

Incorporation of National Universities in Japan and its Impact upon Institutional Governance

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Introduction

In recent years, there have been increasing criticisms about the effectiveness of university governance in many countries, and consequently many proposals for changes have been made. These proposals aim generally at rationalising governance, by clarifying the responsibilities of the president and at the same time, by reducing involvement of the faculty in the institutional decision making process. Such organisational reforms include university entrepreneurship, incorporation or privatisation of public universities, and other institutional reforms.

This article examines the impact of the incorporation of Japanese national universities, carried out in April 2004, by focusing especially on their institutional governance.

I Incorporation of national universities

1. Objectives of the incorporation

Japanese national universities were until March 2004 a part of the national government (MEXT²), and were directly operated by the government. On 1 April, by acquiring the status of “national university corporations”, they were given a legal personality and became more autonomous. This reform was regarded as one of the most significant reforms of Japanese universities since the inception of the modern higher education system³.

The incorporation was carried out with the objective of enabling national universities to improve the quality of their education and research, build appealing national universities rich in individuality and play a greater role in meeting the expectations of people and society in a more competitive environment⁴. The new management system encompasses such major innovations as :

1. an increased autonomy in their management, including use of the budget (from line-item budget to block grant), personnel management (non-public servant status), and organisation of the secretariat and other support services ;
2. a management system centred on the president and a handful of executives designated by the president ;
3. participation of external experts in the decision making process, including selection of the president ; and
4. a third-party evaluation system based on stated goals/plan.

2. Outline of the national university corporation system

a. An increased autonomy

1 This paper will be published as one of COE Publication series of RIHE.
2 Ministry of Education, Culture, Sports, Sciences and Technology. In this paper, the minister in charge of the MEXT is referred to as the “Minister of Education”.
3 See Oba (2004) for the background and process of the reform.
4 MEXT “Incorporation of National Universities” <http://www.mext.go.jp/english/org/struct/020.htm> (accessed on 14 December 2005).

1) The budget

The budget is allotted by the MEXT to each university as a lump sum (operational grant) without earmarking, including staff salaries. The budget allocation is based on a medium-term plan (MTP) prepared by each university according to its medium-term goals (MTG) (Figure 1). The medium-term goals are presented by the MEXT, and are elaborated on the basis of the views of each university. Upon approval of the MTP by the Minister of Education, national universities will be entitled to receive a budget (operational grant) corresponding to the MTP. The duration of medium-term goals/plan is six years.

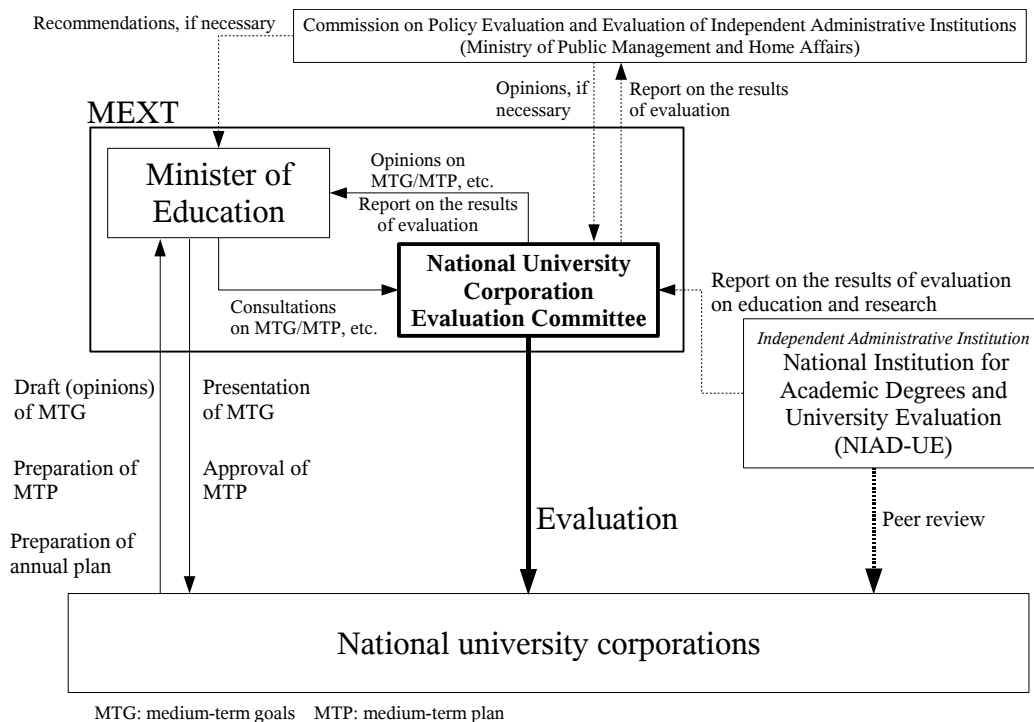


Figure 1. MTG/MTP and evaluation of national university corporations

Tuition and entrance fees are now their own sources of revenue for the national university corporations. Each corporation is allowed to raise tuition and entrance fees by up to 10% from the standards set by the MEXT¹. All the national universities set fees of the same amount as the standards (520,800 yen for tuition fees and 282,000 yen for entrance fee) for fiscal year 2004. For fiscal 2005, the government revised the standard tuition fees up to 535,800 yen (the standard entrance fee remains unchanged). All the national universities but Saga University revised their tuition fees. However, some universities left partially unchanged their tuition fees. At the University of Tokyo, for example, tuition fees were frozen for doctoral students. The single tuition fee system for national universities came finally to an end.

2) The personnel system

National university teachers and other staff members are no longer public servants. The non-public servant status was adopted in order to allow new national universities to practise more flexible forms of recruitment, salary structures and other conditions concerning personnel affairs. Differences between the two types are shown in Table 1.

All non-faculty staff are nominated by the president, whereas previously high-level secretarial staff members, such as secretaries-general and other directors, used to be nominated by the Minister of Education.

¹ As to the lower limit, there is no regulation.

