

The Potential of Higher Education Competitiveness in Perspective Good Corporate Governance in Indonesia

Hanif Mauludin & Darti Djuhari

STIE Malangkecewara, Indonesia

ABSTRACT

It is inevitable that the intensity of competition among universities is getting tougher and stronger, so that the organization of higher education required to become good corporation. The practice of good corporate governance (GCG) has potential to create sustainable competitiveness for all organizations including universities. This study aims to determine the governance profile college accredited by ranking well in East Java. Some aspects that were examined include aspects of academic culture, organizational structure, managerial capability, and utilization of information technology. Analysis was performed using a qualitative analysis interactive model by conducting depth interviews with directors and officers of college, which is a key informant. Research conducted at five universities with accreditation ratings are good in East Java Indonesia include University of Airlangga, University of Brawijaya, State University of Malang, Islamic State University of Malang and Institute of Technology (ITS). The results showed that the superior accredited colleges tend to have a strong academic culture, effective organizational structure, managerial capacity and utilization of information technology.

Keywords: *good corporate governance (GCG), competitiveness, academic culture, organizational structure, managerial capability, information technology.*

1. INTRODUCTION

The new paradigm has led the college in orientation competition not only at national level, college orientation has now shifted to competition between universities globally. Present facts show a lot of foreign universities into Indonesia is no longer limited to comparative studies or cooperation, but the large scale promotion. The orientation of competition between universities internationally have led to the concept of World Class University (WCU). Although towards the word class university is not easy, universities are required to be able to compete not only at the domestic level, but also at international level. Efforts to position as a university with superior quality can be done by delivering product knowledge to prospective students and parents. In Indonesia product knowledge is a description of the parameters achievement "Tridarma" Higher Education, including education, teaching, research and community service.

One of the parameters of quality higher education can be seen from the measured accreditation ratings. In Indonesia accredited college rankings published by the National Accreditation Board (BAN PT) are regularly conducted every five years. This certification is intended to ensure that the governance of the university has met the demands Tridharma as required by the Government.

Comprehensively, ranked achievement college accreditation program is reflected in the commitment to the study of institutional capacity (institutional capacity) and a commitment to the effectiveness of educational programs (educational effectiveness), which is packed in a standard accreditation. The ability of universities to meet the accreditation standards requires support fundamental aspects, such as academic culture, organizational structure, managerial ability, and optimal use of information technology.

In the theory of competitive advantage based resource (resource base view) mentioned that some kind of resources that are owned and controlled by the organization have the potential and guarantees to generate a competitive advantage. Eventually lead to superior organizational performance. These resources include culture, organizational structure, managerial ability and mastery of information technology optimization (Ainuddin, Barney, 1991; 2007; Fahy, 2000; Simmon, 2007).

Good academic culture will be one of the factors distinguishing college. Academic culture as adaptive to the dynamic environment, team work habits, administrative documentation orderly, needs high achievement and continuous learning culture is the basic capital in improving individual achievement which would then be accumulated into the achievements of the organization (Ridayat, 2014). When the indicator is a strong academic culture, then a commitment to improvement will also be getting stronger. This can be the basis of the ability of universities to meet the assessment standards accreditation forms are getting better. For example, the scientific work universities will be high value when the college has a culture of continuous learning.

Universities with the patterned organic organizational structure (decentralization) is considered more suitable in the organization of higher education which is a collection of intellectuals. In contrast to the centralized structure, decentralization offers greater autonomy for the entity organizations to take strategic decisions according to their needs while still referring to the framework of the vision and mission of the institution.

Managerial capability refers to the ability to observe, analytical skills and the ability to increase the learning capacity is a supporting factor in achieving good rankings accreditation. Management capabilities (manager colleges) in anticipating and assign available resources to be strongly linked with the output generated.

Integrated information system developed at the college include the management of factor input, process and output information, by utilizing information technology and knowledge effectively to support the quality assurance on the implementation of the academic program.

