

## **Corporate Governance Models for Higher Educational Institutions: An Analysis**

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### **ABSTRACT**

Since 2000, public and private higher education institutions systems in Malaysia are promoted to meet the nation's needs. Consequently, restructuring the public university system took place in 2005 through the Ninth Malaysia Plan (2006-2010). Under the new structure, the system differentiates between the types of universities in Malaysia, including research, comprehensive, specialised, and technical universities. The new structure offers a strong answer to students' diverse complexity of skills and attention and permits the best use of faculty with different skills subject to specific objectives. The higher education system in Malaysia responds to globalisation, marketing, and the information economy similar to other developing countries. This impact of the new initiative can be seen from the increment of the enrolment, combination of universities, better process in administration, the growth of private colleges and universities has been supported and all aspects of academic programmes that have been widened to cater the demands from the markets. Currently, in Malaysia, there are 20 public universities, 51 private universities and 10 foreign university

branch campuses; 37 private university colleges and 338 private colleges. This growth and changes have made Malaysia into an education hub, especially in South East Asia. One of the issues concerned is the governance structure and framework applicable to these higher educational institutions. This paper deliberates on the theories and models of corporate governance and examines the governance structures and framework suitable and applicable to

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higher educational institutions. The research methodologies adopted by this paper are doctrinal and document analysis.

*Keywords:* Corporate governance, framework, Higher Educational Institutions, theories

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## INTRODUCTION

Higher educational institutions (HEIs) play a very important role in contributing towards developed nation vision of any country. It is because the HEIs are considered as important producers of knowledge (Reichert, 2006) and therefore become the key institutions in the knowledge-based economy. The effect of demand locally and abroad resulted in large changes in Malaysian policy, objectives and governance strategies for the past 50 years. The Malaysian higher educational system started before the 1980s, where the public sector's involvement in higher education was very active whereas the private sector played a very minimal role. In the late 1980s, the involvement of the private sector became more evident where foreign universities and colleges were offering academic and technical programmes in Malaysia through their local partners. The important role of played by the private sector becomes very clear in the early 1990s. In 1996 the educational reforms took place due to the internationalization and globalization. It covered both public and private higher education. To date, Malaysia has 20 public universities, 51 private universities and 10 foreign university branch campuses; 37 active private university colleges and 338 private colleges. In addition to that, there

are 33 polytechnics' and 92 Community Colleges. These institutions offer a comprehensive range of tertiary certificates at a reasonable cost.

Looking at the current Malaysian higher education system development where national education ecosystem and training consist of different nature of players, which includes Public Universities (UA), Private Higher Educational Institutions (PHEIs), Polytechnics and Community Colleges, it is crucial to understand how these institutions are governed and controlled by the government. This paper investigates the corporate governance model practices by HEIs from Malaysia and abroad. This paper is arranged into several sections; after the introduction, the next section will elaborate on the theories relevant to corporate governance, followed by a discussion on models of corporate governance. The subsequent section will analyse on the model of corporate governance in HEIs. Then, the following sections will be on the observation, recommendations and contribution of this paper.

### **Corporate Governance and Educational Institutions**

UNESCAP (2009) states that "*governance*" means *the process of decision-making and the process by which decisions are implemented (or not implemented)*. Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance.

Oxford University (2006) defines the term 'governance' as *the processes of decision-making within an institution [which] ... enable an institution to set its policies and objectives, to achieve them, and to monitor its progress towards their achievement*. According to Du Plessis et al. (2005) 'corporate governance deals with the ways to control management, balancing the interest of all stakeholders and other parties who can be affected by the corporation's conduct in order to ensure responsible behaviour by corporations and to achieve the maximum level of efficiency and profitability for the corporation' and the academic, professional, and policy field focused on how business institutions must be ruled, directed, and accounted for the welfare of all people involved (Artero, 2007).

Corporate Governance Institute on Governance defines *governance as the interactions among structures, processes and traditions that determine how power and responsibilities are exercised, how decisions are taken, and how citizens or other stakeholders have their say*.

The most important elements in the definition given by several authors are power, relationships and accountability: in which concerns about who has authority, who decides, and to what extent the accountability of the decision-makers (Hassan & Abdul Ghadas, 2017). In order to regulate the management, the role to rule and direct the institution played by the ultimate decision maker's i.e the board of directors, usually, shareholders give

certain authority to the management of the organisation, but not their responsibility. It is basically referring to how an organisation is formally governed and managed.