Table 1. Public servant type and non-public servant type of the personnel system

	<i>Public servant type</i>	<i>Non-public servant type</i>
<i>Guarantee of status</i>	Stipulated by law	Stipulated by rules of employment of each corporation
<i>Rights of labour</i>	Disputes are prohibited.	Disputes are not prohibited.
<i>Recruitment of administrative staff</i>	Selection among successful candidates in the national public service examination	According to criteria defined by each corporation
<i>Dual employment, side business, and political activities</i>	Restricted by the National Public Service Law	Stipulated in the employment rules of each corporation
<i>Foreigners</i>	Impossible to appoint them to management positions	Possible to appoint them to management positions
<i>Salaries and working hours</i>	Determined by each corporation	(Unchanged)
<i>Medical insurance and pensions</i>	Similar to the national public servants	(Unchanged)
<i>Provisions of the penal code such as bribes</i>	Similar to the national public servants	(Unchanged)

3) The secretariat

The structure of the secretariat is now at the discretion of each university, whereas before incorporation it was determined by the MEXT. Many institutions restructured their secretariat so that they might strategically manage clerical works in support of the university management.

b. The governing body

Each national university corporation has the president of the university and executives in its governing body (Figure 2). In contrast to the previous situation with a single deliberative body (council), three deliberative bodies are set up in each corporation : (1) a *board of directors*, the highest deliberative body before the final decision by the president ; (2) an *administrative council*, to deliberate on important matters concerning the administration of the national university corporation ; and (3) an *education and research council*, to deliberate on important matters concerning education and research. The governance is shared by these three bodies, but ultimate decisions lie with the president, supported by the board of directors.

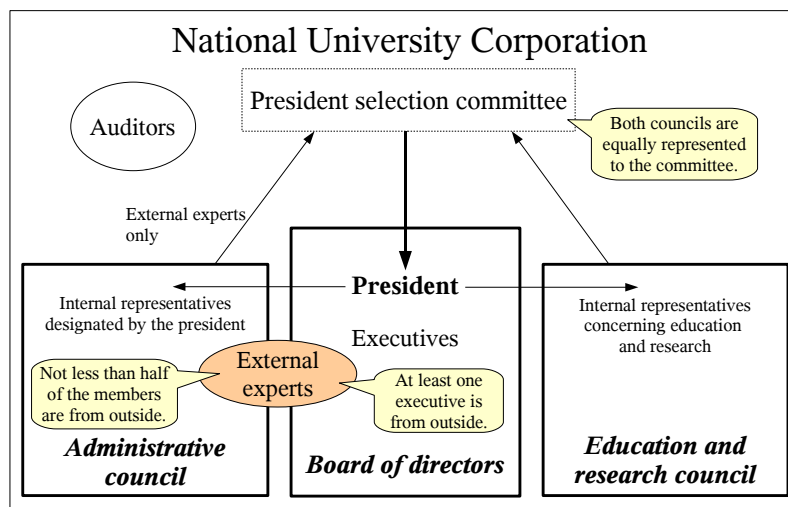


Figure 2. Governing body of national university corporations

c. Participation of external experts

In order to ensure accountability and responsiveness to society, people from outside the university should be solicited to participate in the management of national universities. At least one of the executives, who compose the board of directors, should be a person from outside the university. In addition, not less than half of the total members of the administrative council should be appointed from outside.

External experts participate importantly in the selection of the president. They represent the administrative council on the president selection committee, and are equal in number in the committee to members from the education and research council.

d. The evaluation arrangements

A National University Corporation Evaluation Committee (hereafter referred to as the “Evaluation Committee”) has been set up in the MEXT, composed of non-national university members, to evaluate national universities institutionally (Figure 1 above). Every national university will be assessed by the Evaluation Committee on completion of its medium-term goals/plan, and the result of the evaluation will be reflected on the budget allocation for the next medium-term.

With respect to matters essentially related to education and research, the Evaluation Committee is to receive a report from the National Institution for Academic Degrees and University Evaluation (NIAD-UE), in order to be informed of the specialised nature of the education and research conducted in the universities.

II Impacts upon university governance

Incorporation of national universities was swiftly carried out without incident (Aizawa, 2005 : 6), although preparations for the incorporation had not been an easy task at all for each national university. Almost two years have now passed since the incorporation, and remarkable changes can be observed today in certain aspects of the university governance¹.

1. The central administration

a. Selection of the president

Traditionally, university presidents have been elected by vote of the academic staff members and endorsed by the council before formal nomination by the Minister of Education, which was practically a formality². After incorporation, although the president has still to be nominated formally by the Minister, the selection is made by the president selection committee including as many external experts as internal representatives. As to the participation of faculty members to the selection, it was suggested in the recommendation on incorporation (Study Team concerning the Transformation of National Universities into Independent Administrative Corporations, 2002) that participation should be limited to those with sufficient experience and responsibility : although it did not exclude the vote as a means to access receptivity to candidates among targeted people, it did not provide for a vote as a means of faculty involvement in the process.

In many universities, committees have made it a rule to take into consideration the votes by

1 Specific examples and other information cited in this chapter, unless otherwise noted, come from National University Corporation Evaluation Committee (2005) and performance reports of the national universities prepared for the evaluation.

2 The law stipulated merely that the council should select the president, but most universities put a voting system in practice, which was considered as a requirement of the fundamental principle of university autonomy. However, under the new corporate system where universities have a larger autonomy, the link between the vote and the university autonomy should be weakened, whereas the former used to be regarded as a guarantee of the latter (Shiono, 2005).

staff members, including at times non-academic staff. However, the selection is not always dependent upon the ballot outcome. In some universities, the second-ranked candidates have been deliberately favoured. Elsewhere, universities including Tohoku University have either not employed or have abandoned the voting system itself. The decision taken by Tohoku University was the first among major universities, which envisaged widely searching candidates from inside and outside the university (Oda, 2005).

The new selection system has been designed to allow university presidents to exhibit effective leadership. However, in universities where the vote is maintained, several presidents known as reformers for their audacious managerial innovations have been defeated at the polls after incorporation. Not a few academics consider the incorporation as administrative restructuring under the name of university reform and as unwelcome, and they are likely to be conservative instead of supporting reforms (Sakimoto, 2005).

b. Presidents and boards of directors

The national universities' decision-making system altered fundamentally after incorporation, from a collegial system to a régime centred on the university president. This change notably extended the authority of the president and the board of directors.

