The Transformation of University Governance Abroad Under the Perspective of New Public Management

Hanzhong Liang
University of York, York, Britain

Abstract: Known as New Public Management (NPM) or New Managerialism, this approach has been the predominant guiding philosophy in Western university governance since the 1980s. The core of this philosophy emphasizes customer supremacy and market competition, advocating for customer needs and orientations by incorporating market mechanisms to stimulate innovation in universities. Additionally, NPM emphasizes clear accountability, output orientation, and performance evaluation. It requires universities to set clear goals and plans in their operations, quantify their outputs, and proactively accept market supervision and evaluation. Influenced by this theory, Western university governance has undergone significant transformation. The role of the government has shifted from that of a manager to a service provider, offering more policy support and resource guarantees for students. Meanwhile, after introducing market mechanisms, university governance has shifted from government-dominated to multi-centric governance, granting universities greater autonomy and decision-making power, allowing them to independently adjust their development strategies according to market needs and social changes. These transformations have injected new vitality into the development of Western universities and provided useful references for university governance reforms in other countries.

Keywords: New Public Management; Quality of Foreign Universities; Transformational Development.

1. The Alignment of New Public Management with Modern University Governance

New Public Management, also known as New Managerialism, emerged in the UK in the 1980s and quickly spread to the United States, Australia, especially New Zealand, and other Western countries. NPM is part of a global management revolution. This paradigm shift, based on modern economics, advocates for the widespread adoption of successful private sector management methods and competitive mechanisms in the public sector. NPM emphasizes the output and efficiency of public services, focusing on the responsiveness of civil servants to public needs and political sensitivity, and advocates more flexible and efficient management strategies in personnel management, tenure, and salaries. Governance can essentially be divided into traditional and modern interpretations[1-3]; the former centers on a "state-centric" mode of thinking, where the state uses political mechanisms to guide the operation of social and economic sectors towards specific goals. The latter incorporates societal institutions or mechanisms, such as private sector enterprises, non-profit organizations, or local community groups, into the governance process, emphasizing consensus through interaction and coordination among members, thus forming a network partnership model with autonomous functions.

Keating and Shand summarize the core features of NPM as follows: First, it focuses on enhancing efficiency, effectiveness, and service quality, ensuring that intended beneficiaries truly benefit. Second, it implements decentralized management, more rationally combining authority and responsibility to ensure that resource allocation and service decisions are closer to market demands, thereby more directly responding to customer or stakeholder feedback. Third, NPM strives to create a favorable environment for competition between the public sector and non-governmental organizations, encouraging customer choice. Fourth, it continuously explores more cost-effective ways to guide public services or regulations, including the use of market tools such as fees and vouchers. Fifth, it emphasizes outcome performance accountability and establishes corresponding litigation procedures, achieving a shift from risk avoidance to risk management.

Table 1. Core Features of New Public Management Summarized by Keating and Shand

<table>
<thead>
<tr>
<th>No.</th>
<th>Core features</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Focus on efficiency, effectiveness, service quality</td>
<td>It emphasizes improving the efficiency, effectiveness and quality of public services to ensure that beneficiaries truly benefit</td>
</tr>
<tr>
<td>2</td>
<td>Decentralized management</td>
<td>Through decentralization, power and responsibility are more reasonably combined, and resource allocation and service decisions are closer to market demand</td>
</tr>
<tr>
<td>3</td>
<td>Customer choice orientation</td>
<td>Create a good environment for competition between the public sector and NGOs to encourage customers to choose</td>
</tr>
<tr>
<td>4</td>
<td>Look for cost-effective approaches</td>
<td>Explore more cost-effective ways to direct public services or regulations, including the use of market instruments such as payments and school vouchers</td>
</tr>
<tr>
<td>5</td>
<td>Performance accountability and risk management of results</td>
<td>Emphasizing the performance responsibility of the results, and establishing the corresponding litigation procedures, realizing the transformation from risk aversion to risk management</td>
</tr>
</tbody>
</table>

NPM theory has had a profound impact on Western university governance, emphasizing modern university governance achieved through cooperation among members and adherence to common behavioral norms. NPM does not
replace the traditional framework but provides new avenues for public sector governance. The role of the government has shifted from service to overseeing the university service process and acting as a customer agent to urge universities to provide high-quality products that meet market demands. The government should grant universities more “procedural autonomy” to independently determine how to achieve their goals. Universities are not only cultural halls but also key engines for economic development and enhancers of national competitiveness. Under the guidance of NPM theory, university governance can combine government management and market mechanisms. This theory not only enhances governance efficiency but also focuses on organizational streamlining, decentralization, interpersonal culture, and public services. Facing the advent of post-Fordism, university governance in various countries should abandon traditional vertical integration management models and move towards flexible, flat organizational structures. This transformation emphasizes the spirit of contracts rather than hierarchical management, helping to reduce levels, streamline organizations, and reposition public sector service targets, integrating public and private resources to enhance the quality of higher education services [4-6].