Realizing these challenges required the organization of higher education into a corporation (Good Corporate Governance). The practice of good corporate governance (GCG) has the potential to create competitiveness and sustainable development, but innovation and creativity should not be ignored. Good Corporate Governance is also important to be implemented in colleges, universities to become competitive and have a superior predicate in terms of rank highest accreditation. Related to these efforts, the term Good University Governance to demonstrate good governance of universities, through the utilization of both intangible and tangible resources and organizational capability to build competitiveness that are relevant to the purpose of achieving accreditation status.

Urgency of research is that many universities have not achieved accreditation (predicate A) has inspired researchers to examine in depth some fundamental aspects include academic culture, organizational structure, managerial capabilities, optimizing the use of information technology as an antecedent to build good governance towards competitive colleges.

Results of the research is a model of governance of higher education as a guidance for the college in achieving accreditation with superior ratings. In theory, the results of this study are expected to contribute to the development of the theory of Good Corporate Governance to college or be referred to as Good University Governance.

2. THEORITICAL FRAMEWORK

Good Corporate Governance in Universities

Allen et al (2002) stated that the culture of the college is now more towards a system of colleagues and research-based, while the use of information technology is more emphasis on the strength of the relationship on the use of information technology by lecturers, managers, and staff at the college and the existence of adequate infrastructure, Mulili (2011) examined the state universities in Kenya in order to have good governance, since the research results show too many board members in the college, making ineffective management. Also required adequate management team. Silva & Armstrong (2012) found that universities in Australia as an independent corporation, applying the indicators of good corporate governance (National Governance Protocols) as a measure of corporate (Universities Protocols).

Competitiveness refers to the ability of an organization or corporation in efficiency and effectiveness in achieving the objectives to be achieved. A healthy organization is the organization were attentive the trend of changes, which includes attention to quality assurance, autonomy, entrepreneurialism; and leadership. All that needs to be part of the culture in the organization. Quality assurance is an institutionalized activity in the form of standard work procedures supervised by internal and external parties. Autonomy is the freedom of management to manage the institution does not conflict with the law. Entrepreneurialism is the ability of institutions in managing and raising funds through research projects and community service working with business and leadership capable and responsible. (Bachtiar, 2013)

There are two theories related to corporate governance, namely stewardship theory and agency theory (Scullen, 2003). Stewardship theory is built based on philosophical assumptions about human nature that man is essentially trustworthy, able to act with full responsibility, integrity, and honesty towards others. While agency theory considers that the management of the company as an agent for the shareholders, will act with full awareness of its own interests rather than the wise and prudent and fair to the shareholders as assumed in stewardship model (Swastika, 2013; Swastika, Salim, Sudarma, & Djumahir, 2013). Corporate governance is concentrated on the structure and decision-making processes, accountability, and control the behavior of top management organization (Armstrong & Francis, 2004). Governance can be defined as a system or structure of rules and relationships, supervision and control of those who exercise authority, accountability, service, leadership, direction and control which aims to ensure accountability and efficient use of resources in balancing the achievement of corporate goals, society and individuals (Armstrong, 2009).

Corporate governance institutional governance mechanisms consist of external and internal governance mechanisms (Weir, Laing, and Mc.Knight, 2002). External governance mechanisms influence over government policy that was given to the college or university. In the corporate governance literature, composition and processes of the structural position of the characteristics of the commissioners is internal corporate governance structure (Bhagat & Black, 2002; Khanchel, 2007). The concept of Good Corporate Governance (GCG) which will be developed into Good University Governance refers to research conducted by Silva and Armstrong (2012), that by using the Institutional Theory, corporate governance mechanisms are divided into external and internal. External corporate governance mechanism is the influence of the authorities that compliance was measured using the university. While the internal corporate governance mechanism is the board of directors / commissioners, the rules committee and the board of directors are shown in transparency in reporting and board meetings.

In conditions of high uncertainty of the external environment, organizations face an increasingly dynamic environments and complex. This condition is often a triggering factor for organizations to innovate (Abouzeedan & Redner, 2012). In conditions of such an environment, organizations need to choose the design

of organic structures (not the mechanic). Organic structure emphasizes the cross-functional teamwork, free flow of information flow, lean departmentalization, wide control range, low formality level and decentralization in decision-making processes. Process innovation will be encouraged in the form of organic organizational structure than the mechanical structures (Chiu & Chang, 2009; Fontana, 2009). Universities as agents of change in charge of producing quality human resources, better fit with the organizational structure of organic, in the hope of higher education will be conducive learning environment for the emergence of creativity which will produce innovation.

