



CONCEPTUAL FRAMEWORK OF GOOD GOVERNANCE, ORGANIZATIONAL CULTURE, AND PERFORMANCE AT HIGHER EDUCATION IN INDONESIA

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ABSTRACT

The quality of human resources is determined by the learning process in educational institutions, especially higher education. In Indonesia, the process of managing education in higher education is regulated in Act no. 12/2012. The quality of higher education can be determined by aspects of governance and organizational culture that exists in the organization. A good governance and culture can support the performance of educational institutions. This research aims to postulate conceptual framework from good governance to organizational culture and from organizational culture to organizational performance, especially in higher education in Indonesia. This conceptual framework has not been widely discussed by other researchers. We hope that the results of this study can shed more light on further research to prove empirically the conceptual framework of good governance in higher education.

KEYWORDS

Governance, organizational culture, performance, higher education, university, autonomy.

1. INTRODUCTION

Education is a cornerstone for the development which is useful in any country [1]. With a well-educated society, it is expected to provide a good contribution and usefulness to the development of the country. Society is expected to reach the highest level of education, because it constitutes a fundamental aspect in a country. Indonesia issued Act no. 20/2003 about the National Education System which provides a guidance and direction for the implementation of education in Indonesia [2].

The highest level of education in Indonesia is at the university level. To ensure the implementation of the education process in universities runs well, the government of Indonesia issued a regulation with regard to the management of education in higher education. Ainun Naim (General Secretary of the Ministry of Technology and Higher Education of Indonesia) contends that a university is a place for the intellectual and wise people. Therefore, it is good to be able to comply with the existing rules. This also considers that universities have their own autonomy in managing their educational systems.

In 2012, Minister of Education and Culture Muhammad Nuh launched a concept of a good university governance. As higher educational institution in Indonesia, universities are expected to be the role models in implementing good governance. Muhammad Nuh asserts that with this declaration, the management of higher education will be better, transparent and accountable and contributing to the management of companies in general, as well as other educational institutions in particular. In the same year, the government established Act no. 12 of 2012 about Higher Education that regulate the management and organization of education conducted by universities [3].

A researcher pinpoints that the management of a university in Indonesia has high autonomy [4]. In addition, based on Act no. 12/2012 article 62, it is stated that higher education has the autonomy to manage its own institution as the center of the implementation of *tridharma* that is teaching, research, and community service [3]. Additionally, the autonomy of university as referred to article 62 covers academic and non-academic fields.

By applying the principles of good governance and in accordance with existing regulations, it is expected to have an impact to the organizational culture and management of universities. Director of the Directorate of Institutional and Cooperation of Directorate General of Higher Education, Hermawan Kresno Dipojono, asserts that building up a good academic culture in a university is not an instant process. One of the conditions required to achieve this is good governance of universities.

In managing universities, all stakeholders within the university should uphold the good governance that has been endorsed by the government. With good governance and culture in universities, it is expected to sustain the optimal performance achievement for universities. The achievement can be seen in terms of financial and non-financial terms. For universities that are non-profit organizations, non-financial performance is a major concern which can be observed in terms of *tridharma*.

Several studies have been conducted to see the relationship between culture and good governance in the organization. The view of the research is that organizational culture will have an impact on organizational governance. Different cultures will shape different governance.

In this study, we have different point of view that is the governance formed by a leadership of the organization, which can create an organizational culture as desired from the leaders of the organization. A good governance will create a good organizational culture as well. In contrast, improper governance leads to less effectivity of the organizational culture. Research on the relationship between good governance and culture is still scant as stated in some study [5,6].

This research is a literature review study in regard to good governance, organizational culture, and organizational performance of higher education in Indonesia. The purpose of this study is to describe the relationship from good governance to organizational culture and from organizational culture to organizational performance. Additionally, this research aims to present a conceptual framework of the relationship among good governance, organizational culture, and organizational performance of higher education in Indonesia.

2. LITERATURE REVIEW

2.1 Agency Theory

Agency theory is a contract between a person or more (called principal) who appoints another person (called agent) to perform services in accordance with the principal's interests, including the delegation of some decision-making authority to the agent. Agency theory basically governs the relationship between a group which gives work (principals) with the assignee (agent) to carry out the work.

Some researchers point out that agency relationships arise when one or more people (principals) employ another person (agent) to provide a service and then delegate authority to make decisions to the agent [7]. In the company, the managers as the organizers of the company certainly know more about the internal information and prospects of the company in the future than the owners or shareholders. Accordingly, managers have the obligation to provide information about the condition of the company to the owner. However, in this case, the information provided by the manager sometimes does not match the actual company condition. The information asymmetry between management (agent) and the owner (principal) can provide an opportunity for managers to make earnings management [8].

