Good university governance: experience from Indonesian university

Risanty*; Sambas Ade Kesuma

Accounting Department, Universitas Sumatera Utara, Indonesia

*To whom correspondence should be addressed. Email: risanty.usu@gmail.com

Abstract

The purpose of this paper is to discuss the concept of a good university governance. Particularly, this paper discusses the implementation of good governance in Indonesia and the principles used in achieving good governance in Indonesia. Education has developed from time to time and universities as higher education institutions also develop into a dynamic and modern institutions of knowledge. The concept of good university governance provides a guideline for the management of a university and the university should place itself in the middle of the public and the nation. The concept of university governance is originally derived from the good governance concept. The concept of university governance is a guideline for the university to achieve the vision and objectives as a professional institution. There are eight good university governance in Indonesia, namely transparency, accountability to stakeholders, responsibility, independence in decision making, fairness, quality assurance and relevance, effectiveness and efficiency, as well as non-profit. These principles need to be developed in all academic activities and the university management.

Keyword: good university governance, higher education, university.

JEL Classification: M1, L3

INTRODUCTION

Education is growing from time to time along with advances in technology and cultural heterogeneity. The universities evolved into an institution that can address the needs and dynamics of knowledge and modernization (Schofer & Meyer, 2005). As an institution that supports the establishment of knowledge development, the universities define itself into an institution with the spirit and dedication to obtain legitimacy through the efforts and achievements.

Traditionally, the role of the university only focus on the transfer or conservation knowledge and expected to be a community that adhere values (Stevenson, 2004). The university is also expected to be a community that is capable to protect itself from the distortion values from external environment which may contain a negative impact (Sadjad, 2004).

Through rapid development, universities are encouraged to make improvements in order to cultivate the future of the organization through strategic planning in education, management, research and community service (Hariyanto, 2004; Widjajanti & Sugiyanto, 2015). National competitiveness also provide an important role, particularly for universities as a moral force to support better community development and capable to compete globally (Sumarni, 2010). Universities as an educational institution are expected to generating the excellent generation, who can contribute to the country development,
both through knowledge in government area, business environment and the public (society) (Muktiyanto, Rossieta & Hermawan, 2014).

The management of university organization have an extensive coverage. This includes the management of science, lecturers, human resources support, students, facilities and infrastructure of academic, academic programs, academic information on the three fundamental tasks of university (education, teaching and public services) (Sadjad, 2004).

One concept that is currently becoming well-known in the management of universities is a good university governance concept. The concept is originally derived from the good governance concept. This concept provides a guidance for how the management of a good university and how the university should place itself in the middle of the public and the nation (Sumarni, 2010). University governance is a guideline for the university to achieve the vision and goals as an institution of professionalism, research, and knowledge (Hussin & Asimiran, 2010).

Good governance implementation among the universities is essential in order to drive the efficiency, transparency and consistent with the laws and regulations. Implementation of good governance, must be supported by three interrelated elements, the government as regulators, the business as market players, and the public as stakeholders and users (Muhi, 2010; Muktiyanto et al., 2015). Good governance as well should meet the demands of many stakeholders, especially students, academics, industry, and government. It is related to providing opportunities, facilities, and resources to ensure the further development and sustainability (Hussin & Asimiran, 2010).

This paper aims to discuss the concept of a good university governance. The paper focuses on the implementation of good governance in Indonesia and the principles in achieving good governance in Indonesia. Further, this paper is arranged as follows. Section two discusses briefly about the university in Indonesia. Section three discusses the concept of governance in the university. Section four present a discussion about the principles of university governance in Indonesia, while Section five provides a summary, suggestions and limitations on this paper.

THE UNIVERSITY IN INDONESIA

Higher education in Indonesia is an education after secondary education (Vocational High School/High School/Madrasah Aliyah). The educational unit that organizes higher education is known as the University. According to Undang Undang No.12 Tahun 2012 pasal 1 ayat 1 (Law of the Republic of Indonesia Number 6 of 2011, Article 1, Paragraph 1) the higher education is level of education after secondary education. This includes diploma, undergraduate, master program, doctoral and professional programs, as well as specialist programs, organized by the universities based on the Indonesian culture.