With regards to educational institutions, Hall and Hyams (1998) of the view that the principle of governance referred to checks and balances within the HEI to ensure that they were well governed, to the distribution of responsibilities and to the necessary powers to perform those responsibilities and tasks. It dealt with the trusteeship principle and the conduct of meetings.

Governance in higher education usually refers to the management and procedure for decision making at the institutional or system level (Taylor, 2013). It may also refer to internal management systems, the position of leaders and processes of decision-making and the relationship between those positions and the boards of governors. Middlehurst (2013) described corporate governance as the conformance framework of an organisation, which was a key component of university governance. Universities' corporate governance is similar to in other organisations, where the main concern is with liability and to safeguard the organisation's resources.

Governance is basically related to who should be participated in decision making and in what capacity he is doing so. In attaining the decisions, the key principles of corporate governance should be applied by the decision makers (Shamsuddin et al., 2019).

## RESEARCH METHODOLOGY

This paper adopts doctrinal and statutory study by analysing the corporate governance theories. The analysis then conducted on the models of governance structure for higher education institutions in Malaysia. This doctrinal research according to Yaqin (2007) is basically library-based research which involves the obtaining of information on a systematic basis and then examining and evaluating the information in order to arrive at some conclusion. The data used were secondary data with primary and secondary legal materials collected through a literature study. Primary materials include statutory provisions and reported cases and secondary materials include books, journal articles, proceedings, commentaries that discuss the laws, newspapers, and other relevant documents. All sources can be accessed through printed and online materials.

## FINDINGS AND DISCUSSIONS

### Theories Relevant to Corporate Governance

In discussing corporate governance, few fundamental theories are related which include; agency theory which has been expanded further into stewardship theory as well as stakeholder theory, transaction cost economics theory, resource dependency theory, resource based view theory and contract theory. The convergence theory comes into picture due to globalisation and internationalisation. Let us examine each corporate governance theoretical perspective in order to acknowledge and recognise the importance of corporate

governance for the organisations and their stakeholders.

**Agency Theory.** Agency theory connotes “the relationship between principals (such as shareholders) and agents (such as executives and managers of companies). This theory originates from the economic theory founded by Alchian and Demsetz (1972) and developed by Jensen and Meckling (1976). Under this theory, it is anticipated that the managers and executives of companies to perform their task for the best interest of their principals.

Padilla (2002) found that the issue regarding this theory was the agent might make decision not for the best interests of principals, and they were opportunistic and self-interested (Jensen & Meckling, 1976). According to Davis et al. (1997) and Bhimani (2008), this is because ownership and control in agency theory are separated. The agency theory has normally been used in order to know the relation between ownership and management structure. If separation exists, the agency model may be adapted to suit the management priorities with the shareholders (owners). Under this theory, the accountability and responsibility of employees are on their tasks and duties. Jensen and Meckling (1976) pointed out that the employees must be kept under control by monitoring mechanism or by incentive alignment. The description of corporate governance mechanism is a must for protection of top management’s interest. The theory contends that in order to reduce dissimilarities of information between contractually related partners (owners and

managers), voluntary disclosures is required (Ntim et al., 2017). Abdullah and Valentine (2009) suggest the employee to practice good governance structure instead of simply providing the need for shareholders. The emphasis of the theory is on the relationship

between the management structure or the board independence with the performance of the firm. Figure 1 shows the relationship between corporate governance organs in the agency model.

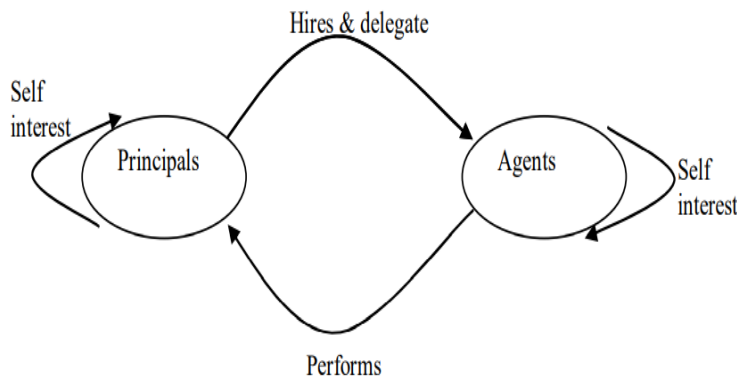


Figure 1. The Agency Model

Source: Abdullah and Valentine (2009)

**Stewardship Theory.** Stewardship theory originates from sociology and psychology theory where it is based on managerial motivation concept. Davis et al. (1997) defined stewardship theory as *'steward's utility functions are maximised through performance of the firm by protecting and maximising shareholders' wealth'*. Stewards in this theory are executives and managers who are working, protecting and making profit for the shareholders. The role of top management being as stewards is emphasized under this theory, integrating their objectives as part of organisational objectives. Stewards will be responsible towards the assets they control even when they are left alone (Davis et al., 1997). When the organisational success is attained, stewards are pleased and inspired.