2. Application and Practice of New Public Management in Foreign University Governance

2.1. Adjusting Government Roles

NPM theory points out that traditional university governance featured centralized government power and order supremacy, with administrative models suited to a single-center governance structure but lacking publicness. Capano, based on the degree of government involvement in higher education, categorizes university governance into four models, as shown in Figure 1. Although university governance mechanisms vary with the national role, the government remains a key factor influencing university governance affairs and policy formulation. Whether through regulatory monitoring, overall management, or remote control, the government plays a vital role in ensuring the publicness and effectiveness of university governance.

![Figure 1. Four Models of University Governance](image)

In the transformation of UK higher education towards massification, its governance system underwent significant changes. In 1988, the University Funding Council (UFC) replaced the University Grants Committee (UGC), marking the rise of the NPM governance paradigm. The UK government integrated the binary system of higher education to create a unified university system that reflects government will and societal needs. In 1989, the Higher Education Funding Council adjusted funding allocation, reducing direct grants to universities and increasing student support. Simultaneously, the UK government employed macro-management methods such as laws, economic policies, and regulatory measures, such as the Education Reform Act and the Further and Higher Education Act, to reduce direct intervention and ensure the autonomy and flexibility of higher education.

In 1998, Germany amended the Higher Education Framework Act, abolishing many state controls and uniform regulations on universities, granting them greater freedom. In 2006, Germany again reformed the federal system, further adjusting the legislative authority between the government and the states, strengthening the legislative power of the states, and promoting the development of a competitive federal system. These reforms overcame problems associated with the federal level's lengthy and complex decision-making processes and unclear responsibilities. In recent years, German university governance has continued to advance reforms such as decentralization, gradually moving towards a decentralized federal trend to optimize the governance structure of higher education.

In the 1980s, influenced by neoliberalism, the Dutch government began to adopt NPM methods to address problems in higher education. In the 1990s, global competition prompted the government to exercise more remote control, shifting its role from planner to supervisor. After 1997, Europeanization strengthened its influence on Dutch higher education, with processes like the Bologna Process and the Lisbon Strategy promoting regional and international organizational participation in governance. To cope with European integration and enhance global competitiveness, the government became a consumer agent, emphasizing the protection of higher education consumer rights. Policy decision-making power gradually shifted to other policy participants, reducing government regulation, while strengthening university autonomy, external stakeholders, and competitive regulation.

2.2. Introducing Market Mechanisms

Traditionally, higher education was dominated by the government, employing a state-controlled, centralized bureaucratic governance model. However, the tide of NPM prompted countries to shift their thinking from government...
This shift relaxed controls over universities and introduced market mechanisms, enhancing educational quality and competitiveness through student choice and school competition. Simultaneously, university governance began to adopt business concepts, integrating corporate management methods to transition from a non-profit model to a cost-effective, student-demand-oriented business operation model, pushing higher education towards a more flexible and efficient direction.

Since the 1980s, UK universities have gradually adopted a corporate operational mode due to economic austerity. In 1985, the Jarratt Report recommended that universities transfer budget planning to specialized institutions and encouraged more corporate-like university structures, with principals assuming both administrative and academic leadership and suggesting they receive business management training. In the 1990s, the UK government implemented the "Local Management of Schools" policy, decentralizing budget authority to schools and encouraging independent fundraising. Entering the new century, higher education was viewed as a financial burden, with the government significantly cutting education funding. To alleviate financial pressures, the Conservative government introduced market economic theories, implementing education privatization policies, raising tuition fees to cover budget deficits, and ensuring government fiscal balance. The evolutionary process is shown in Figure 2.

Figure 2. The Evolution of UK University Governance Transformation

Originally viewed as a core public service, higher education in Germany was primarily supported by state funding. However, with the rapid expansion of higher education during the 1960s and 70s, the financial pressure on the government significantly increased. To alleviate this situation, Germany began to introduce market competition mechanisms, viewing university education as a productive activity. Universities were required to maintain traditional principles while enhancing their performance in teaching, research, and community service, thereby fostering a positive interaction with society. In 1998, the revision of the Higher Education Framework Act linked financial grants to universities with the outcomes of their research, teaching, and talent development. The allocation of resources within the government and universities gradually began to be based on "achievement indicators," a competitive distribution method that considered both the university's own performance and that of other institutions. In 2002, the launch of the Professors' Salary Reform Act further promoted performance-oriented reforms within universities, requiring professors to focus more on collaboration with colleagues and external institutions to enhance research outcomes.

