



## **THE PRIVATE HIGHER EDUCATION PARADOXES: REALITY OR MYTH?**

**Yin-Kuan Ng<sup>†</sup>**

*Faculty of Business and Finance, Universiti Tunku Abdul Rahman, Malaysia*

**Seng-Fook Ong**

*Faculty of Accountancy and Management, Universiti Tunku Abdul Rahman, Malaysia*

**Kee-Luen Wong**

*Faculty of Business and Finance, Universiti Tunku Abdul Rahman, Malaysia*

**Thiam-Yong Kuek**

*Faculty of Business and Finance, Universiti Tunku Abdul Rahman, Malaysia*

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### **ABSTRACT**

*Higher educational landscape in Malaysia experienced drastic changes as a result of liberalisation measures undertaken by the governments. Private Higher Educational Institutions (PHEI) are normally not directly funded by the government. Not surprisingly, PHEI are driven by financial motives to ensure continued business success. Moreover, higher education is a highly contested field. In recent years, stakeholders such as parents, businesses, government regulators and accreditation bodies are beginning to exert influence on PHEI in areas like programme development and delivery. It has always been the aim of PHEI to satisfy powerful stakeholders. However, this is not an easy task as their expectations can be contradictory. This development has created strategy tensions for PHEI to juggle. This paper argues that higher education issues have to be treated as paradoxes where there is no real solution. It goes on to argue that higher education paradoxes are the manifestation of stakeholder influence. The paper first highlights the interplay of stakeholders' expectations which has been a catalyst for the creation of paradoxes followed by the discussion of the six paradoxes.*

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**Keywords:** Private higher educational institutions, Education, Paradoxes, Strategy, Tensions, Malaysia.

## 1. INTRODUCTION

Higher education around the world is experiencing extraordinary challenges and is pressured to adapt to be relevant. Public higher educational institutions are being pressured to offer more programmes to cater for the increasing demand for higher education. However, public higher education institutions still cannot support the growing demand. Therefore, the private higher education sector is considered as a viable alternative. Today, PHEI play a prominent role in “democratisation” and internationalization of higher education, proven by the rising numbers of enrolment and collaboration across border (Ong and Chong, 2004).

## 2. INTERPLAY OF STAKEHOLDERS’ EXPECTATIONS

Rapid change in the environment towards the creation of knowledge economies, calls for institutions to facilitate individuals to hone their skills and capabilities and to stay ahead of change. As a consequence, there are demands in new knowledge areas that are not provided by the public higher educational institutions. The business world is insisting that demand is met by resorting to the private providers of higher education. This has given rise to efforts to treat higher education as a commodity (Tilak, 2008), whereby business world can dictate the type of skills and knowledge needed in the marketplace. Over the years, stakeholders are beginning to exert power on PHEI in defining higher education and how it should be delivered. Instead of focusing only on students, these institutions have become more sensitive to other stakeholders such as parents, businesses, foreign partners and accrediting bodies. These stakeholders have different sets of expectations and sometimes are contradictory with one another. Furthermore, the varying degrees of influence on PHEI lead to its difficulty in overcoming these strategy tensions. According to De Wit and Meyer (2005), one of the ways to approach the strategy tension is through paradox; in which two seemingly conflicting or mutually exclusive factors emerge concurrently. Organisations should try to accommodate both factors simultaneously.

The arguments presented have clearly demonstrated that there is an urgent need to view emerging issues in higher education as paradoxes. Emerging issues in higher education are very complex and at times defy logic reasoning. Six paradoxes have been identified as main drivers of private higher education landscape, which are not necessarily mutually exclusive.

### 2.1. Paradox One: Public versus Private Goods

Universities are losing their unique functions as discoverers, developers and transmitters of knowledge by “selling” themselves and their services for a profit (Bok, 2003), which is known as “marketisation”. Hence, the prominent role played by the private sectors toward meeting the needs for higher education has made higher education to be seen not only as public goods but also private goods. Many would agree that the involvement of universities in the marketplace has brought about economic health and international competitiveness (Mohd *et al.*, 2002b). The following quotation by Dauphinais and Price (1998) illustrates the enterprising behaviour of business schools that could infer the overall changes in the higher education sector:

“...Ten years ago, comparisons between running a business school and running a business were pretty tenuous. Today, there are many more parallels and similarities:

The competition is as tough, the stakes are high, and the demand for change as intense inside the walls of academe as they are out in the global marketplace. For the top B-school players, the old clubhouse atmosphere is long gone, replaced by an intense rivalry - for the best students, faculty, and endowment-fund backers. And this is continuously exacerbated by the annual ratings published by Business Week and U.S. News & World Report..." (p. 265).

Higher education cannot be considered as a public good entirely because it exhibits conditions of rivalry (Barr, 1993). Moreover, education serves both private and public interests (Levin, 2000; Tilak, 2008). For instance, it serves public interests by getting the young ready for adult roles.