Undang-Undang No. 12 Tahun 2012 pasal 5 (Law of the Republic of Indonesia Number 12 of 2012, Article 1) mentioned the four objectives of higher education, namely: 1) Bring up qualified and independent human resources; 2) Create graduates who have the ability in science and technology for national interests; 3) Generate science and technology for the advancement of the nation; 4) Embody the community service to promote the general welfare and educating the nation.

The higher education in Indonesia consists of universities, institutes, colleges, and polytechnics. Currently, public and private universities in Indonesia is under the management of the Ministry of Research, Technology and Higher Education of the Republic of Indonesia.
In order to determine the feasibility and maintain the quality of a university, the government established a body that will carry out accreditation in universities. Based on the Peraturan Menteri Pendidikan dan Kebudayaan Republik Indonesia No.87 tahun 2014 (Regulation of the Minister of Education and Culture of The Republic of Indonesia Number 87 of 2014), the accreditation of university is the assessment to determine the feasibility of universities and also the external quality assurance system as part of the quality assurance system of higher education.

The good governance implementation has become one of the university reform agenda in Indonesia. This has been mentioned in the agenda of the Department of National Education in Republik Indonesia through Higher Education Long-Term Strategy (HELTS) 2003–2012. With the implementation of good governance, it is expected that entire public universities in Indonesia can improve its quality to the public. Subsequently will increase the public confidence and participation in the role of universities in Indonesia. Implementation of good governance on the university's management in Indonesia, related to the accountability and transparency of the program and activities planned and indicators of performance assessment (Sadjad, 2004; Sumarni, 2010).

Peraturan Pemerintah Nomor 4 Tahun 2014 (Government Regulation of The Republic of Indonesia Number 4 of 2014) also states that the autonomy of university management is implemented based on the principles of accountability, transparency, non-profit, quality assurance, effectiveness and efficient (Article 33). The autonomy university management includes academic and non-academic (Article 22 paragraph 3). Academic aspect is the primary core business activity in the university, while the non-academic aspects (education, research and community service) as a supporting activity such as finance, assets, organization and human resources that contribute greatly to the achievement of the objectives universities, thus requires high attention as well.

In the context of good governance at public university in Indonesia, according to Undang Undang Republik Indonesia Nomor 20 Tahun 2003 (Law of the Republic of Indonesia Number 20 of 2003) explains that the educational assessment and evaluation consists of control activities, and the establishment of quality assurance, should be applied to both study programs and educational institution sustainable. In Peraturan Pemerintah Nomor 4 Tahun 2014 (Government Regulation of The Republic of Indonesia Number 4 of 2014) explain the basis and purpose as well as the ability of universities to implement the autonomy, evaluated independently by the university (Article 22, 23, 24, 25 and 26) with the establish the monitoring organization and quality assurance in the university (Article 28 c, and 29 verse 7). Therefore, the role of the audit committee in monitoring and controlling the management, and internal audit that will help the management is important in the universities.

THE CONCEPT OF GOVERNANCE IN UNIVERSITY

The terminology of "government" and "governance" are often considered to have the same meaning that is how to implement the authority in an organization, institution or a state (Ruru, 2002; Sadjad, 2004). The Government also is the name given to the entities that hold the governmental power within a country. Meanwhile, the term of "governance" is known in the literature science since Woodrow Wilson introduced the study more than 120 years ago (Osborne, 2010). However, during that period, governance is only used in the context of corporate organization.

The most fundamental difference between the concept of "government" and "governance" is how the organization of the management authority in the nation (Osborne, 2010). Meanwhile, the governance implies how the authorities distribute the power and
manage their resources and problems. Indeed, the concept of governance should be understood as a process, not a structure or institution. Governance also shows inclusivity, if the government is seen as "them" and the governance is "us" (Hatmodjosoewito, 2010).

According to Kooiman (1993) Governance is a process or activity of sociopolitical interaction between government and society in various fields related to public interest and government intervention on these interests. Tjokroamidjojo (2000) added that governance means governing, control, and manage. Meanwhile, World Bank viewed governance as the way state power is used in managing economic and social resource for development of society. Moreover, United Nations Development Program (UNDP) (1997) defined governance as the exercise of political, economic, and administrative authority to manage a nation`s affair at all levels. Hence, governance means the management and development social, political and economic resource for development o the nation. Subsequently, from the governance concept, the terminology of public governance, private governance, corporate governance evolve and developed widely in various areas of public and business (Ruru, 2002).