Stewardship theory suggests for consolidation of the Chairman and CEO position to reduce agency cost and for them to have greater function in the company. The agents (stewards) are self-actualizing in this theory, focusing on accomplishment and self-actualisation, involvement-oriented and trusty because the firm is the priority over their own self-interest. In term of relevancy of this theory to the corporate governance, clear and definite role, authority and power must be given to managers by the organisational structure (Abid et al., 2014). Figure 2 shows the relationship between corporate governance organs in the stewardship model.

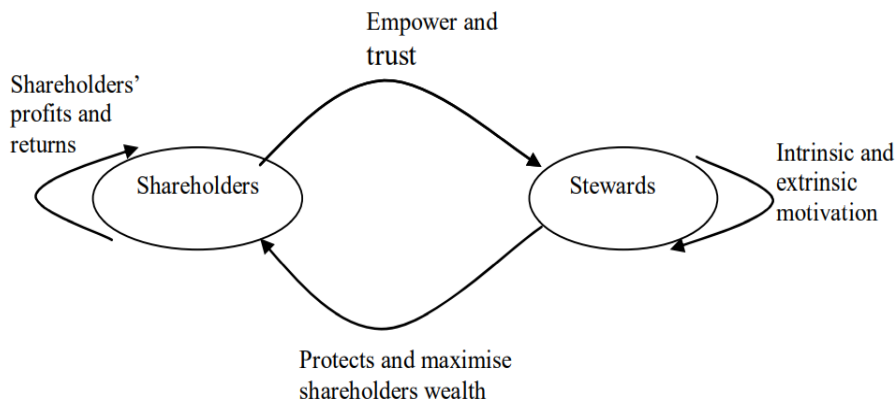


Figure 2. The Stewardship Model

Source: Abdullah and Valentine (2009)

**Stakeholders Theory.** Stakeholder theory was surrounded in management discipline in 1970. Freeman (1984) later developed the theory by including broad range of stakeholders for corporate accountability. It is developed to define, assess, improve and manage strong coordination among the stakeholders. This theory differs from agency theory, because it focusses on broad stakeholders' group whereas the agency theory focus on the maximising shareholders' wealth. This theory is noticeable because it focuses on the firm's accountability to a broader group than only for its shareholders. Stakeholder is 'any group or individual who can affect or is affected by the achievement of the organisation's objectives, which includes suppliers, employees and business partners.

Freeman (1984) contended that the decision making process would be affected because of the relationship with many groups, and Donaldson et al. (1995) stated

that stakeholder theory stressed on decision making of management body and the interest of all stakeholders were of the equal intrinsic values. The shareholders and stakeholders urge different corporate governance structures and monitoring mechanism (Abid et al., 2014). Figure 3 shows the relationship between corporate governance organs in the stakeholder model.

**Transaction Cost Economics Theory.** Cyert and March (1963) introduced the transaction cost economics theory in 1963 and later popularized by Williamson (1996) through his writing in 1996. It is a combination of law, economics and organisation disciplines. The theory sees the company as an organisation made up of people with different perspectives and objectives. The theory assumes that the company and its structure can determine prices and production because the company has become so large that they are effectively

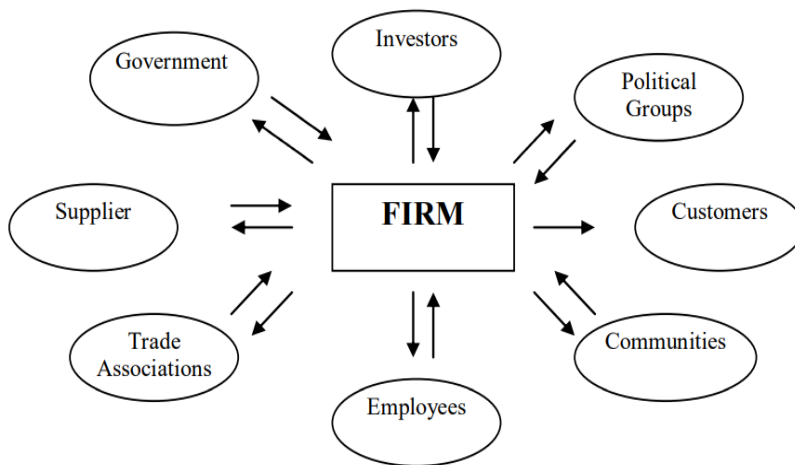


Figure 3. The Stakeholder Model

Source: Abdullah and Valentine (2009)

