

Factors Affecting Good University Governance: The Concept of Theoretical

Januri¹, Fitriani Saragih², Eka Nurmala Sari³

^{1,2,3}Lecturer in University of Muhammadiyah Sumatera Utara

³Corresponding Author: ekanurmala[at]umsu.ac.id

Abstract: *This paper aims to explain conceptually theories of factors that affect Good University Governance. The study of good financial management in college is pretty much done. The implementation of financial governance which in this temporary university is still so many variations. the successful implementation of the management system including financial governance is influenced by many things that can be grouped into two factors, namely internal factors, and external factors so that needs to be done in the deeper assessment of the role of these two factors to the successful implementation of good financial management in universities. In order to realize good university governance, universities are expected to make various improvement efforts to improve transparency and public accountability, so many factors influence: organizational culture, management competence, organizational commitment, leadership, audit effectiveness internal, and application of the accounting system.*

Keywords: Good University Governance, accounting system, Financial management

1. Introduction

One concept that is currently being mainstream in the implementation of universities is the concept of good university governance (GUG). This concept is actually derived from the more general concept of governance, namely good governance. So it can be said that Good University Governance can be equated with Good Governance or Good Corporate Governance. It's just that there are differences in the purpose, Good University Governance focuses on the transfer conservation of knowledge (Knowledge) and is expected to become a community that holds the values that are considered ideal.

Good corporate governance in universities is needed to encourage the creation of efficiency, transparency and consistent with legislation. The implementation of good corporate governance needs to be supported by three interconnected pillars, namely the state and its instruments as regulator, business world (including university) as market participants, and community as stakeholders and users of business products and services (Kunami, 2007). Good governance in universities covers many aspects that exist, one of which is a matter of financial management. These new challenges are aspects not previously taken into account by public and private universities in Indonesia, including how to cultivate new sources of productive funding, financial management, greater freedom in formulating curriculum and other matters which is related to the academic field, public accountability and so on (Aristo, 2005).

In accordance with the Law on National Education System (Sisdiknas) no. 20 the year 2003 article 24 paragraph (2) stipulated that universities have autonomy to manage their own institutions as centers of higher education, scientific research, and community service. With regard to funding, paragraph (3) reads that universities can obtain funding sources from communities whose management is conducted on the principle of public accountability. Higher education, as well as primary and secondary education under the National Education System Law, education is a

shared responsibility between government, parents and the community. This means that the public has the right to establish and manage the higher education according to the prevailing laws and regulations.

The management of the college fund must be followed by an overall budget transparency to the public based on the principles of justice, accountability and honesty as described in Article 48 of the National Education System Law No 20/2003. The principle of accountability and transparency is a basic principle of bringing a university to GUG. Understanding the basic principles of GUG will spur the search for the best form of a college closest to the academicians, Misbahul Anwar and Suryo Pratolo (2012). Misbahul Anwar and Suryo Pratolo (2012) further stated that good financial governance is a financial management mechanism in an organization that starts with planning, financial administration, financial reporting, audit, and rewards and punishments implemented that can support the academic process, resources, and other governance processes quickly and appropriately.

2. Literature Review

According to GAO's (1997) report in Misbahul Anwar and Suryo Pratolo (2012), there are several factors that potentially hamper the success of GUG, which include: the number of objectives in the overlapping university organization making it difficult to identify the strategic objectives of the organization appropriately, policies / programs / activities that are difficult to evaluate because they have subjective objectives, weak information systems, lack of rewards for employees to use performance information, and lack of management commitment to the implementation of good governance.

In terms of financial governance, Julnes and Holzer (2001) point out several factors that affect the implementation of financial governance systems that include the existence of internal provisions, resource availability, access to information, orientation (agreement) of goals, external provisions requiring organizations to measure

performance, the presence of internal and external support and openness of the organization, its leaders, and its staff towards innovation and change that will improve organizational performance (organizational culture). Furthermore, Cavalluzzo and Ittner (2003) have proven that the limitations of information systems, management commitments, decision-making authorities, can influence the implementation of organizational governance systems

In addition to these factors, factors that are not less important to affect good university governance is the culture of the organization. A good organizational culture will certainly affect the organizational culture itself and how to organize it. Organizational culture is very influential on the behavior of the members of the organization, so if the culture of the organization then it is not surprising that the members of the organization are good people and quality as well. So it is not wrong if Schein (1984), reveals that many recent works argue about the key role of organizational culture to achieve organizational excellence. Organizational culture, either directly or indirectly, will affect performance.

Keith Kefgen and Manav Thadani, (2003) in the results of his research stated that. Organizational culture shows an indispensable part of the governance mentality of an organization. Furthermore, Mas Achmad Daniri (2005) states that the successful implementation of good governance is inseparable influenced by internal and external factors of the organization. Internal factors are various factors that come from within the company, one of which is the organizational culture. According to Mardiasmo, D., Et.al, (2008). Further analysis can be drawn the conclusion that the political and cultural history of bureaucracy (or local government customs and culture) is a key constraint variable for good governance implementation. In line with research Eka (2013) that organizational culture the significant influence on good governance SKPD in the city of Medan.

