Corporatisation of public universities

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The path of public sector management always takes into consideration the concerns of good governance, efficiency, and accountability, though not necessarily in that order. The element of governance promotes separation of ownership or stakeholder interest from day to day management. For listed companies, it is a requirement that day to day management is separated from shareholders’ involvement.

It is also a trend to corporatise public institutions so as to allow them to be managed on a corporate basis while the broad policy oversight remains the concern of the stakeholder. The fact that many well-known universities, such as Stanford, Cornell, and MIT, are being owned and managed successfully by the corporate sector suggests that public universities in Malaysia can also be run on a corporate sector basis and this is consistent with the overall modernisation of the economy.

Corporatising universities was an exercise attempted earlier but was aborted in view of the financial crisis in 1998. It can be revisited as a measure to lessen the long run financial liability of the government if undertaken with some reforms.

The immediate concern for salary adjustment (about 17.5 per cent on separation) is a real element of consideration on the part of the stakeholders, namely the government. However, if properly packaged with greater market driven practices, such as market-based tuition fees, demand-related courses, private sector financing arrangements, with scholarships provided for students of low-income parents, the corporatised public universities can sustain themselves in the medium-term and, undoubtedly, in the long run.

What is more beneficial is that we will breed educational institutions, academics, and educational managers who are more efficient and market driven. The state of overall public finance and its management calls for a deep appreciation of the matter and all avenues to improve it be explored leaving ‘no stones unturned’. My feeling is that the matter does not totally filter down.

Of course in pursuing corporatisation, academic freedom is not to be compromised. Indeed corporatised universities will fully allow academics to pursue academic interests while allowing professional managers to run the administration and finances on sound management principles. Academics may be paid market based salaries while the fixed assets can be managed on a commercial basis giving additional income to the universities. The avenue for private partnership is then wide open.

The concern for equity, for which Malaysia is well known, will also be addressed by ensuring the students of low income parentage are adequately provided with scholarships and sponsorships, and assured of places. After all when we send students abroad we pay market-based tuition fees, lodging, health and insurance costs as well as the implicit foreign costs of living.

It is quite timely for us to explore this mode of administration and management of public universities in this country. The costs of salary adjustment at the point of separation may be recovered in the medium-term of five to ten years. The long run benefits are, however, plenty justifying the costs of short-term adjustments.

The experience in the developed nations are plenty and all of them prove that both public and social interests as well as corporate interests can be satisfied efficiently while maintaining the principles of good governance, accountability and efficiency. Perhaps a revisit on this topic can be initiated.

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