching Centre

Source: University C2 (2005)

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[9] The Minsheng School has been set up as an "Erji xueyuan" (Secondary School) which is funded by private organizations outside the university to bring in extra income. It is a relatively independent academic unit with its own financial department and provides undergraduate courses in 26 majors. Most of the state-run universities in China nowadays have such non-state run colleges/schools subordinate to the universities for diversified financial resources. This will be explained further in Section 8.3.2.

Table 8.2 Designated responsibilities of Principal/Vice Principals

Position	Responsibility
Principal	In charge of overall administrative
Vice Principal 1	Accountable to the Finance Office, the Campus Management Office and affiliated schools
Vice Principal 2	Accountable to the Dean's Office, Student Affairs office, Audit Office, School of Adults Education
Vice Principal 3	Accountable to the Science and Technology Office, University Press, and take charge of academic periodical, key course and the construction of key scientific research institution
Vice Principal 4	Accountable to the Capital Construction Office, and in charge of the construction of the new campus and the work of Physical Education Committee
Vice Principal 5	Accountable to the General Affairs Department, Logistic Service, university enterprise and affiliated hospitals, Reception Office
Vice Principal 6	Accountable to the Equipment and Experiment Management Office, Library, assist Principal managing human resource work, and in charge of the construction of key labs
Vice Principal 7	Accountable to the Postgraduate Affairs Office, International Office and Adults Education College.

Source: University C2 (2005)

For the party committee structure, it is parallel to the administration structure (see Figure 8.3). The Secretary of the Party Committee sits at the top of this structure and holds the same level of seniority as the Principal. Each school also has its own party committee which is led by the School Party Committee Secretary. The responsibilities and roles of Party Committee Secretaries at different levels will be discussed later in Section 8.3.1.

The Discipline Inspection Commission was set up as a surveillance unit to prevent potential corruption and to keep a high moral and discipline standard inside the university's political party. It reports directly to the local government's Discipline Inspection Commission. Also worthy mentioning here is that the Discipline Inspection Commission works in collaboration with the university Audit Office as well.

Each school has its own party committee which is led by the School Party Committee Secretary. There is also party committee at the top level of university management, which is led by the University Party Committee Secretary.

Figure 8.3 Party Committee Structure in University C2

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                                        ┌──────────────────────────────────┐
                                    ┌───│      Party Committee Office        │
                                    │   └──────────────────────────────────┘
         ┌────────────────────────────┐ ┌──────────────────────────────────┐
         │ Discipline Inspection Commission │──│     Organization Department      │
         └────────────────────────────┘ └──────────────────────────────────┘
                     │              ┌──────────────────────────────────┐
                     │          ┌───│         Publicity Office          │
                     │          │   └──────────────────────────────────┘
┌──────────────────┐│          │   ┌──────────────────────────────────┐
│  Party Committee  │├──────────┼───│          Military Office          │
└──────────────────┘           │   └──────────────────────────────────┘
                               │   ┌──────────────────────────────────┐
                               ├───│      Student Service Office       │
                               │   └──────────────────────────────────┘
                               │   ┌──────────────────────────────────┐
                               └───│   Retired Human resource Office   │
                                   └──────────────────────────────────┘
              ┌──────────────────────────────────┐
          ┌───│            Labor Union            │
          │   └──────────────────────────────────┘
          │   ┌──────────────────────────────────┐
          ├───│      Communist Youth League       │
          │   └──────────────────────────────────┘
          │   ┌──────────────────────────────────┐
          └───│   Party Committees of the Schools │
              └──────────────────────────────────┘
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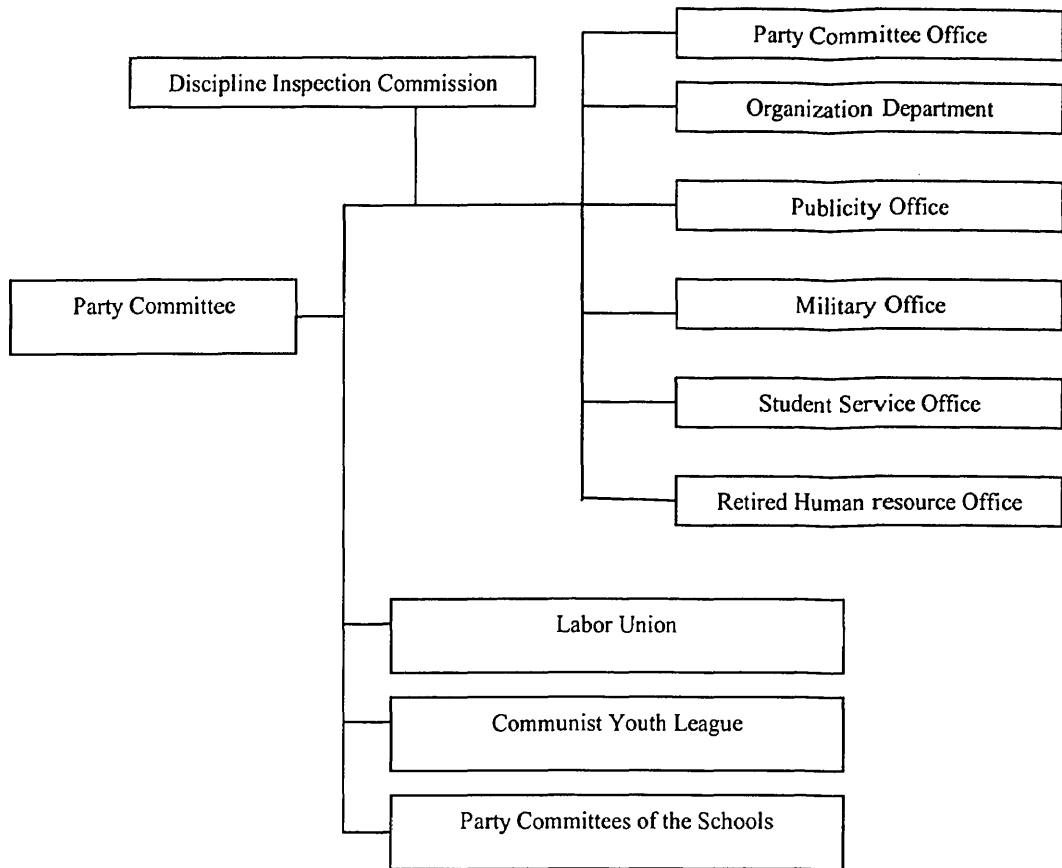
Source: University C2 (2005)

8.2.2 Financial system and budgetary process

The financial system of University C2 was established as a typical centralized one like most Chinese state-run universities. Schools did not have their own finance departments. All expenditures/income had to be processed from the university central finance department. Moreover, schools did not have any financial authority of their own – an itemized budget was granted to schools each year with specified use.

After the merger, the university decided to replace the allocation of itemized budget with a block grant every year according to the schools' enrolment plans for next academic year. Meanwhile, the changes in staff remuneration system (which will be discussed in Section 8.2.3) have also provided incentives for schools to generate their

own income. Therefore, schools are now encouraged to generate their own income, which at the moment mainly comes from three sources:

1. Part-time graduate entrance exam courses

2. Professional training courses

3. Recruitment from "Erji xueyuan" (Secondary School)

The third source: recruitment from "Erji xueyuan" refers to the non-state run colleges/schools subordinate to state-run universities, which in the case of University C2, Minsheng School. Most HEIs now have this kind of colleges/schools affiliated to the university. These units are sponsored by enterprises and are operated by them, whilst the university supports it with teachers and shares a certain percentage of its income.

A chart was obtained from the Finance Department showing the income/expenditure of University C2. The exact financial figures were eliminated for reason of confidentiality. However, it shows the composition of major income and expenditure of the university (Table 8.3).

Table 8.3 Income-Expenditure Distribution of University C2

Income	Expenditure
1. Financial Assistance Income	1. Human resource Expenditure
2. Specific Financial Income Budget	2. Public Expenditure - Teaching and Research Expenditure - Administration and Service Expenditure
3. Other Income	3. Financial Expenditure
4. Bank Loan	4. Basic Construction Expenditure

Source: University C2 Financial Report (2005)

In the income column, the "Other Income" represents the self-generated income. Also loan from banks have become more important for the university as the public funding from government could not compensate for the expenditure. This has become an issue for the university which will be addressed later. In the expenditure column, the basic construction expenditure counts for a considerable part, especially after the merger.

8.2.3 Human resource system

The major changes in the human resource system brought by the reform were in the remuneration scheme and the recruitment process. As mentioned earlier, in order to encourage schools to generate their own income, the university now requires schools to pay part of their staff remuneration fee. At the moment 30% of the remuneration is paid by the school, while the rest 70% remains being paid by the university (University C2, 2005). For the staff recruitment process, the decision-making power remains being held at the university level. However, the schools now have recommendation on whom to hire, and usually the university supports the schools' decisions as long as it is in line with the university's basic recruitment policy.

8.3 Issues addressed

With the reform initiatives in structure, finance, and human resource management, C2 has changed in many aspects of the way that the university is managed. The following six issues have been addressed during the interviews with managers in University C2: (1) interference of the political party power; (2) structural changes and merger effects; (3) devolution of managerial authority; (4) human resource scheme, performance measurement and remuneration scheme; (5) financial system and budgetary mechanism; and (6) relationship with the government. Each of these issues will be explained in details as follows.

8.3.1 Interference of the political party power

Like all other HEIs in China, University C2 has its political party structure set up parallel to the administration system. Party committees exist as a "shadow organization" (Stacey, 1996; Shaw, 1997) at all levels of the university's organizational structure.

The interference of CCP on the university's management can be recognized in two different styles at both the school level and the university level. At school level, the

party committee's function is mainly to perform surveillance on the operation of school. Such function is called "Gongtong lingdao, gongtong fuze" (cooperation and mutual responsibility) and is achieved by the collaboration between the Secretary of School Party Committee and the Head of School, sharing managerial tasks which are comprised of three main parts: teaching, research, student management. At university level, however, the relationship between University Party Committee Secretary and the Principal is called "Dangwei lingdao xiade xiaozhang fuzezhi" (Principal responsible scheme under the supervision of the party committee). Both schemes are in accordance with the promulgation by the MoE in 1991 (MoE, 1991). Yet in practice, they are vaguely defined and vary within the university/school's specific context according to the interviews. There are various interpretations of the relationship between the University Party Committee Secretary and the Principal, for example:

"Dangwei lingdao xiade xiaozhang fuzezhi" (Principal responsible scheme under the supervision of the party committee)... the relation between them is actually very subtle and obscure. To put it in a nationwide context, I think it depends mostly on the leadership charisma. For example, in this university, the current Principal is a very established academic; therefore he put more emphasis on the research and has more influence on the university's strategic development. (MM 4)

In some other cases where the Party Committee Secretary is more apt to the managerial tasks and stronger in terms of leadership, he might take over the role of the Principal. (MM 4)

Whilst at the school level, the definition of such relationship is relatively clearer:

We (*Head of School and the School Party Committee Secretary) work together most of the time, and share the managerial tasks between us... there isn't much fundamental difference in our roles... we make the decision and take responsibility of it together (MM 2).

The role of the School Party Committee Secretary is to support the Head of School... not as an assistant to him though because they are on the same management level... we have a weekly meeting scheme of both administration and party committee and all decisions have to be agreed by both the Secretary and me (MM 1)

I think... the so-called "supervisory and surveillance function" means that the Heads of Schools should cooperate with the School Secretaries to ensure that no problems happen in the school. (MM 3)

Judging from the interviewees' accounts above, the ambiguity and complexity existing in the definition and the explanation of it are obvious. It seems that the relationship between the Party Committee Secretary and the manager who works at the same level is rather loosely defined and can be adjusted within specific context. The second and third quotes above especially correspond to what has been described in Ferlie *et al.* (1996) as the *In Search of Excellence* model for public sector management, where a top-down form of leadership charisma influence is greatly emphasized in the organization.

Along with the vague definition of the role of Party Committee Secretary also came the question of the reasoning behind the existence of such shadow organization and the extent to which it is beneficial for the organization's development. Comments on current political party interference in the university management from the interviewees reveal that there has not been much recognizable benefit with such a parallel political party system. For example:

> *Sometimes it's very difficult... in most countries there aren't such systems in existence. However, we have it. And since we have it, it has its activities; it has its human resource; it takes money from the university. Sometimes it even takes the time for teaching and research... but there is nothing we can do about it. (SM 2)*

> *Universities in China are now controlled by both the government and the CCP. The CCP basically decides the general direction of where the universities are going to develop to... Right now our government and the political party are in fact the same and inseparable from each other. You can't say which belongs to the government or which is the CCP's... the government is designated by the CCP. They are the same in essence. (MM 2)*

One of the interviewees used the phrase "officialdom-worship" (MM 4) to describe the current public sector management system in China. This denotes a heavy emphasis on the individual power brought along with his position/rank in an organization. This is particularly evident in the case of political party in universities: even if this shadow organization does not provide much additional benefits for the university, considering all the positions it has already created and the power that

came along with them, as well as the fact that this has been a long-established norm, such system may not be easily eliminated in the near future.

