

## THE FORMULA AS A MANAGERIAL TOOL: AUDIT CULTURE IN HONG KONG

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### ABSTRACT

Universities are increasingly moving away from the professional ideal of management by professors to a form of managerialism known as “audit culture.” This article provides two examples from Hong Kong, where audit culture has been imposed very rapidly over the past 15 years: the imposition of a “one-line budget” and the “Research Assessment Exercise” (RAE). The one-line budget shifted control from deans to department chairs, but set up incentives and rules of the game that had unintended consequences, including the dumbing down of classes to attract students and an increase in student-teacher ratios. The RAE was intended to allow administrators to compare all departments against one another, and to shift resources to those that were successful and “efficient.” The article argues that these administrative methods misuse business metaphors and undermine creativity by focusing only on process. The end result is waste of resources and an inability to achieve real excellence.

Teaching has changed dramatically in the past 150 years. The creation of the modern university, with mass lectures replacing individual tutoring, created a new—or at least much larger—profession of “professor.” The university that developed in the United States and the United Kingdom in the late 19th century has changed very little until recently, except for growing in size. Major changes are likely, however, due to the disruptive nature of the Internet and digital technology. Online courses, videotaped lectures, and remote learning may dramatically change how students

learn. But many of these changes are driven by another change that has crept into higher education: a form of managerialism that anthropologists have called “audit culture” (Shore, 2008; Shore & Wright 1999; Strathern, 1997, 2000).

Managerialism is part of the McDonaldization (Ritzer, 1993) of teaching. Ritzer developed the concept of “McDonaldization” to conceptualize the rationalization of modern society. The term focuses on the new mode of thought that comes with scientific management. It focuses on how management seeks (1) efficiency; (2) calculability (quantitative objectives); (3) predictability (standardized and uniform services); and (4) control, especially through the substitution of nonhuman technology. The idea of “scientific management” was created by Frederick Taylor (1911) just over a century ago, but it took almost a century for the ideas to go from being applied to manufacturing processes to being applied to the university.

I use the term “managerialism” to denote an emergent form of administrative power that is eroding the professional status of university teaching. In the administrators’ attempts to use measurable and supposedly cross-disciplinary and universal measures of productivity and efficiency, they undermine education, stifle creativity, and especially disadvantage the humanities and some of the social sciences. Business principles are used as an ideology of administrative control, claiming to promote accountability but actually shifting from professional to administrative control. It is this ideology of accountability and efficiency that is referred to as audit culture.

Managerialism in Hong Kong can be dated as beginning in 1996, when the “one-line budget” system was introduced into university administration. Under the one-line budget, each department’s budget is determined by a complex formula that is primarily based on the number of students taught. This article will examine the logic and consequences of this policy. The second important aspect of managerialism has been the Research Assessment Exercise (RAE). This concept, borrowed in its entirety from the UK, sought to promote and encourage research, but does so in ways that, I will argue, stifle creativity.

### **THE ONE-LINE BUDGET**

The one-line budget was intended to shift control from deans to departments. Once the budget was controlled by the department, it could decide how to spend its funds. This was presented to departments as allowing them the freedom to make their own decisions. It was longer necessary to ask the dean for funds for travel, or to host a speaker, or for an extra line (teacher). Each department could make the decision based on department finances.

Funds were disbursed to each department each year according to a complex formula that included five major variables:

- (1) the number of undergraduate majors;
- (2) the number of students taught;

- (3) the number of graduate students (which was multiplied by two, making one graduate student equal to double the value of an undergraduate major student);
- (4) a factor for the “relative unit cost” that was historically based and in principle not changeable; and
- (5) a constant that reflected historical patterns. This constant helped make the budget in the first year of the system roughly equal to the cost of running the department under the previous “dean based” system.

At the root of the one-line budget is the idea of using financial incentives to encourage excellence. The reformed system is intended to make departments (and thus teachers) responsive to costs and to performance incentives. The policy is based on economic logic—it is no surprise that the pro-vice-chancellor in charge of implementing the program at The Chinese University of Hong Kong was an economist.

Though the formula is known, it has been impossible for departments to obtain the actual values behind the Greek letters of the formula. The values are either considered confidential, or we are told that they are so complex that they cannot be released. All attempts to date to see or to get the exact annual monetary value of each undergraduate and postgraduate student have failed, though we have been presented with “rules of thumb” to give us an idea of how much different types of students contribute to the budget. I was told informally by an administrator that it was the policy not to let departments know the exact figures, or all the workings of the formula, to prevent departments from gaming the system. This is somewhat contradictory to the idea that the formula is supposed to provide incentives, because it recognizes—correctly, in my opinion—that the incentives of the formula are simplistic and flawed. Despite this Kafkaesque situation of being ruled by a formula that we could not fully see, departments in my university did respond in ways that undermined the system and worked against the promotion of excellence, as we will see below.

### **Unintended Consequences and Perverse Side Effects**

The new system caused a raft of unintended consequences and perverse side effects. One of the first effects was to make collaboration across departments much more difficult. Since departments received funds in return for teaching students, every department sought to teach its own students. Courses like statistics were all taught within the majors’ departments, and not by the Department of Mathematics. There was even a slight tendency to increase the number of required courses for the major, to maximize income from students. The Chinese University realized this, so in revisions in 2010, departments were paid according to the number of majors but not for the courses taught to majors, and the tendency to increase the required courses began to reverse itself, with departments shedding a few requirements for majors. Collaboration across departments virtually ceased,

and it became impossible (in accounting terms) to teach a joint class with another department. The oneline budget created a system of silos, with no collaboration between departments.

