Reforms in Japan's Private Universities

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Abstract
The private sector in Japan constitutes close to 80 percent of all universities, and recent debates about their governance demonstrate interesting tensions between "global" models of higher education governance and "local" practices. Key to understanding these debates is the fact that around 40 percent of Japanese private universities have been defined as what Altbach et al. have called FOMHEIs (Family-Owned or –Managed Higher Education Institutions).

Private higher education is the fastest growing sector of higher education (HE) globally, with especially rapid growth of what Altbach et al. (2019) have called FOMHEIs (Family-Owned and -Managed Higher Education Institutions). As they summarize in a previous *IHE* article, while such institutions carry with them considerable risks (abuse of funds, nepotism, and infighting), they also have considerable potential strengths (flexibility, personal investment, and continuity). Recent events in Japan—which has both one of the largest private HE sectors in the world and, within that sector, one of the largest number of FOMHEIs—have led to some of these tensions coming to the surface, in particular in relation to how such institutions are best governed.

In December 2021, an unusually dramatic report was issued by a working party commissioned by the Japanese ministry of education, culture, sports, science and technology (MEXT) to look into the need for major reform in the governance of school corporations that manage private universities in Japan. A summary of the report started as follows: "In recent years, a number of management scandals have occurred in school corporations operating universities which have led to Board Chairs serving prison sentences and other Board Members being arrested on charges of breach of trust, creating a major social problem … Inadequacies in the governance system of the school corporation—which receives preferential treatment in the tax system (tax expenditure) as well as large direct subsidies from the state—have been repeatedly pointed out."

Just four months later, in March 2022, a second MEXT committee produced a separate report on the same topic of school corporation reform, which was introduced rather differently: "Private educational institutions underpin public education in Japan, and for them to gain society's trust and advance further, it is essential to pursue "workable reforms" of the school corporation system. This must be done in a manner that is sensitive to the history and diversity of school corporations and responsive to society's needs, as well as [by] incorporating measures to prevent recurrence of the scandals that have occurred thus far."

How should we understand these radically different views on the need to reform the governance of private HE in Japan, which appeared within a few months of one another, under the auspices of the same ministry?

Most obviously, the differences in the two committees' reports can be explained by their membership. The first committee was composed by business managers, lawyers, and other experts in corporate governance and almost devoid of members from the private higher education sector. The second committee's membership was dominated by representatives of the sector itself.

We suggest, however, that taken together these two reports highlight a tension between "global" (Anglocentric, neoliberal) models of HE governance and "local" (historically bound, culturally driven) practices, which is playing out in Japan but has echoes of similar debates in many parts of the world.

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Sharpening the Focus on Private Higher Education

The Japanese case is particularly interesting since, in terms of total financial investment, Japan has the second largest higher education system in the world. Accounts of Japanese higher education, however, have historically been focused on national universities. A large amount was written about their governance reform process in the early 2000s (see Goodman, 2005), but actually such institutions constitute just 10 percent of all universities in Japan.

The private sector, operating as so-called "school corporations" (*gakkō hōjin*), constitutes almost 80 percent of universities, enrolling the vast majority of all students, but has hardly been studied as a system in its own right, something which our 2020 book, *Family-Run Universities in Japan*, has tried to rectify. The title of the book reflects the fact that around 40 percent of the private universities (and well over 30 percent of all universities) in Japan can be defined as family businesses.

Scandals Reignite Debate over Governance Models

Debates about governance reform of school corporations have been bubbling in Japan for many years, but the specific context for the establishment of the first committee was a series of major scandals that had severely shaken public trust in these corporations' ability to govern themselves. A scandal involving Nihon University in 2021 was a watershed moment in terms of public awareness of school corporation governance problems, since it involved the misuse of breathtaking amounts of money at Japan's largest university in terms of student numbers (77,000) and alumni (over 1.2 million). Much of the analysis of the case focused on the fact that while the egregious behavior of the chair of the board, who had been responsible for most of the problems, had been well known within the organization, there had appeared to be a complete lack of checks and balances for other members of the organization to do anything about it.

The first MEXT committee sought to address these problems by recommending a complete ban on family members and other "special interests" in the membership of the *Hyōgiin-kai* (board of councillors) and giving this board ultimate veto power over the currently much more powerful *Rijikai* (executive board). The aim was to separate day-to-day decision-making processes from the personal, in particular financial, interests of the owners and bring them more into line with best governance practice elsewhere.

The second committee was set up following protests from the powerful private university lobby that had not been represented in the first committee. It argued that the first committee had not understood the historical development of private higher education in Japan or its distinctive strengths in terms of long-term investment (financial, personal, emotional). We describe these strengths in the subtitle of our book as "sources of inbuilt resilience," which enabled private universities to survive, against all predictions, the enormous drop (40 percent during the period 1992–2010) of 18- and 19-year-olds, who make up 95 percent of their entrants.

To protect the status quo power of the founding authorities, the second committee effectively affirmed the strengths of existing structures, recommending that the *Rijikai* and the *Hyōgiin-kai* should work in "constructive collaboration" to resolve any conflicts. It proposed that any limits on the numbers of family members on boards be determined in a way that took into account the "processes leading to the corporation's establishment and its founding spirit." In total, the report uses the term "founding spirit" (*kengaku no seishin*) no fewer than seven times.

Reassessing Global Paradigms of HE Governance

Most accounts of university governance seem to take it for granted that the separation of strategic and operational responsibilities, the professionalization of trustee skills, and the involvement of disinterested external members are the only ways to protect the interests of consumers, staff, and investors. As Austin and Jones (2016) point out, while this approach threatens to distort the unique characteristics that differentiate higher education institutions from other institutions in society, very few people have been prepared to counter this dominant narrative for fear of being characterized as out of touch with current best practice. The second committee report, therefore, might be one of the first nationally produced reports (certainly in a major OECD nation) that has challenged the paradigm of neoliberal governance.

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