substituting the market for the allocation of resources. The unit of analysis in transaction cost theory is the transaction. Therefore, according to Williamson (1996) the combination of people with transaction proposes that transaction cost theory managers are opportunists and arrange transactions of the company for their interests. The managers are self-interest seeking and work under bounded rationality. In other words, Abid et al. (2014) of the view that the top management and director of a company act for their interest and not for the shareholders' wealth.

Tricker (2012) pointed that the theory highlighted check and balance mechanisms through audit control internally and externally, disclosure from independent outside directors, separation between chairman and CEO, risk analysis, and committees for nomination and remuneration as cited by Abid et al. (2014).

**Resource Dependency Theory.** Resource dependency theory evolved from sociology and management field which emphasises on how the external resources of the firm affect the behaviour of the firm and takes a strategic view of corporate governance (Abid et al., 2014). The theory focuses on the role plays by the board of directors in getting external resources needed by the firm through their connections. Johnson et al. (1996) pointed out that under this theory, the representatives from independent organisations was appointed as a tool for resources critical to firm success. For example, as stated by Abdullah and Valentine (2009) the appointment of a partner from a law firm as one of the firm outside directors in order to provide legal advice, either in board meetings or in private conversation with the firm executives. It can be said, according to this theory, that firms depend on each other and exchange resources. As a

result, resources can be the basis of power for firms because resources are valuable, costly to imitate, rare and non-replaceable (Hitt et al., 2012). In the role of resource dependency, the external resources such as information, skills and access was brought by the directors to the company's key constituents (i.e suppliers, buyers, public policy decision makers and social groups) Hillman et al. (2000). Madhani (2017) proposes that the part played by the board of directors under the resource dependency theory would increase the performance of a firm.

**Resource based View Theory.** The resource-based view theory (RBV) sees the firm as a group of tangible and intangible assets. Under this theory, the resource does not only refer to the tangible but also the intangible which for example, characteristics of the board, i.e, board members' knowledge and experience are much harder for competitors to imitate compared to other aspects of board composition such as size, or ratio of executive/outside members. RBV theory is linked to board characteristics in terms of idiosyncratic (distinctive) resources that may prove to be sources of competitive advantage to firms. In contrast to agency theory, with its emphasis on managing conflicting objectives among managers and shareholders within the firm, the RBV underlines the role that the board of directors can play in bringing unique resources to the firm.

RBV stresses on the board composition and firm's governance structure as an asset

that can add value to the firm. When the board are actively taking part in strategic decision making, they are seen as a valuable resource of the firm. It is because the effective involvement requires skills and in-depth knowledge of the board. Under RBV also, the board would be seen as a unique, tacit, socially complex and internal resource which can help a firm to enhance performance (Hart 1995, Madhani 2017). The board is like a resource for organisation, by virtue of their ability to provide expert advice on strategic issues. One of the major tasks of the board is board strategic involvement. According to RBV, the combination effect of firm and strategic tasks of board can build specific resources for the firm and become a dynamic capability. According to Teece et al. (1997), 'dynamic capabilities' means the ability of a firm to integrate, build and reconfigure internal and external competences to address changing environments (Teece et al., 1997). When complementary resources work well, the value they create is greater than that which could be generated by individual resources in isolation. Board Dynamic Capability deals with changes at the corporate level to address the changing environment.

**Contract based Theory (Contractarianism).** The traditional legal concept of 'contract' introduced in nineteenth-century refers to certain kinds of legally enforceable obligations. For this definition, in order for the contract to be enforceable, it requires negotiation and the voluntary exchange of discrete promise



along with a number of legal requirements. In the case of Dartmouth College, the court depended on literal and technical concept of contract as an explicit and discrete bargain. In this case the corporate charter had legal status because the incorporators had promise to engage in educational activities in exchange for the state promise to grant them the legal powers of a corporation.