Another effect was the dumbing down and proliferation of General Education courses, which consist of a small number of courses outside one's major that students need to take to fulfill breadth requirements. The Anthropology Department in The Chinese University had, before the one-line budget, taught many General Education courses so as to promote the discipline. Most secondary school students do not know what anthropology is, but they need to choose a major before they are admitted to university in Hong Kong. As a result, anthropology has not been one of the most popular choices of major. The department saw the teaching of General Education courses as a way of publicizing anthropology, hoping students who enjoyed anthropology courses would recommend the major to friends and relatives still in secondary school, and perhaps consider taking a minor in anthropology. The only material benefit the department received from teaching these General Education courses was funds to pay for one teaching assistant. The department had a relatively high (and therefore, from the students' point of view, good) teacher-student ratio in anthropology classes, but contributed disproportionately in teaching General Education.

The department's good teacher-student ratio became a liability under the new funding formula, however; the department became "inefficient." The optimal class size at the Chinese University of Hong Kong (CUHK) was set at 50 students, but with only 20 students per annual cohort, small departments were disadvantaged by the reforms. Small classes bring in less money according to the formula. Faced with a dramatically falling department budget, after three years the department cut the number of classes and offered some classes, even required courses, in alternate years only, in order to bring the numbers closer to 50. When some students complained to the vice-chancellor (effectively the president) about the cuts, he angrily replied that he had never cut any department's budget. This was technically true, but it was happening as a result of the operation of the formula. And this shows the great advantage of the use of the formula: responsibility for all cuts is transferred from administrators to the department itself, which is accused of being "inefficient" or somehow not running its affairs effectively.

The new funding model also led to departments scrambling for students. The formula only had one factor that departments could try to increase: the number of students taught. The number of majors was set historically and very difficult to change. Deans and other administrators were loath to change the number of majors because it was a zero-sum game that would lead to strife. Most of the students a department taught would be their own majors, but there are students who take courses as electives or for General Education. To increase the number of students taught, many departments began teaching General Education courses. New courses were offered to attract more students, and as also happens with American television, "sex" made it into not a few course titles, literally to make the courses

sexy. With the increasing number of courses, what had been a seller's market became a buyer's market, and students had many more choices of courses. The enrolment in existing courses therefore fell, and this impacted my department's budget because our courses, which had previously had over 70 students, gradually fell to an average of around 35.

There were educational effects as well. In my courses, I had always required students to do a small research report. For "Culture and Business," for example, I had asked students to interview someone about his/her "occupational culture" and write a five-page paper. By 1999, just three years after the new system's introduction, I had to drop the requirement, because students complained about having to write a paper, and student numbers were plummeting. By 2001, students were even complaining that there were required readings for the course! When I pointed out to the vice-chancellor, in a Social Science Faculty "town meeting," that the one-line budget was leading to competition for students and an erosion of teaching standards," he breezily dismissed the problem, saying that teachers were all professionals and that he was confident we would uphold standards. Nevertheless, the situation had become so grave that by 2004, a Senate Committee on General Education was formed to evaluate courses and make sure that minimal standards were met.

### **Efficiency and Irrationality**

From one point of view, one could argue that teaching courses in alternate years led the Anthropology Department to become more efficient and to begin making better use of courses and classrooms. This would ignore the fact that the department was forced to make changes in classes because it does not control many other factors, including the number of majors admitted, or the constants in the formula. The formula assumed the department would continue teaching the same number of General Education students, because the department had taught many in the past. When other departments began teaching General Education courses and the seller's market changed to a buyer's market, the department was financially punished. Increased competition for students meant that the department would have to teach smaller General Education courses. The problem with the formula is not that administrators use numbers to dispense funds, but that they do so mechanically, and not by using a wide range of factors and based on a vision of what the university should be, and should become.

The reforms instituted in Hong Kong are almost identical to those in the UK, even using the same language. The reforms are driven by a concern by the government for accountability and "value for money." This has led several times to across-the-board fixed percentage cuts in university budgets (in 2004–2005, the cut was 10%, on top of a 6% cut in salaries) as a way to promote "efficiency." Universities in Hong Kong are highly dependent on government funding; over 95% of funds come from the government via the University Grants Committee (UGC), so

that any government decision has immediate and profound effects. Thus, while Hong Kong has a tradition of government noninterference in university affairs, the universities' reliance on government funds means that changes in UGC policies can have immediate and far-reaching effects.

It should also be noted that despite the idea of devolving control and responsibility to the department level, the central administrators still retain considerable power. The reforms were justified as devolving power to departments (see Goodman, 2002), but many rules set by the administration limit a department's ability to spend its money. Department dinners can be held only for visitors of full professor rank, for example, and spending on airfare cannot exceed a certain percentage of the department's budget. Thus, these rules maintain the power of administrators while making departments appear autonomous. Executive officers (EOs), who know all the rules and precedents, actually run most committees. The bureaucratic tendency to follow rules even when they are irrational is a constant problem—at least, it is for teachers. Instead of granting autonomy to departments, the new system devolves to departments many formerly centralized tasks, and uses the centralized staff to monitor department decisions. Many teachers have commented that though they are regularly audited, there is no similar evaluation exercise for administrators and administration staff. The new rules merely maintain or even strengthen the control of administrators, while making departments appear to have autonomy even though they are in fact disciplined by the formula and forced to comply with many rules.