Fundamental Aspects of Organizational Competitiveness

The ability of the manager as any part of the human resources is seen as a strategic asset which is the main source of competitive advantage. (Barney, 1991). The critical question arises is how to be a more effective manager. Are there certain skills to predict managerial success? To answer this question must be identified types of skills possessed by managers. Tonidandel (2012) identified four dimensions of managerial skills include: technical skills, administrative skills, human skills and citizenship behavior. Technical skills refer to the ability of a manager-related functional areas. Administrative skills related to areas such as planning, organizing, delegating, and coordination.

Human skill relates to the ability of a manager to interact and work effectively with team members. Citizenship behavior trying to capture other aspects that benefit from the work behavior such as being cooperative, loyal and persistent. The fourth dimension of managerial skills in a college environment is very potential to be developed so that universities have a superior competitiveness and create a conducive academic atmosphere. Results of research conducted by Tonidandel (2012) showed that managerial ability has a positive influence on the effectiveness of the organization. The fourth dimension of the managerial skills (technical skills, administrative skills, human skills and citizenship behavior) proved to be an important predictor for the effectiveness of managers. Further Tonidandel (2012) found that human skills and administrative skills significantly to the dominant dimension to the effectiveness of managers.

Culture is a holistic lifestyle that is complex, abstract, and spacious. Cultural aspects also determine communicative behavior, and elements of socio-culture that includes many social activities of human (Mulyana et al, 2006). Organizational culture is a system of shared meaning held by members that distinguishes the organization from other organizations (Schein, 1985).

Culture as a system of shared meaning this is a set of key characteristics are upheld within the organization (Robbins & Judge, 2008). Colquitt et al. (2011) defines culture "as the shared social knowledge within an organization regarding the rules, norms and values that shape the attitudes and behaviors of its employees. Culture is social knowledge among members of the organization. Employees learn about most important aspects of culture through other employees. This transfer of knowledge might be through explicit communication, simple observation, or other, less obvious methods. In addition culture is shared knowledge, which means that members of the organization understand and have a degree of consensus regarding what the culture is. Culture tells employees what the rules, norms, and values are within the organization

Another fundamental aspect also plays an important role colleges effectiveness of governance is the use of information technology. Information technology can help organizations to extend the functionality, increased accuracy, speed data processing, and better reporting (Ghasemi et al, 2011). Thus the existence of information technology can shorten the time required to prepare and present reports to management and it also allows organizations to create individual reports quickly and easily in management decision making.

3. RESEARCH METHOD

This type of research is qualitative research. Qualitative methods in question here, is a research method used to examine the condition of natural objects where researchers as a key instrument. In this qualitative research not only reveals the real events that can be quantified, but even more so the results are expected to reveal hidden values. In addition this study will be more sensitive to information that is descriptive qualitative with relative trying to maintain the integrity of the object studied. This study used a qualitative descriptive analysis method, which is an analytical technique that explains and describes the results of a qualitative research. Research carried out in stages in order to obtain valid data and accurate so that when drawing conclusions will provide results in accordance with its original condition. The stage includes data collection, data reduction, data presentation, verification and conclusion. Data reduction is a form of analysis that sharpens, classify, direct, dispose of unnecessary data and organize the data in such a

way, so that conclusions can be drawn and verified. While the data presentation is a collection of structured information that gives various possibilities to taking action. Furthermore, conclusions or verification is the final step to make conclusions or verification of the results of the analysis that has been done. (Miles & Ruberman, 1992).

Object of this research is the public universities in East Java, Indonesia, which received ratings of accreditation "Rating A" from the National Accreditation Board of Higher Education (BAN-PT) in 2014, as many as five universities include University of Airlangga, University of Brawijaya, State University of Malang, Islamic State University of Malang and Institute of Technology (ITS). Collecting data in this study conducted through the procedures depth interviews, observation, and documentation. In-depth interviews carried out on the management and staff of structural College. It is intended to obtain a picture and information about the management of universities so successfully achieved accreditation.