In order to create an organization with high performance requires a high management commitment from the leadership and staff to achieve the desired results (GAO, 2001). GAO (1997) states that the implementation of a results-oriented management system will not work without a strong commitment from its personnel. In the context of good financial governance, Shields (1995) in Cavalluzzo and Ittner (2003) states that management commitment can be mirrored by allocating resources, objectives, and strategies to valuable plans; reject resources that hamper innovation; and provide the political support necessary to motivate or suppress individuals or other parties who deny innovation. Thus, the existence of a high management commitment will enhance performance accountability (Artley, 2001) and the use of performance information (The Urban Institute, 2002). Cavalluzzo and Ittner (2003) also argue that management commitment positively affects the development of performance indicators, performance accountability and the use of performance information generated by the application of sound management systems.

Technology is one of the key factors that influence the successful implementation of an information system. Organizations that do not have appropriate and adequate technology will usually have difficulty designing, implementing, and evaluating products or services that have been generated (Poole et al., 2001). On the other hand, organizations with better quality information systems will be able to implement organizational governance systems more easily than organizations with poor information systems due to lower governance costs as stated by Krumwiede (1998) in Cavalluzzo and Ittner (2003). Some research results in the public sector indicate that the information system problem represents a major obstacle to the successful implementation of an organizational governance system. This is related to the limitations of existing information systems capabilities to provide reliable, valid, timely and cost-effective data. Kravcuk and Schank (1996) point out that public sector organizations often face serious problems in financial governance due to various problems in information systems such as differences in data definition, technology, accessibility, and the amount of data obtained. The use of performance measurement systems for accountability and support for decision-making is likely to be limited because of the limitations of information systems will prevent managers from obtaining timely and reliable data. According to Cavalluzzo and Ittner (2003), the limitations of information systems in an organization negatively affect the development of organizational governance systems.

The decision-making authority is a condition in which a person has the authorization or the right to make a decision with predetermined requirements in order to achieve the organization's strategic goals (Cavalluzzo and Ittner, 2003). The delegation of the decision-making authority of the leadership to his subordinates is an essential element for the creation of organizational performance improvement (Yasunari Tamada and Tsung-Sheng Tsai, 2004). Centralized decision-making authority will also reduce the level of accountability among public sector organization personnel and lead to decisions about unwanted performance and resources and mismanagement that lead to a decline in the quality of public services (Mwita, 2000). Within the scope of good financial governance, Laurensius (2004) argues that personnel need to be given the authority to create their own performance measures and targets and to achieve the targets according to the rules of the game applicable within the organization. Implementation of performance measurement systems often fails because employee engagement factors are not addressed. The involvement of program staff in the development of performance measurement systems is one of the factors affecting the level of use of performance information within an organization (The Urban Institute, 2002). Decision-making authority is also a factor influencing performance accountability (Artley, 2001)

Furthermore, Cavalluzzo and Ittner (2003) have proven that the decision-making authority given to the management has a positive effect on the development of performance measurement systems, performance accountability and the use of performance information

generated by the implementation of performance measurement systems.

Management competence is a capability that a person possesses professional knowledge and skills, including experience, also concerning functions, roles, duties, skills, abilities or personal traits of a person, underlying a person to be able to demonstrate a good work performance in the field of work, specific roles and situations and are communicated and shared among people in a careful context.

Tri Widyastuti, Tafsir Hanafi (2010) states that based the simultaneous determination, there is a positive determination between competence and the implementation of good governance. Furthermore, Shahram Gilaninia, Hosein Ganjinia, Zahid Babaei, Seyyed Javad Mousavian (2011) stated in his research Pearson correlation test results show the dependent variable has a high correlation with free variable knowledge of good governance of city administration. T-test also shows that knowledge variables, organizational learning, knowledge transfer, stored knowledge, user knowledge, knowledge creation influence in good urban governance.

Furthermore, Enceng, Liestyodono BI, and Purwaningdyah MW (2008) stated that the high performance of local government unit of education applies to the competence of education and the development of capability due to the growth. The competencies expected by a capable district government apparatus are the ability to analyze problems within a citizen and be able to resolve them in terms of the district government's practical system. Similarly, research Eka (2012) that the competence of regional apparatus in the City field has a significant effect on good governance.

In order to realize good university governance, universities are expected to make various improvement efforts to improve transparency and public accountability, one of them with more effective accounting practices, Eka (2012). Richard G. Sloan (2001) research shows that financial accounting is a key ingredient in corporate governance processes. Similarly, Eugene's (2003) study states that accounting and auditing are components of a broader corporate governance system and can not be "fixed" in any way, without substantive changes in the governance process as a whole. Furthermore, Nikhil C. Shil (2008) states that accounting is called a vehicle to ensure GCG, and it is believed that the world should adopt global accounting standards.