### THE RAE

The second aspect of managerialism in Hong Kong that I wish to examine is the Research Assessment Exercise (RAE), the most visible example of audit culture. As a memo from the UGC to universities stated in 1998,

In 1993, the University Grants Committee (UGC) began to move away from a historical-based model for the assessment of the public recurrent funding requirements of the UGC-funded institutions to a more performance-based funding model. Following detailed study aided by an expert consultant, the UGC adopted a zero-based model which relates the level of funding allocation both to the tasks that each institution is expected to accomplish during the funding period, and to the quality of its recent performance. (UGC, 1998)

The idea was to rate and compare the research output of each department, and to reward the universities that had higher scores with funds that had been clawed back from all of the universities. Again, a formula is created that affects department budgets without the “subjective” influence of individual administrators. Universities scrambled to compete for these bonus funds. To transmit this incentive to the departments, the universities then conducted an

“Internal Research Assessment Exercise” (IRAE), following the same rules as far as possible, ranking and comparing departments to see how they met supposed standards of excellence, so that the funding changes from the UGC would affect individual department budgets, forcing the entire university to comply with the UGC standards and making sure the university did not miss out. Some of the measures of excellence (such as the dollar value of grants or the number of articles published) might not have been relevant in all disciplines, but no matter, a common standard was deemed necessary. The UGC justified the RAE in its memo, saying that it was an effective means of “(a) informing funding; (b) symbolising public accountability; and (c) inducing improvement in research by raising the quality threshold for assessment” (UGC, 1998).

The UGC has increased the proportion of the university’s budget that is affected by the RAE to 25% for the 2014 exercise, and it has insisted on increasing the differentiation between “good” and “poor” departments. A September 2011 letter from the UGC to university presidents states that “The UGC would [*sic*] insist on differentiation. The research strengths and weaknesses in any institutions would be transparently and robustly assessed. This would then allow research funding to be allocated to institutions on a basis that reflected such strengths/weaknesses” (UGC, 2011: 2). The quality of research is already assessed and rewarded through competition for research grants, but the UGC also wishes to make the research element of its “Block Grant” subject to performance. The letter said that “It was intended that there would be significant differentiation in funding as a consequence of the RAE.”

### **Comparison across Disciplines**

Colleagues have criticized the notion that research can be assessed in a way that can be compared across disciplines, as have numerous professional groups (see, e.g., Joint Committee on Quantitative Assessment of Research, 2008), but the UGC has insisted that it is necessary to compare all disciplines. In 1999, an open letter signed by 35 teachers at The Chinese University was sent to the president of the university. He responded by writing that he believed the problem was due to “misunderstandings and ignorance of the process” and by meeting with teachers. At the meeting, he became exasperated and told teachers that they could suggest different standards for evaluation, but that he could not go to the UGC and say he was opposed to the RAE. He thus put the onus on teachers to come up with mechanisms that would allow cross-disciplinary comparison and evaluation. The UGC has accepted the argument that adjustments should be made for special disciplinary requirements, but has insisted that every discipline needs to provide standards for evaluation.

The RAE has been conducted by having each researcher submit four to six of his/her articles from the previous three or four years (the numbers have varied over time) to be evaluated by a committee. The committees have typically included



scholars from overseas, but most are from other universities in Hong Kong, who thus have a conflict of interest (since a higher score for other universities will make their own departments seem weaker). Many panel members are not from the discipline being evaluated, making them uninformed and poor judges of quality. For example, other social scientists who evaluate anthropology have often had a bias against books published by researchers, feeling that articles in internationally refereed journals are of more scientific value. They have often been especially likely to undervalue chapters in edited volumes. The Arts and Humanities have consistently had lower average scores than Engineering or Science, but this has not been enough to prove that the RAE is not fair. Though it is never stated, it seems the UGC simply assumes these figures show that the Arts and Humanities are weaker than other areas.

The Chinese University has, historically, prided itself on acting as a bridge between East and West. Scholars have contributed to research on Neoconfucianism as well as physics, and published in English to advance world science as well as in Chinese to reach the largest possible Chinese audience. Under the reforms, however, the UGC decided to evaluate scholars' productivity in such a way as to make it possible to make comparisons across departments and universities. Research now is considered valuable only if it is published in internationally refereed journals, which, despite claims that this does not exclude Chinese and other local journals, has created a strong bias against journals published in Asia. The new rules are good for some departments and disciplines and bad for others. The sciences and medical faculties seem to benefit the most; they produce numerous short articles that can easily be published in English and are of interest to broad global scholarly audiences. The humanities suffer the most; a major project on Cantonese opera that was at one time highlighted as a major CUHK project found its research devalued because it was largely published locally and in Chinese. Even business school researchers find themselves at a disadvantage, because international journals are not often interested in Hong Kong cases and issues that have local or regional implications but not international application. (It is common for American cases to be assumed to have universal application, and for non-American cases to be viewed as of only regional interest.) Historians and anthropologists who write books and produce edited volumes that do not feature in citation indices are also disadvantaged.

