

# **The Analysis of My Country's Independent College Based on the Corporate Governance Structure**

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**Abstract:** My country's independent colleges have developed since the 1990s and have formed a relatively stable school-running model. In the context of modern education system reform, private colleges and universities are required to adopt classified management methods, which will inevitably have an impact on the corporate governance structure of independent colleges. How independent colleges balance the capital interests of investors and the public interests of education, balance residual control rights and reputation rights, and improve internal decision-making mechanisms to become the key factor, and it is urgent to clarify the current corporate governance structure. By discussing the problems existing in the corporate governance structure of independent colleges, and putting forward some perfect suggestions from the aspects of property rights, internal management systems, and supervisory systems, it will help promote the healthy development of independent colleges.

## **Introduction**

In 2017, the Ministry of Education and other five departments issued the "Detailed Implementation Rules for the Classification and Registration of Private Schools", requiring the implementation of classified management and classified registration of private universities. The essence of classified management is to reflect the non-profit nature of private universities, but the legal person structure of private universities such as independent colleges among them, it is mainly private capital and other private capital, and the profitability of capital requires attention to interest demands. The existing legislation on the legal person status, property rights, internal control system and other aspects of independent colleges has certain drawbacks [1]. In the new era, the development of independent colleges needs to adjust the governance structure according to the pace of educational reform to promote the development of independent colleges.

## **1. The Starting Point of Research on the Corporate Governance Structure of Independent Colleges**

### **1.1 Proposal of Corporate Governance Structure of Independent Colleges**

From the perspective of the definition of the concept of legal person in the Civil Code, legal persons are opposite to natural persons and can independently bear civil liabilities and enjoy civil rights. The corporate governance structure adopts internal institutional arrangements to adjust the structure of the relationship between investors, managers and stakeholders. The corporate governance structure can take into account economic relations, contractual relations and rights relations, forming a structural arrangement of checks and balances between various subjects, clarifying the rights and responsibilities of each subject, and promoting the healthy development of the organization [2].

My country's "Higher Education Law" and "Private Education Promotion Law" stipulate the nature of higher education institutions. Higher education institutions are legal person organizations. The "Independent College Setup and Management Measures" define the concept of independent

colleges, but for independence the definition of the corporate governance structure of the college is not unified in the academic world. Du Zhihong believes that the governance structure of an independent college is a management structure that adjusts the relationship between investors, decision makers, organizers, and faculty. From the perspective of stakeholders, Hu Rendong believes that the corporate governance structure of independent colleges is an arrangement of power and responsibility for the government, independent colleges, investors, and faculty.

Independent colleges, as a type of higher education colleges, enjoy the independent status of legal persons in accordance with the provisions of the legislation. [3] Therefore, in conjunction with the definition of scholars, this article believes that the legal person governance structure of independent colleges is based on the property rights system as the core content. The institutional arrangements for the distribution of rights and responsibilities of the organizer and relevant stakeholders.

## **1.2 Independent College Legal Person Governance Structure Model**

According to different establishment conditions, independent colleges can be divided into public parent colleges + private investment model and private capital independent investment model. The latter has a single source of property rights and is easy to form unity in decision-making; however, the former uses public universities as investors, often Funding with brands and intellectual property is prone to a series of problems. The problem of the former corporate governance structure model is that the educational public welfare of independent colleges and the profitability of private capital are prone to conflicts, and internal control is prone to exist in internal decision-making.

## **2. Problems in the Corporate Governance Structure of Independent Colleges in My Country**

After 2008, my country's independent colleges underwent an overall transfer. For example, the original 10 independent colleges in Henan were transferred separately. The classification management method of private colleges requires that the nature of private colleges be clarified, but from the perspective of regulations, there is a certain degree of roughness, resulting in the unclear property rights of independent colleges and certain problems in the corporate governance structure.