8.3.2 Organizational structure changes – aftermath of merger

The most notable structural changes in University C2 took place after the merger in 2000. As University C2 was previously a provincial university under the control of Henan provincial government, its merger with University C2-medical and University C2-normal was initiated by the provincial government of Henan Province rather than the Ministry Of Education, as was opposed to the case of University C1 in Chapter 7. As described in Section 8.2.1, the academic structure has changed from two-tiered to three-tiered and many departments were consolidated into schools. Yet not much in essence has been altered in the way that the new structure operates: the previous Heads of Departments are now Heads of Schools, and Heads of Offices became Heads of Departments instead. In other words, the change was rather symbolic than substantive.

Meanwhile, there have been vast amounts of negative responses received from interviewees regarding the impacts brought to the institution by the merger. Various reasons have been given to explain its aftermath. Externally, the government decision over this merger is considered to be done in haste and rather perfunctorily. Substantial gaps already existed among the three institutions prior to the merger, i.e., different cultures, standards of teaching and research:

> (*University C2-normal)...was not financed by provincial government alone. Part of it was also financed by local government (*city government). It was a heavy financial burden for the local government which was already stringent on its finance. The local government wanted to get rid of this burden, so they started to lobby the provincial government... persuading them to make it merging with our university. And now they threw the baggage at us. (MM 4)

> All the subjects they had were overlapped with ours, and it's even an overlap at a lower level. Therefore such merger is meaningless, as it's not helping us at all. Actually not long after our merger, the state government has promulgated a new regulation that forbids universities to merge with colleges in the same [subject] categories. (MM 6)

Internally, the old organization's resistance to changes also needs to be considered (Modell, 2004). There appears to be a lack of communication and consultancy work done during the merger process. As shown in the interviews, the merger was impinged on the institution as a top-down management decision, and was conducted through a short period of time – it was only three months from the announcement of merger to the foundation of new University C2. Not much preparation work has been done in advance, and there has been a lack of consideration for organizational learning behaviour as resistance to change is inevitable in any organizational change at its beginning (Agocs, 1997; Modell, 2004).

The reason for this merger action, as claimed by the local government, was to "establish a new comprehensive provincial level university." (University C2, 2000). However, from the contradictory accounts collected during the interviews, it appears that the disadvantages brought to the development of University C2 by this merger were more than its benefit. Some members of staff even expressed doubts about the motivation of the government to initiate this merger. Complaints were mostly concentrated on the gaps in teaching and research quality of both institutions that have been merged into University C2. As stated by some interviewees, a successful merger should be based on mutual agreement and willingness between organizations, or at least, even though it is a government action at large, more consideration should still be made regarding whether the institutions being merged are on the same level with regard to their teaching and research standards. In this case however, neither University C2-medical nor University C2-normal could provide courses with degrees higher than diplomas. The majors they had were overlapped with the existing ones in University C2.

In addition, there have been problems regarding staff becoming redundant as a result of the merger, as stated by one of the interviewees:

> *Mergers should be united between two or more institutions with the same capacity in teaching and research... I'm not saying all the mergers that have done by the government are awful. There are actually good examples, such as [*University Z]. After its merger with (*C2-medical), it came out as a new institution with stronger academic background in a more diversified subject area. Ours is just a waste of both*

time and money. They (the two merged colleges) are dragging our heels instead...Now we've also got an excessive staff that needs to be pruned. (MM 4)

Although staff redundancy problem has always been common in public sector, with the political party committee structure, more members of staff need to be rearranged after the merger, which exacerbated this issue even more.

It appears that in the case of University C2 this merger is merely an action of government policy without much consideration of the universities' specific conditions. The merger itself appears to be a failure despite its claimed benefits.

8.3.3 Devolution of managerial authority

A distinctive feature of NPM reform in public sector is marked by the decentralization of authority. During the interview, one of the Senior Managers concluded that the following three types of authorities have been devolved to school level to various extents:

(1) Curriculum setting

(2) Human resource management (staff recruitment process, remuneration scheme)

(3) Financial distribution

For the first one, it seems that most managers agreed on its successful implementation. Schools now have more freedom in deciding their curriculum and the general direction of research. However, contrasting opinions exist on the latter two:

The same with finance: although we have finance in school, it's not really an independent secondary finance (*department). It is controlled by the university central. Each entry of expense needs to go through the university. (MM 4)

I don't think there are more authorities devolved to us... even the university Principal... doesn't have the full power on many of the big decisions, let alone us Heads of Schools... There are still a lot of government actions. It might change in the future, but we don't know when. (MM 3)

Whatever we do, we need to make a proposal to the university first. For example, recruiting new lecturers, I decide on someone, but I don't have the power to recruitment. I need to report to the university Human resource Department; then the Human resource Department reports to the university Principal Committee (*the Principal and the Vice Principals); the Principal still can't make the final decision and needs to report to the Education Bureau; the human resource department in the Education Bureau agrees on it before it forwards this to the Human resource Bureau... this is how it works now in China. (MM 5)

It seems that there has not been much indication of devolved managerial authority regarding finance, human resource and other managerial issues, especially among Middle Managers. The managerial structure remains to be a top-down one with discretionary control from the top (Hood, 1991). However, it seems that such top-down management style does not work effectively all the time. In certain circumstances it might hinder the enthusiasm of Middle Managers:

I feel that more authority should be given to us. The university, the schools, the departments... they all have such feeling of responsibility and accountability. Everyone wants the university to be better. You can't just use all the regulations and restrictions from the top... the more you restrain them, the less each unit can develop what they are good at... As a provincial university, we are too slow in following the steps. The key point is that administration departments (*government) won't give up their power in hand. (MM 4)

It appears that Middle Managers are expecting to have more autonomy in decision making process. However the current situation does not allow the organization to embrace such participatory management due to the low trust in the organization between hierarchies.

In the next two sections, the issues regarding human resource and finance will be elaborated and analyzed with more details.

8.3.4 HR system, performance measurement and remuneration scheme

With regard to whether Heads of Schools have more authority in making decisions on human resource matters, various responses have been received from interviewees. Most Middle Managers agreed that they have been delegated more authority in appointing staff and deciding the reward system in individual schools according to

their needs. Heads of Schools now have the rights and the ability to recommend people that they wish to recruit. The recommendation will then be reported to the university senior management group for final approval. However, according to Middle Managers, most of the time the university central management is in support of the school's suggestion as long as it is not against the recruitment policy of the university. Although the ultimate decision power is still held at the top, Senior Managers have been showing more support in giving as much freedom to Heads of Schools.

With regard to the performance measurement system, in 2003, a scheme called "Mubiao Guanli Zerenzhi" (target management responsibility scheme) was implemented (University C2 internal document, 2003). Each unit is required to submit a report of Target Management Responsibility Scheme at the beginning of the year. The main content of the report is two-fold:

(1) Target for the contract period (for example, the contract of Head of School is contract is normally three years, therefore this will be the target that they plan to achieve in three years' time);

(2) Target for the current year

In other word, it requires both long-term strategic goal and short-term operational target to be specified. In each of these two parts, a number of performance indicators are considered and they vary between academic units and administrative units. For academic units such as schools, departments and research centres, the indicators adopted are shown in Table 8.4.

The emphasis on teaching and research appears to be relatively balanced in the PM criteria for academic units shown above. For administrative units, the criteria are slightly different and more difficult to be quantified (Table 8.5).

Table 8.4 Performance measurement indicator for academic units

First criteria	Secondary criteria
1-1: Teaching load	1-1-1: undergraduate teaching plan 1-1-2: postgraduate supervision proposal
1-2: Research task	N/A
1-3: Education for degrees and postgraduate students	1-3-1: setting up degree 1-3-2: postgraduate education
1-4: Teaching work	1-4-1: major building 1-4-2: teaching reform 1-4-3: teaching quality 1-4-4: teaching management 1-4-5: graduate thesis (design) and internship
1-5: Research institution development	1-5-1: Teaching lab 1-5-2: Research lab 1-5-3: Lab equipment management 1-5-4: Lab environment 1-5-5: Experiment group
1-6: Team management and HR	1-6-1: team structure 1-6-2: team building 1-6-3: human resource management

Source: University C2 internal document (2005)

Table 8.5 Performance measurement indicator for administrative units

First criteria	Secondary criteria
2-1: Position responsibility	N/A
2-2: functional job	2-1-1: work task 2-1-2: work quality
2-3: Innovative management job	N/A
2-4: Infrastructure work	2-4-1: institution 2-4-2: duty order 2-4-3: service quality 2-4-4: attendance

Source: University C2 internal document (2005)

Table 8.6 Different levels of performance measurement results

Excellent	If the unit meets both of the following conditions: a) all measurement indicators above "good" level b) Among the three targets: research task, teaching work, team management and HR, at least two of these need to be "excellent" level
Good	All measurement indicators above "good" level except teaching work (need to be above "qualified" level)
Qualified	All measurement indicators above "qualified" level
Unqualified	If the unit meets any of the following conditions: a) unfinished teaching load target b) lower than 10% the "qualified" standard in research target c) crucial accident

Source: University C2 internal document (2003)

At the end of each year, all units will be assessed against these sets of criteria. Four bands are given out for the final assessment results: excellent, good, qualified, unqualified. An example is shown in Table 8.7 for the use of academic units.

For each of these criteria, there are quantifiable measurement standards. For instance, one of the criteria for 1.5.3 Lab equipment management is the ratio of functioning lab equipment. Explicit and measurable standards are given out for this entry. However, there are also many not so easily quantifiable performance measurement indicators. For instance, criteria such as 2.4.3: service quality is rather loosely defined to be measured.

Table 8.7 Examples of specific criteria for PM indicators

	Evaluation criteria	Excellent	Good	Qualified	Unqualified
1.5.3 Lab equipment	a) operation ratio b) accordance with ledger c) database management	a) 100% b) N/A c) complete database; regulated management; high utilization ratio	a) >=95% b) N/A c) complete database; regulated management; standard utilization ratio	a) >=90% b) 100% c) Almost complete database; relatively regulated management; relatively low utilization ratio	a) <90% b) <100% c) Incomplete database; management ; low utilization ratio
2.4.3 Service quality	Improvement in professional training	Significant improvement in service quality; excellent training plan; active learning	Considerable improvement in service quality; reasonable training plan;	Have a basic training plan; can master basic knowledge regarding service provision; some improvement in service quality	No training plan; staff have not master basic knowledge regarding service provision; low service quality

Upon the annual assessment, each unit will either get rewarded or punished. If the assessment result for the unit is excellent, it will be given the title of "excellent target management unit". 8% of the total budget allocation for the unit will be added as reward and the managers for the unit will also be awarded 3000 Yuan each. For units ranked as good, 6% of the total income will be awarded. Neither reward nor

punishment will be given to units labelled as qualified. For unqualified units, 6% of the total budget will be deducted and the responsible manager will have 3000 Yuan deducted from their personal remuneration.

Overall, the performance measurement system in University C2 has explicit standards of service performance for both academic units and administrative units. It can be observed that there is a major concern with service quality among the managers, which is in accordance with the *Participative Model* in Peters (1996) as well as the *Public Service Orientation Model* in Ferlie *et al.* (1996).

The remuneration system is based on the performance measurement of individual staff. Professors and people with high academic qualifications get 100% of their remuneration from the university central management, while people with qualifications such as Vice Professor or lower get 70% from the university. The individual schools containing the staff assume the remaining 30% of the bonus, contrary to the university finding the entire 100% before the reform. This act is aimed at promoting financial incentives for schools to seek more external funding. In the meanwhile it has also brought tremendous pressure on the Heads of Schools, as schools need to keep generating funding from sustainable sources so that there is enough money to pay off the staff's remuneration. The university senior management has also noticed this problem and is proposing new arrangements for it. This will be further developed in Section 8.3.5 with the discussion of financial system.

> *University pays 70% of the staff remuneration, while schools are responsible for the rest of the 30%. But recently there have been more and more complaints about this, and schools are hoping that university central management can take all of it... at first we thought it shouldn't be too much of a burden for schools and it can promote their income generation activities. We are considering about this problem now and if it is possible, we are willing to... so that schools won't be have problems with this... because for some schools, there are no problem at all finding other ways of income generation, while for others it would be difficult. (SM 1)*

From the description above, University C2 has started implementing the performance-related pay for its staff remuneration which resembles the NPM elements mentioned in *Market Government Model* in Peters (1996). However, this

scheme still has the problem of fairness, as some schools with less funding sources have encountered more difficulties to pay their staff.

8.3.5 Financial system and budgetary mechanism

In Section 8.2.3, the financial composition of University C2 has been discussed. According to the accounts from Senior Managers and Financial Managers, bank loan accounts for a considerable percentage of the university's total income. Currently over 50% of its income is from government funding and bank loans. Student fees accounts for around 25% of the total income, while the rest are all generated by the university itself from other sources such as spin off enterprises. During the interview, one of the Senior Managers mentioned that there is supposed to be a public financial report on the university website. However it could not be found. When further inquiries were made and further information requested, ambiguous answers have been received. This lack of transparency in the financial process reflects a low level of trust in the organization. According to Hood (1995), organizations with such kind of low trust relationship will consequently pay more attention to the cost of activities.