In 2001, CUHK ran an internal research assessment exercise (IRAE), even though the RAE was postponed, knowing that an external RAE would come, sooner or later. The goal was to identify weak departments. The finding of this IRAE, using the new disciplinary measures, was that most departments had very high scores. The RAE and IRAE scores were meant to measure whether scholars were "research active." It was intended to be a simple 0 or 1, inactive or active. One A+ article in a top journal ("masterpiece; cannot be ignored by anyone working in the field") or three B articles in second tier journals ("innovative and significant; makes a valuable contribution to the field") over the previous three



years was enough to rate a scholar as “research active.” Using discipline-specific criteria, most departments scored very highly. When the finding of this IRAE was announced, the pro-vice-chancellor did not congratulate teachers for such a high rate of productivity. Instead, he declared the exercise to have been “nearly worthless” because all the scores were too high! The point of the exercise was laid bare: rather than being a check on research activity, the RAE and IRAE are intended to be tools to compare departments and redistribute funds, rewarding those that are “productive” and penalizing those that are less productive. It is a tool of administration, rather than a system to promote excellence. The different academic departments and scholarly disciplines that were to be regulated from above effectively appropriated the terms of regulation, much as indigenous groups reappropriate the concepts “culture,” “tradition,” and “authenticity” in their struggle with state and global encroachment (see Shore & Wright, 1999). What was supposed to be a universal measure of “efficiency” and “success” was turned into particularistic measures, which, not surprisingly, showed most researchers were active.

In addition, despite assurances from the UGC that the RAE was to be used only for the evaluation of programs (which, using their business-speak, they called “cost centres”), not for the evaluation of individual researchers, critics point out that the RAE has forced departments to hire and promote according to the rules of the game (Lin, 2009). RAE scores (or anticipated scores) very quickly became the primary measure and definition of scholarship. Chairs and deans always consider how a candidate will score on the RAE when making hiring and promotion decisions, and discuss this openly. The 2012 Guidance Notes on the 2014 RAE still naively assume that an audit of departments can be conducted without impacting individuals. It claims: “Results will be communicated on a cost centre basis without disclosing the identity of individual academic staff” (UGC, 2012: 7). But the effect of the exercise is to have chairs and deans apply the mechanical measures of success to hiring and promotion. They have no choice but to follow these measures, or their department’s funding will be affected.

The idea that research can be compared with a common measure across disciplines is naive. Three major critiques can be made.

First, IRAE committees include many members who are in no position to judge the research being examined. Anthropologists, for example, have been judged by the committee on Social Sciences and Education, on which sit social scientists (psychologists, economists, architects, geographers, etc.) as well as engineers, medical doctors, and business school and humanities professors. Hong Kong’s 1999 RAE had only 12 panels (and the 2014 RAE will have 13) committees, which because of Hong Kong’s small size is considered the largest possible number (French, Massy, & Young, 2001). The UK, on the other hand, had 69 areas of assessment in 1999 (French et al., 2001), and 15 panels and 65 sub-panels for the 2008 UK-RAE, which therefore allows something closer to true peer review. Stories leaking out of this confidential process suggest that the small number of

panels, including many non-expert members, gives free rein to many disciplinary biases; publishers that some members may not have heard of before are sometimes mistaken for vanity presses, and edited volumes can be dismissed as merely “*guanxi* books,” that is, books published through connections. All committee members are supposed to read the publications that have been submitted, but it is informally acknowledged that this is impossible. Committee members check to see whether there are many references and where the journal is published, and are influenced by these simple guides as measures of quality. As a result, it was noticed (informally, because the official numbers were never released outside the CUHK administration) that in the 1999 RAE, teachers in the Faculty of Social Science and the Faculty of Arts had significantly lower scores than those in the other faculties. It was also notable that some productive scholars were rated below a full 1.0; apparently, panels averaged the scores, so it was enough for one member to give a lower score for a scholar to get a score below 1.0, which meant the scholar was officially “not productive.”

Second, the number of publications one can expect from a scholar varies greatly from field to field. In experimental sciences and engineering, it is possible to write up many short articles. In medicine, a single case can be the basis of an article. Anthropologists tend to publish fewer articles. Furthermore, anthropologists tend not to jointly author articles. In the business school, it is standard for graduate students to coauthor articles with their advisors. Indeed, business school professors view the advising of graduate students as research, not teaching, because they primarily supervise research that will lead to a publication. Thus, in comparisons across fields, anthropologists will look “less productive” than colleagues in other disciplines.

Third, there is the concern that as the “engineering” model of publication comes to be enforced, anthropologists will be forced to publish in places that earn them the highest marks for RAEs but may not be the best venues by outside standards. Books, in particular, seem a poor strategy; they were counted as the equivalent of only two refereed journal articles in 1999. Or, as Faure (2002) notes, the 500-page book will no longer be published, because one can get double the credit by making it two 250-page books. Though individual evaluations are not kept in files, they are shown to deans and department chairs, who must consider the RAEs when hiring and promoting researchers. The RAE, though merely a game, results in an internal subjectification, in which all teachers evaluate their work by the rules of this local game that affects their local standing and career, rather than by global disciplinary standards that are more important for true excellence. Far from ensuring quality, these irrational RAEs undermine quality as measured within the discipline, at least by global standards. One administrator, speaking to social scientists, said of Chinese-language publications and publications in regional studies journals: “Why don’t you just spend a little more time on it and make it better so you can send it to theoretical journals?” He did not understand that anthropologists publish in different venues for different audiences and purposes.

### WHY THE BANDWAGON?

The alacrity with which some administrators, and even a few researchers, have jumped on the reform bandwagon rather than defending professional criteria of competence and productivity is distressing. It can only be understood as partly unconscious and partly calculated. On the unconscious side, Shore and Wright (1999: 559) note how in the logic of audit culture, the linking of the concept of “audit” “with words like ‘efficiency,’ ‘effectiveness,’ ‘best practice’ and ‘value for money’ disguises its hierarchical and paternalistic roots and plays down its coercive and punitive implications.” Thus, to some, the reforms seem mere common sense, and opposition to them seems to be simply protecting one’s sinecures, a guild-like defense of the profession.

