

Exploring corporate governance of private education --take the Beijing education as an example

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Abstract: This research is focused on the exploration of corporate governance policies of private educational institutes in Beijing. Being the capital of China, Beijing is the center of educational activities and with the rising number of private educational institutes in the capital. It is important to analyze the current corporate governance policies in terms of their strengths, weaknesses, opportunities and strengths. Corporate governance policies in private educational institutes are focused on enhancement of education quality along with facilitation of students and guardians. Further, corporate governance policies also focus on increased profitability to benefit the financial investors of the private educational institutes.

Keywords: private education; corporate governance; private school

1. Introduction

The education sector is composed of different groups that are striving for excellency in higher education sector. This is achieved by proper training of the teachers and implementing policies that benefit the students and the relevant stakeholders. It is to be noted that the educational institutes are not only responsible for providing quality education but also to increase the profitability and benefit the relevant stakeholders. Thus, the strength of corporate governance policies of the private schools in Beijing is that these policies are focused on both improvement of education quality and increase in the profitability. However, the weakness was in terms of conflict of interest while implementing corporate governance policies. Different stakeholders held different view point that made the governance policies ambiguous. This also presents opportunities for the private schools to improve their policies by implementation of latest technology and increasing the quality of teachers so that to benefit the students and stakeholders. Finally, the threat is in terms of strict syllabus policies that is impacting the position of private schools in Beijing.

2. Manuscript Preparation

The education sector is formed by the grouping of different educational institutions like ministries of education, universities, schools, colleges, teacher training institutions, local educational institutions, etc. All of these institutions share a mutual objective of providing education to children and young people in all settings. Many institutions of the education sector have been privatized all over the world. Private sectors form a significant part of the economy. Private groups have ownership of this sector and it is also known as the citizen sector.

Private-sector education is chosen by many people in today's world as it is believed that these institutions provide the necessary skills for an ever-changing world. It is believed that the private sector of education provides enriched academic opportunities and provides challenging, as well as, exceptional educational experiences through multiple innovative and creative activities and ways of teaching. At the same time, these institutions have a reputation for maintaining high standards of respect and discipline. Therefore, Private educational institutions prepare the students for today and tomorrow's world and their regiments, teaching methods, activities, curriculum, and administration are aligned with their objectives [1].

3. Corporate governance structure of private education sector

3.1 What is the corporate governance

In corporate governance, the corporation is operated by the collection of processes, relations, and mechanisms used by multiple parties and they are the in-charge. The different participants of the corporation include managers, creditors, regulators, board of directors, shareholders, and other stakeholders. The distribution of responsibilities and rights among these participants is determined by the principles and structures of the governance. These participants are provided with the procedures and rules for making decisions about corporate affairs. There is always a chance for a conflict of interests between the stakeholders, shareholders, or upper management. Corporate governance is necessary in this regard.

This type of governance provides the set of procedures and guidelines which are necessary to achieve the objects that have been determined in the context of market, regulatory, and social environment. Some of these could be vigilance of different related actions, practices, and policies or the decision-making related to the stakeholders at risk, agents, and corporations. Corporate governance mainly aligns with the interests of the stakeholders. The economic activities of this sector are regulated and monitored through the implementation and formulation of multiple direct and indirect measures by the regulatory bodies of the corporate sector. This process not only encourages the private sector of education to contribute to the positive growth of the economy but also prevents the concentration of economic power, as well as, the socially restrictive activities of these organizations. The related measures and policies are usually devised in such a way that they make the corporate governance perform the promotional role and keep in view the success of the development infrastructure of the economy. The development infrastructure of the economy entails optimal utilization of the resources, as well as, the social and economic overhead capital. This also facilitates the growth of the private sector.