4. RESULT

Data Collecting

Results from data collection through interviews with management and staff quality assurance unit and some other personnel within the university (faculty and students) as well as information obtained from filling the questionnaire have been collated and analyzed by the researchers. In this data collection researchers sought to meet the elements of the validity of the data include: the degree of confidence (credibility), transferability, dependability, and confirmability.

From interviews and observations found important indicators that contribute positively to the achievement of institutional accreditation. Indicators are summarized in four major aspects include: academic culture, managerial ability, organizational structure and information technology support.

Findings Related to Cultural Academic Indicator

Academic culture can be interpreted as a part of campus life and academic activities were internalized, understood and practiced by all citizens of the University. Academic culture tend to be oriented to the search for scientific truth through academic activities with the bases on freedom of thought, openness, critical mind-analytical, rational and objective embraced by the citizens of the campus.

Observations were carried out on the object of the research found similarities complexion academic culture include: climate scientific discussions, additional knowledge and insight, custom research and serve the community, writing scientific papers (articles, papers, books), conduct educational activities and teaching by using the reference date.

The culture ultimately support the dynamic academic climate. it means the scientific characteristics as academic culture will be developed continuously. Dialogic, means the transformation process of science in the academic community should give space to all the scientific community to develop themselves, criticism and discussion. Appreciative to recognize the achievements of scientific / academic.

Academic culture that has been formed as a certain uniqueness college has made a future-oriented, meaning that an academic community must be able to anticipate a future scientific activities carefully, realistic and rational. The establishment of a strong partnership makes brotherhood to create a partnership or team work well. The final impact of the strength of the academic culture is reflected in the vision and mission of the university and its implementation.

Findings Related Indicators Managerial Capabilities

Managerial capability is the ability to organize, coordinate and mobilize resources (especially human and financial resources) toward achieving the intended purpose of the organization. In the context of higher education, the achievement of the vision and mission of higher education can not be separated from the managerial abilities of a leader.

Some indicators of managerial skills were identified include: the ability to manage changes in response to internal dynamics and external (eg, upgrade policy knowledge, maintaining the superior products university), the ability to make a synergy between the organization's resources, the ability to develop ways how management to encourage and empower growth creativity and innovation at the university.

Further, a leader who has the human good skills can have an impact on subordinates to appreciate the work done, feel involved in the activities of working groups, understanding and sympathy for the problem institutions, as well as the establishment of closeness emotionally between sections for mutual support with

commitment strong in his group. Researchers noted that the managerial ability in college should be directed so as people, ideas, resources and objectives can be run simultaneously.

Findings Related Indicators Organizational Structure

The organizational structure is a pattern of relationships between the various elements and parts of the organization. The organizational structure also defines and connects the authority and responsibility. In theory there are two general characteristics of the organizational structure is the organizational structure of mechanistic and organic organizational structure. Researchers observed that the object of the research is more likely to be colored by the characteristics of the organizational structure of the patterned organic rather than mechanistic. Quality Assurance Unit in particular section as a unit task force to develop the Internal Quality Assurance System at the university level.

Depth observations on the Quality Assurance Unit indicates the practice of organic patterned organizational structure that emphasizes the ability to adapt in dynamic environments. Organizational design is to rely less on rules and procedures, centralized authority or high specialization. Personal in the Quality Assurance Unit is arguably is the figure that is multi-tasking means they can work in a variety of high duties. This is necessary so that the working unit can respond to changes quickly, giving more detailed input for decision makers, motivating employees to give an opportunity in decision making and provide training opportunities for lower-level managers.

Some organizational dimensions that must be considered are:

- 1) the number of members in the organization.
- 2) specialization, namely: the amount of specificity in handling the job done.
- 3) standardization, namely the existence of procedures to regulate the activities are repeated.
- 4) formalization, namely the extent to which rules and communications made in writing.
- 5) integration is the quality of cooperation between the units needed to unite the goals or plans, and feedback is used to coordinate the units.
- 6) differentiation that is the number of special functions are executed within the organization, or differences in cognitive and emotional orientation among the managers of the different departments.

Findings Related Indicators of Mastery and Utilization of Information Technology

Information technology is an integrated tool that is used to collect the data, process and present information electronically in various formats for users.