Others join the reforms from calculation, either personal or disciplinary. Some ambitious researchers calculate that to rise in administration one must join the juggernaut that cannot be stopped. They participate (even occupy the vanguard) essentially to ingratiate themselves with higher levels of the administration in the hope of being promoted in administration. The disciplinary calculation stems from the fact that some researchers see the reforms as benefiting their disciplines; the natural sciences and applied sciences, with more frequent publications, benefit most. Indeed, the reforms are intended to be pro-business and pro-growth in addition to, or as part of, making academia accountable for how it spends taxpayers’ money. What Shore and Wright (1999: 563) argue for the UK is also true of Hong Kong (since the reforms were copied from the UK): “The new priorities included competitive wealth creation, greater links between scientists and businesspeople, and more responsiveness to ‘user groups,’ particularly industry, commerce and government departments.” Applied research is particularly valued; Hong Kong proposals, for example, need to specify how the research will benefit Hong Kong. We are frequently reminded of this when our university sends periodic memos asking us what patents we have registered. The reforms are thus intended to help business “without explicitly attacking university autonomy” (Shore & Wright, 1999: 563).

Also benefiting from audit culture, and facilitating it, are the companies that provide bibliometrics such as “impact factor” information. Thus, Evidence Ltd., a company specializing in research performance analysis and interpretation, has a “strategic alliance” with Thomson Scientific, which owns Web of Knowledge, a major citation index (Joint Committee on Quantitative Assessment of Research, 2008). These companies have a vested interest in promoting the quantification of research evaluation, since such evaluation will depend on their databases.

### Gaming the System

The architects of the RAEs claimed that there has been a “generally improving research atmosphere in Hong Kong” (French et al., 2001: 41), but to those who

already took their research seriously, there is a frustration with the loss of autonomy and redirection of research from long-term quality concerns to learning to “play the ‘evaluations game’” (French et al., 2001: 44). The planners themselves saw that this “could be driving the system towards mediocrity” (French et al., 2001: 43), but their solution was to deepen the reforms by not just evaluating whether researchers are active or not but by also evaluating all their work on a five-point scale. As David Faure (2002: 82) has noted, the assessments have been very demoralizing and “where they are tied to funding, they are highly effective methods for administrative interference into academic pursuits.” The evaluation system has generated enough dissatisfaction that it has been reported that Hong Kong University and the Chinese University have considered becoming private, that is, obtaining an endowment from the government and forgoing future financial contributions and government audits, though nothing has come of this.

Any system of incentives creates perverse attempts to game the system. In the case of the RAE, universities have increased the reliance on short term instructors for teaching, and created a caste of research personnel who do not teach or teach very little. The researchers are of no help to students, and the system undermines collaboration within the department and results in low morale. Teachers on short contracts or at the instructor level do not count in RAEs, so are taken out of the review process. The few remaining researchers, freed of teaching duties, are more likely to score higher on the RAE. Lin (2009) notes that in the 2006 RAE, 500 of the 4,000 teachers at the assistant professor rank or above were not evaluated (because their contracts were too short) and an additional 2,000 teachers who are instructors or employed part time were also not evaluated. The number of those not evaluated keeps rising, which undermines the overall quality of the professoriate in Hong Kong, though the RAE scores may rise. Lin notes that it makes no sense to expect all eight universities in Hong Kong to conduct high level research, and that Hong Kong does not have the student base to support that level of research.

The RAE presents a special threat to anthropology in Hong Kong, because anthropology is combined with other disciplines and is thus not truly assessed by peers. Outside scholars, including anthropologists, who have served on the UGC have commented that there is little they can do to educate the other members of the panels. Furthermore, since the goal of the new reforms and RAEs is to promote more cooperation with industry, there is less space for a discipline that makes critique and stripping away the ideology of power its central foci. But I do not mean to suggest that these reforms have an ideological or political goal. On the contrary, a vocal pro-democracy critic of the government in the Legislative Council, Emily Lau, pressured for reforms and touched off the 10% cut in funding for universities with her populist criticism that the government was spending too much per student on university education. This rationalization is no group’s political agenda; it is a Foucauldian discourse of our time.

## COMPETITION

A key aspect of the reforms has been to make the environment more competitive. It was widely felt that academics in Hong Kong were too passive and did not have sufficient impact on international scholarship. It may be true that some universities in Hong Kong had some dead wood (as do most universities throughout the world), but it is not clear that lack of competition was the problem, or that that fostering competition raises standards. As Meyer and Kirby (2012: 72) note about business, “mistaking competition for a reliable proxy for vitality leads to choices that undercut that vitality.” In large oligopolistic industries like the mobile phone market in the United States, the traditional notion of competition no longer applies, because these large organizations are price givers. Similar problems occur in education. But, obsessed with the idea of competition, the UGC began to pit universities against each other in the late 1990s and reward them selectively, making collaboration much more difficult. The audit system creates an environment of pervasive competition and mistrust. Auditors rank institutions and individuals against each other on various “league tables” and performance charts. One colleague at CUHK who had previously given a guest lecture at the University of Hong Kong (HKU) was prevented from doing so. Our dean would not approve his application to receive an honorarium from HKU for the talk (such approval being necessary for “outside practice”), and told my colleague that it was not good to help “our opposition.” Though the UGC claims to promote collaboration, the RAE and the UGC’s funding mechanism have undermined cross-institutional cooperation by pitting schools and departments against each other. By trying to promote excellence by monitoring and comparing universities, current policies also undermine institutional and professional excellence.