Many agree in the new era, people cannot depend on government for public goods. Public goods have now become private goods due to the fact that they can be produced effectively and efficiently by the private sectors. Higher education is without exception. However, the debate on the privatisation of higher education is equally met with scepticism. Proponents of private higher education argue that privatisation of higher education will lead to efficiency and effectiveness (Mok, 2000).

Nevertheless, critics are on treating higher education as a commodity. This is further evidenced by the recent opposition of inclusion of education services in the General Agreement on Trade in Services (GATS) due the dangers posed (Oosterlinck, 2002). The first argument is the danger for basic right to free education, with a minimum quality level to be guaranteed by government. Education is after all a basic human right. The second is the danger for governmental freedom to grant subsidies and to "steer" education. Many consider subsidies provided to private providers are a public act because the government has the authority to accept or reject these providers depending on the quality offered and on the local economies efficacy. Therefore, it is difficult to distinguish the public and private aspects of higher education systems. The third argument is unlimited commercialisation and decrease in overall quality. Government fears that it will lose its regulatory independence due to the inclusion of education in GATS framework. The fourth argument is the fear of the dominance of English language over other languages and cultures.

Other opponents of privatisation of higher education argue that privatisation of higher education will only lead to profiteering and massification of higher education while neglecting the less "profitable" (Wilkinson and Yussof, 2005) but important programmes such as social sciences. Undoubtedly, the privatisation of higher education is beneficial but state intervention is required. Governments could explicitly define the role of private sector in the delivery and financing of education because government intervention is regarded as focal to the well being of the people (Ablett and Slengesol, 2000).

Therefore, it is more accurate to define education as "quasi-public" good due to the fact that education benefits both individuals and society (Sosale, 1998). Drawing on the results of new and old studies, investments in education by individuals and governments yield high returns especially in low and middle-income countries due to the acute shortage of human capital. In basic economics theories, human capital and physical capital are proven to be both complementary in optimising productivity (Ablett and Slengesol, 2000). The main anxiety is that if commercialisation of

education is sanctioned, ill-informed parents and students may be victimised. The fear is that parents do not have skills and information to act rationally (Porter and Davis, 1991; Martin, 1995).

## 2.2. Paradox Two: Higher Education versus Training

There is a tendency to view education to be equivalent to training. However, higher education is different from training (Noble, 2002). Training involves a radical separation between knowledge and an individual. In contrast, education itself involves interpersonal relationship between people which include collective self-knowledge and individual.

## 2.3 Paradox Three: Localisation versus Globalisation/Internationalisation

The dynamism arises from globalisation has an impact on higher education. Many writers use the words globalisation and internationalisation interchangeably. Internationalisation can be considered as an extension of trade across national economic boundaries. On the other hand, globalisation is a process whereby internationally dispersed activities integrated. Globalisation has put pressure on governments to de-emphasise equity-driven reforms because of the notion that investments in greater equity can adversely affect economic growth (Carnoy, 1999).

In order to cope with globalisation of higher education, it is important to consider the issue of promoting educational liberalisation as well as on retaining and improving the quality of higher education (Ball, 2009). There should also be a variety of approaches in the specific implementation of the direction by taking the differences in educational administration systems in individual countries into consideration (Sato, 2002). Irrefutably, the major changes experienced by universities and colleges particularly in the United Kingdom (UK), the United States (US) and Australia have great impacts on most ASEAN countries' educational landscape, either directly or indirectly. First, the strong linkage between the ASEAN PHEI and foreign universities since the late sixties until the present day have somewhat mimicked and imported the behaviour of foreign universities and professional bodies, especially in the programmes offered. There is a strong evidence of isomorphic behaviour across private colleges and foreign universities (Tan, 2002).

Second, PHEI in ASEAN particularly Malaysia and Singapore are collaborating with foreign universities and professional bodies to offer degree programmes. Mohd *et al.* (2002a) found that the linkages with foreign universities featured prominently in the advertisements of local institutions of higher education. This indicates that the links with foreign universities serve as a major attraction for the colleges. Although private colleges are allowed to offer their own certificates and diplomas, the response from the public is deficient. Third, due to globalisation, there are some parallel developments in ASEAN such as the recognition to develop human capital and lifelong learning.

## 2.4 Paradox Four: Massification versus Elitism

The move from elitism to "massification" of higher education system is characterised by the sudden surge in the students' population and emergence of new institutions. There are two types of 'massification': traditional students attending universities after leaving compulsory education and those working adults seeking for education (Bayenet *et al.*, 2000). The latter is gaining momentum

as part of the lifelong learning philosophy. According to the [Economist \(2005\)](#), in rich countries, democratisation of higher education or “massification” is not a new phenomenon but has been going strong for periods of time. The percentage of adults with higher educational qualification rose drastically to almost double between 1975 and 2000, to 41% from 22%. It also quoted that democratisation is spreading to developing countries like China and India.

The increase in both supply and demand of market undoubtedly puts pressure on the government. Countries around the globe realise that human capital is the precursor to economic development. “Massification” of higher education systems with the government support sees it as human capital investment and national economic growth ([Alexander, 2000](#)). Besides, many governments are encouraging the greater participation of private sector to support “massification” of higher education.