Legal theory and doctrine develop a more expansive concept of contract in the twentieth-century. Economists use the term 'contract' to include all voluntary relationships between market participants regardless of exchange or legal enforceability. This is corresponding to the expansion of legal theory in contract, where the traditional concept of exchange of discrete to include preprinted documents with little or no opportunity for negotiation. There are also opinions that contradict, but there is another view that the signing of this type of form indicates consent, regardless of whether the signatory has read or understood the terms (Joo, 2010).

The contractarianism invokes the view of a corporation as the 'natural' outcome of 'private' interaction, as distinct from an 'artificial' state creation. The contract theory resonated with two fundamental and related traditions in American political, economic and legal thought that is firstly, the libertarian view that consent confers moral legitimacy and secondly, the economic view that individual, decentralised consensual exchanges allocate economic goods so as to maximise overall social utility.

In 2016, the conclusion of series of discussion and debates permitted a broad perspective on the purpose of the corporation and supported the direction that the fiduciary duties of board were toward the corporation, not the shareholders (Veldman et al., 2016).

**Convergence Theory.** There is an assumption that laws and regulations are standardised due to globalisation and internationalisation pressures in most countries. This leads to 'convergence thesis'; that laws, regulations and institutions are converging as they develop which brings to a convergence of socio-economic structures and later brings about a cultural convergence. The main reason for convergence is a consensus that economic interest of shareholders should be exclusively protected by managers of a company. However, the convergence theorist overlooked the basic question whether it is possible to implement the same set of rules or regulations for a diverse nation. That is why, the OECD (2004) principles adopted non-binding principles of corporate governance that recognise the need to tailor the systems to varying legal, economic and cultural circumstances. The OECD (2004) global principles of 'good' corporate governance was developed on the basis that common international standards of corporate governance were essential for the expansion of international institutional investment and for closer integration of global financial market. Rashidah and Salim (2010) argued that rules and practices in each country had developed over time in a specific legal and political environment.

Therefore, a country can learn from another but mechanisms should be different as each country has different corporate governance system.

**Models of Corporate Governance**

There are several models of corporate governance according to Hasan (2009).

**The Anglo-Saxon Model.** The Anglo-Saxon model (shareholder-value system/market based system) of corporate governance is considered as the most dominant theory championed by the United States and the United Kingdom. This model is practice by many corporations in New Zealand, South Africa, Australia, Canada and

most of South East Asia countries. The model is based on the concept of fiduciary relationship between shareholders and the managers which is driven by profit-oriented behaviour. Under Anglo-Saxon system, the structure of corporate ownership reflects the share ownership widely dispersed and shareholders’ influence on management is weak. Cernat (2004) provided the Anglo-Saxon Model which was adopted by Hasan (2009). Due to this fact, in order to protect the shareholders, the corporation needs strong legal protection Therefore, corporate governance is important in the Anglo-Saxon system for the shareholders’ protection. Figure 4 below illustrates the Anglo-Saxon model of corporate governance.

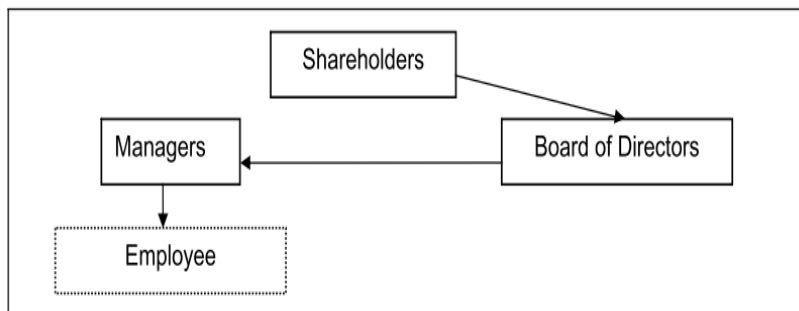


Figure 4. The Anglo Saxon Model  
 Source: Hasan (2009), Cernat (2004)

**The European Model.** The European Model is known as stakeholder-based system where the main focus is on the maximisation of the interest for wider group of stakeholders. Most of European countries such as France, Greece and German practiced this model of corporate governance. aproposal for reform of corporate governance system in

South Korea as founded by Scott (1998) who recommended the introduction of the European Model of supervisory board or two-tier system and allowing banks to own greater equity shares in the corporation.

