

# Stop the running train

– The collective corruption in China's college counselling business

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## Executive Summary

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Since 2008, China has been the largest export country of undergraduate students in United States colleges. The rapid growing number of applicants to U.S. colleges resulted in the booming of related education industries, such as the private college counselling service. However, due to the short developing history of this industry, all members in the business, including students, parents, consulting companies, high schools and colleges, have begun to fear about the unknown process and over-protect themselves. However, this over-protection for each member leads to a collective corruption in the end. Problems such as intentional informational asymmetry creation and application cheating involved multiple members in the industries at the same time. Instead of standing out and trying to resolve those problems, decided to take the short term profit all together. The basic trust relationship no longer exists in this industry. To rebuild the trust, we should try to make information more transparent, introduce new regulation systems, and finally connect the members' profit together. Like a runaway train, the collective corruption in this case does not seem to be slowing down; the problem now is not only how we can stop it, but where to even get started.

## Introduction

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Education, known in China as the root of humanity, has been highly valued among most Chinese families. They spend almost one-third of their income on education, largely saving for university. Since the beginning of twenty first century, the number of annual graduates has increased by more than six times, from 1.1 million to 7.27 million between 2001 and 2013 (W. Chen, 2014). Despite these remarkable numbers, China's higher education resource is still considered to be limited, and the demand for a premium quality education cannot be met domestically. With the speeding growth of the economy, global education has become affordable to the wealthy families in the cities of China. Seeing the advanced education system in other countries, the Chinese government encourages students to study abroad and parents are eager to send their children all over the world to seek the best education. At the same time, the private sectors related to global education, such as foreign language training, global examination preparation and international education consultation, benefitted from the trends and policies. The fanatical belief in education industry and the unbelievably high margin in the Chinese market attracted hundreds of entrepreneurs from all over the world to join the game. Nonetheless, the speed with which these industries were developing and the loose regulation from the government resulted in inevitable corruptive problems. Today, we are going to explore the ethical problems and possible solutions in the international education consulting industry. Specifically, the dishonesty and collective corruption during the application processes to U.S. colleges for Chinese students.

## Background

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### Cultural Background

The fact that education occupied a central place in China's society system is undisputed. From the advocates of Confucian teachings thousands of years ago to today's Chinese students all over the world, education has been always considered to be the most important part of society in China. With the One Child policy, families in modern China put more effort on children's education than any other era in the history, as parents often rely on their children to support them in retirement. However, there are three major reasons for Chinese parents to be extremely fanatic about global education.

Firstly, families in China usually put the education budget on the top of the family's priority list. According to National Bureau of Statistics of China, more than 60 percent of Chinese families spend one-third of their income on their children's education. [1] With only one child to shoulder their hopes and dreams, parents are making every effort to bear any financial burden to ensure their children's future through a good education.

Secondly, parents' personal experiences in their own childhood drive the enthusiasm for higher education in China today. At the end of twentieth century, due to limited high-level education resources, most high school graduates in China were not able to continue their education in college. At that time, millions of college-ready students were forced to leave their dreams behind and start working around the age of eighteen. In the famous words of Xiaoping Deng, the Chairman of China in the 90s, "Never cut investment in education no matter how poor we are. Never let children suffer no matter how hard life is" (X. Deng, 1987). Parents, too, strive to avoid the same tragedies happening again in the next generation

Last but not the least, the domestic higher education system is not trusted by most Chinese families. In contrast to the United States, there is no college application procedure in China. Last year, more than nine million graduating Chinese students took the “*gaokao*,” or “high test,” the results of which will determine what university they can attend, or if they can attend college at all. (B. Carlson & Z. Chen, 2014). Students spend at least three years in high school preparing for this exam, and apart from college enrollment, this score relates to what majors students are allowed to pursue. A student might achieve a score high enough to get into the school of his or her choice but might not do well enough to study in the field they wish. The student has to make a decision between both school and major, a tradeoff that negates the ideology of higher education, which is to explore students’ interests and maximize them. Additionally, the intense domestic competition between students forces most parents to look for alternatives to higher education other than attempting the “*gaokao*.” Thus, global education stepped into Chinese families’ sights.

## Industry Background

Private college counseling service is very common in China and is even considered required for most students. Because it carries the stigma of being “pricy” or “for Ivy only” in the United States, most families in the U.S. are unlikely to pay the extra thousand dollars for such service, especially with the complementary counselling provided within high schools. Different from U.S, however, most high schools in China do not offer college counselling services, as the application process for Chinese colleges is very straightforward: get your score as high as possible. Application procedure to U.S. colleges is known as one of the most sophisticated processes in the world. Besides the standardized test scores, each school has its own idiosyncratic process to

comprehensively review the applicant as a person. As most Chinese students who intend to obtain an undergraduate degree in U.S. have no idea how this application process works, college counseling services quickly became the hot shot in the market.