As mentioned earlier in Section 8.2.3, inside individual schools, their self-generated income usually come from the following three sources: (1) part-time graduate entrance exam courses; (2) professional training courses, and (3) recruitment from "Erji Xueyuan" (secondary school). For the income from the first two sources, the university central management also keeps a certain percentage ranging from 30% to 40% as overhead fees. The secondary school in University C2 is called Minsheng School. Although occupying the title "school", it is more similar to a semi-independent college sponsored by companies outside the university, offering diploma courses in various subject areas. All schools can set up courses in Minsheng School with their specialized subject areas if they provide teachers and other teaching-related resources. 20% of the total income is kept by Minsheng School for operational cost and development. Other schools that set up courses there get 30% of its total income, and the university keeps the rest 50%. The foundation of Minsheng School in University C2, like many other HEIs in China, resembles the concept of

enterprising government in Osborne and Gaebler (1992) and *Minimal Purchasing State Model* in Dunleavy and Hood (1994), suggesting that public organizations are driven to put more energy into money earning, not just spending.

It can be concluded that the reform has prompted University C2 to make responses to market mechanisms. For example, the diversified funding resources, including the foundation of the secondary school can be seen as a movement to meet the market requirement. Because secondary schools filled the gap in the market of further education (i.e. college diploma) in HEIs: the society requires institutions with high teaching standards to provide degree courses, and the universities have the resources to provide such education.

Nevertheless, from the information obtained, overall there seems to be a lack of funding for University C2, as both the allocation from government and income from student fees together are still not enough for the operation of the university. As other funding sources are limited as well, one possible resort for University C2 in such case is to seek financial loans from banks. The government has provided favourable policies towards HEIs such as low interest rates and large amount of loans offered to encourage universities to apply. From the interviews with Financial Manager, it seems that about 30% of the university's total income is from loans. After the merger University C2 has been asking for over 10 billion Yuan loan from several different banks. When being asked how University C2 is going to pay the loan back in the future, an interesting response was received from one Middle Manager:

I have been encouraging our Principal to apply for as much loan as we can get. Why is that? This (* the loan policy) is a government action. If you don't apply for it, it's gone. So grab it while you still can... Just think of this basic principle: our university... is state property. Once you get the money from the loan and develop the university... to a good standard, then what can the government do to you if you can't repay the loan. Let you go bankrupt?... Some universities didn't get it and they hesitated in applying for loans, worrying about the payment problem in the future. But once you can't develop the institution and make it operate better, you are going to be the one that will be eliminated in the end... we have to admit that there are many existing problems in the current system of Chinese higher education sector and government. However, we got to get use to them and make advantage out of it to develop our institutions. (MM 5)

It seems that universities have been forced into this loop-hole loan action from the shortage in funding. On the other hand, however, this loan-in-aid policy for universities has become a burden on banks. In his interview with Xinhua Daily in 2005, the Vice Minister of the MoE has commented on this loop loan problem, saying that most banks are not really very keen on offering such kind of loan to HEIs because of the high risk it bears (Xinhua Daily, 2005). Most of the banks in China nowadays have been marketized and are not state-owned any more. The contradiction occurs as the assistance loan for HEIs is a policy action of the government, yet it is now expected to be conducted by banks which are operating in market mechanism. The funding problems also reflect the low trust relationship between the university and the government, which will be discussed in the next section.

8.3.6 Relationship with the government

During the interviews with managers in University C2, it was found that most managers, when being enquired about the relationship with government, made constant reference to 211 Project universities, especially the only 211 Project university in Henan Province (referred to as University Z thereafter). As claimed by the interviewees, comparing with "key" universities like University C1 which receives constantly more attention and funding from government and the MoE, University C2 often feels disadvantaged in many aspects. For example, University C2 is under stricter control of the provincial and local government than universities such as University C1 and University Z in regards of human resource appointment and launch of new programmes. Local government seems to be in more favour of University Z, which belongs to the group of 211 Project universities. For example, there have been statements from interviewees that University C2 was not allowed to enter some competitions or apply for certain types of funding because University Z has already done so:

> ... for example, they merged us with two colleges which were nothing but burdens to us, while (University Z) got to merge with one excellent medical university in Henan Province... there was a research funding for Humanity and Social Sciences subjects. We were not even allowed to apply for it. The provincial government decided that

(University Z] should be the centre of development and attention as it is one of the 211 Project Universities. A lot of work has been done to persuade them giving us the equal opportunities. (MM 2)

Such actions have significantly hampered the enthusiasm of developing the university. There seems to be a lot of tension between the local government and University C2. However, the government did not play the steering role to treat such relationship very well and did not create a fair competitive environment for HEIs in general.

The Ministry of Education and the State government support 211 Project universities first. But sometimes even if you've reached all the criteria for 211 Project university, you still can't get admitted... there are always this or that kind of complication such as balance among regions. (MM 5)

As a 211 Project university, University Z has a more established status than University C2. Yet in regards of teaching and research quality, University C2 was on the same level as University Z in many teaching and research assessments. This also reflects the problem in setting up impartial and comprehensive evaluation system criteria for HEIs.

8.4 Inferences of the case study

As a non-211 Project university, C2 has adopted various managerial approaches to adjust to the changing environment. A series of reforms have been carried out after the merger and six most prominent issues have been addressed in the previous section. Using the theoretical framework presented in Chapter 2, however, various NPM elements can be observed.

For the structure, the previous two-tiered system has now become a three-tiered one. On the surface, the organizational structure has increased horizontally with more layers between the top and the bottom. However, as this shift is merely a change of name – previous offices now departments whilst old departments now entitled as schools, the essential structure of the institution remains the same. Meanwhile, the merger has caused a number of departments to be consolidated into schools. This

does not comply with one of the popular terms "disaggregated units" adopted by many public sector researchers (Osborne and Gaebler, 1992; Peters, 1996; Ferlie *et al.*, 1996). In fact, the power of management decision making has not been devolved to any considerable extent and the whole structure still appears to be a model of management by hierarchy (Dunleavy and Hood, 1994).

The merger action of bringing together three institutions that differed significantly from each other has also caused the problem of resistance to structural changes. It seems that the government and the MoE, when conducting the merger, did not take into account the nature of organizational learning process. Rather than gradually introduction, the change has been a top-down imposition without much consultation or discussion process, and therefore has proven to be a failure.

With regard to the HR system, although Middle Managers now have more impact on the decision making process, it has still not departed from the centralized personnel management style. The centralized financial system has not changed much in essence. The decision making power regarding financial issues are still largely held at the top. However, various signs of market mechanism can be observed. For example, funding sources have become more diversified. And schools now have the pressure to generate their own income due to the change in staff remuneration scheme. Although the university did not intentionally employ any direct competition scheme or incentive between schools to boost efficiency, it can be concluded that elements of market mechanism has been introduced quite effectively in University C2.

The performance measurement system in University C2 has been established rather successfully as it has included a relatively inclusive set of criteria and is also closely related to the reward system. Explicit standards have been set up to measure service performance (Hood, 1991) and there is a clear definition of goals and targets (Ferlie *et al.*, 1996). This, according to most interviewees, has brought benefits to the university and has been able to improve individual's work performance.

Meanwhile, the relationship between government and University C2 remains a low trust one as argued earlier. There are many decision making powers that the government still holds regarding the university's daily operations. The merger was implemented from top down without much consideration of the institutions' specific conditions and no measure was carried out to ease the aftermath of merger.

It has been suggested that the government did not play a constructive role in mediating between the higher education sector and other sectors. The problem of loan-in-aid from banks is a distinctive example – it can be regarded as the case where the government intended to catalyze all sectors into action to solve problems in a specific part of the public sector. It proved that imposing policies without adjustment can be a failure sometimes. In the case of C2, the loan from banks has become a loop hole and is very detrimental to its financial health. Moreover, the government should consider improving the situation of non-211 Project universities like C2 by keeping a fair competitive environment, rather than favouring 211 Project universities for status.

Table 8.8 has generalized a list of NPM elements that have been adopted during the reforms of University C2. For clarification and convenience to read, the original category of six issues has been adopted to present these elements.

Table 8.8 Applications of NPM elements in the reform of University C2

Issues	NPM elements adopted
1. Interference of the political party power	- Stress on charismatic leadership/private sector role model
2. Organizational structure	- Top-down management - Management by hierarchy
3. Devolution of managerial authority	- Diffusion of power by empowerment (to a certain extent)
4. HR system, PM and remuneration scheme	- Explicit and measurable standards of service performance - Performance related pay for individuals
5. Financial system and budgetary mechanism	- Resource allocation and awards linked with performance measurement - Adoption of market mechanism - Entrepreneurial government - Greater role of non-public sector provider
6. Relationship with government	- Government catalyzing all sectors (with drawbacks though in this case)

It can be observed from Table 8.7 that the adoption of NPM elements is mostly concentrated in reforms on HR system, performance measurement and remuneration scheme. This part will be further expanded in Chapter 9 with comparisons to the other three cases.

8.5 Summary

In this chapter, the reforms in University C2 have been discussed. Changes in its organizational structure, financial system and HR scheme have been described in Section 8.2 respectively. Six most imperative issues from the restructuring have been addressed by the interviewees, including interference of the political party, organizational structure change, devolution of managerial authority, HR system, performance measurement and remuneration, financial system and budgetary mechanism, and relationship with the government. A number of characteristic NPM elements have been found during its reform changes, especially in the *Process* part, such as budgetary allocation and performance measurement. The claimed changes in its *Structure* part are rather notional and remain very much the old style of management by hierarchy. In the *Role of Government* part, the effort made by the government to initiate the loan scheme is one distinctive NPM feature, although the lack of consideration of context has made it a problem rather than help to the institution.

So far, four case studies representing four different types of university from two countries have been presented and discussed with references to the theoretical framework. The divergences in their stories are distinctive. Yet meanwhile, similar patterns can also be observed in various aspects of the organizational changes. In order to analyze their commonalities and differences, these four case studies will be compared and analyzed within contexts in Chapter 9.

Chapter 9: Analysis

9.1 Introduction

In the previous chapters, four case studies in the UK and China have been presented and examined. The analysis has shown the specific approaches adopted in two distinct groups of universities in each country. In the two UK cases, B1 is a traditional university and it belongs to the Russell Group, of which B2 as a new university is not a member. The two cases in China also belong to two distinctive groups: C1 as a 211 Project university, which represents the elite group of universities in China, and C2 as a non-211 Project university. Differences between the two countries where they are based at respectively are compared in several aspects such as social, political and economic contexts. This chapter will explore further into the commonalities and differences among these four cases.

As discussed earlier, the four case studies are analyzed and herewith compared in the light of the theoretical framework presented in Chapter 2, where various NPM elements in several most influential public management models and theories have been generalized and categorized into Table 2.10. This framework will again be drawn on in this chapter to examine the similarities and differences in the applications of specific NPM techniques that have been implemented in each case. The cases will be compared in a country-specific context first: Section 9.2 discusses the cases of B1 and B2 in the UK, whilst C1 and C2 in China will be examined in Section 9.3. The NPM elements that have been adopted and whether they have been successful in each individual case will be analyzed. Finally, in Section 9.4, whether or not NPM is a global convergence and the directions of future development of two fundamentally different countries will be discussed.

9.2 NPM in the UK universities – B1 and B2

In Chapter 5 and 6, the reform stories of two universities in the UK have been presented with particular attention to the applications of NPM techniques in their reforms. Belonging to the UK's Russell Group association, B1 is a traditional

university with well-established history and reputation and enjoys a wider range of external support. B2 on the other hand, is a non-Russell Group university and has many distinctive features in its management operation as a post-1992 new university with a relatively smaller scale. Reforms in B1 and B2 both took place around 2001/02 with internal staff changes as direct/indirect prompts.

In this section, we focus on the similarities and differences of these two institutions with regard to their reform processes. The theoretical framework presented in Chapter 2 will be adopted here to analyze the two cases in a comparative perspective to see how various NPM techniques have been applied under different circumstances. Internally, the structure and process changes of the reform decide the individual organization's micro management system, whilst the role of government will be examined from a macro-level management perspective. To get a holistic picture of such systemic changes, these three aspects will be examined as follows.

9.2.1 Structure

The structural changes in both B1 and B2 appear to be top-down exercises initiated from the top level of the universities' management. Reforms were autonomous in both cases by the institutions themselves as means to improve the *status quo* and adjust to external environment changes, rather than obligatory orders from the government. Preparation work has been done in both cases in advance of the formal introduction of restructuring. Therefore members of staff were well aware of the imminent changes rather than given short notice. For example, two years prior to the formal launch of the reform in B1, the then Principal completed a review programme of the university's activities before 2000, which has provided foundation for future changes. Subsequently, the proposal for restructuring was raised at the end of year 2001, which is considered to have made thorough and necessary consultation with managers at various levels inside the organization. Reforms in B2 appeared to be prompted by the new Principal's arrival in 2002, although it was claimed that a "wide-ranging review of the academic, management and support services" has been conducted beforehand (University B2, 2002) This is quite distinctive from the other

two cases in China, where reforms were forced upon both institutions by the government rather than self-motivated (see Section 9.3 for further discussion).