The concept of corporate governance, which is actually a refinement of the traditional corporate principles governance and essentially it is the inspiration of the governance concept (Wangui, 2012). The terms of corporate governance initially introduced by the Cadbury Committee in 1992 in their report, which is known as the Cadbury Report (Agustin, 2010).

According to the Cadbury Committee, corporate governance is the principle that direct and control the company in order to achieve a balance between the strength and authority of the company in providing accountability to the shareholders in particular, and stakeholders in general (Agustin, 2010). Meanwhile, the Organization for Economic Cooperation and Development countries (OECD) (2005) defined corporate governance as composed of procedures and processes based upon which the firm is directed and monitored.

The general objective of corporate governance is to improve the performance of the business and accountability. In the long term this will lead to the sustainability of business and increase the profits significantly (Chandra, 2011). In order to achieve these objectives, some organizations such as the OECD and the Asian Development Bank (ADB) introduced the main principles of corporate governance, namely transparency, accountability, fairness, responsibility and responsiveness (Nugroho, 2004).

The governance essentially a concept that refers to the process of decision making and implementation. This concept requires transparent and accountable, and as a consensus for the government, public and private sector for the implementation of governance in a country (Utami, 2007).

The emergence of the governance and corporate governance concept motivated by the management of a public organization cannot be equated with the management of a corporate (Ruru, 2002, Sadjad, 2004). This is because, the differences in the nature and purpose of establishing the two institutions. The management of a country intended to meet the needs of the public while a corporate set up to make a profit (Sadjad, 2004). However, there are principles that can be applied in both organizations, with certain modifications to accommodate the nature and each basic purpose. These principles include accountability, transparency, rule of law, and responsibilities (Kaihatu, 2006).

In the public sector context, there are several concept of governance provide by some organization. World Bank viewed governance as a solid and responsibility management implementation. Which is in line with the principles of democracy and efficient markets as well as the prevention of corruption both political and administrative (Hatmodjosoewito, 2010). United Nation Development Program also provides a
definition of governance as synergistic and constructive relationship between the state, private sector and society. Based on previous researchers such as Kaihatu (2006), Sumarni (2010), and Wangui (2012), the best way to define the concept of governance is to adopt the definition provide by OECD (2004) which defined governance is the system by which a business corporation (or a nonprofit organization) is directed and controlled, at its senior level, in order to achieve its objectives, performance and financial management, but also accountability, integrity and transparency (OECD, 2005).

THE PRINCIPLES OF UNIVERSITY GOVERNANCE

The principles of governance in the public sector is almost similar with the corporate governance. However, the public organization or a state, the principles is more extensive (Kaihatu, 2006). According to UNDP (1997), the synergy and constructive relations between the state, the private sector and society. This composed of nine principal characteristics of good governance, namely participation, fairness, transparency, responsiveness, consensus orientation, equity, effectiveness, accountability and strategic vision (Figure 1). World Bank mentioned that a number of characteristics of governance are a strong civil society, transparency, predictable policy-making, responsible executives, and professional bureaucracy. United Nations Centre for Human Settlements (2000) also provide good governance principles namely, accountability, transparency, efficiency, decentralisation, strategic vision, civil peace.

![Figure 1. Good governance principles](source: UNDP (1997))

There are another principles of governance developed in various countries as stated in the several earlier studies, but actually derived from the principle of credibility, transparency, accountability, responsibility, and fairness (Delport, Solms, & Gerber, 2015; Muhi, 2010; Siddiqi, Masud, Nishtar, Peters, Sabri, Bile, & Jama, 2009). According to Eagles (2004), the governance can be characterized as public participation, consensus orientation, strategic vision, responsiveness to stakeholders, effectiveness, efficiency, accountability to the public and stakeholders, transparency, equity, and rule of law.

Moreover, Kaen (2003) and Shaw (2003) noted that there are four key principles in the concept of governance, namely fairness, transparency, accountability, and responsibility. They also added that the fourth principles is important because the implementation of the governance principles has consistently proven to help improve the quality of an organization.