But what really boomed the private college counseling industry was the 2008 economic crisis. Suffering from the worldwide recession, most colleges in America had a hard time maintaining their regular operations. Nationally, states cut spending in higher education by more than 28% per college student from 2008 to 2013 (J. Grovum, 2013). Colleges were desperately looking for funds to support themselves, and the Chinese applicants became their best choices. Unlike most international students, Chinese students usually do not apply for financial aid. In 2008, the number of Chinese applicants to U.S. colleges soared to 21.4%. The Chinese students studying in the U.S. in 2013 increased by 275.5% to a total number of 235,597 compared to 62,582 in 2006 (See Exhibits 1). The increasing need of higher education resources in China happened to meet the supply from U.S. colleges.

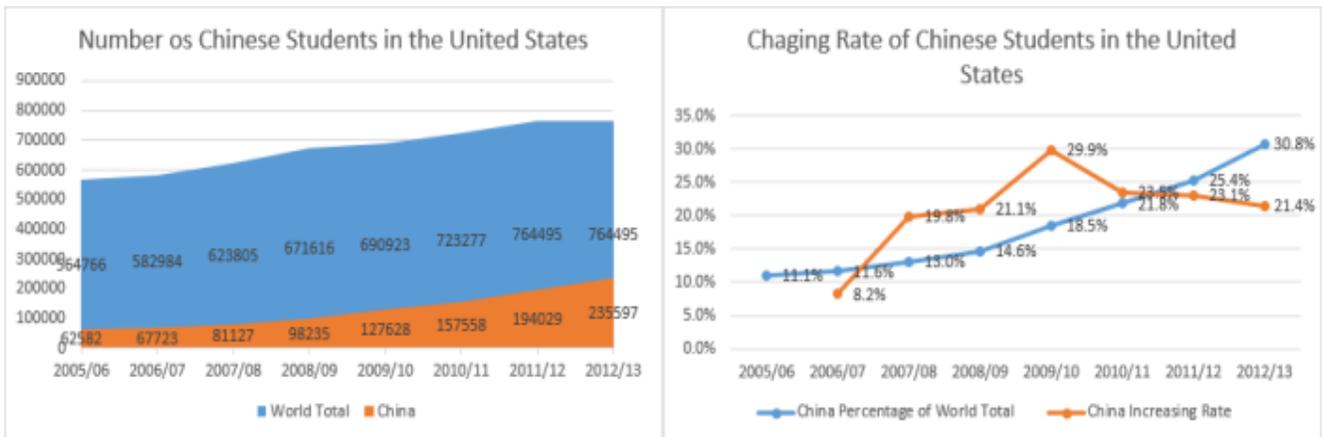


Exhibit 1 "Institute of International Education. (2013).Open Doors Report on International Educational Exchange. Retrieved from <http://www.iie.org/opendoors>"

The entire global education industry began with a single company – New Oriental Education. Sensing the trend of students seeking global opportunities, Minghong Yu, the founder of NOE, started New Oriental as an English teaching school in 1993. After thirteen years of straight growing, it was the first private Chinese education company to be listed on the New York Stock Exchange. [2] New Oriental Education firstly focused on international examination preparation; with the techniques taught in the exam preparation camp, students could easily ace the GRE test and outshine the competitors with their remarkable top scores. After seeing the obvious growth in undergraduates going to U.S., New Oriental Education started to put more effort on TOEFL and SAT prep courses, as well as college counselling services. Looking to help as many students as possible in a limited time, NOE tried to create a uniform application-crafting procedure for all students. It essentially maximized the profit of their business, but the diversified personalities of students were not shown in the application materials. The admission results of NOE’s students did not match their scores. Parents soon realized that NOE’s approach does not fit what U.S. colleges are looking for.

A more personalized service was needed by students in the market. Around 2010, multiple small private college counselling companies were opened in major cities of China. Claiming that all employed consultants had graduated from top U.S. colleges, these newer companies soon attracted students’ attention. Personally experienced with the application processes, the consultants in those workshops were able to help students with more practical problems. The real American culture brought by the consultants also made the application process feel more authentic to the students. The One-to-One model set up by the quality service standard in the industry, the periodic meeting, and regular reviewing gave students a totally different experience from traditional consulting companies in China. [3] Even though the service fee skyrocketed from \$5,000 to \$20,000 between 2009 and 2013, the supply of service is still far below demand.

## Problems – the vicious relationship

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However, the emergence of similar companies did not intensify the competition in the industry, but resulted in multiple ethical corruptions over the time. Thus, two major ethical problems in the education consulting industry will be discussed in this chapter: the intended information asymmetry between students and the apparent cheating and dishonesty. These two problems are not independent from each other; nevertheless, they build up a vicious but firm relationship system and gradually corrupt the whole business circumstance. We can also approach the problems with shareholderism and stakeholderism. In this case, the education consulting companies and admission offices can be concluded as the shareholders, as they both benefit from recruiting more students. On the other side, all parties, including the shareholders, can be considered as stakeholders.