The use of competition is counterproductive, because if there is collaboration among anthropologists in Hong Kong, students have access to a wider range of specialties, and researchers can enjoy a richer community of peers. There is, of course, some competition between universities, but collaboration in such cases can benefit both sides. The reforms shifted the balance to an excessive and counter-productive level of competition.

### Measurable Indicators

Audit culture creates irrationality while appearing to be rational when there is an insistence on using quantitative measures to evaluate complex processes. For example, the Chinese University, under UGC instructions, began in the mid-1990s to evaluate graduate programs and to reward “good” programs with an increased quota for students. It might seem that the final grade assigned on theses by external examiners would be a simple measure of quality, but administrators realized that these grades did not have a reliable and consistent scale and were often inflated by external examiners, so that this obvious measure of “success” was not used. Instead, it was decided to use the “completion rate,” a measure of the timeliness of

graduation. Students in a PhD program have a normative period of study of three years. If students take longer than three years, they are deemed to have graduated “late,” even though students are allowed up to seven years to complete the PhD. The “normative period,” which was actually the minimum period required, not only became the ideal or normal period of study, but also became the target, and maximum, period of study. Departments with a higher percentage of students graduating “late” are penalized by a reduction in the number of students they are allowed to admit in following years. Allowing students to study longer than three years is deemed a waste of resources, even though students are eligible for a stipend only for three years. (To solve this problem, most of our anthropology doctoral students take leave from the university while they conduct fieldwork; officially, they are not our students anymore.) In addition, students who drop out of a program become “wastage” and also affect the quota of students that can be admitted in subsequent years. These measures of postgraduate program efficiency are hardly valid measures, but they are easily calculated, making them attractive to administrators. The use of metaphors from manufacturing is typical of the scientific drive to quantify regardless of the measure’s validity. In contrast, Ostriker, Kuh, and Voytuk (2010) used over 20 measures to compare PhD programs within the same discipline, and argued against a single ranking to find the “best” program, arguing instead that the data allow users to create rankings based on their own values. They thus provide valuable data, although, their sample rankings can very easily become a de facto ranking. But since using so many measures would take time and expense, Hong Kong administrators favor simple, if invalid, measures.

It is worth noting that there is something particularly Western in this tendency to break a complex social situation down into independent components. For example, the business literature speaks of “DMAIC (pronounced ‘dee-may-ic’), which stands for: define, measure, analyze, improve, control” (Hindo, 2007). This is the latest iteration of Taylorist management, focusing on a small part of a complex process by defining it and measuring it. Nisbett (2003: 82) contrasts the atomism of Westerners (particularly Americans), who see the world as made up of discrete and unconnected things, with the approach of East Asians, who “have a holistic view focusing on continuities in substances and relationships in the environment.”

### **Misuse of Business Metaphors**

In justifying the reforms, administrators and the UGC often speak of “best practices” and appeal to the idea of the market and of business practices. These metaphors are, however, often mistaken. They are not mistaken just because education is the only product where the consumer wants less of the product. They are also mistaken because education is not a product, even though in some cases, it can be usefully thought of as like a product. But there are important differences. Consider a law firm. Lawyers, like educators, offer a service. Law firms charge clients hourly rates, much like teachers did in the days before universities and like



private tutors do today. Modern universities developed to offer teaching and research to a broader public, and law firms have grown to have worldwide staffs larger than those of many universities. Law firms have a clear bottom line; they must make a profit for their partners each year. They of course have many quantitative measures of success: hours billed, percentage collected, work brought in (“client credit”), and so on. Management examines all these figures to determine bonus levels as well as promotion. Yet, none of these measures by themselves are used alone. Each lawyer must pay for him/herself by billing many hours, but some lawyers are promoted even though they have lower billable hours, because they spend time promoting client relationships; indeed, partners are expected to bring in clients more than to bill many hours, so the ability to bring in and keep clients is considered key. Supervising junior lawyers is sometimes more profitable than partners billing time themselves. Thus, even in law, which is like education in that it is a service but is different from education because a law firm has a clear bottom line, law firms do not use a single measure of success, nor do they use the measures they have mechanically and rigidly. Partners sit at a meeting and discuss individual lawyers and then departments. It is true that their conversations often come back to the bottom line, and that financial concerns are key in the end, but the “billable hours” measure is not mechanically used. (It is worth noting that there has in fact been an increase in focus on the “bottom line” in law firms, a trend that is widely criticized as bad for the profession. O’Brien [2006] notes that the assessment of individual performance through numerical benchmarks such as “billable hours” and the competition for high ranking in media surveys of financial indicators such as “profit per partner” have grown more common since the 1990s.)

In contrast to evaluation in law firms, the evaluation of both teaching and research in universities is more difficult and multidimensional. The use of just a few measures to replace the professional judgment of peers is simpleminded. Business terminology makes audit culture appear legitimate, but the business metaphor is not appropriate for university education because universities do not have a financial bottom line as the final measure of success. Indeed, business professionals have increasingly criticized the heavy focus on “return-on-equity” as the primary measure of business, too. They have shown how it distorts and undermines long-term business health and success (see, e.g., Meyer & Kirby, 2012). Since even businesses are criticized for focusing on a single measure of success, it is thus absurd for universities to appeal to business “best practices” to justify a focus on simple measures to mechanically evaluate teachers and programs.