The survey results found that the utilization of information technology influence the effectiveness of communication and work of the organization. Impact of information technology in various activities related to the management of the data include input / data acquisition, data processing, data storage and sharing of data between work units within the organization.

Researchers also noted an increase in the productivity of work at all levels of the process (data input, process, data storage and retrieval of data). The need for information related to academic activities can be generated quickly and the increased dissemination of information and response to the report. Information technology is often also used in universities to increase the attention and guidance in the provision of reports.

5. CONCLUSION AND RECOMMENDATION

One concept that is currently the mainstream in the administration of the college is the concept of good university governance. This concept is actually a derivative of the concept of governance more generally, which is good governance. Good university governance can be viewed as the application of the principles of the basic concept of "good governance" in the system and the process of governance in higher education institutions, through various adjustments to be made based on the values that should be upheld in the administration of higher education in particular and education in general. The basic purpose of education and the development of academic science is the development of human beings.

This research was conducted by the curiosity of researchers to determine what fundamental factors are needed governance of higher education so that the achievements of institutional accreditation. Some fundamental aspects that play a major role in the governance of higher education is the academic culture, managerial ability, organization structure and mastery and use of information technology.

A good academic culture will be one of the differentiating factors between a university with other universities. Colleges are just focused on knowledge transfer, will gradually get more and more behind

compared with other universities. To build a culture of good academic at a university required process is not instant. One of the conditions required to achieve this is governance good college. In the implementation of a higher education institution, must comply the principles of participation, consensus orientation, accountability, transparency, responsive, effective and efficient, equality and inclusiveness, and the rule of law. Managerial principles that should be applied to support the functions and basic goal higher education. The output of the whole process of organizing or programs outlined should be targeted (effective) or in accordance with the needs and expectations of stakeholders. Which mainly is effective in supporting the functions of education, particularly in terms of improving academic quality and research. In addition, the organization of higher education must also be efficient in the utilization of resources.

Based on the results of the dialogue during interviews with the parties related to the implementation of the accreditation of higher education, role of Unit Quality Assurance is essential, as the executor of quality assurance at the university level with the scope of work includes the coordination of quality assurance at the university level, both in academic and non-academic. Thus the researchers suggested that the college has a team of quality assurance unit that is solid, compact and has a work culture work in a strong team. Human resources activities in this unit are ready to be personalized with a variety of high duty.