Vijay Kelkar (2009) states that the accounting framework has an impact on the quality of governance. Another study was conducted by P. Brown et al (2010) which states that there is a positive relationship between good governance and accounting quality. Mardiasmo (2002) states Good governance and accounting in the public sector have a strong relationship, where public sector accounting as a tool for elaborating good governance to a more realistic order. Furthermore, Mardiasmo (2006) states that public sector accounting, articulated through management

accounting, financial accounting, and public sector auditing, is very urgent for development and application as a tool to realize transparency and public accountability in achieving good governance. The results of research conducted by Urif Santoso and John (2008) who found evidence that the application of public sector accounting effect on good governance in this case to the government accountability. Similarly, Eka (2012) research finds that the accounting publication in public sector in City Device Work Unit (SKPD) of Medan City has a significant effect on Good Governance.

Internal audit is a function within the organization that is tasked with testing and evaluating activities within the organization (Anderson et al, 1993) in Isnaeni (2013). Internal auditing assists in decision making through the provision of independent assessments of implementation activities, policies and operations within the organization (Isnaeni, 2013). The impact of internal audit activities is the efficiency and effectiveness of the audit process. At the process level, the impact of internal audit activities is related to the cost savings generated by implementing recommended recommendations (Cashell and Adhizer, 2002 in Arena 2009). At the enterprise level, the results can address the internal audit contribution to organizational performance, or its role in avoiding organizational failure by ensuring that the governance of the company is well-executed.

Implementation of good university governance will be evaluated by internal audit in order to know how far the governance process can meet stakeholder expectations, Isnaeni (2013). According to Ion Croitoru (2011), internal audit actively contributes to supporting the culture and ethics of the organization through the implementation of good governance and to determine whether managers and employees in the entity adhere to responsibilities in accordance with their positions in the entity. The effectiveness of internal audit can be achieved through continuous evaluation and improvement made an internal audit of the services provided, Ziegenfus (2000). According to Dittenhofer (2001), the effectiveness of internal audit will encourage the achievement of organizational goals and objectives.

More specifically, Ramsden (1998) states that the success of a university in the delivery of education is largely determined by the ability of the academic staff to respond to changes energetically. Leadership or leadership in college is defined by Ramsden (1998) as practical and daily activities of managing, supporting, developing and inspiring colleagues, and deals particularly with how people relate to each other. In this case should be emphasized that leadership is not solely about his personality but more than that, namely the ability of the leader to lead in the context of the academic environment.

Furthermore, given the size of a leader's role in creating a conducive environment, Burns (1978 in Ramsden, 1998, p. 110) states that a suitable leadership style for the academic community is transformational leadership. In this style, leadership is more inclined to sharing leadership, that is, the practice of authority relies on the exercise of consensus

rather than top-down power (Ramsden, 1998). Therefore, academic staff is involved in facing new challenges. In addition, academic and administrative staff are encouraged and supported together for the creation of a cooperative and professional culture so that existing problems can be solved more effectively.

Leadership in university is not the same as leadership in other organizations or institutions. Applying appropriate leadership in accordance with the characteristics of universities is the main capital for the achievement of successful universities, especially at this time where the university has grown to become more complex in the appeal in the past. Based on the above description of the research indicates that leadership has an influence on good university governance. This is because success in college is determined by the leadership of the college concerned.

Based on the literature review, several factors that allegedly influence GUG are personal factors consisting of management competence and management commitment, internal policy factors consisting of internal audit effectiveness, effectiveness of accounting practice, decision-making authority, and leadership style, external environmental factors consisting of competition between universities, university regulation and interest from the community, and information system factors consisting of information technology, access to information technology, and access to information. This paper explains only organizational culture, management competence, organizational commitment, leadership, the effectiveness of internal audit, and the application of accounting system which theoretical concept is able to influence GUG.

3. Conclusion

As a spearhead of innovation and creative, innovative, and responsive human development, higher education is required to always improve its quality and relevance and is required to constantly reform its governance from time to time in response to challenges and changes in the rapidly evolving environment. Upcoming, the task of managing the education becomes very heavy with the demands of financial management, especially in deciding a number of tuition fees to learners should be communicated to parents (community) including a number of the university needs as a whole. Management of funds or tuition fees at universities should be able to improve the quality of graduates and be able to compete with other universities based on the principles of fairness, efficiency, transparency and public accountability. Therefore, in its implementation, a university institution must fulfill the principles of good university governance.

Based on the literature review, several factors that allegedly influence the implementation of good financial governance and GUG are personal factors consisting of management competence and management commitment, internal policy factors consisting of internal audit effectiveness, the effectiveness of accounting practices, decision-making authority, and leadership style, external environment consisting of competition among universities, university regulation and interest from society, and

information system factor consisting of information technology, access to information technology, and information access.

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