3.2 The meaning of studying the corporate structure

The involvement of corporate governance in the private education sector lays the foundation for the encouragement of innovation in this sector. This involvement ensures that these private institutions are capable of catering to the local communities by optimally meeting their requirements. This governance ensures that high-quality standards and services are delivered in the private education sector and holds this sector accountable for their respective regulations, methods, policies, administration, and other actions [5].

It was reported at the end of 2020 that there were around 186,700 private schools in Beijing and about 1/3 of the total count was that of the schools at all levels. This portion has around 55,644,500 students and they accounted for almost 1/5 of the total. These private educational institutions have emerging diversity and cover all types and levels including those from preschool or Montessori to higher education, non-academic to academic education, and general to vocational education (Che, 2021). Also, it has been observed that the private sector of education has become a significant member for the contribution to social and economic development and an acceleration in the vigor, vitality, functionality, and structure of the private sector of education has been observed. This feature also promotes educational reform [3].

It is important to study the corporate governance structure of the education sector. The primary reason is that education is the most significant part of the development of any country or economy. Its governance, whether it is a governmental or corporate one, is important to be explored and checked so that the objectives of the governance and related policies, as well as other regulatory steps, stay aligned with the objective of the educational institutions and keep contributing positively to the development of the state. The governance structure of education provides guidance from organizational purpose. With the help of this step, all the employees in this sector have a guideline to follow and the official reporting relationships are established by doing so. Also, the formal outline of this structure makes it easy for the respective private educational institutions to add new employees or positions to their workplace and provide such flexible, effective, and practical means that entail growth. Without a proper corporate governance structure of education sector, employees or other stakeholders do not sense vigilance to the extent it should be there and it is necessary for the smooth functioning of this sector to have a proper channel for presenting their concerns, as well as, being questioned or held accountable for different methods or regiments.

4. Exploring corporate governance methods of private education sector

There have been six significant misunderstandings about the corporate governance structure in Beijing and these misunderstandings have been particularly found between the relationships of ownership, governance, reputation, regulation, incentive, and entrepreneurship. Moreover, these misunderstandings are not constrained to the theoretical framework only, but they have also been observed in practicality.

Education is a primary issue in many rural areas; therefore, it is necessary to keep it in view while determining the best governance structure of the country. Moreover, public goods theory also comes into play in this regard. Education can be seen as the inevitable objective of many governance structures and it is also related to the public goods theory as it is the objective to be achieved while keeping in view all parts of the population. Determining how the corporate structure of governance can be useful for the education sector can be done through this step [7].

4.1 Existing problem

According to Ngok [6], because of the open-door policy and the initiation of economic reforms in the late 1970s, the educational policy of Beijing had undergone a great transformation. The development and policy of Beijing's education had been greatly affected because of the globalized economy, rapid economic growth, and market-oriented reforms. In the post-Mao era, marketization and decentralization of education had been brought in Beijing as a market-oriented economy had been developed, the integration of the global market had increased, and a more pragmatic perception of education had been formed. The author examined the educational policies of Beijing in the context of marketization and decentralization while economic reforms were promoted. Because of the aforementioned interventions, a weak role of the state in education provision had been observed along with the inequality in this paradigm between the urban and rural areas. To overcome these challenges, Beijing must focus on keeping the state a major character in this play.

4.2 Objects

The most useful destinations of corporate administration are to make proficient administration just as rouse and reinforce the trust and certainty of individuals by guaranteeing a business's obligation to higher development and advancement. Also, the following characteristics are important

Fulfilling long haul vital objectives of proprietors.

Taking into consideration the interests of workers.

A thought for the climate and neighborhood local area.

Maintaining magnificent relations.

4.3 Different attitudes towards private education

We realize that without great and qualified instructors, we can't change the educational framework and can't work on the nature of instruction. In such a manner, a progression of training changes in the space of educator schooling was presented in the public area yet they neglected to have any considerable effect on the nature of educators and instructing measures. Our outcomes show that informed individuals lean toward private tutoring. If the guardians are liking private area tutoring the approaches will confront disappointment. So, government should accentuation on quality, not on amount.