Dutch higher education has historically been dominated by government planning and control. The 1985 report "Higher Education: Autonomy and Quality" by the Ministry of Education and Science marked the beginning of the government's efforts to enhance the autonomy and responsibility of universities to improve their adaptability and the quality of education. This shift reduced direct control over public university finances, personnel, and curricula and relaxed restrictions on competition between private and public universities, such as tuition and enrollment policies. The Dutch government replaced some governmental interventions with market mechanisms, granting universities greater managerial freedom and making them more flexible and proactive in facing choices and competition. In 2001, the Netherlands carried out reforms in the higher education funding model and a voucher system experiment[8-9], further promoting the fairness and efficiency of the financial system in higher education.

3. Reflections and Implications

3.1. Affirming the Governing Role of the Government

Under globalization and marketization of higher education, the role of the government has transformed from centralized intervention to self-regulation under market norms. Although the role of the government has changed, its importance remains undiminished. The state has not completely withdrawn but has substantively adjusted its role. Marketization and liberalization do not mean that the government can remain on the sidelines; the development of universities requires targeted and forward-looking guidance. The government should act as the setter of educational goals and rules, ensuring that market competition occurs in a just and fair environment. This allows market participants to clearly understand the direction and collectively promote the orderly development of higher education. The government plays multiple roles in higher education: as an arbitrator...
ensuring supply and demand fairness, as a promoter strengthening educational supply, and as a supporter of consumers, even acting directly as a consumer or its agent. These roles are flexibly adjusted according to human resource needs and policy directions, promoting the healthy development of higher education.

3.2. Invigorating Organizational Culture

As times evolve and the nature of education changes, the government should appropriately introduce market mechanisms to enhance the efficiency of educational resources and invigorate university organizational culture. Strengthen school management and empower teachers, introducing corporate alliances and inter-school competition mechanisms. Granting parents more choice in education promotes students' academic progress and school performance enhancement. Offering parents educational choices to enhance students' academic growth and progress, demonstrating beneficial competition and improvement in school performance, providing high-quality education, and thereby implementing social fairness and justice. The advantages of marketized educational resources should be utilized to grant parents diverse educational choices, promoting equal educational opportunities. Simultaneously, unnecessary educational regulations should be reduced, lightening the national financial burden, encouraging private participation, and enhancing school competitiveness and educational performance. Universities need to enhance the transparency of operational information, such as funding use, financial operations, resource allocation, and school development planning, allowing external parties such as regulatory authorities, professionals, students, and parents to easily understand the school's governance situation. This not only displays the outcomes of schools operating under free competition but also allows all parties to understand whether the use and allocation of school resources meet expectations. If deviations exist, parties can promptly provide feedback to promote corrections, ensuring the rational allocation and efficient use of educational resources.

3.3. Perfecting the Principal's Accountability System

Adhere to and perfect the principal responsibility system under party committee leadership, ensuring scholars' central role in teaching, research, and school governance. Major decisions should maintain a combination of collective leadership and individual division of labor, and strengthen communication and coordination between party and government to achieve efficient school governance. Internal affairs of universities cover two major areas: academic and administrative. Academic affairs such as teaching, courses, and research should be led by scholars, respecting their professional opinions; while administrative affairs such as school development plans should be managed by administrative personnel to ensure efficient execution. Regardless of the decision-making model, opinions from the other side should be incorporated to achieve complementarity[10]. This balance and cooperation not only enhance the effectiveness of university governance but also promote the harmonious development of academia and administration, creating a win-win situation for the long-term development of the university.

4. Conclusion

Under the perspective of New Public Management, the transformation of foreign university governance has shown new vitality and direction. By introducing market mechanisms and adjusting government roles, university governance increasingly focuses on efficiency, equity, and responsiveness. This transformation not only enhances universities’ capabilities in knowledge innovation, talent cultivation, and community service but also promotes closer ties between universities and society. Looking forward, foreign university governance will continue to deepen its transformation, constantly adapting to the challenges of globalization, informatization, and diversification. We look forward to seeing more innovative governance models and practices, injecting new momentum into the development of higher education and collectively promoting the progress and prosperity of human society.

References