In order to effectively centralise decision-making, by concentrating administrative powers in the presidents and the boards of directors, national universities have reduced the number and the frequency of meeting of different committees. Before incorporation, a considerable number of committees were set up to build consensus among faculty members, which was a time-consuming decision-making process. In Aichi University of Education, for example, the number of meetings of the faculty council was reduced from around 19 to 7 in 2004, and the university reduced the number of committees from 36 to 24 as well as the number of committee members from over 400 to around 100.

Most often, presidents have larger resources at their disposal than before incorporation. As of October 2004, more than half (55%) of the university presidents had at their disposal staff resources or a budget for salaries to allocate to strategic projects and others.

The new decision-making framework was designed to permit rapid decisions, reflecting opinions from outside the university, in a small circle of high officers. However, until now the system has not had the outcomes claimed for it in most universities (Isoda, 2005). The problem is that it is absolutely difficult to expect faculty executives to have competence and expertise in university administration, where presidents are selected mainly on the basis of their academic achievement and most faculty members try to escape from managerial work. Consequently, it is difficult to find competent managers among faculty members. As a result, with disappearance or diminution of the integrated secretariat being a contributing negative factor, there has been a decline in co-ordination and even miscellaneous co-ordinated matters frequently go to the presidents thus reducing the efficacy of the university management.

c. Administrative support services

Almost all national universities have revised their scheme to assist the president, including reinforcement of the president's bureau, appointment of presidential faculty assistants, fortification of the planning/managerial departments. With respect to the secretariat, which used to be directed by a secretary-general nominated by the Minister of Education and considered most often as exemplifying ministerial authority, national universities fall into two main groups : those universities that have kept a unitary secretarial structure, and those that divided the secretariat and set up offices under vice-presidents (Sakimoto, 2005).

In the first group with an integrated secretariat, are mainly the smaller universities : clerical work may be executed more consistently, but secretarial staff members ultimately report only to the secretary-general and vice-presidents do not have their own staff except for a small number of secretaries. In addition, co-ordination between vice-presidents and the secretary-general is

necessary and often requires further effort. On the other hand, even though integrated secretariats remain, the status of secretaries-general is no longer the same as that before incorporation : most often it has been accompanied by a retrogradation in rank and an abridgement of authority.

In the second group, staff members report to each vice-president responsible for a certain area of the university administration. Although much work may be completed in each office more rapidly under the leadership of a vice-president, this structure often is a source of inconsistency among offices and suffers from a lack of expertise in administrative practice on the part of faculty administrators. In addition, some offices require qualified staff specially trained in a certain competence area to be effective, but commonly such staff have yet to be developed.

d. Participation of external experts

Every national university has to include external experts as members of the board of directors and of the administrative council. Far the greatest part of these members are from the business community (34% for boards of directors and 35% for administrative councils), followed by people from research and development corporations and the like (Figure 3). Some universities include foreigners in their boards of directors or administrative councils.

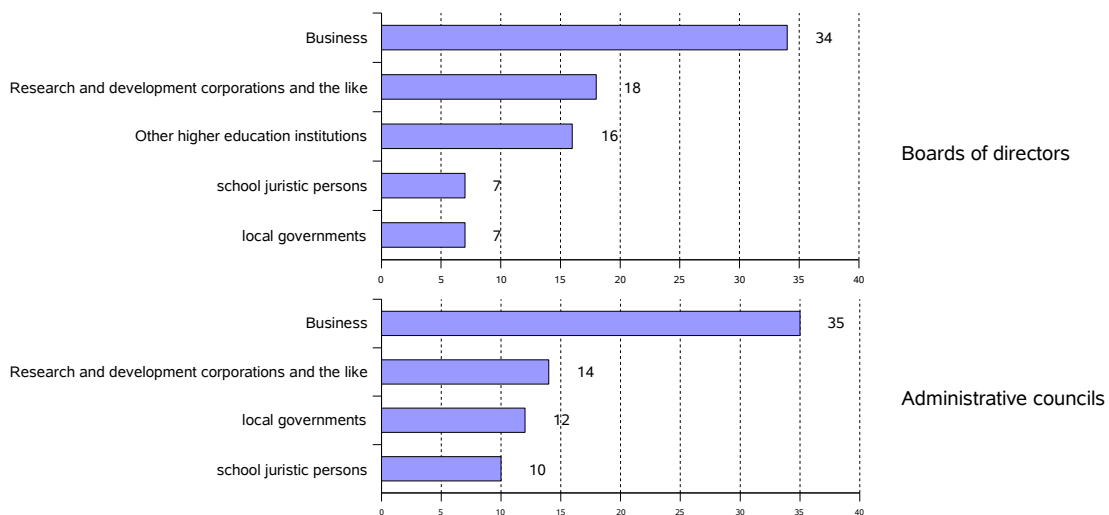


Figure 3. External experts by affiliation or affiliated organisation (%)

Source : JANU (2004)

1) Boards of directors

External experts on boards of directors are expected to provide diverse expertise difficult to find in the university and to contribute to assuring an efficient university management. Out of 403 executives in all national universities, 80 are from the business community, but most of them (over 80%) are in part-time positions (Honma, 2005). Two universities (Tohoku and Kobe) have appointed foreigners as board members. In comparison with administrative councils, external experts on boards of directors represent a very small portion of the membership.

Although the effectiveness of their presence in the university management is still to be examined, some noticeable examples were reported by the Evaluation Committee. Miyagi University of Education, for example, invited the ex-superintendent of the prefectural board of education to its board of directors for his expertise in school education ; in Osaka University of Foreign Studies, an external executive assumed the role of vice-director of the evaluation office, which was to evaluate every quarter year the implementation progress of the annual plan.

2) Administrative councils

Involvement of external experts of administrative councils in university management is widely diverse. Some universities expressed their intention to consult their administrative council in detail as to their management, including their budget allocation. Others intend to consult only in relation to general directions. The president of Kyoto University, for example, was reported to have said that the administrative council should discuss matters only from a broad perspective¹.