The individuals who go against tuition-based schools or universities contend that non-public educational institutions undermine the value and social union and are likely to advertise disappointments. For instance, public restraining infrastructure can be supplanted by a private one, and customers might have deficient data about the schools or possibly oppress them during affirmations methods. Tuition-based schools, they contend, have no motivations to take a gander at the more extensive image of training, like the adverse consequence of separation.

4.4 Approaches to government

The government ought to apply an appropriate check and equilibrium system to work on the exhibition of public schools and must work on the restructuring of the corporate structure of governance in this regard.

The government ought to likewise screen the working of non-public educational institutions and define explicit principles and guidelines to make an agreement in their educational plan, workforce, and required framework.

The government ought not to permit private areas to open schools only for printing cash.

Unique groups of instructive specialists ought to be shaped to make sudden visits to both private and public schools or universities.

5. Research findings about Beijing's corporate governance

China is one of the emerging countries and it is trying to implement the rules and regulations in the educational sector. Beijing is trying to improve the educational sector therefore they have implemented corporate governance in the educational sector. Through the analysis, it is determined that there are certain errors and doubts regarding the corporate structure in Beijing educational sector. It is found through analysis that corporate governance in the educational sector has played a vital role after the economic reforms and transformation has been observed in the educational sector. Through the implementation of corporate governance, the rules and policies were set up in educational institutions that include the hiring of trained instructors. According to the policies, the quality of education depends upon the type of instructors as they are responsible for delivering the education to the students. Therefore, the schools in Beijing are trying to hire well-educated and trained teachers.

5.1 Strengths of Corporate Governance in Schools in Beijing

As one of the research aim was to conduct the SWOT of the current corporate governance practices in private schools in Beijing. So, the participants belonging to both big and small schools were asked about the strengths, weaknesses, opportunities and threats presented by the current corporate governance practices implemented at the school level. The participants presented different views that are then compared with the already present literature review to strengthen this discussion.

Mainly, the participants were principals/vice principals of the schools, vocational schools and higher-education private schools in China.

Participant 1 was a member of board of directors of a big private school in China, and when he was asked about the strengths of current corporate governance practices, he responded that with the implementation of such policies, there is a standardized norm that is followed while appointing any individual for the executive positions. Executive positions are the most important positions in any institute and the same is the case with the private educational institutes operating in Beijing. It is because, the executive employees are majorly responsible for implementing the major decisions and overseeing the impact of those decisions on the organization. The executive employee is also responsible for reporting the progress of the organization to the board of directors.

Participant 89 also reported some major strengths of corporate governance policies including the increased quality of audit. Internal audit is necessary to prevent any fraudulent activity and prevents an organization from accounting irregularities. Corporate governance policies allows the private schools to provide complete freedom to the external auditor to analyze the administrative and financial activities within the school. The research conducted by Fu[4], also illustrated the benefits of corporate governance in terms of increased auditing quality. Auditing is an important procedure for schools as for other organizations because, it enables the school to pursue and attain different administrative objectives. Participant 89 also reported that it is of great interest to any school or college administration to analyze that the institution is progressing and meeting its objectives or not. And this can only be achieved through proper usage of internal controls guaranteeing prudent and effective resource utilization.

Participant 45 was a member of board of directors of a school in Beijing and he also reported that the need to earn profit and create wealth for the investors leads towards the incentives for secrecy and complications within the process. This at the same time upsets the process of policy-development impacting the performance of the private.