9.2.1.1 Structure layout

With regard to the structure layout changes, the NPM element of *disaggregation into corporatized units* has been recognized in both of the UK cases. In B1, the previous structure was criticized by most managers as being too centralized with Central Management Group (CMG) making all the major decisions. This mixed structure of academic and administration units (six faculty groups) has now been separated into two distinctive parts – three academic units (colleges) and three support services groups. In B2, the formerly separated four faculties have been reduced into two, each with two further disaggregated schools units below. As argued by scholars such as Hood (1991) and Peters (1996), by breaking up the formerly monolithic units and unbundling them into corporatized units, it will enable clear division of responsibility and make these units more manageable on an "arms-length" basis. The majority of the interviewees also confirmed that such changes in structure have greatly improved the efficiency and effectiveness of management.

Secondly, rather than embracing the NPM element of *delayering* which has been promoted by both Peters (1996) in the *Participative Government Model* and Ferlie *et al.* (1996) in the *Downsizing and Decentralization Model*, the number of layers in the structure of B1 remains the same – it used to be faculty group-faculty-department, whilst now it has become college-school-subject area. In the case of B2, the number of layers has even increased from two-tiered faculty-department structure to the now three-tiered structure comprised of faculty-school-subject area. Academics promoting delayering in the NPM reforms believe that by making the organizational structure flatter with fewer tiers between the top and the bottom, the lower echelons will have greater insight into the decision making process and become more motivated to provide services (Peters, 1996, p. 61). However, it seems that fewer tiers in the organizational structure are not always seen as desirable by the reformers in public sector management changes. Sometimes greater control needs to be exerted in order to ensure accountability. In the cases of B1 and B2, although managerial

authority has been devolved to more local ground (as will be discussed in the next section), the layer of hierarchy has been kept to ensure the theta-value of the management.

Finally, no clear sign of *downsizing* (i.e. reduction in pay-roll numbers) has been found in either B1 or B2's cases. Instead, as shown by the figures presented in the previous chapters, the numbers of staff have been increasing steadily during the reforms. As much of the effort to make public organizations "more business like", staff reduction is still less possible to achieve in public organizations like universities. As some of the interviewees mentioned, it is not so easy to lay off members of staff over night. While administrative posts in British universities are usually contract-based, most academic post contracts are open-ended. Although there are regular individual performance assessments, staff will not usually be fired unless there is serious delinquency. This will be further discussed in the HR management in Section 9.2.2. In discussion with one particular interviewee in B1, staff redundancy was mentioned as a concerned matter for the unit he/she is in charge of (B1-education). However, judging from the rest of the interviewees' account, this appears to be a local problem in this specific unit rather than a common one throughout the whole organization. And it might be caused by the fact that this formerly independent unit has been merged with B1 to adopt a different managerial system.

9.2.1.2 Power distribution

Contrary to the delayered organizational structure as mentioned earlier, the element of *management by hierarchy* in Ferlie *et al.* (1996)'s *Efficiency Drive* model exists in both cases and particularly evident in B2, where increased number of layers in its structure has resulted in a stronger "managerial spine" (Ferlie *et al.*, 1996, p. 11). Although it has been claimed by some academics that this element is obsolete and there is a move towards management by contract (i.e. the *Downsizing and Decentralization* model by Ferlie *et al.*, 1996), in the two UK universities in this study, the former still seems to be dominant and yet to be replaced.

Meanwhile, there is *decentralized authority* in both B1 and B2. Prior to the reforms, most of the major managerial decisions were made by the CMG (Central Management Group) in B1, and the SMG (Senior Management Group) in B2. After the restructuring in both universities, the Heads of Schools have been delegated more authorities. There is *diffusion of power by empowerment* in both institutions although to different extents. For example, B2 has moved from the old top-down management to a much more participative one with more bottom-up planning process. Meanwhile in B1, as part of the centralized decentralization process described in Henkel (1997), the power of the Principal has been enhanced which marked a *shift of power to senior management*. This has been achieved by what has been described as "Robber Baron mentality" in the case of B1 to bring Heads of Schools/Colleges to regular meetings with the Principal and Heads of Support Groups. Moreover, by bringing the formerly separated departments in faculties into the same school, it has enabled managers to think more strategically across the subject areas. The similar management style in B2 confirmed the element of *shift of power to strategic level* in both cases.

A shift of power from professionals to management has been found in both cases and more so in the case of B2. In B1, posts such as Heads of Colleges are recruited based on their managerial experience rather than relying on academic achievements. In B2, most administration staff are lay managers rather than academics.

With regard to the element of *clear assignment of power*, confusion over responsibility still exists in certain circumstances in B1 according to interviewees' feedback. Some Middle Managers complained about duplication of functions, especially at some of the university committees (i.e. postgraduate study committee), which are expected to perform a more strategic role rather than doing operational functions as it is now. This has not been found in the case of B2 during the study.

A *stress on charismatic managerial leadership (private sector role model)* can also be seen in both cases, yet more explicit in the case of B2. In the case of B1, it is believed by some managers that certain senior members of staff (i.e. Vice Principals)

have left much influence on forming the whole ideas of restructuring. However, there has not been a strong recognition of any current leadership taking on a distinctive "steering role" and being influential on the reform as a whole. In the case of B2, a charismatic rather than transactional form of leadership can be clearly recognized from the current Principal, who has a more noticeable impact on the institution as a whole in terms of overall strategic development. According to the interviewees in B2, the previous Principal before the restructuring focused more on business management aspect, whilst the current Principal who came into post in 2002 before the restructuring showed more attention to the research development of the institution. This has been recognized by most managers in B2 as inspiring to the institution with a new vision.

9.2.1.3 Communication and culture

With regard to the element of *explicit communication strategy*, B2 showed its advantage of being a small scale institution. It is easier in such organizations for everybody to participate in the decision making process and to have a face-to-face dialogue about issues that may arise. However this can also become a disadvantage at the same time, as it often becomes too personal for genuine discussion. B1's scale does not allow such communication style and there has been confusion regarding the assignment of responsibilities. B2 on the other hand, has a more effective top-down communication approach. As a small scale institution, the transitional period has been relatively smoother. There were enough consultations and collaboration throughout the whole process of restructuring. In both cases, electronic means of communication have been employed to disseminate information, yet it did not necessarily ensure that people are actively involved in such communication approach.

There is a clear *recognition of the different organizational cultures* in B1 and B2, especially when examining the general attitudes towards reform changes. Overall, staff in B2 held a more positive and embracing attitude towards the restructuring. They appeared to be more understanding about the need for changes and were willing to accept them. In the case of B1, however, being a more established institution, it seemed more difficult to persuade people to accept such changes. Staff

appeared to be more skeptical about the potential benefits of reforms. One of the interviewees who had worked in both B1 and B2 has described the difficulty of attempting to change in B1 as "trying to push an elephant off the mountain" (quote from SM 2 in B1). The reason for such difference might be that in a smaller institution like B2, the relationship between managers and staff is relatively closer as everyone knows each other on a personal basis. This atmosphere is much more difficult to achieve in larger scale institutions like B1. Moreover, being one of the new universities, B2 has been through constant changes since 1992. Without the baggage of long history and deep-rooted tradition on its back, it has been familiar with and therefore became more adaptive to external changes. B1 however, bears a general feeling of "embedded significance" among the staff. Members of staff tended to be more content with the *status quo*, hence the reluctance to accept any major changes in the pre-set managerial processes. This has been shown in the interviews, where most managers mentioned the challenge and difficulty in persuading their staff to accept innovative procedures.

Meanwhile, recognition of different cultures between academic units inside individual organizations is quite distinctive in the case of B1. In College A especially, most schools were previously separated units and varied significantly from each other, and the differences in management styles caused cultural clashes between newly incorporated units, therefore makes it more difficult to achieve collaboration and integration, whereas in College B, cooperation between units has been a tradition even before the restructuring.

It is also worth mentioning that although not part of the reform process in discussion, the merger of B1-education in 1998 has been a success and now it has been integrated well into College A as an individual school. This merger was firstly initiated in a proposal by the leaders of both institutions. It was then submitted to Scottish Government for approval. Therefore it should be considered as bottom-up reform rather than top-down. In Section 9.4, we will compare this to the two cases in China.

9.2.1.4 Summary

According to the analysis above, the application of NPM elements regarding organizational structure in the case of B1 and B2 can be summarized in Table 9.1.

Table 9.1 Comparison between structure of B1 and B2

	NPM elements	B1	B2
	Structure layout		
1	Disaggregation into corporatized units	Y	Y
2	De-layering	N	N
3	Downsizing (reducing pay-roll numbers)	N	N
	Power distribution		
4	Management by hierarchy	Y	Y
5	Decentralization of authority	Y	Y
6	Clear assignment of power/visible top management	N	Y
7	Diffusion of power by empowerment	Y	Y
8	A shift of power to senior management	Y	Y
9	A shift of power from professionals to management	Y	Y
10	A shift of power to strategic level	Y	Y
11	Stress on charismatic leadership (private sector role model)	N	Y
	Communication and culture		
12	Explicit communication strategy	N	Y
13	Recognition of the importance of organizational culture	N	Y

From Table 9.1, it seems that B1 and B2 share many of the NPM elements in reforming their organizational structures, especially with regard to the power distribution, where both seem to have adopted most elements except for 6: *clear assignment of power/visible top management* and 11: stress on charismatic leadership (private sector role model).

With regard to the layout of structure, both institutions appeared to be not in favor of the two popular NPM elements generalized in Table 2.10: *delaying* and *downsizing*. Quite on the contrary, they tend to develop multiple layers to enhance management by hierarchy and take no procedure in reducing numbers of staff. As a result of the increased activities in the universities, empire building has been preferred rather than downsizing or decreased layers.

Significant divergence also exists in the communication and culture aspect. B2 has shown the advantage of organizations in a relatively smaller scale – the communication process can be easier and members of staff across different units

share a more integrated culture. On the other hand, units in B1 tend to have diversified profiles and its scale does not allow such kind of "big family" feeling in its management.

9.2.2 Process

Three aspects have been taken in assessing organizational management process, namely quality management, HR management, and financial management. From the case studies in Chapter 5 and 6, it seems that B1 focuses more on its financial management, whilst B2 tends to focus more on its HR management.

9.2.2.1 Quality management

Major concern with service quality has been mentioned in both institutions. Both have missions/goals for delivering quality services. For B1, an old university with established reputation in teaching and research quality, it emphasizes on maintaining the existing and developing further. For B2, its strategic planning for development is to focus on specific subject areas of study and aims to develop high standard quality with specialized courses to attract certain groups of students.

Greater emphasis on outcomes rather than process has been addressed in both cases. In both B1 and B2, there have been establishment of *explicit and measurable standards of service performance*. However, this element is not brand new in B1 as it has already been implemented prior to the reform. And the reform did not focus specifically on this aspect. There was a short-lived study of Balance Scorecard intending to facilitate the performance measurement process. However, it did not achieve any major impact at all and remained on more of a "talk" and "policy" level of the reform. In B2, there has been a focus on personal development plan for individual performance measurement, setting objectives for individual members of staff. However its effectiveness could not be proved from the existing evidence. As the university provides a special service of which a large proportion is not quantifiable and very difficult to measure in short term. For example, investment in

certain research projects can sometimes take up to long time, yet may produce benefit for the institution's future development.

The element of *clear definition of goals and targets* can be shown in the strategic annual plans in both institutions. In B1, for example, schools need to submit plans for next year regarding their predicted student number and income, and B2 has a similar system. These plans are then used to decide the budget that is going to be allocated for the next year. This has been approved by interviewees as an improvement on individual's accountability and financial awareness.

No *use of internal competition to enhance efficiency* has been found in either case. As the resource allocation is based primarily on student number, it has not provided much foundation for academic units to compete with each other. Also for some schools/colleges, it is generally more difficult for them to have competition in financial terms because of the nature of their subject areas. The impression of most interviewees is that the relationship is more corroborative rather than competitive.

9.2.2.2 Human resource management

Both B1 and B2 have adopted the *performance related pay/merit pay* scheme. However, the staff in old universities are in different pension schemes to the ones in new universities. For example, academic staff in B1 are in the university's superannuation scheme, which is very well funded. It is therefore financially feasible for old universities like B1 to give staff early retirement with enhanced benefits, which in turn gives them more HR flexibility. In new universities like B2, on the other hand, the pension schemes were less well funded, and therefore the budget allocation formulae do not allow them to catch up with the old ones in terms of pension funding. The reason for this might be the different backgrounds where old and new universities come from, and this is also one aspect in which the old universities tend to receive more external support.