European Model practices the two-tier system, which comprises management board of executive directors and supervisory

board of outside directors (as illustrated in Figure 5). The two boards meet separately. Cernat (2004) provided the European Model which was adopted by Hasan (2009). The European model rejects the propositions by American Model and suggests that:

the right of stakeholders to be involved in decisions that affect them, the fiduciary duty of managers in protecting stakeholders' interest and the objective of the corporation to promote not only shareholders but the stakeholders' interest.

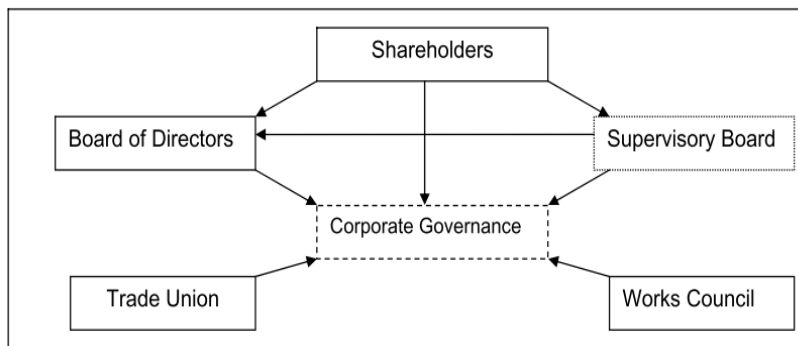


Figure 5. The European Model of Corporate Governance

Source: Hasan (2009), Cernat (2004)

### Corporate Governance Models in HEIs

Governance concerns with the decision making structure and evaluation of performance. In the case of HEIs, the issue becomes complex because the owners are not directly identified and in the case of public or national universities, the sources of funds are numerous either in the form of grant and donations. In addition to that, they are also combinations of different groups and even the effects of their actions are tremendous on society, they are not measurable by financial terms (Pandey, 2004). Carnegie and Tuck (2010) defined university governance as a distribution of resources between the governing body,

management, academic governing body and academic community. Therefore, university governance involves overall communities of a university including a university's Council, Executive, Deans, Department Heads, Research Directors and typically extensive committee systems, and review and advisory panels. Consequently, it must protect the interests of various stakeholders especially the students, academics, industries and government (Hussin & Asimiran, 2010).

The highest position of power holders in the university management system draws the university governance. This body will watch over and supervises the directions for the university's growth for communities served by the university. Normally, the

powers, roles and responsibility of the actors in the governance structure are stipulated in the university’s constitution. To be more specific, university governance refers to the way of how the university policies were enacted within the outlines of the university constitution, The constitution outlines the powers and authorities of the management of the university From the literatures, several features influence HEI governance which can be from indefinite of power in universities management i.e council, management and professionals (Shattock, 2013; Pandey, 2004; Mok, 2010). In addition to this, Hussin and Asimiran (2010) listed several other factors like state regulations, board members’ selection, role expectations, university organisational arrangements, bargaining avenues, stakeholder pressures and competition that affected university management. There are several models

applied by HEIs worldwide. Following are among the models, which are usually based on the nature and the agendas of the HEI itself.

**State Control Model / Centralized Governance Model / Academic Governance Model**

Moodie and Eustace (1974) found that the power in university was vested on the academic community. They had suggested that the ‘supreme authority’ must rest with academics because they were the best person or department to regulate the public affairs of scholars as long as it was responsibly exercised. Fielden (2008) categorised the legal status of public universities into four models of universities governance as in the following Table 1.

The state control model is a traditional model of higher education which is normally

Table 1  
*Four models of University Governance from control to autonomy*

Institutional Governance Model	Status of Public Universities	Examples in
State Control	Can be the agency of MOE, or a state-owned corporation	Malaysia
Semi-Autonomous	Can be the agency of MOE, or a state-owned corporation or a statutory body	New Zealand, France
Semi- Independent	A statutory body, a charity or a non-profit corporation subject to MOE control	Singapore
Independent	A statutory body, a charity or a non-profit corporation with no government participation and control linked to national strategies and related only to public funding	Australia, United Kingdom

Source: Fielden (2008)

applicable to public/national universities worldwide. As the ministry will not be able to control everything within HEIs under the State Control model, some freedom has to be given to the HEIs. The Ministry is entitled to hold the institution accountable in many respects and must retain overall strategic control over the HEIs under the Independent model. The academic freedom is the basis of university's autonomy to enable institutions to manage their affairs to the extent allowed by the state. However, it is important to note in order to protect the interest of the state and its citizens, universities cannot enjoy unlimited autonomy, and checks and balances at two levels is needed. The international trend of increasing the autonomy of public institutions makes them independent and self-governing organisations in line with models C (Semi-Independent) or D (Independent). This development is described as moving from a system of state control to one of "state supervision". Corporatisation policy exercised by the government initially in 1998 and decentralization since 2006 making the three modes of governance able to be operationalized. This development determined the universities' degree of governance, whether they are centralized, decentralized or marketized forms.