According to a survey², in fiscal 2004, the frequency of meetings of the administrative council ranged from twice to 12 times per year. On average, the administrative council met 5.1 times, and external members participated in it 4.1 times. Most of them (77.7%) found the frequency sufficient ; but a minority (17.0%) found the time and frequency insufficient, pointing to such remarks as too many matters to discuss (32.8%), little opportunity to express their opinions, and unavailability of internal detailed information of the university. The majority of the external experts (60.1%) felt that their opinions had been sufficiently reflected in the decisions of the administrative council ; but nearly a quarter of them (24.3%) thought that their opinions had little impact, and 9.4% of them found only a small number of important matters in the council discussion.

In comparison with the same survey carried out the previous year, fewer experts found the council performing a core role in university management (62% against 66%), and orienting reform of the university (53% against 60%) (Figure 4). Further, more experts feared that the council might become mere a formality before decisions were taken by the board of directors (40% against 35%). From the survey, a kind of disappointment could be observed among external experts in the administrative council.

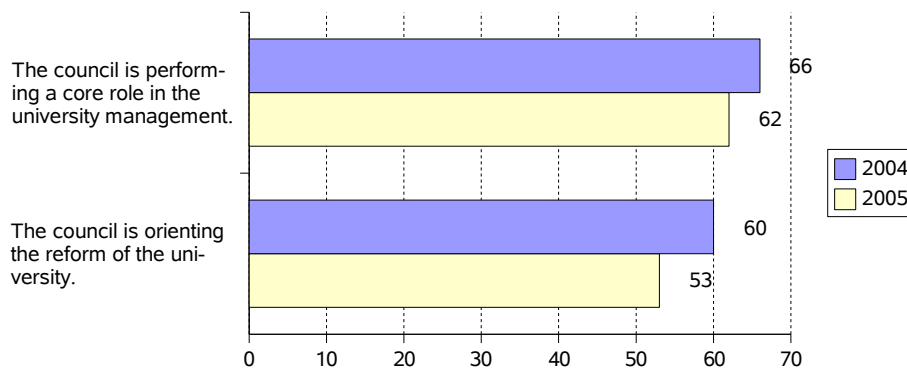


Figure 4. Functions of the administrative councils viewed by external experts (%)

Source : *Nikkei News* dated 9 May 2005.

2. Finance and human resource management

a. The financial management

Given a larger autonomy of financial management, national universities have taken various measures to use their resources effectively. All the universities have adopted annual budgeting policies, and have set aside a budget at the disposal of the president. Most universities have invested in such activities as industry-university co-operation, a research activities matching various societal needs, international contributions, and collaboration with the local community.

1) Changing resource allocation policies

In 2004, Tokyo Institute of Technology dedicated about 650 million yen to a budget at the discretion of the president, and spent it selectively on activities such as development of education-research infrastructure, improvement of student services, research fund for young faculty mem-

1 *Nikkei News* dated 5 August 2004.

2 *Nikkei News* dated 9 May 2005.

bers, and other activities under the initiative of the president. Tohoku University deducted 5% of the total faculty staff salary as a centrally managed personnel budget, and founded a “University Professor System”, designed to attract Nobel Prize class scholars with a special salary. With this system, the university invited a nobelist in chemistry, which provided a stimulus to education and research on campus.

Rationalisation of resource allocation is mandatory : the operational grant is being reduced by 1% annually, except for the salary of faculty members. Many universities have focused their reforms on managerial efficiency in allocation and utilisation of existing resources. Shiga University of Medical Science, for example, carried out a detailed analysis of cost calculation and applied cost improvement measures to certain areas to improve the financial situation of the university. Mie University developed a “Cost reduction action plan” to reduce by 10% the cost of supplies, electricity, fuel, water, etc. by the end of FY 2009. The University of Tokyo set up a Division of Environment and launched an energy-saving campaign which resulted in a 10% reduction in the maximum electric power demand in the summer 2004.

The effective use of facilities is being pursued as well : previously facilities allocated to units used to be considered as vested property of each unit. Many universities have introduced a Web-based management system for shared facilities on campus. Kyushu Institute of Technology began charging for the use of all facilities, so that the campus community might have a better cost consciousness and be flexible about facilities allocation.

2) Efforts for acquiring competitive funds

Faculty members are increasingly encouraged to acquire external research grants and other types of competitive funds. Niigata University, for example, defined numerical targets concerning Grants-in-Aid for Scientific Research¹ acquisition in its action plan. Ryukyu University deducted 1% of the research infrastructure fund of the faculties for which the collective application ratio was under 70% as an incentive fund for applicants to encourage grant applications.

On the other hand, almost all universities reduced the amount of research funds distributed uniformly to each faculty member, in favour of funds at the disposal of the president or competitive funds. These funds are utilised for projects proposed by faculty members or selected by the university authority, distributed to research-intensive units, and so on. Okayama University, for example, developed an “Okayama University Priority Projects” programme with a view to setting up new scientific research projects that were not limited to one faculty and to developing creative international research centres (On-campus COE) : eight proposals were selected based on the recommendation of a panel of experts including external ones. Nagoya University implemented a weighted allocation of education-research incentive funds on the basis of the acquisition of Grants-in-Aid for Scientific Research and others.

3) Promotion of income generation activities

External sources of revenue have been vigorously sought by national universities. Income generating activities include industry-government-academy co-operation and various entrepreneurial activities initiated by universities. Most universities have set up or enhanced offices for technology licensing and other co-operation activities.

With the aid of a Programme for the development of intellectual property management offices in universities offered by the MEXT², 25 national universities set up offices of this kind. In

1 Competitive funds of the MEXT, open primarily to university-based researchers for the purpose of basic scientific researches.

2 A programme designed to support universities of all sectors for a period of five years to set up offices to strategically manage their intellectual property. It was initiated by the MEXT in 2003 based on the government policy that research results should belong as a rule to the universities. In total, 34 universities were selected.

2005, the programme was reviewed by a panel of experts in the MEXT. Most notable among the efforts classed as A (excellent) by the panel were those of the University of Tokyo. The university was reported to very effectively manage its intellectual property from creation to licensing, conjointly with TOUDAI TLO, Ltd. (CASTI) and the University of Tokyo Edge Capital Co.,Ltd.¹, within the office of intellectual property. Furthermore, the University of Tokyo set up a Division of University Corporate Relations that integrated, in addition to the office of intellectual property, an office of commercialisation and an office of industry-university co-operative research promotion, with a view to providing a common infrastructure for industry-academy collaboration to the campus community and to effectively supporting relevant activities both inside and outside the university.