### The Information Asymmetry Between Students

Information asymmetry is one of the major factors that hinders students from entering American universities. Different from students in U.S., Chinese students do not have many chances to communicate with U.S. colleges' admission offices directly. Most of the information is learned through internet. However, instead of helping students to break down this invisible wall, the education companies are intentionally helping to build the blocks. As the employees are alumni from different colleges, education consulting companies can easily reach all schools' admission offices. During the summer breaks, the companies will arrange annual info sessions for U.S. admission offices around China. Those info sessions are usually placed in luxury hotels of major cities, and are fully sponsored by those consulting companies; however, seats are only reserved for the companies' current or perspective students.

This relationship between admission offices and education consulting companies does sound very suspicious to the public, as the admission offices seem to be happy about the help as well. The fact is, they do enjoy such arrangement. Firstly, they are provided with info sessions at no cost, a huge benefit for college admission offices because of their limited budget. Secondly, they neither need to arrange the event nor contact all the students directly in advance, as all the “interested” students will be contacted by the consulting company before the session. All the admission officer needs to do is sit down and give the talk. For small liberal arts colleges, it is nearly impossible for them to arrange such events remotely with their limited labor force. But with the help of the Chinese education consulting companies, they can meet up with over hundreds of perspective students every summer. Then why is this a problem? It seems both parties are taking advantage of each other and it appears to be a win-win situation.

What is damaged during the process, as aforementioned, is the information fairness between perspective students. The students who paid the company essentially have a higher chance of meeting up with different admission officers than the other students, which could affect their possibility of being admitted. However, if we again consider this problem from the perspective of the admission officer, we will recognize that the number of students who are admitted in the end is relatively small when comparing to the number of students who attend the info sessions. Even if the other students might missed the info session, the current pool of students is usually large enough for most schools. So is it still that critical to be absolute fair between different students?

If we use the stakeholderism approach, the fairness between students becomes extremely necessary. By giving specific students advantage during admission process, the admission office and the companies are undermining the interest of other stakeholders by profit their own. Those short term interests are definitely damaging the shareholders’ profit in long-term as well. The relatively

unfair admission process may lead to less diverse and competitive student bodies and ultimately reduce a college's reputation, at least in China.

## The Apparent Cheating and Dishonesty in Applications

Faking applications has been another major problem in the college counselling industry in China. However, the applicants are not solely to blame for this impression. The current relationship structure, students, parents, consultants, high schools and colleges, ultimately results in this situation.

As we know, the application processes to get into U.S. colleges are generally finished under all English circumstance. Parents, considered an important role during the process in China, are usually isolated from all the information. Different from most U.S. parents, Chinese parents do not have the chance to take school tours with the students. They can hardly find comprehensive introduction in Chinese for each college. Typically, they would not even have the chance to visit the school their children are attending until the graduation commencements. So how are they determining which school is a better choice for their children? College's national ranking became the relatively fair benchmark. At the same time, most of the Chinese parents are purely plain consequentialists: they consider all action moral as long as they lead to the best overall consequences, believing that the ends justify the means (W. Haines, 2012). The parents' consequentialist thinking is shared by both education consulting companies and high schools, as their students producing better applications and gaining admittance to better schools will definitely improve their reputation and ultimately profit them as well. However, does the apparent benefit for some stakeholders actually lead to long term profit for everyone? The answer is no.

To ensure a better offer from U.S. colleges for students, some high schools in China are actively helping students to manipulate their transcripts and recommendations. By doing so, students from such high schools appear to be more competitive than students from other high schools, and essentially have a higher chance to get in better colleges. Nevertheless, getting into a better college is not the end of the process. Apparently, there are Chinese students struggling to survive the college workload due to unqualified academic ability. And after realizing this problem, colleges in U.S. have begun to criticize the creditability of the documents produced by Chinese high schools. However, due to the lack of communication between high schools in China and U.S. colleges, there is limited trust between each other nowadays. There are even colleges, such as Columbia University or the University of Southern California, who have started to require third party certification of students' transcripts and recommendations. This move definitely hurts students and college's long term profit, and they both need to consume extra time to obtain or authenticate those verifications, which used to not be necessary.