The element of *flexible recruitment policy* can be found in both cases. B1 and B2 have broken up with the previously centralized human resource system and are

moving towards a more private sector style HR management with flexible recruitment policy and remuneration system. For example, the Heads of Schools can decide the specifications of the person that they wish to recruit to suit their current circumstances, whilst in the previous system where every single decision was made at the top without much consideration of local contexts. .

There has not been much indication that either of the institutions has implemented the technique of *managing temporary employment*. As mentioned earlier in Section 9.2.1.1, administrative posts are mostly contract-based, i.e. four years for Heads of Schools in B1, whilst academic posts are open-ended. This is mainly because of the nature of higher education sector, where staff turnover tends to be lower than in private sector.

Overall, there has not been sufficient evidence to prove that *a more assertive and strategic HR function* has been set up in either cases.

9.2.2.3 Financial management

With regard to financial management, *greater discipline and parsimony in resource use* has been shown in both cases. Institutions gained a sharper sense of accountability and increased financial transparency with the introduction of TRAC and Full Economic Costing. Both B1 and B2 have now shifted from the traditional income-allocation model on a purely historical basis to a combination of both future and past performance. The Heads of Schools in B1 and the Deans of Faculties in B2 are the main budget holders. However, as staff turnover and central support service costs account for most of the budget, there is not much left to maneuver with.

Interviewees in both institutions agreed that they have had more financial awareness in their role, which reflects *an increased emphasis on financial control*. For example, there have been developments of IT software to facilitate financial management process – the *eFinancials* in B1 and DREAM in B2 in most of the major units. The implementations of these software are claimed to increase the accessibility of

accounting information. However, in practice, the improvement was not very significant.

Both B1 and B2 have cost centres in accordance with the 31 cost centre assigned by HESA. Also, the *resource allocation and awards* schemes are now *linked with performance measurement.*

9.2.2.4 Summary

Overall, the NPM elements that have been adopted in the management process in B1 and B2 during their reforms are generalized Table 9.2.

Table 9.2 Comparison between reform processes of B1 and B2

	NPM elements	B1	B2
	Quality management		
1	Explicit and measurable standards of service performance	Y	Y
2	Greater emphasis on outcomes rather than process	Y	Y
3	Use of internal competition to enhance efficiency	N	N
4	Clear definition of goals and targets	Y	Y
5	Major concern with service quality – TQM	Y	Y
	Human resource management		
6	Flexible recruitment policy	Y	Y
7	Performance related pay/merit pay	Y	Y
8	Managing temporary employment/abolishing lifelong tenure	Y	Y
9	A more assertive and strategic HR management function	N	N
	Financial management		
10	Identification of "cost centres" to devolve budgeting	Y	Y
11	Resource allocation and awards linked with PM	Y	Y
12	Greater discipline and parsimony in resource use	Y	Y˙
13	Emphasis of financial control	Y	Y

Most of the NPM elements regarding quality management have been adopted in both B1 and B2 apart from the third element of using internal competition to enhance efficiency. There is no basis for promoting such competition. With regard to HR management, the sixth element: *flexible recruitment policy*, the seventh element: *performance related pay*, and the eighth element: *managing temporary employment* have all been applied in both cases. However, not enough evidence has been provided to prove the ninth element: *an assertive and strategic HR management*

function. The application of NPM elements in the financial management reform seems to be more welcomed than in the other two aspects.

Overall, there is a pattern of convergence shown in all three aspects. Among the thirteen NPM elements listed, only two have not been applied or accepted in both cases, whilst the rest are all shared by both.

9.2.3 Role of government

The previous two sections have examined the internal management of the two UK cases on a micro-management level. However, reforms of any organizations are also subject to external factors. The government plays an important role in shaping the whole higher education sector, and consequently in any reforms they have undertaken or plan to do. In this section, the role of government in the overall development of higher education sector will be examined by using the two case studies, which represent the elite and non-elite group of universities in the UK.

9.2.3.1 General

Generally, there has been *a shift of power from appointed to elected local community.* Managerial authorities have been devolved to more local level of management to suit for local context. No clear sign has been shown to corroborate the *steering role of government to responding effectively and voluntarily to changes* to certain extent. It is also difficult to conclude that *government catalyzes all sectors (public, private and voluntary) into action to solve problems* in either of the two cases.

9.2.3.2 Public sector distinctiveness

This group of NPM elements is focused on keeping the public sector distinctive from private sector even when applying private sector style management techniques. For example, *limited skepticism over the role of market* has been found. Generally, market mechanisms are considered to be able to improve efficiency even though it has been used with cautiousness.

There has been sufficient evidence to show that the government has *major concerns over service quality* and this has been reflected in evaluation exercises such as RAE. There has also been an emphasis on the long-term development of universities. Meanwhile, the government has shown understanding of the importance of organizational learning by extensive consultancy procedures both before and during any major changes.

However, it is difficult to tell whether there has been *a reflection of user rather than customer values*, or that *value-driven approaches have been adopted to achieve excellence*.

9.2.3.3 Borrowed from private sector

The notion of "enterprising government" in Osborne and Gaebler (1992) has provided an illustration for this group of NPM elements. Government has adopted various private sector tested and proven management techniques and have tried to apply them in a public sector context. However, this transfer does not necessarily guarantee increased efficiency.

De-emphasis on rules and regulation has not been recognized as a distinctive NPM feature in either B1 or B2. The *use of competition to enhance efficiency* is emphasized only at certain levels of the university management. In the case of B1, it is mostly at the college level, whilst in B2 the competition exists between the faculties.

The *creation of an internal market* can be identified in both cases to certain extent. The key level of competition in B1 is among the three colleges, whilst in B2 it is between the two faculties. Inside colleges (in B1) and faculties (in B2), the relationship between academic units tends to be more collaborative rather than competitive. The academic structural changes in both cases aimed to improve interdisciplinary coordination. This is mainly due to the fact that there have not been

any direct incentives for promoting competition as all the budget allocation is activity-based.

Both institutions are now more aware of *putting energy into money earning rather than just spending*. This is partly because of the general squeeze on public financial resources. Government is no longer the sole provider for funding and in order to obtain funding, assessment by external organizations are usually required to ensure performance quality. Universities are therefore forced to think like businesses in order to increase income, rather than just spending without considering the results. In both cases, there is also a stress on a *greater role of non-public service provider*, such as using contracting out for certain services of the universities. This is also another approach adopted by universities to increase their income.

9.2.3.4 Summary

Table 9.3 presents the NPM elements that have been adopted with regard to the role of government in the higher education sector.

Table 9.3 Role of government in the UK cases

	General	
1	A shift of power from appointed to elected local community	Y
2	Responding effectively and voluntarily to changes/steering role of government	N
3	Virtual organization by managing at systematic level/service system of more flexibility and variety	N
4	Government catalyzes all sectors (public, private and voluntary) into action to solve community problems	N
	Public Sector Distinctiveness	
5	Scepticism over the role of market in public services	N
6	Reflection of user (rather than customer) concerns and values, a concept of citizenship	N
7	Major concern with service quality	Y
8	Value-driven approach based on mission to achieve excellence	N
9	Emphasis on organizational development and learning	Y
	Private Sector Style	
10	De-emphasis on rules and regulations	Y
11	Greater role of non-public service provider	Y
12	Put energy into money earning, not just spending/enterprising government	Y
13	Managing competitive environment	N
14	Customer orientation/re-define clients as customers	Y

The lack of funding has been a common complaint of managers in both cases. Such feeling is particularly strong in the case of B2, where people believed that external support and policy changes were not favorable towards new universities. When compared to traditional universities, new universities such as B2 are more reliant on teaching activities rather than research or commercialization. Consequently, they are more influenced by the government's policy cap on the student numbers, as the income from teaching counts as a big part of their total income. The policy is therefore considered to be prejudicial towards new universities as it does not provide much discretional funding since their foundation in 1992 to help them catch up with the old universities.

A mixture of NPM elements can also be recognized to show hybrid models in the reform. There are elements to retain public sector distinctiveness, yet meanwhile, private sector management techniques have also been drawn upon frequently. This has proven that for each specific case, more than one NPM technique can be adopted, even if sometimes they might be contradictory, and it is therefore difficult to locate such cases into any of the established NPM models.

9.2.4 Synopsis

With regard to structure, most of the NPM elements have not been adopted in either B1 or B2. Except on the first element where both cases have disaggregated units instead, the reform result was quite contrary to what has been specified in the most popular NPM models and theories. The scale and type of institutions have significant influence on the way they conduct reforms and the consequences thereafter.

With regard to process, not much divergence has been shown between elite and non-elite. Most elements are applied to various extents. For the ones that have not been adopted, B1 and B2 still showed similarities of attitudes towards them. This means the scale, group of institution does not affect its process reform changes.

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Other factors might affect the management reform of universities too. For example, B1 and B2 have a different focus on teaching and research. This can affect their financial status indirectly. As there is a squeeze on the overall financial resources, all HEIs are trying to increase research income. However, in such a competitive area, traditional universities with their established reputation for research have inherent advantages compared to new universities. Also, old universities have relatively stronger background in research subject areas such as science, which requires large amount of investment, while smaller institutions are more inclined to develop applied sciences.

On a macro management level, the government maintained a relatively fair competitive environment for both the elite and non-elite groups of universities. For old universities like B1, although they are advantaged with regard to reputation and funding resources, no particular privilege has been assigned to them. A general attitude of reluctance towards changes has been found in the case of B1. For new universities like B2, they are more active in accepting NPM elements and have been constantly looking over its shoulders, trying to catch up with the traditional universities.

9.3 NPM in the Chinese universities – C1 and C2

In Chapter 7 and 8, the focus of this study has been shifted to the application of NPM elements in two reform cases in China, namely C1 and C2. As a 211 Project university, C1 is under the direct control of the MoE and represents the elite group of universities in China that enjoy a wider range of external support. Its reform started in 2002 with major adjustments to its existing organizational structure and financial system. C2, however, is one of the non-211 Project university and is under the control of local government. It shares the same reform focuses as C1 with regard to structure and financial system, yet meanwhile also focuses on changes in the HR function. Reforms in both institutions can be seen as consequences from mergers exerted by the government and the MoE with other previously independent HEIs.

Details of the reforms in both cases have been presented in the previous chapters. In this section, similarities and differences of reforms in these two universities will be compared in three aspects – structure, process, and role of the government – by adopting the NPM framework in Table 2.10.

9.3.1 Structure

As described earlier, there has been a nationwide trend of mergers among HEIs in China since the late 1990s as a policy paradigm shift promoted by the government. C1 and C2 were both affected by this trend and have been through mergers which later on became the major causes of the reform changes. The two institutions that have been merged with C1 – C1-medical and C1-economics, were both universities on the same level as C1 and had specialized academic areas that C1 lacked of. C2 on the other hand, merged with two colleges – C2-medical and C2-normal, which had overlapping majors with the existing ones that C2 already had. Both mergers were initiated by the State Council in 2000 along with over 150 other HEIs in the country. As the decisions were solely made by the government, considerable changes to their existing structure had to be made in both C1 and C2 in order to "fit in" the newly merged institutions, and therefore the reforms in both cases should be regarded as top-down.

9.3.1.1 Structure layout

The structural changes of C1 and C2 are more complicated than a single act, as mergers with external institutions were involved in both cases. For example, it would be difficult to conclude whether there has been application of the NPM element *disaggregation into corporatized units*, as their reforms can not be considered as a single process. The merger in the case of C1 in 2002 was initially an aggregation to bring three formerly independent institutions together into an integrated new organization. There has been no sign of disaggregation in the overall structural changes during this process except in some individual academic units, i.e. the former School of Management along with the newly merged C1-economics have been broken down further into School of Management, School of Public Policy and

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Management, and School of Economics and Finance. However, in other parts of the structure where disaggregation is more necessary, i.e. School of Medicine, this has been largely overlooked and has consequently caused an imbalance between the sizes of schools. C2 has a similar situation in which C2-medical and C2-normal were brought in and consolidated into schools during the merger. Yet no further disaggregation has been found in the existing structure. This has again proven the lack of consideration by the government regarding the implementation of merger.

There has not been any application of *delayering* in either C1 or C2. The structure of C1 used to be two-tiered with a mixture of schools and departments co-existing on the same managerial level. During the merger, many academic units have been consolidated into schools to form a three-tiered university-school-department system and the number of managerial layers has increased instead. In the case of C2, the previous two-tiered university-department system has also been reformed into a three-layered structure of university-school-department. It seems that in both cases, the number of layers in between the top management have gone up rather than down. The possible explanation for them not to choose this popular NPM element is that their previous structures were already considered to be too flat with departments being the basic academic units, and therefore being difficult to manage with low efficiency in decision making process. This can be corroborated by the interviewees' accounts in Chapter 7 and 8 before.

Judged by the overall outcomes of reforms, both institutions have shown significant increase in their total numbers of students and staff. However, in order to examine whether there have been any signs of *downsizing*, the reforms need to be examined in specific time periods. In C1, the pay-roll number showed a sharp increase at the beginning of the merger with the newly merged two institutions bringing their staff over. However, this figure has started to drop down gradually from 2001. Unfortunately, as the data for some years were not available in the case of C2, there is not enough evidence to conclude whether there has been a period of downsizing in between.