5.2 Weaknesses of Corporate Governance in Schools in Beijing

Corporate governance was implemented in majority of the private institutions in Beijing and the main aim is to improve the standards of education. But the corporate governance involves multiple people such

as the board of directors, shareholders, stakeholders and the school management. All the members have their duties and responsibilities and these duties are defined by the board of directors [7]. Therefore, each member should perform their task but unfortunately, clashes occur between the team members even the duties are evenly distributed among the members. The members are strictly prohibited to interfere in each other duties and responsibilities. Moreover, they have to perform their tasks with honesty but unfortunately, the conflict occurs between these members on the issues of interest's amount. Other than it some members usually try to earn a secret profit which causes serious arguments [7]. Hence, these issues create multiple challenges and disputes for the educational sector in Beijing. Hence due to the disputes, the performance of the members and the quality of the work is impacted. It becomes difficult to achieve the objectives of private institutions [7].

Participant 5 has reported that the main purpose of implementing corporate governance in the private education sector is to improve the quality of education and is to provide the best basics to the students. The future of the students relies upon the basics and it should be strong so that the students can achieve higher education without any confusion and error. Therefore corporate governance is implemented in the private school sector. To provide the best knowledge to the students, the institution needs to hire the best-qualified instructors so they can deliver the best knowledge to the students. As the school is private, therefore the teachers have to deal with young students and to provide them with the knowledge is the most difficult task. The staff is provided with extra training sessions so they can learn to deal with the young students. But these training session demands extra time from the staff and also the private sector has to invest a huge amount of money which is an extra burden on the expenses of the schools and it becomes a burden for the teachers to attend the training sessions. The teachers are unable to manage their time.

Participant 34 reported that after the implementation of corporate governance laws in the educational sectors, the duties have increased which requires extra budgets (Bušljeta & Kardum, 2019). Moreover, the standard of education is much better as compared to other governmental education. Therefore, the educational fees of these institutions are much more expensive and it becomes very difficult for people to afford the heavy fees at the private schools [2]. Thus the high fees have become the hurdle between the education and corporate laws do not include any step to fix the rates of education. Therefore only a limited number of students of Beijing can afford this private education [7]. Hence, the young ones are the future of the country and if they lack the basics of education it would become difficult to progress in future. The private educational sectors are trying to earn the maximum profits from the fees of the students. Maximum parents fail to provide quality based education to their children and it destroys the future of the students [7]. In addition, the private sectors in Beijing are continuously competing with each other and trying to become the topmost institution. During this competition, the educational institutes majorly violate the rules and responsibilities and it affects the quality of the education. Thus the private school sector in Beijing is suffering from major problems and as a result, the quality of the education has got affected.

5.3 Opportunities of Corporate Governance in Private Schools in Beijing

Private institutes are known for boosting the confidence among the students and the students are hence prepared for the present and future. Moreover, they have the knowledge regarding the technology, therefore, they can easily be built up their successful career and can bravely face the challenges and situations.

6. Recommendation

Here are some recommendations to improve the corporate governance policies:

Increase in Diversity: Firstly, it is recommended to increase the diversity in corporate governance boards. The analysis illustrated that the main purpose of implementation of corporate governance in the private schools is to improve the educational policies and facilitate the students and their guardians in the best possible way.

Training of Governance Board Members: Four P's of corporate governance (people, purpose, performance, and process) are the guiding philosophies behind the existence of corporate governance. Thus, the governance members should be trained before and after their appointment.

Appointment of Competent Board Members: There are many cases, where the appointment of inappropriate board members result in under performance of the schools. Thus, it is recommended to the

nominating committee to devote adequate time to identify competent board members who are skilled and experienced enough to take effective decisions for the institute.

Ensure Timely Information: Important information needs to be delivered to the board members for effective decisions. For this purpose, the role of senior management is particularly important that should ensure that the desired information is delivered to the stakeholders for proper direction.

Prioritizing Risk Management: Another recommendation to the board members of the educational institutes is prioritizing of risk management. Every board member in the educational institutes of Beijing should be aware of the underlying risks in the education field and its consequences on the educational institutes. So, the board members are recommended to establish risk oversight and management structure. The core task of this structure will be to analyse the upcoming challenges and prevailing challenges.

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