

# Implementation of Good University Governance Principles in Managing New Universities Assets

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**Abstract** - This study aims to test whether New State Universities have carried out good governance in accordance with Good University Governance characteristics which require 8 general / basic characteristics, namely participation, consensus orientation, accountability, transparency, responsiveness, effective and efficient, equity and inclusiveness, and law enforcement / supremacy. In this study PTNB has conducted governance according to the prevailing rules, but some things that have not been fully implemented are related to assessment and measurement so that responsiveness to things and effective and efficient management have not been implemented.

**Keywords** - PTNB, Good University, Good Governance, Asset Management, College.

## 1. Introduction

Education represents one of the instruments to measure how one country can be categorized as developing, developed or underdeveloped, compared to the other. It also serves as a mean of improving human resources competitiveness to provide positive contribution to the country. Universities are higher education institutions commonly considered as the barometer for how the quality of human resources is generated. Indonesia is one of the developing countries in Asia with the third largest population in that continent. Universities

Indonesia play a strategic role in the development of education throughout the country. In addition to the role mentioned earlier, they also play an essential role in the economy. They also manage funds raised from individuals, communities, funding assistances of both public and private sectors. As the manager of these funds, universities must implement good governance principles to make their financial statements reliable.

*Good University Governance (GUG)* is actually a derivative of Good Corporate Governance (GCG) concept. GCG is one of the keys to the success for companies to grow and develop in the long term, and, at the same time, winning global business competition. The economic crisis in Asia and Latin America is believed to arise due to failed implementation of *GCG*. While universities are non-profit organizations not intended to be profit-oriented, they need to earn profit (or surplus) as they have to support themselves financially and to develop their own institutions

to survive on a going concern basis. *GUG* is helpful as a system to manage university properly, including how to manage the profit appropriately or professionally, as well as to avoid any fraudulent practices attributable to the internal conflicts of interest, so that every university can then be managed and developed on a proper basis.

The change in status brings about several issues that are waiting to be solved; among those are the employment status and management of assets in the internal environment of university. The proposed measurement model for good university governance should have been adapted to the local standard and the Indonesian cultural values. What seems to be the obstacle is that there has not yet been any regulation or standard set to be applicable in this country.

## 2. Literature Review

### 2.1 New State Universities

State universities, subsequently abbreviated to SU, are higher education institutions established and/or managed by the authority, with the exception of Legal Entity State Universities. The regulation of the Minister of Research, Technology, and Higher Education of the Republic of Indonesia No. 50 of 2015 stipulates that the area for SU campuses should be minimally 30 hectares for universities or institutes; faculty rooms with minimally 4meters square for each full time lecturer; and 200 book titles per study program, in accordance with the scientific field of the program. From the above regulation we see that the

university's assets are quite a lot so they should be properly managed. [1] In accordance with the Government Regulation No. 4 of 2014, autonomy in higher education management includes the following:

- a. Academic autonomy that includes establishing norms, operational policies, and the implementation of (1) education, (2) research, and (3) community service, in compliance with the provisions of the legislation.
- b. Non-academic autonomy that includes establishing norms, operational policies, and the implementation of (1) organizational, (2) financial, (3) student, and (4) staff affairs, as well as (5) facility and infrastructure development, in compliance with the provisions of legislation. State university and state financial managements are performed like those in public services or legal entities. Evaluation of State Universities is conducted by independent teams established by and accountable to the Minister. Provisions on the criteria and procedures for the performance evaluation of state universities are defined in the Ministerial regulation.

## 2.2 Good Governance

The terms *government* and *governance* are frequently used interchangeably to refer to the authority in organization, institution, or state. *Government* is also a term that refers to the entity that organizes the power of government within a country. The term *governance* has actually been known in the administrative and political literature since Woodrow Wilson introduced this field of study, approximately 125 years ago. However, *governance* has been, thus far, used only in the context of managing corporate organizations and higher education institutions.