9.3.1.2 Power distribution

From the case studies, it seems that C1 has made more effort to allow more *decentralization of authority* in its managerial structure than C2. The "Guanli zhongxin xiayi" (devolution of management focus) scheme in C1 aimed to delegate more managerial authorities to Middle Managers. No such measure has been taken in the case of C2. At a more macro level, there is also looser external control for C1 comparing to C2, as C2 is controlled by local government whilst C1 has more autonomy in management decisions that have been devolved by the MoE.

There appeared to be a distinctive *management by hierarchy* approach in both cases through the restructuring. The traditional public administration style of strict hierarchy and "command and control" mode of working still seem to remain dominant even though it has been criticized by the interviewees as being too bureaucratic. Although reform schemes like "Guanli zhongxin xiayi" (devolution of management focus) in C1 has been implemented, the *diffusion of power by empowerment* has been very limited. Most of the managerial authorities remain being held at the senior management level, which should not be called exactly *a shift of power to senior management*.

No evidence has been found to show *a shift of power to strategic level*. Meanwhile, no signs have been found to demonstrate *a shift of power from professionals to management*. In both cases especially in the case of C1, the appointment of senior management still largely depends on the academic achievements and layman managers are rare to be seen.

There has not been much *clear assignment of power* at university level in both cases. The role of the University Party Committee Secretary has been quite vaguely defined. The "Dangwei lingdao xiade xiaozhang fuze zhi" (the Principal-responsibility system under the supervision of Party Committee) did not clearly separate the responsibilities between the Principal and the University Party Committee Secretary. Their work relationship varies depending on the context. In both cases of C1 and C2, the Party Committee Secretaries take supporting roles to their Principals. And this is

largely due to the personal leadership charisma of the Principals. In the case of C2, a *stress on charismatic managerial leadership* can be recognized at a greater extent than in C1. Its current Principal who took the post since the restructuring has had considerable influence on the university's whole reform plans. This private role model of management style is less clear than in C1. Although its current Principal has also had great influence on forming the ideas of reform,

9.3.1.3 Communication and culture

Regarding the element of *explicit communication strategy*, C1 and C2 appear to have distinctive styles in communication between the university level and school level. In C1, formal regular meetings have been set up between the senior management group and the Middle Managers. In C2 however, the communication between different levels inside the organization appears to be more spontaneous rather than pre-set meetings. This reflects the different styles of communication in universities with different scales, although which is more effective is yet to be concluded.

The geographic separation of campuses should also be included when considering communication, especially when the separated parts are the institutions that have been merged. After the mergers, the formerly independent institutions still remained in the same location and this can easily cause "localized groups" inside the organization.

With regard to the *recognition of organizational culture*, considerable clashes between the previously separated academic units have been shown in both C1 and C2. Members of staff tend to be unwilling to accept the new structures and therefore caused collisions between groups formerly with different cultures. In C1, the two merged institutions were both on the same level as the pre-merger C1, and they added up to C1's subject areas. Although complaints exist regarding this culture issue, it is mostly from the two merged institutions about the different emphasis on teaching and research with C1. However, in the case of C2 where dissatisfactory attitudes are more noticeable, most complaints came from the pre-merged C2 because they regarded the two merged institutions were regarded as on a lower level

than the pre-merged C2, and therefore were not beneficial to its future development. Even more, doubts have been raised on the motives of this merger that the local city government was only trying to get rid of C2-medical and C2-normal (of which the city government was in charge of), because the merged new C2 is supervised by the provincial government.

9.3.1.4 Summary

Table 9.4 shows a summary of the NPM elements adopted in the structural changes in C1 and C2.

Table 9.4 Comparison between structure of C1 and C2

	NPM elements – Structure	C1	C2
	Structure layout		
1	Disaggregation into corporatized units	N	N
2	De-layering	N	N
3	Downsizing (reducing pay-roll numbers)	N	N/A
	Power distribution		
4	Management by hierarchy	Y	Y
5	Decentralization of authority	Y	Y
6	Clear assignment of power/visible top management	N	N
7	Diffusion of power by empowerment	N	N
8	A shift of power to senior management	N	N
9	A shift of power from professionals to management	N	N
10	A shift of power to strategic level	N	N
11	Stress on charismatic leadership (private sector role model)	N	Y
	Communication and culture		
12	Explicit communication strategy	N	Y
13	Recognition of the importance of organizational culture	N	N

In terms of structure layout, two out of three NPM elements in this category have not been favored in either C1 or C2. There has been no *disaggregation* in the structure of either case. Meanwhile, instead of *delayering*, both institutions have launched reform changes that increased the layers in the organizational structure. The third element of *downsizing* has started to show in the case of C1 when the merger settled down. There is no sufficient evidence in the case of C2 to suggest a decrease in pay-roll number.

A pattern of convergence has been shown with regard to power distribution. Both institutions have adopted the NPM elements of *management by hierarchy* and have attempted *decentralization of authority*. Elements 6-9, however, were not applied in either case. Finally, the *charismatic leadership* has been stressed in C2, whilst in C1, this element has not been recognized.

The element of *organizational culture as social glue* has not been recognized as significant in either C1 or C2. Meanwhile, there is *clearer communication strategy* in the case of C2 than in C1, mostly because the scale differences between the two organizations.

Overall, it appears that most of the popular NPM techniques with regard to structural changes were either not successfully implemented or not desired at all in both cases in China. Also, it can be observed that apart from the different stress on leadership and communication styles, the elite and non-elite groups of universities do not have much divergence in their reform approaches.

9.3.2 Process

Again the process of reform will be examined in three aspects: quality management, HR management and financial management. Each of them will be discussed further as follows.

9.3.2.1 Quality management

Both C1 and C2 now have *explicit and measurable standards of service performance*. However, in the case of C1, imbalance exists in the assessment criteria with heavy reliance on research outcome rather than teaching and other activities.

There are movements towards making *clear definition of goals and targets* in both cases. For example, the "Mubiao guanli zerenzhi" (target management responsibility scheme) adopted in C2 requires all schools to submit their annual plans at the

beginning of each year with both long term strategic goal and short term operational target for the current year.

For both individuals and units, award/punishment in financial terms has been given to link with the assessment of their performance. This has effectively introduced the element of *greater emphasis on outcomes rather than process*. There is also *major concern with service quality* in both C1 and C2 now.

In both cases, the funding allocation scheme is plan-based on past performance of each school, therefore provides no incentives to promote the *use of internal competition to enhance efficiency*. The relationship among these units appears to be more collaborative than competitive.

9.3.2.2 Human resource management

Performance related pay has been introduced gradually in both cases. In C1, the double-track system for remuneration was implemented in 2000, whereby schools pay a certain percentage of their staff's remuneration based on individual work performance assessment and university pays the rest. The staff remuneration scheme introduced in C2 in 2001 has the same basic function. Schemes as such have brought more financial burden to the schools, yet meanwhile also provided motivation for school income generation. This in turn has been described as promoting individual staff member's enthusiasm to improve work performances.

With regard to *managing temporary employment*, contract-based employment is starting to be adopted by both C1 and C2 to break up with the traditional "iron-rice bowl" scheme with ensured life-long employment. For example, the teaching posts in C1 are now all based on a three-year contract, the renewal of which depending on the appraisal at the end of the contract. This has been a big step forward from the traditional human resource management system and has enabled the organization with more flexibility in HR management.

Meanwhile, both C1 and C2 are now transforming towards private sector style recruitment and reward scheme to embrace a more *flexible recruitment policy*. More authority has been devolved to school level by means of recommendation for recruitment to the university senior management. The "Zhiyuan zhi" (staff appointment system) scheme in C1 and "Renshi fenpei zhidu" (human resource distribution system) in C2 have given Heads of Schools more authority to appoint staff that meet the schools' specific requirements. Although it is only a recommendation rather than the final decision making, their opinions/suggestions are usually highly valued and have great influence on the outcomes.

Overall, the HR management in both institutions have become more flexible with closer link between reward and performance. The "iron rice bowl" was abolished, and the next step of reform tends to be towards breaking down the now still largely centralized human resource management. However, it is still not clear in either cases where there is now *a more assertive and strategic HR management function*.

9.3.2.3 Financial management

One of the issues discovered when conducting the case studies in China was a general reluctance among staff to reveal any financial information. The reason appears to be the traditional cultural background, where everything regarding money had to remain implicit. This has caused considerable difficulties in the investigation of the changes in the organizations' financial systems in both cases. However, from the information obtained, a few conclusions can be made regarding the application of NPM in C1 and C2's financial system.

In both cases there has been *an identification of cost centres for devolved budget*, which is the school. Although being devolved certain authorities, schools in C1 and C2 are not financially independent units and therefore regarded as the universities' cost centres.

The scheme of *resource allocation and awards linked with PM* has been partially realized in both cases. As argued earlier in the discussion of quality management,

performance measurement has become increasingly important in the school's funding. Both internal and external review exercises have been referred to as criteria to assess the performances of units. However, in both C1 and C2, budgets are still allocated primarily on student number.

Overall, in both cases there is now a *greater discipline and parsimony in resource use*. The managers have sharper financial awareness and the financial systems have become more transparent with an increasing *emphasis on financial control*.

9.3.2.4 Summary

From the analysis above, the application of NPM in regard to process can be generalized in Table 9.5.

Table 9.5 Comparison between processes of C1 and C2

	NPM elements – Process	C1	C2
	Quality management		
1	Explicit and measurable standards of service performance	Y	Y
2	Greater emphasis on outcomes rather than process	Y	Y
3	Use of internal competition to enhance efficiency	N	N
4	Clear definition of goals and targets	Y	Y
5	Major concern with service quality – TQM	Y	Y
	Human resource management		
6	Flexible recruitment policy	Y	Y
7	Performance related pay/merit pay	Y	Y
8	Managing temporary employment/abolishing lifelong tenure	Y	Y
9	A more assertive and strategic HR management function	N	N
10	*Financial management*		
11	Identification of "cost centres" to devolve budgeting	Y	Y
12	Resource allocation and awards linked with unit performance measurement/(market mechanism to allocate resource)	Y	Y
13	Greater discipline and parsimony in resource use	Y	Y
14	Emphasis of financial control	Y	Y

Both cases share most of the NPM elements in the quality management aspect, though that there has not been a distinguishable *use of competition to enhance efficiency*. Schools tend to be more collaborative than competitive as there are no common grounds for them to be competitor with each other for resource allocation.

With regard to HR management, although C1 and C2 share three out of the four NPM elements in this category, it needs to be noted that the flexibility of HR management is only to a certain extent. Although schools have been devolved more authority in HR decisions, their roles remain subsidiary. Rewards for individuals have now been linked with performance assessment and life-long tenure has been abolished. Even so, we still can not draw the conclusion that the HR management functions have been more assertive and strategic, as it has not been reflected anywhere in the reform changes.

Overall, more NPM elements have been adopted (although some are only partially applied) in the process changes of C1 and C2 than their structural changes. And there has been no divergence between the elite and non-elite university.

9.3.3 Role of government

The role of government is crucial for the development of higher education sector. C1 as an elite university has been under the direct control of the MoE, whilst C2 as a non-elite provincial university, is supervised by the provincial government. In this section, the impact of government on the development of higher education sector as a whole is examined from the following three aspects, as specified in Table 2.10.

9.3.3.1 General

There has not been *a shift of power from appointed to elected local community*. Many important decision making power is still largely held at the government level rather than the university. Important managerial decisions such as merger were solely decided by the state government and the MoE without further consultancy with universities themselves.

With the reduction of funding, government made an effort to encourage universities to apply for loans from banks. This also aims at promoting the participation of organizations from other sectors in the development of universities. It shows that the government is making effort to *catalyze all sectors (public, private and voluntary)*

into action to solve problems, especially in the case of C2. However, this turned out to be a prominent problem for universities, especially for the non-elite universities when the funding loophole has become a typical problem for them.

With regard to whether the government has been *responding effectively and voluntarily to changes*, the case studies have proven that the government has not played a successful steering role to guide the universities through changes. This is particularly evident in the aftermath of mergers in both C1 and C2. Not only has the decision of merger been made too hastily, but also the government did not provide the necessary help for institutions during their transitional period. Moreover, the government did not voluntarily prevent problems before they emerge rather than simply offer service afterwards. No signs have been recognized for *virtual organizations managed at systemic/strategic level* either.

9.3.3.2 Public sector distinctiveness

Overall, the market mechanism has not been implemented in the higher education sector in China. In general the government still holds certain *scepticism over the role of market* in public sectors that have been under its control. Also there has not been sufficient evidence to show the *recognition of the citizenship concept.*

However, there has been a *major concern of service quality* by the government. Programmes like 211 Project are designed to encourage and help universities to become world-class institutions. The *achievement of excellence* has been greatly promoted among the higher education sector as a whole.

Finally, it has been found that there is *a lack of emphasis on the learning organization* by the government. The rush in the merger processes in both cases without necessary consultation did not allow the organizations to adjust to the changes, and this is considered to be the main reason for the failure of the mergers in the two cases in this research.