Agency theory can be applied in a university. Principal position and the existing agent at the universities are different from the company. For state universities, it can be assumed that the employer (principal) is the government, while for private universities, the employer is the foundation. The position of the assignee (agent) can be assumed as the structural leaders and academicians of a university. Some research on good governance in universities based on agency theory has been done by researchers [9,10].

Study aims to present findings from a national survey that the impact of new governance structures in German universities on academic teaching performance for professors [9]. The results show that there is no direct effect of the provision of new incentives on the academic teaching performance of the professor. A group researchers reported that the problem which is very important for universities is their highly dependence on the income sources derived from students [10]. It becomes a significant issue on the implementation of independent principles.

2.2 Stakeholder Theory

Stakeholder theory can be defined as several groups or individuals that can impact or receive impacts from the process of achieving organizational goals [11]. According to a researchers, the focus of stakeholder theory is defined in two questions [12]. First, what is the purpose of the company? This encourages managers to articulate a sense of togetherness of the value that managers make, and what brings stakeholders being together. This encourages companies to look at the future and to make it possible to for optimal performance.

Second, what responsibilities should management provide to the stakeholders? This encourages managers to articulate how they want to manage organizations to create the business managers want, especially how they want and need relationships with their stakeholders in order to meet the goals of the stakeholders. Some researchers argue that this theory focuses on the managerial decision-making process of the interests of all stakeholders who have intrinsic value and none of their dominant interests [13].

Universities are public and nonprofit organizations. Many stakeholders across the universities have different interests in the process of managing higher education. The stakeholders include students, students' parents, employees, government, graduate users, company, and alumni. Ideally, universities should consider the interests of stakeholders in implementing the management of education. Universities will strive to satisfy what the stakeholders desire and in accordance with existing regulations. Some research on university governance using the basic stakeholder theory has been conducted by many researchers [1,14-17].

A study reveals that results are consistent with the idea that faculty participation is important in decisions making because faculty members have better information and better incentives than administrators [14]. A group researchers conducted a study reporting that university governance structures are used as a basis for performance appraisal and system improvement and reflect the structure applied within the university [15].

A Study aims to examine the perceptions of staff and students regarding student participation in university governance and organizational effectiveness [1]. The results reveal that there is no difference in staff and student perceptions regarding the level of student participation in

university governance.

Some other researcher reported that political governance and financial governance, the participation of faculty, could influence the governance of state universities in the Philippines [16]. Likewise, that generally universities adhere the established standards and legislation set by stakeholders [17].

2.3 Good Corporate Governance (GCG) in Indonesia

The principles of GCG was coined by National Committee on Governance Policy in 2001 which was later renewed in 2006. Based on GCG principles, the government strives to develop principles of education management and implementation. The government issued Government Regulations no. 66/2010 and Act no. 12/2012 [18]. The differences and similarities of GCG principles and principles of education are as follows:

Table 1: GCG Principles and Educational Implementation Principles

GCG Principles	Government Regulations no. 66/2010	Act no. 12/2012
Transparency	Nonprofit	Accountability
Responsibility	Accountability	Transparency
Accountability	Quality Assurance	Nonprofit
Independence	Transparency	Quality Assurance
Equality and fairness	Fair access	Effectiveness and efficiency

Source: GCG Principles, Government Regulations no. 66/2010, Act no. 12/2012 [18]

There is a major difference between GCG principles and education organization which is nonprofit principle. In GCG principle there is no nonprofit principle as found in the principle of education implementation. Management of higher education has no main purpose to seek profit. The results of the fund management process for education are used for the development of human resources, facilities, and infrastructure of higher education. While in the company, the main purpose of the company's operations is to seek profit.

Another difference between the principles of GCG and the principle of the implementation of education is the principle of quality assurance. In the principle of GCG there is no quality assurance principle as found in the principle of education implementation. Educational institutions, especially universities, are institutions that create and produce graduates who are expected to have good competence and quality. To produce graduates who have good quality, it takes the learning process, curriculum, lecturers, facilities and infrastructure quality and standards that have been determined. Thus, in the education process there should be a quality assurance that the graduates produced will be in accordance with the standards and have a good quality.

2.4 Good Governance of Higher Education in Indonesia

An organization's governance refers to a set of mechanisms and processes that help to ensure that organizations are directed and managed to create a value for their owners and simultaneously to fulfill responsibilities to other shareholders (i.e., employees, suppliers, and society). Organizational governance systems are complex and how the complexity of organizational governance systems and the variety of governance mechanisms which interact to each other, as well as characteristics of situations when they operate to result in good (or bad) results, are not always well understood.