### **2.1 The Property Right Design is Unreasonable**

In terms of the provisions on the investment and property rights of independent colleges, the investment of independent colleges can be intangible assets, such as the school brand, teaching management resources, or it can be funded in kind, such as living buildings, teaching equipment, books and materials. From the perspective of investment provision, the definition of property right of independent colleges is very unfavorable. For example, there is a certain dispute on the evaluation of intangible assets, and it is not clear how the property right belongs when the investment of intangible assets is liquidated by independent colleges [4]. For example, the Law on the Promotion of Private Education stipulates that when private colleges and universities conduct property liquidation, the remaining property shall be disposed according to the law after the liquidation of employees' wages, students' tuition and miscellaneous fees, but no specific rules are specified. According to the rules of private colleges, independent colleges termination of operations, the need to carry out the liquidation in accordance with the provisions of "private education promotion law", and the above rule has legislative loopholes, for investors in the process of the existence of their invested capital management regulations are not clear, for the accumulation of assets belonging of property rights is not clear, the rights and responsibilities are not clear. Unreasonable property right design leads to property right disputes among investors, independent colleges and governments of independent colleges, which may reduce the constraints of investors and make too much profit, deviate from the purpose of public education of independent colleges, which is not conducive to the development of independent colleges [5].

### **2.2 The Internal Management System of the Independent College is Not Sound**

The relevant legislative provisions of my country's private colleges and universities specify that the establishment of independent colleges needs to be privately-run [6]. Independent colleges implement the principal responsibility system, and the highest decision-making authority is the board of directors. However, the current internal management problems in the development of independent colleges in our country are as follows: First, the board of directors has the problem of false or offside. Independent colleges use the board system to establish decision-making bodies, but the operation of the board of directors is not rigorous, and there are false phenomena in the process of performing duties. For example, the responsibilities of the board of directors are only manifested in regular meetings or as a consulting agency for independent colleges. The decision-making power of independent colleges is still in the alma mater or investors. At the same time, the board of directors will also have the problem of offside management. Some investors believe that their investment should have the right to make decisions on the operation of the independent college, and some investors use the way of appointing managers to participate in the management of the college and interfere with the decision-making of the college. Second, the power and responsibilities of the dean of the independent college are not clear. In order to improve the efficiency of management, some independent colleges adopt the setting of combining the positions of the chairman of the board of directors and the dean of the college. If the power of the chairman of the board of the independent college is too strong, it is easy to cause internal control problems and interfere with the decision-making of the college. As a result, the independent management authority of the dean cannot be guaranteed. The third is that the board of directors of the independent college is mere formality. The board members of some independent colleges are appointed by the parent colleges or universities, or some leaders are concurrently appointed, with few partners and social representatives. The board of directors of some independent colleges is set up to meet the requirements of the law or the government, and does not hold meetings. The principal is responsible for everything. Some independent colleges are completely separated from the public welfare nature of higher education and completely adopt the business management model to operate the independent colleges. Ignoring the legal nature of independent colleges.

### **2.3 Independent Colleges Lack an Effective Supervisory System**

My country's "Private Education Promotion Law" and the relevant regulations of independent colleges provide for the establishment of the board of directors, deans, and power operation of independent colleges, but they lack the establishment of independent college supervision institutions. The articles of association of some independent colleges stipulate that a board of supervisors is required in the corporate governance structure. However, whether it is an independent college established by a modern corporate system or an independent college with strong parental college control, the role of internal supervisory agencies such as the board of supervisors is very limited [7]. One is that the board of supervisors, as a supervisory agency, is not really juxtaposed with the shareholders' meeting, board of directors and other decision-making bodies and executive management bodies. The members of the board of supervisors have random arrangements, or set false positions or unclear responsibilities. The second is that the function of the board of supervisors is not sound. The members of the board of supervisors of some independent colleges pay little attention to the activities of the college, and many independent colleges lack the regular meeting system of the board of supervisors [8]. The reason is that my country's "Private Education Promotion Law" only requires private schools to establish a supervision mechanism, but there are no clear regulations on the specific form, specific operation, and procedures of the supervision mechanism. Some provinces and cities require private schools It is necessary to establish a supervisory body to register and supervise the inspection work of the school. The inconsistency of the legislative provisions has led to the randomness in the establishment and management of the independent college board of supervisors in various universities and regions, the positioning is not clear, and the role of the board of supervisors is not obvious.