However, income generation activities have clear limits and cannot be heavily relied upon. They represent only small portion of the revenue of national universities and are unevenly distributed. In addition, they may be successful in some cases only in certain departments, which are likely to be sectors that do not perform traditional university functions.

b. The human resource management

1) Flexible staffing arrangements

Free from the staff quota administration practised strictly by the government, national universities have much more discretion over their human resource management. Before incorporation, the number of staff was meticulously fixed by the government for each unit by positions, and national universities could not modify its staff quota, nor establish new units by restructuring existing units without authorisation of the government. Under these circumstances, the staff quota of each unit tended to be considered as a vested right, which prevented a flexible manpower policy at campus level.

After incorporation, national universities have realigned their human resource management systems so that they might centralise staff quota/budget management and strategically make use of given human resources under the leadership of the president. Gifu University, for example, passed in April 2005 from a staff quota management system to a “points system” that allowed deans and other unit directors to use flexible staffing within the limit of points allocated to each component².

Many universities have emphasised needs for a centralised employment function for faculty staff positions, and have made it a rule that posts of retiring professors should be centrally managed, not automatically filled by researchers from the same area to replace retiring professors, so that the executive office may redeploy staff where appropriate. Yamaguchi University, for example, abolished staff quota allocations by department and decided to control the numbers of positions at faculty level and to commit the vice-president to determining whether a post should be filled or not by the same department if a vacant post occurred.

2) Recruitment of experts and experienced managers

Under the previous national university system, permanent administrative staff could be recruited only from among successful candidates in the national public service examination. Free from this restriction, in addition to recruitment by the ordinary employment process³, national universities have recruited experts in various managerial areas. In 2004, the University of Tokyo, for example, recruited 10 experts from the business community as associate manag-

1 A venture capital recognised by the University of Tokyo, which provides support to entrepreneurial activities using fruits of research and human resources of the university.

2 A professor accounts for 100 points, an associate professor 78 points, an assistant professor 73 points, and an assistant 60 points (one point corresponds to approximately 100 thousand yen). Each component determines how to utilise its points.

3 After incorporation, national universities conjointly organise each year employment examinations by region, and they recruit staff from among successful candidates in the examination of each region.

ing directors (*Fukuriji*) or specially appointed experts (*Tokunin senmon-in*)⁴.

3) Development of administrative staff

Before incorporation, high level secretarial officers were regularly relocated from one university to another by the MEXT. The system came to an end at the time of the incorporation, when the appointing power was transferred from the Minister of Education to the president of each university. However, rotation of these officers is still maintained as a temporary settlement based on an agreement between the Japan Association of National Universities (JANU) and the MEXT⁴. For the national universities, it was regarded as necessary to assure knowledge and expertise in university administration.

On the other hand, an increased autonomy emphasises the need for human resource development, particularly in managerial roles. Most universities have realigned their staff development programmes in that direction. Hirosaki University, for example, set up a development programme “Career development training through adult students admission programmes”, open to clerical and technical staff members, with a view to developing core administrative staff.

In some universities, certain administrative positions have been advertised within the universities. The University of Tokyo, for example, advertised some director-level positions and appointed seven successful candidates to the positions in FY 2004.

3. Academic structures and student services

The incorporation policy emphasises a continual revision of academic structures of national universities and encourages them to autonomously seek for appropriate structures so that they may meet the needs of society. Out of 93, including 4 inter-university research institute corporations, 43 corporations were reported to review periodically their education-research structures, by setting up units with an expiration date and so on. In addition, the National University Corporation Law advocates an improvement of student services.

a. Fundamental academic structures

Independently of the incorporation, fundamental academic structures – faculties and graduate schools – are, regardless of the type of control, regulated by the School Education Law and are subject to government approval for any modifications except slight ones. Until now, no fundamental amendments of academic structures have been reported. Although it seems still difficult to reallocate internal resources, assessing the needs of the components, from the areas of least need to those areas of greatest need, certain universities have expressed their intention to review their academic structures on the basis of evaluation results in the future.

Kyushu University, for example, plans to review its academic structures and to reorganise them based on the evaluation results. Additionally, Kyushu University is known for its reform of the structure of graduate education, which has divided each existing graduate school into a new graduate school (educational body : *Gakufu*) and a graduate faculty (research body : *Gakuin*) in April 2000. Thus faculty members, belonging to graduate faculties separated from educational bodies, are expected to provide a more flexible approach to teaching.

b. Interdisciplinary initiatives

National universities have been increasingly cultivating programmes that cross disciplinary boundaries to better meet the needs of society and to maintain and strengthen their scientific excellence. In many universities, no small part of the resources at the disposal of the president have been devoted to developing interdisciplinary approaches that cross the borders of existing faculties gathering researchers from different units and outside.

⁴ Among these experts is a patent attorney in the office of intellectual property.

⁴ The fourth permanent committee of the JANU “Personnel exchanges of non-academic administrators after incorporation” 31 December 2003.

The University of Tokyo, for example, set up an Comprehensive Project Group¹ in 2004 directly under the auspices of the president. It aims at combining several disciplines and opening up new horizons of knowledge by encouraging interaction between disciplines. Projects in four domains have been planned including the human, the material, the Earth, and the universe.

Ryukyu University developed a Transdisciplinary Research Organisation for Subtropics and Island Studies with the president's budget. It envisages strategically promoting specialised research across faculties and advancing education and research of the university.

c. Student services

The National University Corporation Law (Article 22) puts student services concerning both academic and social student life in second place among the corporations' activities after establishment and management of a national university, and before other items of importance. In Japanese universities, particularly in national universities, student services have long remained underdeveloped. However, massification of higher education demands that administrators focus more on the issue. Among efforts undertaken are establishment of positions in student services, improvement of counselling activities and other support services, appointment of advisers, and organisation of peer support groups.