*Governance* in a variety of organization, public or private, non-profit or for-profit, sector and industry, depends on the characteristic of each organization. *University governance* is defined as constitutional forms and processes when universities regulate their own affairs. *Governance* is the way in which authority is used by an organization in allocating and managing its resources. *Governance* involves policies and procedures for decision making and control in directing or managing organizations for effectiveness. This refers to practices that require oversight, control, disclosure, and transparency and to the university's structure, delegation and decision-making, planning, organizational coherence and direction' *Governance of Irish Universities* (2007) describes *GUG* as follows:

*A robust system of governance is vital in order to enable organizations to operate effectively and to discharge their responsibilities as regards transparency and accountability to those they serve. Given their pivotal role in society and in national economic and social development, as well as their heavy reliance on public as well as private funding, good governance is particularly important in the case of the universities.*

Government implies the notion that only politicians and government regulate, do things, and provide services, while the rest of "us" are passive recipients. In the mean time, the term *governance* fuses the differences between "the government" and "the governed", as we are all part of the *governance* process. In other words, the concept of *governance* contains the elements of democracy, justice, transparency, rule of law, participation, and partnership. Probably, the definition formulated by IIAS is the one precisely depicts the notion: "*the process whereby elements in society wield power and authority, and influence and enact policies and decisions concerning public life, economic and social development.*"

*Good governance* requires 8 basic characteristics: participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity, inclusiveness, and rule of law. If implemented ideally, this concept is expected to ensure a reduction in the levels of corruption, the opinion of minorities are taken into account and the voices of the weakest elements in the society are heard in the decision making process. It also responsive to both the present and future needs of the society. It is the ideal concept. The following is a brief description about each characteristic:

**Participation.** Participation by the men and women is the key to good governance. Participation can be directly or through a legitimate representative institution. It has to be informative and organized. This necessitates freedom of association and expression on the one hand, and strong and organized civil society on the other.

**Rule of Law.** Good governance needs a legal and regulatory framework to be enforced on a comprehensive basis. This also requires full respect of human rights, especially those of minority community. The process of impartial law enforcement needs an independent judiciary and an impartial as well as non-corruptive police institution.

**Transparency.** Transparency implies that decision-making and the implementation are carried out in compliance with the laws and regulations. It also means that information is freely available and can be accessed directly by those who are affected by the decision. The

information available must take the form and medium that can be easily understood.

**Responsiveness.** *Good governance* requires institutions and processes intended to serve all stakeholders within an appropriate time frame.

**Consensus orientation.** There are more than one actor and many perspectives in a community. Good governance requires mediation of different interests in the community in effort to achieve a general consensus that represents the best decision for the whole members of community. This takes a broad and far-reaching perspective of what are needed for sustainable human resources development. This could only be achieved through good understanding of historical, cultural and social context in the community.

**Equity and Inclusiveness.** The existence of a community depends on the processes of ascertaining that all members feel that they have common interests and did not feel of being secluded from the majority members of the community. This requires that all groups, especially the most disadvantaged, have the opportunity to improve or stand up for their existence.

**Effectiveness and Efficiency.** By good governance we mean that the outputs of the whole process and institution are right on target or in accord with the needs of the community, in addition to being efficient in utilizing the resource for that purpose. Efficiency in the context of good governance includes also the utilization of natural resources by considering environmental sustainability and protection.

**Accountability.** Accountability is one of the main elements required in good governance. It is not only government institutions, but also private sector and civil society organizations that should be accountable to the public and their stakeholders. In general, organizations or institutions are accountable to the parties affected by their acts or decisions. Accountability is only possible with transparency and rule of law.

### 2.3 The Implementation of *Good university governance*

The implementation of principles or basic characteristics of *good governance* is still relevant in the concept of good university governance. In its administration, a higher education institution must adhere to the principles of participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity and inclusiveness, and rule of law. The difference lies in the values and purposes. The managerial principles mentioned earlier should be implemented to support the basic functions and purposes

of higher education. Another difference lies in the stakeholders of education and college administration.

The specialty of higher education institutions compared to other institutions can be found in the basic functions: education, teaching, discovery or innovation (research). It is these functions that subsequently define the university role in the community development. The frequently occurring discourses in the administration of higher education are about academic excellence and university management, including the financing matters. The answers to the discourses will then depend on how a country understands the implementation of *good university governance*.

*Good university governance* itself is not a concept with standardized implementation, with the exception of the basic managerial principles. The implementation could vary with the condition and the mindset of a nation or community. For example, *good university governance* in the United States is commonly implemented by extending full autonomy, in academic, managerial, and financing affairs, to the universities as long as they can be accounted for.