Good governance can be also applied in higher education. A good university governance reflects the success of universities that produce qualified graduates who are ready to compete in the globally. To achieve such graduates, it requires hard work and high discipline in educating, and teaching the cultural values and association of global society.

In article 19 of Act no. 20/2003, it is stated that higher education is organized with an open system [2]. Open system is defined as the work program and the implementation of higher education which can be known and understood by the stakeholders, especially students so such programs and systems can be known and understood well, nothing to hide. The open system also applies the financial usage obtained by the university. In article 24, it is cited that universities have autonomy to manage and

organize educational activities that include teaching, scientific research, and community service. With the authority of autonomy, the universities are free to organize the activities and finances that exist within the organization, so that necessary supervision and control that supports the creation of good university governance.

Table 1 indicates that there is a principle difference in Government regulation no. 66/2010 with Act no. 12/2012 [18]. In the Government Regulations no. 66/2010, there is a principle of fair access by providing formal education services to prospective students and students. In Act no. 12/2012, such a principle is replaced by the efficiency and effectiveness principles. Understanding efficiency and effectiveness is that the use of resources obtained by the university should be really on the goal targeted. Universities can find their own sources of funding, self-reliance, and autonomy, which can be derived beyond the admission of student. These funds can be obtained from the government grants (i.e., research grants and non-research), donors, foundations, and collaboration with institutions or companies within the country and abroad. Funds obtained should be used in accordance with the objectives of the implementation of education, development of targeted resources.

Act no. 12/2012 about Higher Education can be used as a guide to state that a university has fulfilled good governance [3]. The article to be used as a reference that is article 63 which states the principles in the management of universities autonomously. The principles are as follows:

2.4.1 Accountability Principle

Understanding accountability is the commitment of universities to report their all activities carried out in the process of organizing education to stakeholders. To support this accountability of universities, it is necessary to clarify the mission and goals of universities which refers to the mandate of the government. The process of management and organization of higher education should also be supported by the permission of university establishment and the implementation of the study programmed.

Universities have stakeholders who have their own interests. Students want a quality of education, employees want conducive conditions in the activities of service to students, the business environment wants graduates who are well educated, the government wants the implementation of education, which includes *tridharma*, can run well [19]. Given these various interests, then university leaders should be able to consider the various interests in decision making so that stakeholders know with certainty the purpose and the process of making a decision.

2.4.2 Transparency Principle

Understanding transparency constitutes an openness of relevant information about the activities and processes of the implementation of education accurately to stakeholders. To support this transparency of universities, it is necessary to apply check and balance mechanism and to avoid conflict of interest and multiple positions. Organizational structure, Academic Senate of universities, and faculty can control the activities and work plans of the rector and dean.

Universities in Indonesia have great autonomy in organizing the educational process [4]. According to a study, the autonomy of a college may include recruitment and promotion of employees at all levels and sections, approving the opening of new study programs or institutes / departments, conducting and selecting research activities, and determining direction, vision, mission and policy College [19]. With high autonomy in the university, the activities and the implementation process are determined and decided by the leaders of the universities concerned. Whatever activities and work programs undertaken by universities / colleges, should be communicated openly so that transparency principles in universities can be achieved.

2.4.3 Nonprofit Principle

Non-profit is the implementation of education is not intended to seek profits so that funds obtained are used to improve service quality and development of infrastructure facilities so as to support the establishment of qualified graduates. Another understanding is that all remaining budget activities should not be distributed, should be reinvested for quality improvement and higher education development.

Universities are institutions engaged in services in order to form an educated person. Both state and private universities have autonomy to manage their finances. State universities are responsible to the government, while the private universities are responsible to the foundation. It is hoped that both universities do not justify any means to

seek funds and profits only solely motivation from certain parties for their interests. Management of funds obtained by universities should still pay attention to the interests of various stakeholders that exist around the college.

2.4.4 Quality Assurance Principle

Understanding quality assurance is the activities, work programs and services of universities implemented by meeting / exceeding national standards and continuously strive to improve the quality of education services. To support the quality assurance of universities, then established Internal Quality Assurance System and external in the form of accreditation of study program and accreditation institution. Other supporting activities include lecturer profession certification, student feedback, graduate study tracer, and user survey.

