The Challenge for Indonesian Higher Education
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Any existing institution cannot avoid mutual relationship with its external and internal surroundings. Only the institutions that have capability in fulfilling the hopes and needs of their surroundings are able to uphold their existence and attain their missions and goals.

Critiques which state that most of Indonesia’s Universities are just producers of the unemployment, academics intellectual prostitution, or even regarded to take education as a kind of business, are just small parts among the hopes and expectations of the surroundings or environment that have not been able to be addressed by Higher Education Institutions in Indonesia.

The failure of higher education in fulfilling those hopes and expectations will subsequently influence the quality of the nation and its people directly. Unfortunately, this statement may not be a mere prediction, but it really has already occurred and experienced by this nation.

Not only in higher education, it is probably that all levels of education in Indonesia have failed in answering the expectations of the Nation and its people. In Indonesia’s sixth decade of independence, the Indonesia’s higher education has not been able to achieve the most decent rank compared to other countries, even in the Southeast Asia region. Various kinds of normative indicators that were issued by International agencies have only pinpointed the unsatisfactory situation of education in Indonesia.

Concerning the Higher Education in Indonesia, the gap that exists between national and international education level is still seen like an implausible horizon; which possibly caused by, among other factors, the fact that the majority of Indonesia’s universities are still detained by how to survive the basic needs, how to meet the economy law, which is minimal financial inflow should equal to its outflow.

It is also the fact that not all private higher education institutions have the same dedication towards the mission of education. This kind of mentality, added by the unfavourable culture in relation with the essence of education, will cause the quality of education to become dormant and will focus more on simply the delivery of social attributes.
The failure of this National Education system seems one of the causes, which highly correlated with the downfall of Indonesia as a Nation, moral degradation, and generally depressing mentality. Within this kind of constellation, Indonesian Higher Education must establish all kinds of necessary recovery programs, particularly in facing the increasing pressure from the surroundings, which seems getting heavier at all times.

THE CHANGE OF EXTERNAL SURROUNDINGS

Private Goods Vs Public Goods

Within the last few years, the trend towards liberalization in higher education sector is becoming an increasingly obvious phenomenon. The view that Higher Education is a part of public goods has changed gradually. The funding for higher education through public fund becomes questionable, especially compared to Elementary and Intermediate Education.

This phenomenon does not occur in Indonesia only, but also in the developed countries, where the contribution of the governments in funding the higher education has become decreasingly insignificant.

The shift of this paradigm in the situation, where financial capabilities of the nation is deteriorating such as in Indonesia, has become the strong trigger for the policy makers in the government to start allocating higher education into private sector and reallocate public fund towards Elementary and Intermediate Education, which are socially and politically viewed as more important matters in relation with the necessities of the society and human rights.

With regard to the abovementioned circumstance, it turns out to be a resilient motivation for the government to start freeing the State/public Universities from total government subsidy to minor partial subsidy and force State Universities to enter private sector and directly compete with Private Universities. The advantages and privileges that have been enjoyed by the State Universities from the previous periods have made possible for those institutions, either directly or indirectly, temporarily or permanently winning the competition over the Private Universities.

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We can hardly open an information source today without reading about the most recent trends in globalization, a popular term that is used to denote an increase in economic integration among nations.

In line with the above industrial development, in order to prepare their students for future competition and to develop the ability to apply their knowledge in any cultural setting, leading universities started their internationalization, through internet based courses, branch campuses, networking, international student recruitment operations.

The Process of globalization and international agreements that have occurred in the last two decades, for instance the ratification of the WTO agreement concerning education, will obviously sooner or later confronts the national universities, State Universities, also the Private Universities with International Universities either in Indonesia or overseas that hold higher achievements, larger appeal and more benefits, with the access to international employment opportunities in particular.