Consequently, the government has a relatively weak influence and, in contrast, executive manager and board of a college have a much stronger authority. This has not been the case for most European countries, where *good university governance* is implemented by granting autonomy in academic affairs, but not entirely in managerial and financing terms, so the influence of the state in managerial terms becomes quite greater. Some countries such as Austria even bear the full cost of higher education so that the university students do not need to pay tuition fees. In the meantime, Southeast Asian countries in general still looking for the best financing plan and taking the two extremes into account. While there has been a general agreement on the importance of autonomy to achieve academic excellence (in terms of teaching and research) for universities, this does not apply in managerial and financing terms. This difference in views is usually related to the importance of universities for the community and the high cost of higher education administration. Recently, the high cost of higher education administration is generally thought to put a heavy burden on the government and community, so that it would be better, to some extent, for universities to find their own source of financing.

## 3. Research Method

### 3.1 Research Design

The current study was conducted in one of the newly established state universities in Yogyakarta. It

employs data collection methods, such as interview, observation and documentation. The research conducted was qualitative in nature with primary data source. The data source in a qualitative research is determined using a purposive sampling. Key informants are among the criteria to consider in collecting the information optimally. We proposed 5 criteria for determining the key informants:

1. Subjects have long and intensively been taking part in activities that make up the information.
2. Subjects are still taking active part in the scope that concerns the researcher.
3. Subjects have enough time and opportunity to be interviewed.
4. Subjects provide information as what it is, not something they made up.
5. Subjects are not familiar with the research procedures so that the researcher feels challenged to dig up information about them.

Having identified the data source, the next thing we need is a data collection technique to obtain suitable data for research objectives and complies with the expected standard. Individuals that serve as informants in this research consist of university staff in charge of asset management, general affairs division, and facility and infrastructure division in the environment of new universities.

### 3.2 Type of Research

Research method is a set of methods and procedures that must be carried out by researchers to achieve the research objectives. The object of this study is university asset management. The study employs a qualitative method. Qualitative research as the one that uses natural background where the researcher serves as the main instrument to explore, understand, and analyze facts and data to discover the social meaning, mindset, and the reasons behind the behaviors of social actors. We choose qualitative method as a mean to describe the actual condition of the object being studied.

### 3.3 Data Source and Collection Technique

The data collection method includes interview, observation and documentation. For data analysis, the present study employs Miles and Huberman's field data analysis. [2] Miles and Huberman suggest that activities in qualitative data analysis are carried out interactively and take place continuously until complete to reach data saturation. Activities in data analysis include data reduction, data display, and conclusion drawing/verification. To check the data validity, we employ triangulation strategy and theory.

Triangulation is a technique for data validation through cross verification from other sources to compare the results of interview with the object of study.

## 4. Results And Discussion

To achieve Good university governance, 8 basic characteristics are required: participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity, inclusiveness, and rule of law. These are the characteristics that the new state universities supposed to have.

### 4.1 Implementation of Good university governance

Implementation of Good University Governance in new state universities (NSUs) is something that must be done gradually but surely. As there are numerous obstacles in the transition process from Private Universities to State Universities, the management in the latter cannot fully adopted the process.

#### *Participation*

Participation of men and women is the key to good governance. Participation can be directly or through a legitimate representative institution. It has to be informative and organized. This necessitates freedom of association and expression on the one hand, and strong and organized civil society on the other.

Regarding the participation, informant 1 delivered the following statement:

“There are no gender differences in state universities, despite the fact that more women handle administrative jobs and more men handle the field works. The reason for this is that it is in accordance with their respective merits and abilities. While each division in New Universities is allowed to submit the procurement of the necessary goods, the decision lies in the hand of the leader. However not all procurement of goods are submitted by each unit.”

It is in compliance with the Government Regulation No. 27 of 2014, article 4, paragraph 2 on the management of state assets; from formulating policies, regulating and stipulating guidelines for the management of state assets to compiling attachments [3]. This bottom-up submission represents the involvement of each division to the institution. However, there is also procurement of goods that not entirely submitted from subordinates; that is the

fulfillment of equipment necessary to support the education process.

### **Rule of law**

*Good governance* requires a legal and regulatory framework comprehensively enforced. It also requires full respect for human rights, especially those of disadvantaged minority. Law enforcement in an impartial manner necessitates an independent judiciary and an impartial as well as non-corruptive police institution.