9.3.3.3 Borrowed from private sector

Overall, the government has failed in its attempt to *create and manage competitive environment as incentive* for all HEIs. Non-211 Project universities like C2 often felt that the policies were less favorable to them comparing to 211 Project universities, and therefore the result turned out to be discouragement rather than incentive.

In both cases there has been *greater stress role of non-public service provider*, such as service contracting out and spin-off companies, which has proven to be beneficial for the universities financially. However, no signs of *customer orientation* are shown in either case.

It seems that both organizations have started to *put energy into money earning rather than just spending*, especially now that they are required to generate own income, which in turn helped to increase their financial awareness. Schools have developed various approaches to gain more financial resources. As an institution with established reputation, C1 has more advantages in doing so.

Finally, there have been signs of *de-regulation* in the management of universities, especially through the devolution of more authorities. Although HEIs in China are still not autonomous entities, more independence have been granted.

9.3.3.4 Summary

Table 9.6 presents the NPM elements that have been adopted in the macro-management level of higher education sectors in China.

Overall, the role of the government in the management of higher education sector in China still remains significant. Although some of the NPM elements have been implemented, it has been done with cautiousness. For example, *de-regulation* can be recognized only to limited extent. And there has no clear sign to show *a shift of power to local community*.

Table 9.6 Role of government in the cases in China

	General	
1	A shift of power from appointed to elected local community	N
2	Responding effectively and voluntarily to changes/steering role of government	N
3	Virtual organization by managing at systematic level/service system of more flexibility and variety	N
4	Government catalyzes all sectors (public, private and voluntary) into action to solve community problems	Y
	Public Sector Distinctiveness	
5	Scepticism over the role of market in public services	Y
6	Reflection of user (rather than customer) concerns and values, a concept of citizenship	N
7	Major concern with service quality	Y
8	Value-driven approach based on mission to achieve excellence	Y
9	Emphasis on organizational development and learning	N
	Private Sector Style	
10	De-emphasis on rules and regulations	N
11	Greater role of non-public service provider	Y
12	Put energy into money earning, not just spending/enterprising government	Y
13	Managing competitive environment	N
14	Customer orientation/re-define clients as customers	N

Several attempts to introduce NPM components in the reforms of higher education sector can be recognized, such as *catalyzing all sectors into action*, *managing competitive environment*, and *de-regulation*. However, most of these have failed due to many reasons. Yet meanwhile, NPM elements such as putting energy into money earning and major concern with service quality have been specifically addressed and implemented to large extent. It can also be recognized that the NPM elements successfully adopted are mostly concentrated in keeping the distinctiveness of the public sector.

9.3.4 Synopsis

With regard to structure, no strong evidence has been shown to prove significant impacts of NPM. Very few NPM elements listed in Table 2.10 have been put adopted in either case, except *management by hierarchy* and *decentralization of authority*, with the latter only applied to limited extent. Meanwhile, it can be observed that there is not much difference between the elite and non-elite group of universities. Both have been through the top-down initiated reforms of merger with external institutions

Among the three categories in Table 2.10, the reforms in the two universities regarding process have shown the most of convergence rather than divergence. Out of the thirteen NPM elements, eleven have been shared by both C1 and C2, whilst the rest of the two elements: *internal competition* and more *strategic HR management* are absent in both cases. It seems that reformers in the Chinese universities are more favorable of adopting NPM elements in their managerial process changes rather than organizational structure.

On a macro-level management level, six out of the fourteen NPM elements have been recognized. It appears that although the government has made effort in implementing several NPM elements, failures occurred when the control of the government still remains strong in the higher education sector management, or when local conditions were not taken into careful consideration. Moreover, among the six elements that have been adopted, it seems that most of them are to maintain the public sector distinctiveness of higher education sector. Not much enthusiasm has been recognized to promote private sector style managerial techniques.

9.4 Divergence or convergence?

In Chapter 3, the contexts of higher education reforms in both countries have been presented. Both countries have been conducting reforms in their higher education sectors. With the examination of four case studies, commonalities and differences between their characteristics have been revealed and are presented in Table 9.7.

It is not difficult to recognize certain patterns in between the groups and the countries from Table 9.7. These patterns will now be examined with two approaches: cross-group analysis between the elite and non-elite universities, and cross-country analysis between the UK and China.

Table 9.7 Overview of NPM elements in four case studies

			Table 2.10	UK		China	
				B1	B2	C1	C2
Internal	Structure	*- Structure layout*					
		1. Disaggregation	2	Y	Y	N	N
		2. Delayering	2	N	N	N	N
		3. Downsizing	1	N	N	N	N/A
		- Power distribution					
		4. Management by hierarchy	1	Y	Y	Y	Y
		5. Decentralization of authority	4	Y	Y	Y	Y
		6. Clear assignment of power	1	N	Y	N	N
		7. Diffusion of power by empowerment	3	Y	Y	N	N
		8. A shift of power to senior management	1	Y	Y	N	N
		9. A shift of power from professionals to management	1	Y	Y	N	N
		10. A shift of power to strategic level	1	Y	Y	N	N
		11. Stress on charismatic leadership	2	N	Y	N	Y
		- Communication and culture					
		12. Explicit communication strategy	2	N	Y	N	Y
		13. Recognition of organizational culture	1	N	Y	N	N
	Process	*- Quality management*					
		1. Explicit and measurable standards of performance	1	Y	Y	Y	Y
		2. Greater emphasis on outcomes rather than process	2	Y	Y	Y	Y
		3. Use of internal competition to enhance efficiency	2	N	N	N	N
		4. Clear definition of goals and targets	1	Y	Y	Y	Y
		5. Major concern with service quality – TQM	2	Y	Y	Y	Y
		- HR management					
		6. Flexible recruitment policy	3	Y	Y	Y	Y
		7. Performance related pay	1	Y	Y	Y	Y
		8. Managing temporary employment	1	Y	Y	Y	Y
		9. A more assertive and strategic HR management		N	N	N	N
		- Financial management					
		10. Identification of "cost centres"	2	Y	Y	Y	Y
		11. Resource allocation and awards linked with PM	3	Y	Y	Y	Y
		12. Greater discipline and parsimony in resource use	1	Y	Y	Y	Y
		13. Emphasis on financial control	1	Y	Y	Y	Y
External	Role of government	*- General*					
		1. A shift of power to elected local community	1	Y		N	
		2. Responding effectively and voluntarily to changes	1	N		N	
		3. Virtual organization	2	N		N	
		4. Government catalyzes all sectors	2	N		Y	
		- Public sector distinctiveness					
		5. Scepticism over the role of market	2	N		Y	
		6. Concept of citizenship	2	N		N	
		7. Major concern with service quality	2	Y		Y	
		8. Value-driven approach to achieve excellence	1	N		Y	
		9. Emphasis on organizational development and learning	1	Y		N	
		- Borrowed from private sector					
		10. De-emphasis on rules and regulations	3	Y		Y	
		11. Greater role of non-public service provider	1	Y		Y	
		12. Put energy into money earning	1	Y		Y	
		13. Creation of internal market	4	N		N	
		14. Customer orientation	3	Y		N	

9.4.1 Cross-group comparison – elite vs. non-elite universities

Different treatments of elite and non-elite universities can be observed in both countries. In the UK cases, the differences of external support for elite and non-elite

universities, although existed, are not very distinctive and overall the government has maintained a relatively fair competitive environment as well as keeping the balance between various types of universities. Although there were complaints about the government, none of the interviewees has mentioned unfair treatment between elite and non-elite universities in any circumstances. In the cases of China, however, considerable resentment exists in the non-elite university representative – namely C2. There are funding opportunities that are exclusively to 211 Project universities only regardless of any other attributes of the institution. Both state government and local government showed obvious tendency towards supporting the development of 211 Project universities. One example is the mergers in both C1 and C2. Although both were top-down government reform actions, the institutions allocated for C1 were beneficial in both quality and subject area coverage.

Being the elite group of universities in their own countries, both B1 and C1 receive more external support from the government than non-elite group universities. This has been particularly evident in the case of C1. B1 and C1 seem to share a general difficulty in adopting any NPM elements in their structural changes, which can be explained by the comment from one interviewee as "pushing an elephant off the cliff" (SM 2, B1). Meanwhile, they also share the communication problem where the current communication approaches do not seem to be very effective, which can be partly explained by the large scale of these elite universities. Moreover, individual units tend to form localized informal groups, which hindered the horizontal communication across schools/colleges.

On the other hand, B2 and C2 as the non-elite group of universities stand on the position which is not usually in favour of by the government. The leadership style in both institutions tends to rely on personal charisma. There seems to be a more intimate and harmonious relationship among staff. This has resulted in a less formal way of communication which has been considered more effective than in the elite group of universities. In both cases, non-elite universities tend to focus more on teaching rather than research. And when it eventually to research, it tends to be in

more specific areas. Both non-elite universities have the general feeling of pressure for external competitions.

9.4.2 Cross-country comparison – from the West to the East

First of all, the starting point for the two cases in China is very different from the ones in the UK. There are more external constraints for China to take on any significant changes to the existing system, as the higher education sector is still largely controlled by the government, and the universities have not been recognized as independent entities. For example, the UK and China do not share the same basis for reforms both in terms of the constitution of their public sectors and the ways in which they think about the role and character of the state (Pollitt, 2002, p. 277). Particularly, the comparison between the roles of governments in the transformation of higher education sectors in two countries shows significant divergences in several aspects. Both countries have adopted seven out of the fourteen NPM elements. However, in the UK cases, these elements tend to be concentrated in the ones that are borrowed from private sector; whilst in the case of China, it tends to have more emphasis on keeping the distinctiveness of public sector from private sector.

Meanwhile, the mergers that took places in the two countries have shown major differences. Overall, the mergers in the two Chinese cases can be concluded as failures to meet the expectation, whilst the one that took place in B1 has been recognized as a relatively successful organizational change. This is mainly due to the lack of communication during the process as well as the status of universities being non-autonomous in deciding major organizational changes.

Also, changes in structure often cause cultural collisions between the previously separated units (Levitt and March, 1998). This happened in the cases of B1, C1 and C2. But apparently in the case of B1 it was much better. The cultural clashes in B1 and B2 are less distinctive than in the cases of C1 and C2, when merger took place among formerly independent institutions.

Overall, it can be concluded that the UK universities are early adopters of NPM, which confirms the role of the UK in practicing NPM more generally in Hood (1991, 1995). China, as a late adopter of NPM, has been more cautiousness about the implementation of these managerial techniques. The differences of autonomy level and social value all have impacts on its reform process and result. For example, it would be impossible for C1 or C2 to gain full autonomy status very soon, as this is not something that can be changed overnight or simply by policy.

9.5 Summary

This chapter has provided an analysis of the four case studies presented in the previous chapters. By examining each of them with reference to the NPM framework in Chapter 2, the most frequently adopted techniques in NPM literatures have been put to test. It can be seen significant divergence exists in the cross-group and cross-country analysis, even more so in the latter aspect. In the final chapter of this thesis, the implications of the analysis to the existing public sector management research will be addressed.

Chapter 10: Conclusion

By examining influential NPM models and theories in public management research, including Hood (1991), Osborne and Gaebler (1992), Peters (1996) and Ferlie *et al.* (1996), and drawing out the recurring elements among them in Chapter 2, an NPM framework has been built on both macro and micro management levels from three core aspects of public management reform changes, namely structure, process, and role of government. This framework has then been adopted in the multiple cases studies of four universities in two different countries: B1 and B2 in the UK and C1 and C2 in China. Both B1 and C1 represent the elite groups of universities in their own countries, whilst B2 and C2 represent the non-elite groups of HEIs.

With in-depths interviews as the main data source and documentation and archival records as secondary data sources, the reform changes and issues that arose in these four cases have been examined and analyzed. These cases have been presented and examined from Chapter 5 to Chapter 8 respectively. They have then been compared from both a cross-group and a cross-country perspective in Chapter 9 to recognize the impacts of social-economical-political factors on the NPM reforms in specific contexts.

Section 10.1 of this concluding chapter will return to the three key research questions raised at the end of Chapter 3 and provide answers or potential explanations. Section 10.2 will consider the implication of this research for existing new public management theory as well as for policy makers. Finally, the future prospects of developing this research in wider contexts will be proposed in Section 10.3.