Another example of the misuse of the market metaphor is the practice of penalizing departments that “perform poorly.” If a department or university is not doing well in a certain area, it is penalized by having its funding cut. This is justified as being based on market principles, but is in fact far from business practice. Even accepting that the measures of performance are adequate, it is counterproductive to penalize departments by cutting their budgets unless a university intends to terminate the departments. If PepsiCo had trouble with its Frito-Lay



division, it would perhaps change the division president or the advertising agency, but it would not make matters worse by cutting the division's resources. In industry, bonuses may be cut and individuals fired, but in a university environment where tenure is still important, it is impossible to cut the senior professors who are likely to be the problem. The cuts to departments end up hurting junior members most, though they can do least to remedy the department's problems. These cuts only compound the department's problems by taking away their new blood and reducing the department's ability to reform. The department actually needs new leadership and more resources. The penalty leads some departments to enter a vicious circle in which problems are exacerbated by additional university budget cuts. The RAE score affects universities for years, until a new RAE is conducted, meaning that a low score has continuing damaging effects on a university, and on departments, regardless of what changes are made. This is the opposite of what happens in business. When companies have brands or divisions that are in trouble, they often invest extra money to help their recovery.

But not only is the market analogy wrong; it is also inappropriate. Academic disciplines are *not* divisions of a corporation. Departments are not independent "cost centres"; they all have a role in teaching and advancing knowledge within a university. If a department is weak or not doing well, the entire university is impoverished (indeed, it is less of a *univers*-ity). A university cannot close down its philosophy department without damaging the whole university. In business, on the other hand, Pepsico would not be impoverished if it decided to get out of a declining market in which it was losing money. Indeed, it would be better off.

Thus, the widespread use of financial incentives impacting the department budget follows a market ideology, assuming departments are individual actors in a free market. This is naive, because departments do not really compete with each other (even if they seem to when it comes time to divide resources): they actually compete with other universities' departments. A university's departments and institutes have links and synergies. Instead of a simpleminded model of the market, administrators should be looking at models from public administration, and even from managerial corporate capitalism, where the visible hand of management (Chandler, 1977) makes strategic decisions, not "the market" (which in any case is a fake market created by a formula). Many of the reforms that have been introduced appear to be designed by economists who know how "rational economic persons" should behave according to their models, rather than by business specialists who have studied how businesses actually work.

Businesses are also questioning many of the quantitative forms of evaluation that are being imposed on academia under the guise of "best practices." In addition to the criticism of the focus on "return on equity" and on competition (Meyer & Kirby, 2012) discussed above, business specialists have criticized the annual review as subjective, unfair, and counterproductive (see Culbert, 2010).

In one additional irony, the reports and paperwork necessary to collect quantitative data on different departments are reminiscent of the Soviet planned

economy. Many teachers complain about the time they need to spend filling out various reports and evaluation forms. It is ironic that in following an ideology of introducing business models and with the justification of needing to assure “accountability,” audit culture brings back to life the worst features of the planned economy.

### **Creativity versus Process**

It is well known that creative areas such as advertising and technical innovation cannot develop under bureaucratic administration. While insurance companies and mass manufacturers have rigid bureaucracies to control processes and costs, creative organizations like NASA and advertisement agencies have matrix forms of organization. Rigid bureaucracy undermines creativity. Some teaching can be evaluated bureaucratically. Vocational training and classes designed for students to pass a specific exam (a bar exam, or a CPA exam) can be evaluated based on the proportion of students who pass the exam. But this is a simplified view of learning. Learning is about change, not just delivering knowledge. Learning is more than the score on a test. Learning should also consider how long a student retains the knowledge, how interested he/she becomes in learning more, and whether the student has been prepared and enabled to continue learning on his/her own. Teaching is a creative, not a rote, activity. The assumption that there is a best way to teach is misleading. Good teachers are creative, finding ways to reach students.

Education is being redefined as skill-based, so that it is easier to measure whether students have gained “units of learning.” The broader goals of critical thinking and problem solving as a result get short shrift. Increasingly, departments focus on scoring well on the arbitrary measures rather than on true reflections of excellence (departments that persist in seeking disciplinary excellence and do not play by the new rules of the game soon find their budgets cut).

Thus, the fundamental problem with audit culture is that it focuses on process. It is inspired by business management strategies such as Six Sigma, ISO 9000, and Total Quality Management, but these can only poorly be applied to education, especially to research. These business strategies, which focus on process, cannot be applied to the creation of new knowledge and originality. Audit culture focuses on process (plans, learning outcomes) rather than actual outcomes such as good teaching or inspiring students, which are more difficult to measure. Strategies like Six Sigma are excellent at identifying repetitious processes that can be handled more efficiently, but are not suitable for fostering innovation. Yet, universities are all about innovation and creativity. Promoting innovation requires variation, failure, and serendipity. These are precisely the elements Six Sigma tries to eliminate.

Audit culture’s focus on process rewards incremental and not truly innovative research. Scholars who focus intensely on one small problem and publish many

papers on their narrow area will create the output and scores that lead to higher RAE scores. Research that takes risks, that crosses or combines disciplines, or that explores truly unknown areas is less likely to generate as much output and high RAE scores.

The other reason that business management strategies like Six Sigma are not suitable for universities is that in the university, there is a much less clear bottom line. A business has to be profitable; that is a clear bottom line. University research is not necessarily intended to be profitable. Research on religion, on Greek mythology, on the causes of poverty and revolution, or on Higgs boson, are all important, but do not have a simple “bottom line” that allows one to measure success. Audit culture needs to create measures of success, which inevitably appear arbitrary. Reputable universities have long used panels of outside expert peers to evaluate departments. Such experts give advice and recommendations for the improvement of the department. But these are qualitative data, not numbers that allow administrators to rank departments and reallocate resources. These data can help raise quality, but do not give additional power to administrators. Perhaps that is why they are deemed insufficient under the new audit culture.