The low average income level of Indonesian people does not seem to hinder the foreign or international universities in recruiting students from Indonesia. Focus on the middle and upper class levels of Indonesian society is still highly favourable, considering relatively the large amount of Indonesia’s total population and the progress in information and communication technology, which enable them to offer long distance learning with low cost while at the same time maintain good quality.

With the opening of branch campuses in various countries, international student recruitments and commitment towards globalization adopted by the Higher Education Institutions from The United States, Europe and Australia, have become a common phenomenon in the last few years. International market is viewed as an untouched or raw resource, especially in Asian countries such as China and Indonesia.

**Sectoral Evolution**

Both explicit and implicit government policies have shown a phenomenon where clearly the higher education sector will be depend on the market demands. The no boundaries in new students’ intake in state universities, the Private Universities’ survey with student body fewer than 1000, competition opportunity for public fund, or even disproportional allocation, all of which show that gradually, the higher education sector is being pushed towards the market economy.
High disparity in financial ability, management, credibility, and achievements of private higher education institutions will at the end, leave only the able and competent universities to survive. Process of acquisitions, merger or even some collapses will occur in the Private University sector that eventually will lead to oligopoly structure.

In this kind of situation, it is obvious that the role of higher education is no longer seen as public services but as a part of private sector and the market competition demand will determine the existence of private universities.

**Legal Reform**

In accordance with the policy for transforming the status of state/public universities to become BHMN (State Owned juridical entity) which in the last few years has been started by National Education Act, the preparation towards legal transformation status of Private Universities through a new Act for juridical status of educational institutions is now heading for finalization.

The concept, which so far has used the form of Foundation as juridical entity of Private University's activities will be soon changed. The concept is indeed still in the crystallization process currently, but several various discussion forums have shown that there is a potential friction inside that proposed new juridical status of Education Institution.

The ignorance attitude about such process of a legal change will be costly, because the potential friction between the presently existing Foundation and the University that may happen in the long run will cause deficiency to Private Universities which at the same time facing various external and internal pressures.

**Attitude Change**

On the other side, over the past few years it can be seen that there has been a change of attitude among society and high school graduates in viewing their future prospect. The data shows that those high school graduates have decreasing interest to study in universities.

It is hypothetically predicted that this attitude change is due to poor economic condition, disappointment or possibly awareness that universities are not the only gate to be successful in their future.
Over the past five years, from 2000 to 2005, there was a decrease of 35% in
the enrollment to state universities from around 473,000 to 305,000, while
the output of high school graduates, especially in West Java, decreased only
by approximately 7%. This phenomenon shows that some high school
graduates have gone directly for work or took short term vocational studies
or simply entered the unemployment.

**Resume**: *Pressure of External Surroundings*

**Indonesian Private Universities**

- **Sectoral Evolution**
- **Globalization**
- **Attitude Change**
- **Legal Reform**
- **Private Sector (State/public University)**

**QUO VADIS?**

The demand of educational quality and relevance has a large implication of
the need on minimum operational cost for each student. All developmental
and operational programs should be done within the limit of above
potentiality, and normatively, the demand of the surroundings or
environment requires the improvement of educational quality and relevance.
Higher Education can be seen from several points of view, but it simply consists of three main components, namely Institution, Teaching/Academic Staff, and Students. All those three components must be consolidated to become a driving force that creates a synergy and form an increasingly bigger spiral.

The institutional development and expansion cover both hardware and software, supporting system, organization, procedures and methods (institutional and others), all of which should be able to give forum and framework to facilitate the academic activities and academic community interaction.

Only reputable institution can attract qualified academic staff and potential students. On the other hand, in turns, qualified and reputable academic staff and successful students will increase institution's reputation. Accordingly, in the long run, the relationship among those three components can be regarded recursive, and expected to form an increasingly bigger spiral of development and improvement.

The constellation of Higher Education in Indonesia shows that the best students will keep the priority and preference to enter State/public Universities before making decision to enroll in Private Universities.