REFERENCES

- [1]. Ainuddin, R.A., Beamish, P.W, Rulland, J.S., & Rouse, M.J. (2007). Resource Attributes and Firm Performance in International Joint Ventures. *Journal Of World Business*(42), 47-60.
- [2]. Barney, J.B. (1991). Firm Resources And Sustained Competitive Advantage. *Journal Of Management*, 17(1)(1), 99-120.
- [3]. Tonidandel, Scott. (2012). Relative importance of managerial skills for predicting effectiveness. *Journal of Managerial Psychology*, 27(6), 635-655.
- [4]. Barney, Jay. (2007). Resources-Based Theory: Creating And Sustaining Competitive Advantage. *Oxford University Press* .
- [5]. Fahy, J. (2000). The Resource-Based View of the Firm: Some Stumbling-Blocks on the Road to Understanding Sustainable Competitive Advantage. *Journal Of European Industrial Training*, 94-104.
- [6]. Simmon, D.G., Ritt, M.A., & Ireland, R.D. (2007). Managing Firm Resources in Dynamic Environments to Create Value: Looking Inside The Black Box. *Academy Of Management Review*, 32(1), 273-292.
- [7]. Ridayat, Firman. (2014, 11 March 2014). Build A Culture of Academic Universities Through Good Governance. Retrieved 27 April, 2014, from [www:dikti.go.id](http://www.dikti.go.id)
- [8]. Allen, D, Kern, T, & Mattison, D. (2002). Culture, Power and Politics in ICT Outsourcing in Righer Education Institutions. *European Journal of Information Systems*, 11, 159-173. doi: DOI: 10.1057/palgravejisl3000425
- [9]. Mulili, Benjamin Mwanzi. (2011). *Towards The Best Corporate Governance Practices Model For Public Universities in Developing Countries: The Case of Kenya*. DBA degree, Southern Cross University, Lismore, NSW.
- [10]. Silva, Chitra De, & Armstrong, Anona. (2012). Evaluation of Corporate Governance Measures: An Application to the Australian Righer Education Sector. *Journal of Business Systems, Governance and Ethics*, vol.7(No 176).
- [11]. Bachtiar, Nasri. (2013). Competitiveness of Higher Education. Retrieved 14 Maret 2013, from <http://lfekon.unand.ac.id/inlhome/1032-daya-saing-perguruan-tinggi-oleh-prof-dr-nasri-bachtiar>
- [12]. Scullen, S.E., Mount, M.K., & Judge, T.A. (2003). Evidence of the construct validity of developmental ratings of managerial performance. *Journal of Applied Psychology*, 88(1), 50-66.
- [13]. Swastika, Dwi Lusi Tyasing. (2013). *Performance and Corporate Governance on Privatization in Indonesia. Dissertation Doctoral Program Management, Brawijaya, Malang*.
- [14]. Swastika, Dwi Lusi Tyasing, Salim, Ubud, Sudarma, Made, & Djumahir. (2013). Firm Performance and Corporate Governance on State-Owned Enterprise Privatization *International Journal of Business and Management Tomorrow*, vol.3 (No.6).
- [15]. Armstrong, A., & Francis, R. (2004). Introduction', in Armstrong A & Francis R (eds), Applications of corporate governance, Standards Australia International, Sydney
- [16]. Armstrong, A. Unger. Z. (2009). Assessment, Evaluation And Improvement Of University Council Performance. *Evaluation Journal of Australasia*, 19(1), 46-54.
- [17]. Weir, CM., Laing, D., & Mc.Knight. (2002). Internal and External Governance Mechanisms: Their Impact on the Performance of Large UK Public Companies. *Journal of Business Finance and Accounting* Vol.29(No.5 dan 6), 579-611.
- [18]. Bhagat, S., & Black, B. (2002). The Non-correlation between Board Independence and Long- term Firm Performance. *Journal of Corporation Law*, 27(2).
- [19]. Khanchel, I. (2007). Corporate Governance: Measurement and Determinant Analysis. *Managerial Auditing Journal* 22(8), 740-760.
- [20]. Abouzeedan, Adli, & Redner, Thomas. (2012). Organization structure theories and open innovation paradigm. *World Journal of Science, Technology and Sustainable Development*, 9(1), 6-27.
- [21]. Chiu, Shih-Kuan, & Chang, Kay-Feng. (2009). Organizational structure, support mechanism, and commercialization performance: A governance perspective. *International Journal of Commerce and Management*, 19(3), 183-194.
- [22]. Fontana, Avanti. (2009). *Innovate We Can: How to Create Value through Innovation in your Organization and Society*. Salemba Empat. Jakarta

- [23]. Mulyana, Deddy, & Rakhmat, Jalaluddin. (2006). *Cross-Cultural Communication: A Guide to Communicating with People Different Cultures*. Bandung: Remaja Rosdakarya.
- [24]. Schein, E.R. (1985). *Organizational Culture and Leadership*. San Fransisco: Jossey-Bass.
- [25]. Robbins, Stephen P., & Judge, Timothy A. (2008). *Organizational behavior*. Jakarta: Salemba Empat.
- [26]. Colquit, Jason A., Lepine, Jeffery A., Wesson, Michael J. 2011. *Organizational behavior: Improving Performance and Commitment in the Workplace*. New York: McGraw Hill/Irwin. International Edition
- [27]. Scullen, S.E., Mount, M.K., & Judge, T.A. (2003). Evidence of the construct validity of developmental ratings of managerial performance. *Journal of Applied Psychology*, 88(1), 50-66.
- [28]. Ghasemi, Mazyar, Shafeiepour, Vahid, Aslani, Mohammad, & Barvayeh, Elham. (2011). The impact of Information Technology (IT) on Modern Accounting Systems. *Procedia - Social and Behavioral Sciences*, 28(), 112 - 116.
- [29]. Miles, B.Matthew, & Ruberman, A.Michaell. (1992). *Qualitative Data Analysis*. Jakarta: University of Indonesia(UI Press).