In Yamagata University, for example, one faculty adviser was appointed for every 20 students, and academic advisers were placed in an advising centre offering a "YU supporting system", which dealt with about 4,000 cases of consultation in FY 2004. Kanazawa University developed a "Peer support group" system with the participation of seven volunteer graduate students who were given training in counselling, and they have been giving advice to students on various issues relating to campus life.

d. Student participation

With the end of the pre-corporate collegial system, the university governance was restructured, centring on the president and the board of directors, and voices of faculty members have significantly decreased. In contrast with the decrease in faculty involvement, participation of students in university governance is a newly observed phenomenon. Traditionally, students have not been regarded as full members in the campus community in Japan. After incorporation, in some universities, student are found as full members in evaluation committees and other decision making organs.

In Okayama University, for example, students and academic/non-academic staff members sit in conjointly on a Student-Staff Committee on Educational Improvement, where 38 students are present among 56 members (as of January 2005). The committee has proceeded with faculty development activities largely inspired by students, including establishment of new courses and improvement of student questionnaires on teaching.

4. Accountability and quality assurance of the national universities

a. Public relations

Most universities have enhanced their public relations, by improving their Web sites, issuing mail news, advertising in newspapers, and so on. Hokkaido University, for example, concluded a comprehensive agreement on co-operation with a publicity agent to improve its public relations structure and establish a university brand.

In addition, many universities have opened branch offices in major cities for multiple reasons, including student recruitment, industry-academy co-operation, and government relations. Hiroshima University, for example, has now four branch offices in Tokyo, Osaka, Fukuoka, and Beijing in China.

¹ Provisional translation of *Sokatsu Project Kiko*. In the University of Tokyo, the term *Kiko* is translated into group, organisation, or institute.

b. Audits

As required by law, every national university has two auditors as directors¹, entitled to check its business operations. In addition, national universities are subject to audit by external accounting auditors. Although an audit system has not yet been effectively established in most universities, some universities have used audit results in a positive manner to improve university management. In 2004, all the corporations conducted internal audits, and 41 corporations out of 93 set up an audit office or assistant positions under the auditors with special attention to the independence of the auditors. Yokohama National University, for example, set up an audit office with eight staff members directly under the president, responsible for both internal and external audits.

c. Evaluative activities

1) Academic staff evaluation

After incorporation, an increasing number of national universities have developed or begun study of their academic staff evaluation system. Traditionally, evaluation of faculty members has been carried out almost exclusively through peer review in Japanese universities. Although peer review remains the most effective and important evaluation means, many universities have acknowledged the necessity for an evidence-based academic staff evaluation, and have been in search of a system to better evaluate performance of academic staff in order to improve the quality of education, research and other services.

For example, Okayama University put in place a staff evaluation system in 2004 to classify academic staff into four groups (excellent, good, fair and poor) based on multiple performance indicators². In 2004, among 1,280 participating academic staff members, 897 were classified in the overall performance evaluation as excellent but 20 as poor (Figure 5). The university has not yet utilised its results to link pay to performance, but it remains within the scope of consideration.

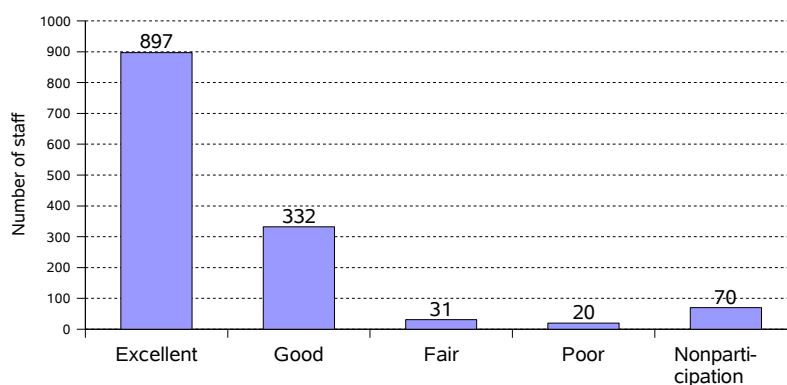


Figure 5. Overall performance evaluation of the academic staff in Okayama University, 2004

Source : See note2 below.

2) Unit-level evaluation

Some universities have opted for a unit-level evaluation, in place of a staff-level evaluation at campus level. Osaka University is an example, which has been conducting faculty-level evaluation.

- 1 Although auditors are classified, like presidents and executives, as directors by the National University Corporation Law, they do not sit in on the boards of directors.
- 2 Report at the seminar on the academic staff evaluation system, organised by the Evaluation Committee of Hiroshima University on 22 December. Its objectives are defined as to make education-research and other activities more active and to promote changes in awareness, to collect information for the purpose of improvement of the university management, and to keep the university accountable.

ations on an experimental basis. Evaluation of academic staff members is up to each faculty or other unit. However, an academic staff database has been developed by the university, into which every staff member is required to input his/her data concerning academic performance.

d. The institutional evaluation by the MEXT

All the national universities are to be institutionally evaluated by the Evaluation Committee after the period of MTG/MTP. In addition, the Evaluation Committee assesses their performance annually based on the self-monitoring and self-evaluation of each national university corporation. The Evaluation Committee released on 16 September 2005 its first annual evaluation report for FY 2004. The Evaluation Committee expressed its satisfaction in the name of its chairman, recognising that, as a whole, national universities had been coping positively with the reforms, that they had consolidated their management base within a limited amount of time during the first year of incorporation, and that they had been accomplishing satisfactorily their mid-term plans. At the same time, the Evaluation Committee pointed to several problems including a delay in building a management base, room for improvement in personnel management and administrative rationalisation, and in effective use of managerial resources in some national universities.

The annual evaluation was carried out on five levels : 1) improvement and optimisation of the business; 2) improvement of the composition of finances; 3) self-monitoring and self-evaluation as well as disclosure of information; 4) other business affairs; and 5) improvement of the quality of education-research and other related services. The results are shown in Table 2.