The disparity of Senior High Schools in Indonesia also shows the high correlation between academic potentials and the level of socio-economy of
the society. Among other things, the availability of various facilities and information can give more support to the students in big cities, plus demographically the income of the society in big cities is relatively higher than that in small towns or remote areas.

Thus, it can be predicted that those who enroll to private universities are the students with academic potentials in the second, third or even fourth rank in addition to having relatively lower levels of financial support and independence than those who enroll to prominent state/public universities.

At the same time, it can be seen that the academic staff qualifications also proportional with the level of students in academic potentials, motivation, and capability to develop self-reputation.

From the points both of quantity and quality, academic staff of Indonesian Private Universities are in fact still below expected normative standard. This condition is actually a stereotype of all private universities that rely the financial inflow mainly on their only source, their students tuition fee.

For instance: Widyatama with the student body approximately 6,500, only has fewer than 200 full-time Lecturers having qualification of: strata 1 (undergraduates) / strata 2 (graduates). Meanwhile, ITB with the student body of about 13,000 (twice as many as Widyatama’s) has 1,200 Lecturers (more than 6 times) with the majority of academic staff holding: strata 2 / strata 3 (post-graduates) degree, not to mention that 40% of its operational cost is covered by funding from research and collaboration with foreign institutions. Yet, ITB failed to appear in the world’s top 200 Universities.

The weak point of Higher Education in Indonesia so far is lacking of real supervision on its human resource competences, or there is an absence of special observation unit that actively watches and supervises the work of academic staff. What happens is that almost all of the academic activities in both teaching-learning process and research are only about achieving the formal standard (the quantity of lectures, making and publishing papers, attending seminars etc.), without considering whether the substantial quality meets the prevailing norms and standards or not.

In general, the academic staff still rely their welfare fully on the institution. The awareness to develop the institution for improving their welfare in the long run still does not become the part of working motivation of academic and administration staff. Short term individual objective still becomes the
mindset and attitude of the human resources. Until present, long term organizational objective has not become their concern yet.

Short term individual objective, in the effort to raise the welfare, makes the academic group putting their priority on the only source of income, that is, the institution, yet sacrificing the opportunity of self-development or external socialization that in return it supposed to be able to give more chance to enlarge networking and exploring bigger financial sources in the long term. All those attitude and manners above, combined with the quality of student’s academic potentials have become a burden and obstacle for Indonesian Higher Education in facing the pressure of external changes and raising their quality up to International Standard and employment needs.

**The Role of Business Sector**

Through their economic investment, business sectors represent the main component in creating the wealth of the nation and beneficiary of educated human resources. Despite massive replacement of human force by technology, yet the human capital is still the dominant factor in creating knowledge and more efficient production system. Creative knowledge provides and introduces new product and services necessary to the improvement of quality of human life.

It is hard to believe that just 20-30 year ago, student wrote most of their papers in long hand and did most calculations by hand or with simple calculators, or communicating by mail or fixed line telephone.

It is also observed that the role of industry in inventing is increasing while the university is decreasing but the competence human capital serving the industry is still prepared, trained and completed their study in higher education institutions.

Empirical evidences showed a strong correlation between the wealth of the nation and the level of education of the people. Ignoring the endless debate concerning the cause and effect of the relation, it is clear indeed that creative knowledge and productivity can only be provided by highly competence educated people.

In a country like Indonesia, where business practitioners have to conduct their operations in a high cost economy and a high uncertainty constellation; expecting direct involvement of business sector to raise up the quality and
sustainability of higher education through direct investment, financial aids and donation, educational tax or even scholarship is apparently a wishful thinking.

However, the above constraints should not discourage any attempt to bridge the seemingly separated sectors; business and education. I believe there is always a better way to maximize the use of our scarce resources.

I do hope that this Family Business Seminar & Conference where the business practitioners and academicians meet together could provide excellent discussion forum facilitating mutual understanding for the benefit of all, improving the quality of higher education to serve better the industrial and economic development and to strengthen the sustainability of the nation.