In the context of public sector organization in Indonesia, the Indonesian Institute for Corporate Governance (IICG, 2011) define governance as a structure, systems and
processes used by an organization in order to provide value added to the organization on an ongoing basis in the long-term. According to *Peraturan Pemerintah Republik Indonesia No. 7 Tahun 2000* (Government Regulation of The Republic of Indonesia Number 7 of 2000), good governance is a governance system that is based on the principles of democracy, accountability, transparency, efficient, effectiveness, professionalism and support of the public.

There are several governance principles in the context of public organization in Indonesia. Indonesian Transparency Society has provided a number of governance principles such as transparency, accountability, fairness and equality, and sustainability (Sumarni, 2010). According to *Peraturan Pemerintah Republik Indonesia Nomor 101 Tahun 2000* (Government Regulation of The Republic of Indonesia Number 101 of 2000), governance principles (Figure 2) consist of: 1) Professionalism, improve morale and government administrators capability in order to provide excellent services at an affordable cost; 2) Accountability, enhance the accountability of decision makers in all areas related to public interests; 3) Transparency, create mutual trust between the government and the community through the provision of accurate and reliable information; 4) Excellent service, implementation of public service which includes good procedures, timeliness, accessibility, complete infrastructure and friendly services, and disciplined; 5) Democracy and Participation, encouraging every citizen to use their right in the decision making process related to the public interest either directly or indirectly; 6) The efficiency and effectiveness, ensuring the service to the public by using the available resources optimally and responsible; 7) The rule of law, embodying the rule of law to all parties without exception, and upholding human rights.

![Figure 2. Governance principles in Indonesia](image)


Governance in the management of a public university is slightly different then corporate. This institution has a specific part relating to the noble values, both in terms of academic and social values that should be kept inside (Sadjad, 2004). The definition of governance in higher education can be viewed as a series of mechanisms to guide and control the operations of a university in order to correspond to the stakeholders (government and public) expectations (Sadjad, 2004). University governance also defined as a structure, systems and processes used by the management of the university in order to provide value added and sustainability to the university (Muhi, 2010).

Meanwhile, based on Hussin and Asimiran (2010), university governance is largely about guiding the university towards achieving its vision and goals as an institution of
professionalism. It is also meet the demands of the many stakeholders, particularly the students, academics, industries, and government. From these several definitions, university governance is a system that is guide the university to achieve its goals based on several governance principles to meet the stakeholders’ demands.

The adoption of principles of corporate governance on the university governance is not immediately change the management of university become similar to the management of the state or a corporation, because not all the approaches and principles of corporate governance applicable in universities governance context (Anwar & Pratolo, 2012; Henard & Mitterle, 2010; Muhi, 2010; Sadjad, 2004).

According to Henard and Mitterle (2010) there are several university governance principles in the OECD countries (Canada, Ireland, Great Britain and Scotland). Great Britain and Scotland use selflessness, integrity, objectivity, accountability, openness, honesty and leadership principles. In Republic of Ireland, selflessness, integrity, objectivity, accountability, openness, honesty, leadership, transparency, fairness, independence, efficiency, effectiveness, and value for money as university governance principles. Moreover, Canada use impartially, independence, and loyalty to the institution as a principle for university governance.

The principles of governance in university by every country may varied. This is because university governance is never static, it will change from time to time, according to the changes and demands in the surrounding society and global community (Hussin & Asimiran, 2010). Henard and Mitterle (2010) notes that the effectiveness of the university governance principles in various countries has not been fully examine and they suggest the university strategy on the university governance principle. Hussin and Asimirin (2010) also state that university governance should consider the context in which university are located, both external-internal and national-international context, principles, and basic values.

In the context of university governance in Indonesia, there are several principle regulated in Undang Undang Republik Indonesia No.20 Tahun 2003 Pasal 51 (Law of the Republic of Indonesia Number 20 of 2003, Article 51) regarding National Education System related to that the management of higher education unit implemented based on the principle of accountability, responsiveness, and transparency. Then, Peraturan Pemerintah No.17 Tahun 2010 (Government Regulation of The Republic of Indonesia Number 17 of 2010) regarding the implementation of education system intended to ensuring the effectiveness, efficiency and accountability in the management of education (Muhi, 2010). According to the Indonesia Directorate General of Higher Education (2014), university governance aims to establish an accountable university based on eight principles (Figure 3), namely: 1) Transparency; 2) Accountability to stakeholders; 3) Responsibility; 4) Independence; 5) Fairness; 6) Quality assurance and relevance; 7) Effectiveness and efficiency; 8) Non-profit.