Table 2. Results of the annual evaluation by the Evaluation Committee for FY 2004

(number of corporations¹/percentage)

	<i>Excellent status</i>	<i>As planned</i>	<i>Largely as planned</i>	<i>Slightly behind the plan</i>	<i>Much improvement needed</i>
Improvement and optimisation of the business	7 (8%)	37 (40%)	39 (42%)	10 (11%)	0 (0%)
Improvement of the composition of finances	3 (3%)	50 (54%)	40 (43%)	0 (0%)	0 (0%)
Self-monitoring and self-evaluation as well as provision of information	4 (4%)	51 (55%)	35 (38%)	3 (3%)	0 (0%)
Other business affairs	1 (1%)	52 (56%)	37 (40%)	3 (3%)	0 (0%)
Improvement of the quality of education-research and other related services	The report did not classify initiatives but pointed to both excellent and retarded elements.				

III Conclusion

1. Major challenges for national university governance

a. The financial resources issue

The largest source of revenue for national universities comes from the MEXT as an operational grant, which represented 47.7% of the total revenue of all the national universities in FY 2004². However, as a result of the negotiation between the Ministry of Finance and the MEXT in the

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- 1 Includes 89 national university corporations and 4 inter-university research institute corporations in the total.
 - 2 The second largest was income from university hospitals (25.5%) and the third was tuition, entrance and examination fees (14.6%).

winter 2003-2004, it was agreed that the operational grant would be reduced by 1% every year except for the component corresponding to salaries of faculty members.

National universities have been rationalising their administration and multiplying resources. However, as mentioned earlier, additional resources are limited and unevenly distributed. In FY 2004, external resources, including income from commissioned research, donations and others, represented only 6.2% of the total revenue of national universities. In addition, major national universities, represented by seven former imperial universities and another three universities, collected more than 60% of the external resources (Figure 6).

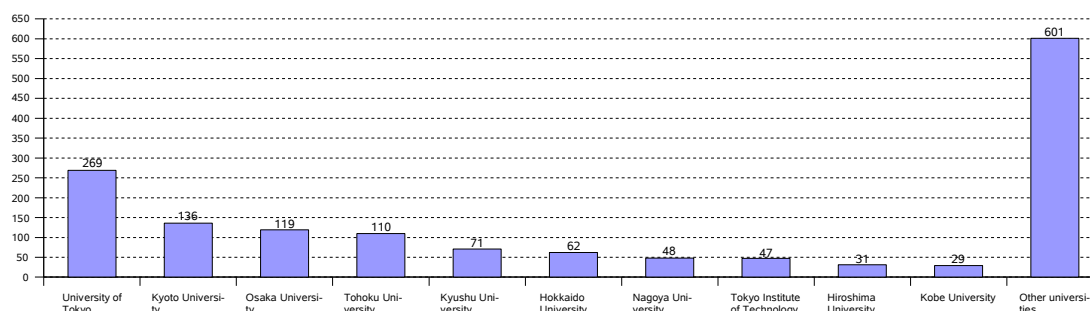


Figure 6. External resources of national university corporations in 2004 (100 million yen)

Source : MEXT

The income generated from co-operative and other entrepreneurial activities in the universities forms a very small share throughout the world. Even the best examples of resource mobilisation by universities, highlighted by Burton Clark as the most successful examples of entrepreneurial universities, indicate that it can have only a limited impact to replace state funding : these universities are financially worse off in the 1990s than they were in the 1980s (Varghese, 2004). In addition, those universities/departments mobilising resources through entrepreneurial activities are not the sectors which perform the traditional functions of the universities, which may imply that they have grown at the expense of traditional disciplines that are not revenue producing but may be essential for society.

The cost-sharing measures including tuition fees, currently studied in many countries where public universities are dominant (e.g. most continental European countries), are not applicable to Japanese national universities. The fees that students must pay to public institutions are already exceedingly high and often dissuade enrolment from lower – and even middle – class society.

M. Aizawa, president of the JANU, pointed to three major challenges to be tackled first and foremost by national universities (Aizawa, 2005), including a guarantee of the costs associated with facilities and equipment, avoidance of failure of university hospitals, and particular special factors in the national universities. The financial issue will remain the most important issue for national universities and it will determine primarily the success of incorporation of national universities. In particular, the policy of reduction of the operational grant should be revised in the near future.

b. Developing effective leaders and staff

Before incorporation, national universities did not really need effective and far-sighted managers, since it was the government that managed them and was responsible for their operation. Presidents could be elected without so much problem among researchers on the basis of their scholarly achievement, even if the candidates were not administratively competent. Therefore, in Japan, there have been very few programmes for development of effective presidents or vice-presidents, whereas such programmes are commonplace in the US and some other countries.

Shortly before the incorporation, some efforts in this direction have been observed. Since 2004, the JANU has organised university management seminars for high level administrators

such as presidents, vice-presidents, deans and other managers. Prior to the incorporation of the national universities, the Centre for National University Finance and Management (Centre for National University Finance until march 2004)¹, had already started seminars for senior administrators in preparation for the incorporation of the national universities. Although these activities are still modest and not systematic, development activities are rapidly spreading, involving other associations and private professional development providers.

In addition, development of the clerical and technical staff, especially those specialised in each functional area of university administration, is important. In particular, staff in planning sections and in charge of evaluative activities should be developed immediately. Student services and industry-academy co-operation are also important. In the short term, however, some such staff can be recruited from outside the university as a temporary settlement.

c. Participation of the campus community

Incorporation has given the university presidents a key element to exercise executive authority over the campus and to put their policies and priorities into practice. However, a genuine institutional policy cannot be developed without involving faculty members, whereas faculty involvement in the decision-making process has been significantly reduced by the incorporation arrangements.

In the United States, the importance of faculty involvement in personnel decisions, selection of administrators, preparation of the budget, and determination of educational policies has been emphasised by the entire higher education community. A 1966 *Statement on Government of Colleges and Universities*, jointly formulated by the American Association of University Professors (AAUP), the American Council on Education (ACE), and the Association of Governing Boards of Universities and Colleges (AGB), stated that faculty members, who had primary responsibility for such fundamental areas as curriculum, subject matter and methods of instruction, research, faculty status, and others, should actively participate in the determination of institutional policies.

Similarly, R. Birnbaum emphasises the fundamental needs for a shared governance in academic institutions. He asserted, drawing on C. Kerr's *The uses of the university*, that faculty involvement in shared governance processes might slow down the making of decisions, but that it also should assure more thorough discussion and provide the institution with a sense of order and stability, and he regarded shared governance as the most effective process through which academic institutions may achieve their indefinite goals (Birnbaum, 2003).