“Concerning the rules for asset management, informant 1 stated: The management in New Universities has employed the standard of operational procedure (SOP) for managerial purposes. However, as their status has changed to State Universities, there are several items in the SOP have been adapted to the new regulations. Compliance with the regulations and work rules starts in the morning with morning parade to check the members’ presence and readiness. Performance appraisal is carried out by the personnel department that subsequently will determine the performance allowance. However, there is also a direct assessment by the head of department based on the performance of each member.

“Informant 2 stated that all financial statements are prepared based on the rules set by the government, for example: Law Number 17 of 2003 on State Finance, Law Number 15 of 2004 concerning Management and Financial Responsibility, Government Regulation Number 24 of 2005 concerning Government Accounting Standards, Government Regulation Number 6 of 2006 concerning Management of State Assets, Regulation of the Minister of Finance of the Republic of Indonesia Number 171/PMK.05/2007 concerning Financial Accounting and Reporting System of the Central Government, et cetera.

The managerial works that comply with the SOP represent the actual implementation of *GUG* in New State Universities. However, the existing SOPs should be updated to comply with the government regulation. The main problem with the SOPs is the documentation of all standards that have not been entirely implemented and adhered to properly.

### **Transparency**

Transparency implies that the decision-making and the implementation are carried out in compliance with laws and regulations. As stated in the introduction, [4] Government Regulation Number 24 of 2005 stipulates that “One of the actual efforts to realize transparency and accountability in state financial management is the submission of government financial accountability reports that meet the principles on time and are prepared in accordance with government accounting standards that have been generally accepted. [5] This has been stipulated in Law No.17 of 2003 concerning State Finance which requires the form and content of the accountability report for the implementation of the APBN/APBD to be prepared and presented in accordance with government accounting standards, as stipulated in the government regulations.”

In the implementation of *GUG*, transparency or openness is an absolute requirement to be met. The transparency in question is related to many things, from procurement of goods, asset management, recruitment of employees, to the appointment of structural officials.

Information obtained from informant 1 indicated that the management of assets is carried out as transparent as possible. This is reflected in the procurement of goods by the Procurement Service Unit, upon requests and specifications submitted by each division. All assets were registered as they all included in the record of asset transfer during the transition period. Facility and Infrastructure Division employ special personnel in charge of data entry or recording.

Transparency is one of the hardest parts in *GUG* because there is no clear-cut line as to what information is or isn’t allowed to be disclosed to the public. While the asset procurement and management in NSUs have been done transparently, obstacles remain to the process of status transformation and, therefore, the assets can not be managed properly.

The transparency can be seen from the accounting system and standard systems and standards to guarantee the quality of financial statements and their disclosures. It also reflected in the development of management information system (MIS) to ensure performance measurement and effectiveness of decision making processes, as well as the development of risk management plan to ensure that all significant risks have been identified, measured and managed to a tolerable limit.

### **Responsiveness**

*Good University Governance* needs an institutionalization and process in effort to serve all the stakeholders within a certain time frame. The major stakeholders of university are lecturers and students because they directly involved in the learning process on campus.

Informant 1 stated that the facilities and infrastructure divisions are oriented toward meeting the needs of teaching and learning processes. However, it must be admitted that by becoming state university recently, it is not easy for them to make improvements and provision of facilities because it must be carefully planned. Therefore, the facilities and infrastructure divisions (asset managers) seek to map their needs.

The speed in meeting some needs, such as the Internet, has also not been able to meet expectations due to the limitations for New State Universities. The clause for maintenance has also been regulated in Government Regulation Number 27 of 2014, article 46 concerning the maintenance upon the costs allocated in the State Budget.

Damaged and troubled assets of New State Universities demand special treatments. The treatment of assets should be well planned to anticipate future needs. This factor is the reason why certain problematic conditions seem to be dealt with slowly. However, if they can be mapped through good planning, urgent needs can be better anticipated.

### **Consensus Orientation**

There can be more than one actor and perspective in a community. Good governance necessitates mediation of differing interests in a community in an effort to achieve a general consensus from diverse viewpoints or opinions for the good of the whole community. It demands a comprehensive and long-term perspective of what are necessary for a sustainable human development. This can only be achieved through a good understanding of the historical, cultural and social context in the community.

According to the informant, one of the problems that remain unsolved properly is the utilization of assets in the best interest of general public. The NSUs' assets that used to be rented out to increase university income are no longer allowed to be so as their status has changed. In fact, they can be utilized to generate Non-Tax State Revenues (PNBP) which eventually goes into the state treasury.