**Private Model / Business Oriented Model/ Neo-Liberal Model.** The private sector significance in providing higher education is recognised as one of the strategies of many countries to achieve the national targets for higher education's participation.

This is because the private providers are able to fulfill the demands in supply higher education faster and sometimes more effectively. However, Fielden (2008) argued that some concern for example fears as to whether the profit motive was not matched with the values of education, questions regarding research culture and quality of the education services had been brought up by some countries.

For the Malaysian public universities to be more competitive globally, the government introduced the ideas of corporatisation/incorporation. The corporatisation of public universities according to Mok (2010) means the universities adopt practices of business corporation in order to improve efficiency and effectiveness in the university management. In order to boost the quality of programmes and to improve the competitiveness of the universities, most governments including Malaysia, Taiwan, Singapore, Hong Kong, Japan and South Korea revise their education systems and consequently come up with different reform measures. Among the measures taken is to look for good practices of university governance even beyond their national boundaries (Crossley & Watson, 2003). From corporatisation and incorporation, universities are expected to be more enterprising and entrepreneurial to rely on research grants, commercial contract and private financial sources instead of state block grants. In response to New Public Management (NPM), the reform of the university governance structures has been done by universities in Malaysia and Singapore. This includes to strengthen the

university leadership, introduction of new governance for faculty and performance review systems, enhancing quality assurance mechanism with accountability and human capital development (Morshidi & Abdual, 2008).

In the case of private institution in Malaysia, initially they offered foreign-linked programmes to meet the superfluous demands in the country, even before 1980. Many programmes later came into existence such as external degree programmes, distance learning programmes, advanced standing programmes, twinning programmes, credit transfer program, and joint programmes. At that particular time, the foreign universities could not confer degrees or establish branch campus yet. Subsequently, with the 11th Malaysian Plan, and the Vision 2020 goal to become developed nation, the Private Higher Educational Institutions Act (PHEI) was introduced in 1996 to facilitate the management of private providers. Under the PHEI, the institutions are allowed to grant their own degrees and the foreign institutions may set up branch campuses in Malaysia. The *National Accreditation Board Act 1996* (later repealed by Malaysian Qualification Agency (MQA) Act 2007) was enacted in the same year to govern matters pertaining to standards and quality. Normally, the Board of Governors are appointed from the body which initiated and established the university. The main role of the Board is to ensure the growth, development and sustainability of the institutions or the corporate body (Hussin & Asimiran, 2010). The governors mind

and thinking and the way university to be driven at are all affected by the ideas and its surrounding developments. Within this governance system, the strategy will usually be a top-down approach, where the governing bodies will provide guidelines on the management of the company.

#### **Hybrid Model / Shared Governance.**

The other governance structure discussed among authors are hybrid governance structure where more fair analysis of the roles of contemporary vice chancellor was introduced. Gayle et al. (2003) defined shared governance as “a mutual recognition of the interdependence and mutual responsibilities among trustees, administrations, staff, faculty and students for major institutional decision making relating to mission, vision, budget, teaching and research”. Dearlove (2002) suggested the shared governance to blend collegial authority with managerial authority in order to respond to the managerialist mode. The shared governance allows the steering group to take advantage of the combination of the strength of traditional collegiality, the expertise of the academic community and the loosely-coupled with federal structure of universities. This steering group is also able to engage with management imperatives, and to address the tension between consultation and speedy decision making (Lapworth, 2004). Gayle et al. (2003) defined shared governance as a mutual recognition of the interdependence and mutual responsibilities among trustees, administrations, staff, faculty and students for major institutional

decision making relating to mission, vision, budget, teaching and research. By modifying Lapworth Model, Hussin & Asimiran, (2010) suggested a model of shared governance, which showed the relationship amongst different groups in HEIs. Through the said shared governance model, the university objectives can be attained within the legalized framework.