Figure 3. Good university governance
Transparency

This principle is implemented through the mechanism of checks and balances and aim to avoid conflict of interest as well as multiple position. In order to support the implementation of the principle, the audit unit of university and faculty will control the chancellor and dean of faculty.

Accountability to stakeholders

The principle of accountability provides clarity on the mission and objectives of the university. This mission and objectives must be in line with the mandate of the government (stakeholders) and the organizing body. This principle encourages the establishment of a quality assurance system mechanism, an audit unit and this system must function properly. The principle of accountability also encourages the achievement of performance indicators in strategic plans, work plans, activity and budgets plan.

In order to encourage the implementation of the accountability principle, the university must implement an accounting information system and financial management system that can be audited. The presentation of information such as academic annual reports and annual financial reports audited by public accountants then publish to the public.

Responsibility

The principle of responsibility can be implemented through a university statute, the translation of the position, functions, duties, responsibilities and authority of each element of the organization. There is a clear job description of staff and standard operating procedure (SOP) in the university.

Independence

Based on the principle of independence, the university decision making need to separate from the government or non-profit legal entity that owns it. Moreover, the university as well is not an extension of the bureaucracy.

Fairness

In the implementation of the principles of fairness, the staff recruitment process is based on competence and track record. The application of merit system (incentives and disincentives) that are appropriate in the management of employees.

Quality assurance and relevance

The implementation of quality assurance and relevance is through the internal (quality assurance system) and external quality assurance systems (study program accreditation), professional lecturer certification, feedback from students, tracer studies (graduate), and user survey.

Effectiveness and efficiency

The application of the effectiveness and efficiency principles through a long-term, medium-term (strategic plan) and annual planning system (Annual Activity Plan and Budget).

Non-profit.

In the nonprofit principle, the entire budget for the remaining activities may not be shared. This must be reinvested in improving the quality as well as development of the university institutions.

The university governance reflects the success of the university in order to generate graduates who are qualified and ready to compete in the global world. For this reason, it takes hard work and discipline to educate and teach the cultural and social values of the global community.
CONCLUSIONS AND RECOMMENDATIONS

Education has developed along with technological sophistication. Universities as higher education institutions also develop into a dynamic and modern institutions of knowledge. In order to implement an excellent education and accountable university management, the good university governance is needed. A university or college that has good governance must realize the vision and mission of the university in the finding, discovering and disseminating scientific truth. The mechanism and management of universities organization (higher education institutions) management also need to be regulated in the statute of higher education, which is regulated in Undang Undang No. 12 Tahun 2012 (Law of the Republic of Indonesia Number 12 of 2012) related to the higher education in Indonesia, Peraturan Pemerintah No. 4 Tahun 2014 (Government Regulation of The Republic of Indonesia Number 4 of 2014) on the Implementation of higher education and management of higher education in Indonesia, Peraturan Menteri Pendidikan Dan Kebudayaan No. 49 Tahun 2014 (Regulation of the Minister of Education and Culture of The Republic of Indonesia Number 49 of 2014) regulates the national higher education standards (currently being revised).

Good university governance in Indonesia is basically a management of organizational structures, business processes, programs and activities in a plan to achieve university objectives. In order to achieve the objective, the good university governance provides several essential principles (Indonesia Directorate General of Higher Education, 2014), namely transparency, accountability (to stakeholders), responsibility, independence in decision making, fairness, quality assurance and relevance, effectiveness and efficiency, as well as non-profit. The good university governance principles need to be developed in all academic activities and university management.

REFERENCES
 Indonesian Institute for Corporate Governance (2011). *Good Corporate Governance dalam Perspektif Etika. Laporan Program Riset dan Pemeringkatan Good Corporate Governance Perception Index*. Jakarta: IICD