10.1 Answers to the research questions

At the end of Chapter 3, three questions were raised regarding the application of NPM in the two countries in this study. Here we will try to provide answers or possible explanations for each of them:

1. Is there a one-for-all NPM model into which every public sector reform can be fitted?

The short answer to this question is no. Several influential NPM models and theories have already been analyzed in Chapter 2 with the grid-group theory and the results have shown that quite often more than one perspective can be taken in considering a single NPM reform practice – sometimes they might even be contradictory with each other (i.e. both *individualist* and *egalitarian* view in the same case). And it would make more sense that instead of trying to find a perfect universally applicable model, we should consider the application of each single NPM element within its own context. This has been corroborated in the four case studies as well. Take University B2 as an example, the elements of *decentralization of authority* and *stress on charismatic leadership* in its *power distribution* are in accordance with the *In Search of Excellence* Model in Ferlie *et al.* (1996). Yet meanwhile, the *shift of power from professionals to management, to senior management* and *to strategic level* all imply a resemblance with the *Efficiency Drive* Model within the same typology. All four universities have adopted a *flexible recruitment* policy, which labelled them under the *Flexible Government* Model by Peters (1996). At the same time, they have also implemented *individual performance related pay* to various extents, which is an element in the *Market Government* Model, and have developed *major concern with service quality*, which is a characteristic featured by the *Participative Government* Model. This further strengthens the conclusion made in Chapter 2.4.5 that no conclusive and mutually exclusive typology can be produced to pigeonhole every NPM reform into set boxes. Hybrid types of reforms emerge when reformers choose to adopt components from the NPM toolkit to suit their own needs.

2. Which NPM elements have been adopted in the higher education reforms in the UK and China and to what extent have they been applied?

By adopting the NPM framework developed in Chapter 2, the four case studies in this thesis have been examined, and Table 9.7 has presented a generalization of the application of various NPM elements in these cases from three aspects.

With regard to *Structure*, significant divergence appears in the two UK cases. The seven NPM elements adopted in B1 tend to focus on *power distribution*, with disaggregation in its *structural layout*. B2 is the most active NPM practitioner in structural changes among these four universities, with eleven elements applied across all three sub-categories. In the two cases of China, NPM components in this category appeared to be less popular and have not been embraced enthusiastically. Only two out of thirteen elements have been accepted in C1 and four out of thirteen in C2. They are mostly concentrated in the category of *power distribution*, with one element adopted in C2 in the *communication and culture* category. Also there has been *devolution of authority* to a limited extent in both C1 and C2. In the case of C1, there have been signs of *charismatic leadership*. However, overall it appears that the NPM reformers in China are less keen on any fundamental changes in their organizational structures as a result of NPM orientated reforms. Rather, they tend to stick to the traditional way of *management by hierarchy*.

With regard to *Process*, all four cases show considerable convergence in the adoption of several NPM elements. In the category of *Quality Management, explicit performance measurement standards, emphasis on outcome, clear definition of goals*, as well as *major concern with service quality* have all been embraced in their reforms. Yet none of the four universities have adopted the third element of *using internal competition*. This is mainly due to the fact that the performance measurement and reward schemes in these universities do not provide the necessary incentive for academic units to compete with each other internally. And it is doubted by the managers that such element will improve their service quality as educational institutions. With regard to *HR Management*, all universities have adopted the following policies: *flexible recruitment, performance related pay*, and *introduction of temporary employment*. However, none of them have provided sufficient evidence to support the application of the ninth element with a more *strategic HR function*. Finally, with regard to *Financial Management*, again it seems that the NPM elements in this category are particularly favourable by the reformers and have been implemented to various extents in all four cases, including *identification of cost*

centre, resource allocation linked with performance, greater emphasis in resource use, and *emphasis on financial control.*

Finally, to consider the *Role of government* on a macro management level, it should be conducted as a comparison between two countries rather than among four cases. Some divergences can be recognized regarding this. Under the *General* category, the UK has shown a *shift of power down to the local community*, but has not been very successful in the *voluntary and catalyzing role of government*, or managing its HEIs at a more strategic level as *virtual organizations*. China on the other side, has not adopted, or succeeded in any of these four elements. As for elements with *Public Sector Distinctiveness*, the cases reflected a convergence in the governments in both countries sharing three out of five elements, including *scepticism over the role of market, concern with service quality*, as well as *value-driven approach to achieve excellence*. Additionally, the UK government has emphasized the importance of the *organizational development and learning process*, which is missing in the Chinese cases, especially from the analysis of the aftermath of their mergers. Neither case has stressed the concept of citizenship, which may be explained by their lack of direct contact with citizens. Finally, for elements that are regarded as *borrowed from the private sector*, both countries have been relatively positive in accepting them, sharing a tendency towards *greater role of non-public service provider, putting energy into money earning*, as well as a *customer orientation* in their reforms. Moreover, the cases in the UK have also shown a de-emphasis on rules and regulations by the government, which is not evident in the cases of China. Neither country has been in favour of *creating an internal market* in their higher education sectors.

3. What are the differences and similarities between the NPM reform approaches adopted in the elite and non-elite groups of universities, and across the two countries that they are based in?

From a cross-group perspective, both elite group universities seem to benefit from a better starting point with more external support. However, they have both encountered difficulties in changing their staffs' attitude towards changes.

Communication can easily become a serious issue for elite universities, often because of their larger scale. This can also in turn cause the formation of localized informal groups with cultural clashes in between, which tends to exacerbate the quality of communication. Non-elite group universities, on the other hand, do not have such problem (or as serious) with regard to the communication issue. As shown in Chapter 6 and 8, apart from regular meetings, informal discussions are encouraged in both cases of B2 and C2 where "everyone knows each other", whereas in B1 and C1 this would be more difficult to achieve because of their scales. Non-elite universities also tend to accept a charismatic leadership style. Additionally, they are often recognized as more actively seeking changes even though with more external constraints. The picture that is conveyed to us from the case of B2 is an institution that is constantly looking over its shoulder to catch up with the traditional universities such as B1, and has shown a very positive attitude about its future development. In the case of C2, although the same urgent calls to change have been shown, the overall impression appears less positive and more of a grudge held towards the government favouring 211 Project universities over non-elite universities.

Meanwhile, from a cross-country point of view, less significant divergence has appeared between the ways that "early adopters" like the UK and "late-adopters" like China take on their NPM reforms than between different groups. This is particularly evident in the *Process* aspect and also partially in the *Structure* aspect, where significant convergence can be recognized across both countries – seventeen out of the 26 NPM elements were shown by all four cases (see Table 9.7). However, the *Role of Government* is viewed very differently between the UK and China. The two cases in the UK suggested a more deregulated environment and established institutional autonomy, whilst the image of government in China is still largely displayed as an autocratic entity with tight control over the management of its higher education sector. As the premises of university autonomy differ from each other, a lot of issues regarding management authority and structural changes show divergence.

10.2 Implications of research findings

Several key issues can be identified from the research findings of this thesis.

Firstly, there is no single universally-applicable model by which all public sector management reforms can be categorized. The claim that any NPM reforms can be ideally located in one type/mode of NPM is seriously incomplete. Both theoretical (Chapter 2) and empirical (Chapter 5 to Chapter 8) evidence suggests that recurring NPM techniques exist in these models and theories, and have been proven to be closely interrelated. The elements adopted in each single case are divergent and may belong to more than one of the models that have been presented in Chapter 2 by previous researchers. However, sometimes this may be caused by policy makers or reformers political propaganda. And it needs be noted that the claimed changes in the policy documents should be critically examined and differentiated from the actual reform outcomes.

Secondly, the previous studies specifically focused on differences with regard to the application of NPM between elite and non-elite groups of universities, but these are considered to be rather limited, and this study provides to address that gap in our knowledge. The analysis of the four case studies repeatedly suggested divergences in the NPM reform patterns adopted by institutions in these two different groups. Although elite group universities do have a better operational environment in general, their usually large scale can cause several management problems, including ineffective communication and difficulty in adopting *leadership by charisma*.

Thirdly, the comparisons of cases from the both developed country – the UK, and the developing country – China, have addressed the gap in the research of NPM in an international context, especially when the empirical research on the application of NPM in China has been relatively scarce. As the UK is a pioneer country that has been practicing NPM reforms in its public sector for a relatively long time, its two cases have suggested the application of NPM elements in a more thorough way, and there have certainly been signs where several NPM elements such as the devolution of managerial authority in the cases in China showed only as partially achieved or

applied to certain extent. However, overall the cross-country differences between the UK and China are considered to be less evident than in the cross-group comparisons between the elite and non-elite universities in these four cases.

Finally, with regard to the potential interest of this research to policy makers, there are several lessons that can be drawn from the past experience for future references. For policy makers, especially in China, it has been suggested that the organizational learning process is considered to be crucial, especially when the institution is going through fundamental structure or process changes. The failure of mergers in the two Chinese cases, when compared to the similar yet successful situation in B1, suggested that a smooth transitional process and more consideration of local conditions are desired when conducting any fundamental organizational changes in HEIs.

10.3 Future research agenda

As argued in Chapter 4, there are both time and cost limitations to this research for a doctoral thesis. However, it can be potentially extended in a few different ways as the future research agenda.

One option would be to expand the current research to either a larger/more thorough scale and/or a more longitudinal study in the future. Surveys may be considered to compensate the disadvantage of semi-structured in-depth interviews and obtain a larger pool of data to avoid sample bias. Research of more universities with different profiles that cover more types of institutions can also be taken into consideration to reduce the bias. Also, by extending the timeline of the study at one specific site allows deeper insight into the organizational learning process, as well as to examine the effectiveness of NPM practice over a relatively long period of time. Meanwhile, in much as the same way as we viewed the lack of sophisticated and empirically based comparative analysis of the NPM reforms in the higher education sectors in the UK and China, so the same argument may be propounded at international level. As discussed earlier in Chapter 2 and Chapter 3, although some high quality

comparative work has already been undertaken (Pollitt and Bourkaert, 2000), most of them are focused on OECD countries or developed countries. As sustained international comparative work is of key importance, it is suggested that more attention be paid to the less developed countries and their higher education management changes, as well as to compare their experiences with the NPM pioneer countries.

Meanwhile, there are several aspects noticed during the study that are worthy of further exploration and discussion. As a distinctive feature in the two Chinese studies, more focus on political party influence on public sector management can be scrutinized and investigated to greater extent. The impact of the CCP on the university management as shadow organization is a distinctive feature in China and can be further explored with reference to its political context. Another possibility is the different management styles between elite and non-elite universities, which would also be an interesting topic for further discussion.

Appendix

Appendix 1: Semi-structured interview questionnaire (in English)

Reform changes in university management – Questionnaire

Thank you for agreeing to take part in this study. All responses to this questionnaire will remain completely confidential.

1. What is your role in this organization? How long have you held this position?
2. What are the main challenges/constraints in this role? How has this changed in recent years?
3. What are the most notable changes in the university's organizational structure over these years?
4. Is the amount of resource received by each unit linked with performance? Are there any explicit and measurable standards of the performance of departments/individuals?
5. Is there more enhanced accountability and more financial pressure in your sphere of responsibility now?
6. Has the role of accounting information changed in recent years? Does present accounting information make management processes more transparent?
7. Is the focus of accounting information on (1) current and future decisions; or (2) accountability for past performance; or both?
8. Have there been any innovations in accounting practices in recent years? What have been their impacts?
9. How active is the university in competition with other institutions for funding/ratings/enhancing its performance?
10. As far as you are aware, have changes in recent years helped management to cope better? Does the overall effect mean a fall, or rise in the quality of teaching and research, or little change? To what extent do you think the management reforms that have been are successful?
11. Overall, do you think the government has been successful in providing a supportive environment for the development of higher education institutions?

What can be/should be done by the government in the future to improve the current situation?

12. Are there any further issues which you feel are important for the understanding of the changes in this university?

高校管理体制改革调查问卷

- 感谢您在百忙之中抽出时间来参与该次访谈。您对该问卷作出的所有回答都会保密，并且在最终论文中匿名。全部访谈过程会以录音形式记录并整理成稿（中英文两式）交予您审查，如果其中存在任何错误或者不准确的表述，请予以告知以便加以修正。

问题 1：您在这所高校担任何种职位？任职多久？您的主要工作职责有哪些？
- 如果任职时间少于 1 年，之前在何处任何职？

问题 2：您认为您的哪些职责最具有（何种）局限性和挑战性？

问题 3：该校近年来在管理机制/行政结构上有何（重大）变革？具体涉及到的文件有哪些？

问题 4：学校每年年收入的分配是否跟各个部门的绩效挂钩？具体分配机制如何？
- 您在对于这些收入的分配和支出上有多大自由度？主要的花费项目都有哪些？
- 学院主要的收入和支出构成分别是？（各项所占百分比）
- 对于个人的能力考核和部门的绩效评估系统是如何确定的？

问题 5：学校的财务预算机制是否有效？是否与长期战略规划挂钩？

问题 6：财务信息是否清晰明了？对于战略决策的影响如何？

问题 7：财务管理制度上是否有革新？其影响如何？

问题 8：学校与上级部门之间以及学校内部的信息传达/交流是否有效？权责是否清晰明了？近年来在管理上有何种程度的权力下放？

问题 9：您觉得目前政府在高校管理中的干预权力范围是否合理？行政权力和学术权力的分配是否合理？政府在高校管理中扮演何种角色？

- 对于我国现行高校管理中的权力配置，您觉得目前从政府本位到学校本位，从行政本位到学术本位的转变程度有多大？政府目前与学校的关系和权力分配近年来可有转变？

问题 10：您觉得现在的高校是否在走向企业化管理？您对于"教育产业化"这个提法有何见解？

问题 11：对于近年来高校间的并校趋势，您有何看法？

问题 12：您觉得还有哪些信息需要补充？

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