From Figure 6 below, the power and ability to participate in the policy decision making is equal as shown by the same size of the circles. The outer circle reflects that the universities are functioning within a sphere of a legal framework although they have certain degree of autonomy with visions and missions that have driven, shaped and influenced by the universities core functions and activities.

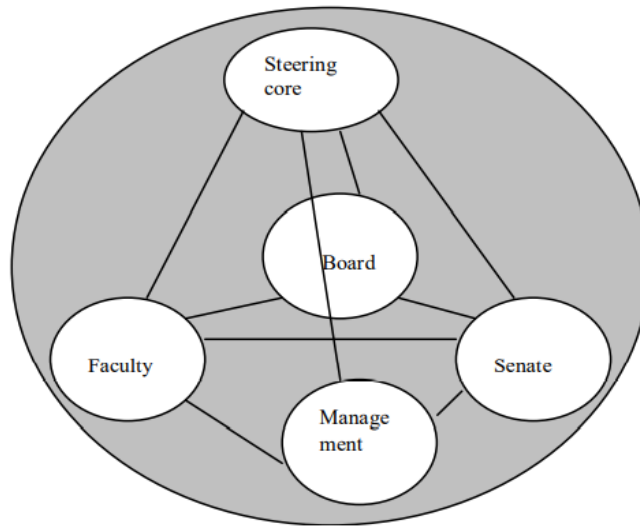


Figure 6. Flexible shared governance model by Hussin and Asimiran (2010)

## CONCLUSION

From the discussion above, it can be concluded that the governance system of HEIs are not of the same nature. It all depends on the managerial and financial purposes of the HEI (Sulaiman & Abdul Ghadas, 2019). The interaction between the management and the academic team enhances the level of voluntary disclosures, therefore supporting the relevancy of a

“shared” leadership in the HEIs’ sector towards enhancing accountability and transparency in HEIs (Ntim et al., 2017). In the UK, the Guide for Members of Higher Education Governing Bodies had been developed by the Committee of University Chairs in 2014. The Guide shares governance good practice and encourages its appropriate adoption across the higher education sector in the UK. The main

purpose is to support the development of the highest standard of governance for the higher education sector.

The issue of whether there should be standard form of governance is among the matters concerned. Most authors of the view that the corporate governance policies and implementations are not the same (Abid et al., 2014), therefore they cannot have a standard model which fits all HEIs and the model should be of normative model (Pandey, 2004) which means consciously created with specific mission and well-defined goal. It is observed that, in Malaysia, the government is still playing an important role whereby, even with the 'empowered governance', the government come into picture on the 'program accreditation' and 'academic audit' by the MQA. One of the shift under the Malaysian Education Blueprint (Higher Education) 2015-2025 laid down ten shifts and the no 6 Shift is 'Empowered Governance'. This shift aims to empower universities with greater decision making rights and autonomy together with greater accountability. The Ministry provides detail for the governance under the University Transformation Program Green Book on Enhancing University Board Governance and Effectiveness.

"Autonomy is a process we are moving into. We are moving from being a tight controller to being a regulator and policy-maker," Idris Jusoh (the then Minister of Higher Education) stated in the National Conference of Higher Education 2017 organised by the Institute for Democracy and Economic Affairs (Ideas) in Kuala

Lumpur (IDEAS, 2017). This shift in goal enables the Ministry to become policymaker and regulator rather than to play a role as tight controller, and to enable the HEIs to have their own growth and development strategies. In order to achieve these outcomes, the government through the University Transformation Programme Green Book by the Ministry of Higher Education Malaysia. (2015) provides several key initiatives which include:

- i. Defining five-year (3+2) outcome based performance contracts between the Ministry and HEIs, with public funding at risk if performance goals are not met, and incentives for exceeding targets;
- ii. Strengthening quality assurance in the private sector, by requiring the private HEIs to participate in enhanced national quality assurance framework (for example SETARA and MyQuest) for continued access to government funding (for example research grant and PTPTN student loans); and
- iii. Moving decision rights from the Ministry to the leadership of public universities, improving the governance effectiveness of HEIs and building the capacity and capabilities of University Board and institutional leaders to take on these increased responsibilities.

In the University Transformation Programme Green Book, the Ministry set out the guidelines for the Board of Directors of HEIs. As this issue is quite recent, research



should be conducted as to whether, in terms of the regulatory framework of governance, is it comprehensive enough to cater the issue related to the roles and responsibilities and also the liability of Council/Steering Committee and management team as well as the issue of autonomy of HEIs.

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