## CONCLUSION

The ideal of increasing the accountability, openness, and efficiency of universities is unassailable. But the attempt to promote excellence through managerialism has consequences that undermine the drive toward excellence. We have seen how audit culture rests on the misapplication of business models to the public education sector.

Market principles are strong in Hong Kong, since it is a free port with a tradition of minimal government and a *laissez-faire* economy. But the audit culture reforms have been taking place not just in Hong Kong or in the British Commonwealth but globally (see Wright & Rabo, 2010, and other papers in the special issue).

Eades (2002: 99) has noted that “At one level, these kinds of changes are probably inevitable in late capitalist societies, in which the state has assumed much of the burden of the reproduction of labor power, but in which it is also accountable to the taxpayers and the public at large. Demands of relevance, value for money, service to the community and so forth therefore loom large in the discourse and rhetoric of reform.” Indeed, it is impossible to expect academia to be excluded from the rationalizing process of capitalism when even medicine, with its HMOs and managed care, is seeing occupational control by members of the profession shift to managerial control by administrators (Trice, 1993). And yet, the irrationality of this rationalization goes beyond issues of accountability, as is illustrated by RAEs.

Boyer (2010: 75) notes that audit culture reforms are removing “the last vestiges of estate privilege, which university faculty inherited so long ago from the European nobility, in favour of an increasingly proletarianised civil servant

status.” In Hong Kong, professors already had a civil servant status, following British colonial patterns. This has been visible in much stricter enforcement of leave regulations, and greater perks (housing and education allowances), as well as less autonomy for professors and greater control by the central administration. Even so, the rise of the audit culture has been rapid and far ranging, further undermining any professional status and sentiment that professors may have had, and making it clear that the university is controlled by administrators who are answerable to the UGC as representatives of the public and the business elite.

Audit culture shifts power from teachers to the managerial overseers. Disciplines have different ways of evaluating quality, and many measures are complex and multidimensional. Simplistic ratings such as are offered by magazines may influence the general public, but specialists have more multidimensional and complex ways of evaluating excellence within their own fields. Performance is increasingly measured by arbitrary measures that are easy to quantify and compare, rather than by the more complex measures of excellence that really matter among specialists internationally. The audits held by the UGC yield interesting information, but because they are not peer-reviewed (in that they are not conducted discipline by discipline and include nonspecialists), and because the results need to be used mechanically to compare different disciplines, they undermine professional standards of excellence.

The rise of the audit culture is hardly unique to Hong Kong; it has been a long-term global trend. It developed most rapidly in Britain under Margaret Thatcher. But given Hong Kong’s small size and the near total reliance of its universities on public funds, the effects have been more sudden and rapid.

Audit culture persists because the business elites and politicians can use it to direct funds to areas they think will contribute more directly to economic growth. It also survives because it produces winners and losers, and the winners see nothing wrong with the reforms. It is my impression that scholars in business, engineering, and medicine, because of the more applied nature of their fields, find the approach reasonable and view complaints from the social sciences and humanities as coming from “weaker” disciplines.

Most universities and teachers will not criticize the audit culture for fear of appearing to have something to hide. Most university presidents and administrators have accepted the audit culture, saying in public that they accept the need to be accountable. At the same time, power seeps away from teachers and into the hands of administrators who run the evaluation exercises. It becomes very difficult to challenge the logic of audit culture.

But who audits the auditors? Especially given the lack of democracy in Hong Kong, we should be quite alarmed by the power of the UGC to set blueprints and micromanage universities. It is not that the UGC directly interferes with or controls universities, but that it sets up monitoring mechanisms with the accompanying rhetoric of “helping people help themselves”—which really means monitoring people so that they monitor themselves. The government itself evades

accountability, claiming only to demand “efficiency” and “good practice,” to which no one can object.

The shift of power to the government is perhaps clearer in Hong Kong than elsewhere, but it is of global concern. While claiming to promote transparency, the managerialism of audit culture actually increases the centralization of power in the state. As Shore (2008: 290) notes, “while audits claim to be instruments for making professionals more accountable to ‘the public,’ the accountability they demand is to government-appointed officials and regulatory bodies—in other words, to the state. The centralization of state power through audit and regulation is a phenomenon that should worry those concerned about the erosion of civil liberties.”

My university has the resources and potential to become a great university. Resources are still at world-class levels, libraries are excellent, research funds are plentiful, and graduate students are very good. Hong Kong’s links with China, the British Commonwealth, Southeast Asia, and North America make it a major node in academic communication. There are institutional links (of grants, foundations, and exchange programs) as well as interlocking personal links of scholars who have their doctorates from abroad. But these advantages are squandered and undermined by the imposition of audit culture. It is a good example of the irrationality of rationalization (Ritzer, 1993).

Audit culture is undermining our ability to do what we as professionals are trained to do: teach and advance the frontiers of knowledge. Ivy League universities (which are often held up as models) have very little such managerialism. It may be viewed as professional hubris, but I feel that with more room for professional independence, Hong Kong’s universities can better reach the goal of achieving excellence and becoming the education hub for the region. Professors’ goals overlap with university and UGC goals: we all seek excellence. Trusting the teachers and reigning in the accounting mentality of the audit culture would be a great first step in the pursuit of excellence.

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