What was the informant suggested has been in accord with the article [4] 27 of Government Regulation Number 27 of 2014 that the utilization of State/Regional assets takes the forms of leasing, land use and borrowing, collaborative utilization, build own transfer, cooperation in infrastructure provision. Subsequent articles in the regulation also provide an explanation of their management and maintenance that involve the community.

The career path of each employee is still owned by the personnel division, but there is no detailed performance assessment known to each employee.

Explanation about career path or personal performance is not entirely conveyed to all. For the faculty there is an assessment in the form of lecturer performance reports, while the assessment for each unit has been regulated in [6] Government Regulation No. 8 of 2006 concerning the performance assessment of government agencies.

By their status as work units, NSUs are no longer free to utilize their assets optimally. But, of course, the asset management will perform better, at least when NSUs' status changed from work units to public service agencies (BLU) or even legal entities. Holding managerial authority, NSUs can properly implement the *GUG*.

### **Equity and Inclusiveness**

The existence of a society depends on the process of determining that all members feel that they have common interest in it and do not feel alienated from the mainstream society. This requires all groups, especially the weakest, to have the opportunities to improve or protect their existence.

According to informant 1, upon becoming NSU, equality is increasingly encouraged, because for now everything seems to obey the laws. However, there certainly some other things felt unfair. For example, those who have been working for a long time as employees under a cooperative agreement cannot occupy certain positions.

Employment equality in NSUs between lecturers and education staff is central to motivating all employees to perform well according to their basic tasks and functions. Performance assessment at NSUs complies with article 3 of Government Regulation Number 46 of 2011 concerning performance assessment for civil servants: that performance assessment is based on the objective, measurable, accountable, participatory and transparent

principles. Subsequently, article 4 describes the element to assess, i.e., Personal Competency Standard and Work Behavior.

### ***Effectiveness and Efficiency***

*Good governance* means that the outputs of the whole process and institution are right on target or in accord with the needs of the community, in addition to being efficient in utilizing the resource for that purpose. Efficiency in the context of good governance includes also the utilization of natural resources by considering environmental sustainability and protection.

Informant 1 stated that management on an Effective and Efficiency basis becomes one of the standards for successful management of a university. NSUs implement efficiency strategies in energy management by efficiently save water and electricity through persuasion. However, it has never been measured how much the budget is saved. NSUs have launched a green campus movement which unfortunately has not yet been fully implemented.

This management for effectiveness is also mandated in Law Number 15 of 2004, article 4, paragraph 3: performance audit is the examination of state financial management which includes economic, efficiency, and effectiveness. Measurement of effectiveness and efficiency, in some cases, is quite difficult to conduct. Among the things possible to assess is the comparison of the number of lecturers and the education staff.

### ***Accountability***

Accountability is one of the main elements of good governance. Not only government institutions, private sector and civil society organizations should also be held accountable to the public and their stakeholders. In general, organizations or institutions are accountable to the parties affected by their action or decisions. Accountability cannot be implemented without transparency and rule of law.

“Informant 2 stated that the financial statement preparation was based on the Government Regulation Number 24 of 2005 concerning Government Accounting Standards. NSUs’ financial statements have not been audited by external auditor as their status remains as work units. However, NSUs will also be audited by BPK when the latter audited the ministry and the former serves as audit reference sample.

As the new state universities, they should keep good financial records. Article 6 in Chapter III of Law Number 15 of 2004 says: Determination of the object of the audit, planning and carrying out the audit, of time and method of audit, and preparing and presenting the audit report are carried out freely and independently by the BPK. The facilities and infrastructure division keeps its own financial record, especially of the assets. The financial statements are prepared so as to comply with the system established by the Ministry of Research, Technology, & Higher Education.

New State Universities will undergo an audit by Inspectorate General or Audit Board of the Republic of Indonesia periodically. Record keeping and compliance with the rules are highly prioritized, even though it hasn't fully gone well, for example the record keeping and measurement of receivables that remain unfinished or ambiguous.

## **5. Conclusion**

The study assessed the implementation of Good University Governance based on 8 basic characteristics which include participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity and inclusiveness, and rule of law. In this study we conclude that new state universities have implemented the 8 characteristic mentioned above to realize good university governance. However, obstacles persist in their effort to realize Good University Governance, among others their understanding, measurement, and assessment of good managerial system.

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