Universities are institutions in the field of services that produce qualified and educated graduates. That's what all parties expect. The process of management and implementation of education is guided by the predetermined standard of education so that the graduates produced have the standard quality according to the expectations of the stakeholders. The end result of the process of education is graduated quality and in accordance with the standards. For that, it takes the cooperation of all parties within the university. Not just the task of educators, but all parties in service delivery also play a role in quality assurance.

2.4.5 Effectiveness and Efficiency Principle

Understanding the effectiveness and efficiency is the activities and work programs of universities that use various resources strived to be on target and does not occur waste. In the organization of education, universities need resources and funds to be able to provide optimal services. Funds obtained can be derived from the admissions of students, government, foundations, institutions / companies, and donors. Universities have the autonomy and independence to obtain these funds. Funds obtained should be used as well as possible to support quality education process.

Research in regard to university governance has often been done. In America, research in university governance has been done since the 1970's [20,21]. Research in Indonesia related to the variable of university governance principle has been done by several researchers. A study aims to explain the role of state university as an institution which a source of income for the government [10]. As the institution of the public service agency, the results of this study indicate the application of good governance principles in generating revenue there are still problems such as non-optimal legal compliance by the university as the implementation of law-abiding principles, the implementation of a one-door system in financial management as a form of problem in applying the principles of accountability and transparency. This study found out that university governance principle based on corporate governance has not had an impact on performance. A researcher conducted a study using the autonomy and accountability variables associated with the managerial performance of universities [22].

To our knowledge, research on good governance of universities in Indonesia no one uses the five principles based on Act no. 12/2012 as a measure of good governance [3]. This encourages me to use good governance measurements according to these five principles in subsequent research.

2.5 Higher Education Performance

Public organizations are organizations established with the aim of providing services to the public. This causes the public organization to be measured by its effectiveness and efficiency in providing services to the public. Although public organizations are not for profit, the organization is made up of interrelated units that share the same mission of serving the community.

Performance measurement is defined as the process of quantifying the efficiency and effectiveness of action. Performance measurement requires alignment with the organization's mission, policies, and objectives [23,24]. Universities help to improve the nation's knowledge base and play an important role in shaping the nation's future. Universities need strategic planning. Strategic planning describes the direction from the present position to the desired position in the future that is translated into its vision. Colleges are now facing a competitive market. It has implications for the utilization of its resources in order to attract market interest.

Performance measurement is defined as a financial or non-financial measure used at various levels within an organization to evaluate success

in achieving their goals, key success factors, strategy and planning [25]. The purpose of performance measurement is to meet the expectations of stakeholders through measurable quantitative results. In general, the measurement of organizational performance is measured using financial indicators. To complement the measurement of financial performance, non-financial measurements have been developed to assess the non-quantitative aspects of the organization's activities.

Research on the performance of universities has been conducted by several researchers. Study shows the result that when state universities receive substantial funds, they generate more patents if they are more autonomous and gain competition from private universities [26]. A researcher uses a university performance variable proxied into the university ranking variables and funds held by the faculty [14].

In a study states that although students lack the power in decision making, but students are customers in the system of higher education [15]. They pay a fortune to get results commensurate with costs incurred. Students are often invited to university meetings and seek advice from them. A study showing the result that organizational governance variables negatively impacted financial performance when policy and decision making were significant predictors of financial performance [27]. Some researcher use the dependent variable that is performance measured using quality and relevance, research capability and output, services to the community, and management of resources [16].

2.6 Organizational Culture

A researcher puts the definition of culture as a collective programming that distinguishes members from one another in groups or categories / characteristics of one person to another [28]. Culture is the result of complex and partially influenced group learning processes by the behavior of leaders [29]. Culture is always associated with collective phenomena. In each group there are various individuals who have various characteristics or categories.

Organizational culture is a shared system and meaning shared by its members that distinguishes organizations from other organizations [30]. In a study state that organizational culture is a cognitive framework consisting of attitudes, values, norms of behavior and expectations shared by members of the organization [31]. A study also states that organizational culture is an individual way of looking at what's happening within their organization [28]. Organizational culture is in a work environment or practice within the organization.

Organizational culture within a company is certainly different from the organizational culture owned by other companies. This is because in the culture of the organization reflects the personality or characteristics that distinguish the organization with other organizations. These characteristics can be in the form of visible things such as organizational rules or can also be things that are not visible as the mindset of the organization. These characteristics directly describe the organizational culture.

The culture that the leader creates is vital. Organizational culture is used not to win awards or make employees satisfied, but to drive the results of business and achieve maximum performance [32]. Research and observers have recognized that organizational culture has a strong impact on the organization's long-term performance and effectiveness [33]. Organizational culture has become an area for researchers and organizers of organizational concepts to be able to provide guidance and direction for managers who seek ways to improve the effectiveness of their organizations.