### **3. Suggestions for Improving the Corporate Governance Structure of Independent**

## Colleges in My Country

Independent colleges are an important part of my country's private education. The promotion of the classified management policy of private colleges requires that the school-running attributes of private colleges must be registered by the end of 2020. For independent colleges, different legal definitions have a significant impact on their corporate governance structure. Great influence, but whether it is for-profit or non-profit, the property right system, internal control system, and supervision mechanism are the core parts of the corporate governance structure of independent colleges and need to be improved in response to existing defects.

### 3.1 Clarify the Property Rights System of Independent Colleges

Coase's property rights theorem believes that the clear definition of property rights is one of the conditions for the optimal allocation of resources. Under the market transaction link, the relationship between property rights arrangement and adjustment is efficient. The quality and efficiency of higher education institutions affect the effect of talent training. Independent colleges are an important form of private higher education. Their independent and clear property rights system can not only provide legal system protection for the operation of independent colleges and self-sponsored schools, but also clear property rights [9]. It also provides a basis for independent colleges to independently undertake creditor's rights and debts during their operations. Higher education is a social public product. Although independent colleges are private in nature, they still have a public welfare nature. The design of the property rights system of independent colleges needs to balance the public welfare of higher education and the profitability of private capital [10]. First, to protect the independence and integrity of the legal person property rights of the independent college. The independence of property rights is the prerequisite and foundation of the corporate governance structure of independent colleges. It should ensure that the power of property rights is complete, independent colleges can be independently controlled, and parent universities or other investors shall not occupy or dominate. Secondly, it is necessary to clarify the property discount ratio of investors using brands and intellectual property rights to ensure the income distribution ratio of the independent college. The charter of the independent college needs to clarify the proportion structure of the creditor's rights and the way of assuming debt.

### 3.2 Improve the Internal Management Mechanism of the Independent College

One is that in order to improve the decision-making mechanism, the board system needs to be standardized. Reasonably arrange the members of the board of directors to ensure the diversification of membership, and appropriately increase the number of university representatives and faculty and staff representatives in accordance with the "Independent College Setup and Management Measures". At the same time, independent colleges need to clarify the qualifications of directors according to their actual conditions, and have certain qualification restrictions on directors of independent colleges to prevent capital from manipulating the decision-making bodies of independent colleges. The second is to correctly handle the relationship between the president and the board of directors. The highest decision-making body of the independent college is the board of directors. It is necessary to ensure the rationality of the structure of the board of directors. At the same time, it is necessary to straighten out the relationship between the dean and the board of directors, clarify the powers of both parties, and avoid excessive interference by the board of directors in administrative decision-making; Independent director system. The establishment of independent directors can learn from foreign universities, adopt the method of introducing reputation system to inspect independent directors, enhance the sense of responsibility of independent directors' exercise of power and ensure independence.

### 3.3 Improve the Supervisory Mechanism of Independent Colleges

The corporate governance structure requires the formation of checks and balances between various power organizations, which is conducive to the various power organizations to perform

their duties in accordance with the provisions of the charter. One is to adopt clear standards to set up an independent college's supervisory system, to clarify the supervisor's work responsibilities, conditions for work activities, funding, time, etc., to mark the work tasks of the supervisory board in a list, and to write down the responsibilities of the supervisory board the statutes of the independent college. The second is to encourage independent colleges to carry out the work of the board of supervisors according to their own characteristics. Using the method of demonstrative experimentation, the radiating and leading role of imitating the working mechanism of the independent college's board of supervisors will be used to improve the effectiveness of the board of supervisors in the independent college.

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