On the other hand, student participation should also be considered. A US *Joint Statement on the Rights and Freedoms of Students*, formulated in 1967 by the American Association of University Professors, the United States National Student Association, the Association of American Colleges, the National Association of Student Personnel Administrators, and the National Association of Women Deans and Counselors and endorsed by many other organisations, stated that students should be free to express their views on issues of institutional policy and on matters of general interest to the student body, and that they should have clearly defined means to participate in the formulation and application of institutional policy affecting academic and student affairs². Furthermore, in European countries, student participation in the governing body is commonplace, and even student vice-presidents are found in some countries (Persson, 2004). In a European survey, student participation in the university governance is widely welcomed by the academic community at all levels, and is considered to enhance the quality of higher education. In some Japanese national universities, students have begun to participate in certain com-

1 Established in April 2004 as an independent administrative institution, the centre grants loans to national university corporations to cover their facilities expenses and provides development activities for national university staff members.

2 Furthermore, the Statement on Graduate Students (2000) advocates an enhanced participation of graduate students in the university governance.

mittees and the like, as seen in the case of Okayama University mentioned earlier.

In Japanese universities, although it is the role of the president to guarantee an effective use of given resources including their development, the governance system must have clear lines of communication among all groups, and especially with faculty members so that they may share the responsibility, participating in discussions and other forms of involvement. Furthermore, student participation should also be seriously taken into consideration.

d. Improvement in the quality of teaching

The new corporate governance system has certainly contributed to university reform. It has been effective particularly in encouragement of industry-university co-operation and promotion of research activities matching various societal needs in more cost-effective way. However, reform of education has been largely left untouched, since it involves a larger part of the faculty community in comparison with research activities or industry-university co-operation and it is difficult to build consensus (Kai, 2005). In addition, since the outcome of an educational reform will not come into sight immediately, but often only some decades later, result-oriented university executives tend to hesitate over educational reform and concentrate efforts on activities expected to have a prompt outcome.

A detailed description of efforts undertaken for educational improvement is beyond the scope of this paper. But noticeable initiatives were reported by the Evaluation Committee (2005), some of which were mentioned in the previous section. These efforts are expected to supply examples to other universities¹.

Ultimately, even for research-oriented universities, education is the most fundamental mission of the university that must be given the utmost priority. It has a decisive impact on success or failure of the incorporation policy.

e. Evaluations

Evaluations constitute a key element of the corporate governance arrangements. It is understood that, under the new system, the resource allocation pattern has changed from a political process to criteria-based resource allocation. Now, both internal and third-party evaluations, from individual staff level to institutional level, that are effectively performed through ex-ante and ex-post evaluation measures are essential for improvement of the quality of education, research and other activities within the national universities.

In Japanese higher education, evaluation procedures have still to be developed in many areas, such as ex-post evaluation of resource allocations, periodic accreditation of institutions, evidence-based academic staff evaluation, and student evaluation of teaching. For these, dissemination of best practices and development of performance indicators, as found in several US state university system, such as in Indiana and California, will be most useful for institutions, and, as indicated above, some efforts have already been made².

However, although evidence-based evaluations as well as performance indicators may be more objective than assessments by political process, they also have their limits. As for academic staff evaluation, for example, evidence-base assessment of academic performance serves only partially. For this type of evaluation, peer review is quintessential, and constitutes a fundamental premise of academic freedom, where decisions concerning the quality of scholarship and teaching should be made by reference to the standards of the academic profession, as interpreted and applied by the community of scholars who are qualified by expertise and training to

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- 1 The MEXT offers two programmes to promote dissemination of good practices in university education : “Support programme for distinctive university education” and “Support programme for initiatives serving contemporary educational needs”, open to all universities regardless of the control type.
 - 2 Among other important efforts is a study on performance indicators concerning resource allocation within national universities by the Centre for National University Finance and Management.

establish such standards³. The aforementioned Okayama University's staff evaluation system is set to target principally the best and worst staff members, not to meticulously assess performance of all the faculty staff.

An evaluation system centred on institutional evaluation should also be questioned. Universities, especially large and comprehensive universities, are very complicated organisations that cannot be evaluated as a whole. Sawa (2005) described the incorporation as a "Soviet-style" reform on the basis that the evaluation and resource allocation scheme of the national universities would act in essentially the same way as the soviet system, which had failed because of difficulty in economic manipulation. The authority of the Evaluation Committee should be limited to certain areas of which the performance is evident and hardly indisputable, with the aid of performance indicators, yet to be developed in Japan. As for the rest, in principle, the evaluation should be implemented on an individual or project basis exposing researchers to a strict but constructive review and criticism by their peers, and a mechanism that provides competitive funds to those who merit them should be assured.

2. Future of national universities

Now that almost two years have passed since the incorporation of national universities and that the first institutional evaluation has been reported, as seen in the previous section, the incorporation process has gradually come into view. However, the incorporation process is still in progress and the future of national universities remains substantially unclear.

The author pointed to several key elements that would guide the future development of national university corporations in a previous paper (Oba, 2005). One of the key elements was the construction of a university community, where the role of government should consist of providing essential support to universities, developing a culture of dialogue between universities and government. In fact, incorporation of national universities has considerably changed the relationship between the MEXT and national universities. However, far from building a community, the activities of both national universities and the MEXT are being directed respectively by their own interests and behavioural principles, and they constitute now separate and distinct organisations (Isoda, 2005).

In such an environment, construction of a university community is crucial to the future of the national universities. Although the national universities have become largely autonomous, they are still subsidised significantly by the government. The ultimate responsibility of their operation resides with the government. Without a government commitment, which should be supportive rather than directive in nature though, most of the national universities would not be able to fulfil the needs of society, which should not be solved by market forces or privatisation.

In an age of knowledge, the need for advanced education and knowledge is becoming incessantly pressing, both for individuals and for society. Higher education institutions should meet such demands, adapting themselves to an ever changing society, just as the university has done over time. Each university should develop a capacity for change, consolidating its governance. Only a concerted effort, which should be made possible within the university community, will enable higher education institutions to respond to the needs of the ever changing world we live in.

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