In the original One-on-One model of education consulting, face to face communication between students and consultants, continues to strive to create a better communication method, so that consultants can understand the student better and more effectively help them with the application process. However, to be more efficient in the work, consultants now are more willing, or even required by the company, to directly rewrite the personal statement for the student, rather than edit it (M. Funakoshi, 2012). By doing so, a more "dramatic," fluent and "thoughtful" personal statement could be written in less than hours: instead of a lengthy back-and-forth with the student, consultants are able to quickly write the statement and be done. This way, consultants will be able to "help" more students and gain more bonuses for themselves. On the other side, students are willing to receive such service as well. It means less work for them, and they will be able to have

more time to study for their own standardized exams, which are difficult to manipulate or cheat on. It seems everyone shares the same interests in this case, and ultimately everyone benefits.

According to Zinch China's report based on interviews with 250 Beijing high school students bound for the U.S., "90 percent of Chinese applicants submit false recommendations, 70 percent have other people write their personal essays, 50 percent have forged high school transcripts and 10 percent list academic awards and other achievements they did not receive" (T, Bartlett & K, Fischer, 2011). That means at most, ten out of one hundred applicants from China are relatively honest. In this case, all members of the stakeholders, besides the U.S. colleges, seem to be benefiting by cheating and being dishonest. However, we can hardly conclude this as following stakeholderism. Yes, the short-term profits seem to be granted, but the long-term interest is assuredly gradually undermined. It ultimately leads to the next and biggest problem in the industry right now: the collapse of trust between different parties.

## Solution – Rebuilding Trust

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The best and most urgent way to resolve this vicious relationship mentioned above is to rebuild the trust between different parties. To do this, we could start from three different aspects – provide a more open and easier access information platform, introduce a regulation system, and ultimately connect different parties in the industry altogether. If we manage those three different parts of the solutions for a long period of time and maintain a reciprocal triangle over them, then we can essentially convert the consequentialism, which is highly advocated in the industry right now, back to a more sustainable view.

To get started, a platform between all parties – including parents, students, consultants, high school and colleges – needs to be created. We can firstly collect and translate information from these colleges into Chinese, so that the parents and high schools can have a better understanding of the background of each university. By doing so, parents may be able to realize that colleges are not only about ranking, but more about their spirits and culture, as ultimately, the students graduating from each college will not inherit the college's ranking but its culture. After knowing more about the geographic and academic details of each college, parents will gain a better understanding and perhaps make better decisions in regards to where they send their children; thus the colleges will no longer only be a name and a ranking to them. At the same time, the whole application process should be translated into Chinese as well. The Chinese parents should be able to engage in the process just like the American parents. In the past few years, Chinese parents were trying hard to do more to help during the application process, but failed every time because of language difference.

Once such platform is established, the communication between different parties will be easier as well. For example, high schools can talk to colleges about their needs and colleges can give feedback about students from different high schools easily as well. The original distrust between those two members is initiated by the lack of communication and understanding. As they are both educational institutions, they should be sharing similar goals over all. The trust should not be hard to regain after initializing a communication method between them. Essentially, all members in the industry share a similar goal, which is to help the student to achieve more.

If we look back at the case, it is not hard to find that an important part of society is missing from the process: the government. The Chinese government should definitely build a stronger regulation system in the college consultation industry. Just like other consulting industries, education consulting can definitely be made as a professional service. Necessary professional code could be introduced to standardize the industry. Consultants with little-to-no professional ethics should be forbidden to practice in the industry, as they will damage the trust we are trying to build. Companies advocate values that betray the fair-based system should be altered. For example, college info session should be regulated by the government to avoid information asymmetry between students.

To further rebuild the trust between different parties, we can firstly implement an association. This association should advocate a trust-based honor code. All members in this association should be able to provide and acknowledge students' application materials as unforged and trustworthy. Starting with limited members from each party, an alliance relationship should be built. By requiring colleges, high schools and education consulting companies to join this association, different parties will be able to evaluate a student's capability with a standardized benchmark. It essentially eased the process and will benefit all members in both short-term and

long-term. With more schools and companies joining this association, the left over ones will feel out-compete by the peer pressure, and forced to follow the rules to survive in the industry. If such environment is achieved, the industry itself evolved into the association we were trying to build, and the real trust is rebuilt between different parties.

The three parts of solution discussed above cannot be isolated from each other. The platform is the trust base for parents and students; the regulation from government is the enforced third party to guarantee that the whole system is fair and trustworthy; lastly, the trust between different parties is the industry's self-correct method to ensure the fairness. And only when all of these things are recognized and accepted by all members of the industry, the problems stated in the previous section are solved.

## Conclusion

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Within the fast-developing new industry of college counselling, corruption during the early stage is inevitable. The main reason for such corruption is essentially the fear of the unknown. People are not familiar with the industry, so they are trying their best to protect their own interests. In this case, the collective corruption becomes like a runaway train. You could choose to take the train or not, but ultimately, it is nearly impossible to stop, once it has started. Only the people who are on the train are actually able to pull the emergency brake and possibly turn it around. Stopping this collective-corruption train is a must if we want this industry to be sustainable. For the good of all members in the industry, let us stop it now until it is too late.

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