However, opponents of “massification” argue that when governments are too engrossed with supporting “massification”; failure in private education can bring catastrophic consequences ([Alexander, 2000](#)). Sharing this view, “massification” is also not favoured by cultural conservatives who think that spending money on students who are not serious is a waste of money. As highlighted [Economist \(2005\)](#):

“...The two ruling principles of modern higher education policy – democracy and utility – are “degradations of the academic dogma”...They think it is foolish to waste higher education on people who would rather study “Sienfeld” than Socrates, and disingenuous to confuse the pursuit of truth with the pursuit of profit...” (p.2).

## 2.5. Paradox Five: Quality Issues versus Marketability

Another important factor that has consistently plagued higher education is quality. [Patrinus \(2002\)](#) cautioned that the growing demand for new labour market skills in developing countries might not be met. Sharing this view, [Oosterlinck \(2002\)](#) proposes the need to agree on the criteria of quality and accreditation to differentiate universities from non-universities. There is a growing concern that over commercialisation would lead to a lower quality ([Knight, 2007](#)).

Meanwhile, there should be a well-balanced interest among stakeholders in education. Parents, students and government authorities are especially sensitive to this quality issue. Quality of teaching staff is the most difficult to be overcome by any institution. According to [Ziguras \(2001\)](#):

“While universities generally require lecturers to have PhDs, postgraduate research degrees, they are less common in private colleges, where a coursework masters is usually adequate. As a result, lecturers in private colleges are not usually active researchers although considerable professional experience which they can draw on to give their teaching a real-world relevance.” (p. 8).

Colleges are more inclined to offer courses that are marketable ([George et al., 2005](#)), thus emphasising exchange value rather than use value of education. Students prefer faster, cheaper and more marketable courses ([Tan, 2002](#)). Likewise, PHEI are also too dependent on demand and ability to pay. Consequently, PHEI have tended to concentrate on low-cost and popular academic

disciplines such as information technology, commerce and engineering. This has led to the oversupply of graduates in these disciplines. Gulosino (2003) coined this problem as “cheapening” of education market value. The direct implication is that only popular programmes will be given priority and funded. In contrast unpopular but important programmes will certainly be neglected.

## 2.6. Paradox Six: Public Funding versus Private Funding

According to Ong and Mohd (2002), funding of higher education has always been a major concern in the US, the UK and Australia. Funding problems in these countries are largely stemmed from the dependence of the government funding towards students’ fees. Moreover, higher education institutions are exploring other markets such as overseas markets to find other sources of income and are more market-oriented in their approaches. Marginson (1997) concluded that students’ fee remain the main component in the increase of private funding. Privatization is the transfer of ownership from the state or semi-independent public organisations to private investors (Chang, 2003). Jomo (2003) argues that privatisation is often understood to include cases where less than half of the assets or shares of state own enterprises are sold to private shareholders. Gulosino (2003) defines “privatization” in higher education based on two dimensions; as private provision of higher education and private funding. Fitz and Beers (2001) suggest that privatization is able to change the mechanism on how the public money is used. Since privatisation is a term too broad to be described, it can be argued that privatisation also refers to higher participation of the private sectors in the offerings of once considered public goods such as higher education and public utilities. A good example is in Malaysia where privatisation is mainly carried out by relaxing regulatory restrictions. Public institutions of higher learning were the only institutions allowed to confer degrees previously (Mok and Ong, 2011).

Funding of higher education is found to be primarily driven by efforts to improve efficiency and to initiate quasi-market mechanisms, leading to the increase of the exposure of tertiary education to competitive market forces (Johnes and Johnes, 1994). Many governments are also encouraging the universities to get other sources of income, notably by offering distance learning and initiating academic ventures abroad. Similar pattern of financing between developed countries and ASEAN is observed especially in the growing importance of private financing. Most PHEI set up as business entities due to the absence of government grant or subsidy in the private higher education scene (Mohd *et al.*, 2002b).

## 3. CONCLUSION

Given the different paradoxes that exist in the private higher education scene, several major conclusions can be made. First, private higher education is a highly contested field and it should be noted that parents and students are not the only important stakeholders. Unlike private goods where there is a straightforward association between meeting customer requirements and profitability, higher education is very unique where PHEI have to conform to other stakeholders’ expectations to be relevant in the long run. This suggests that PHEI need to redefine the concept of quality by including criteria favoured by other powerful stakeholders. Second, different types of PHEI (clusters) have different sets of powerful stakeholders, whereby generality cannot be formed due to

the existence of different industry configurations. Third, different stakeholders have different degrees of influence on different clusters of PHEI. The degree of influence can range from merely being considered in the curriculum development to being directly involved in the accreditation process. Finally, stakeholders are always being influenced by the business environment (Ong & Chong, 2004). It can be argued that PHEI have to constantly scan and monitor changes in the business environment. These changes may in turn affect the stakeholders concerned. In the end, they may respond to the changes by exerting influence on PHEI.

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