Based on some argument of organizational culture according to some experts above, it can be concluded that organizational culture is anything that contains values, symbols, rituals, attitudes, and some practices within organizations that are shared by members of the organization as a guide to action which then affects the way work and behave from members of the organization. Organizational culture shows a certain identity how the organization works according to the value held so that organizational culture can distinguish one organization with other organizations.

Research on culture has been done by many experts. One instrument used as a cultural dimension is the cultural dimension proposed by Hofstede [34-36]. The cultural dimension conveyed by Hofstede is a national culture. This cultural dimension is often used by researchers to examine the organizational culture. First study on the organizational culture in university conducted by a researcher [37].

A research with the aim to exposing the framework in diagnosing the

culture within the university so that the issue of dissent can be overcome [37]. Tierney states that culture influences the making of decisions. The culture of the organization reflects what it does, how to do it, and who does it. It is related to decisions, actions, and communication between levels within the organization. The organizational culture framework will provide administrators with the ability to articulate issues better and solve existing problems within the organization to improve organizational performance. Understanding organizational culture will help administrators in resolving potential conflicts and manage change more effectively and efficiently. This research produces organizational culture framework that exist in university:

Table 2: A Framework of Organizational Culture

Environment:	How does the organization define its environment?
	What is the attitude toward the environment?
	(Hostility? Friendship?)
Mission:	How is it defined?
	How is it articulated?
	Is it used as a basis for decisions?
	How much agreement is there?
Socialization:	How do new members become socialized?
	How is it articulated?
	What do we need to know to survive/excel in this organization?
Information:	What constitutes information?
	Who has it?
	How is it disseminated?
Strategy:	How are decisions arrived at?
	Which strategy is used?
	Who makes decisions?
	What is the penalty for bad decisions?
Leadership:	What does the organization expect from its leaders?
	Who are the leaders?
	Are there formal and informal leaders?

Source: Tierney (1988) [37]

2.7 Good Governance and Organizational Culture

An understanding of the relationship between good governance and organizational culture has not been widely shared by researchers. Researchers are more likely to examine the relationship between culture and good governance. In the conceptual framework of this study, I want to explain that there is a relationship between good governance and organizational culture. The concept of thinking has also underpinned some of the opinions and research that have been done before.

Director of the Directorate of Institutional and Cooperation of Directorate General of Higher Education, Hermawan Kresno Dipojono, said to build a good academic culture in a university requires a not instant process. One of the conditions required to achieve this is good governance of universities.

The Indonesia Corporate Governance Manual First Edition states [38]:

- To realize a moral attitude in running a business, companies must formulate business ethics that has been agreed by the organization and all employees. The ongoing implementation of business ethics is a corporate culture that is a manifestation of company values.
- The ongoing implementation of corporate values and business ethics will support the creation of corporate culture.

From these statements, it can be seen that business ethics or corporate values that result from the governance of an organization will have an impact in the creation of an organizational culture. It is expected that good and continuous business ethics and corporate values will shape a good

organizational culture as well.

A researcher conducted research with the aim of providing a better understanding of the logical structure of governance and cultural relationships [5]. The results of this study introduce a comprehensive approach that combines governance and organizational culture into one analysis. The analysis is known as The Culture-Based Governance Analysis. Governance analyzes existing structures in the environment including their quality and intensity, while the culture is used to analyze the underlying mindsets and ideas of the stakeholders involved.

Study aims to demonstrate the importance of organizational culture as a source of long-term sustainability of organizational values [6]. The researchers also described a balanced relationship between governance and culture. This is because the behavior patterns implicitly employed by employees can be reinforced by corporate governance standards that are at this point a critical point in finding their balance equally appropriately. The results of this study indicate that investors need to consider the balance of governance and culture with caution if the goal is the creation of long-term value is sustainable. Strong and good governance is not always the best solution for corporate flaws. Another factor to consider is the culture within the organization.

2.8 Organizational Culture and Organizational Performance

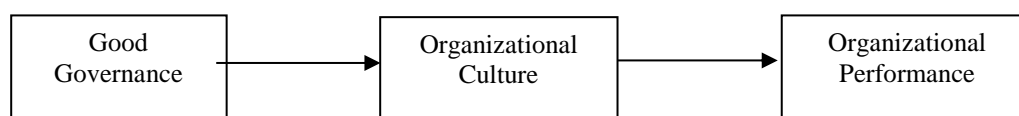


Figure 1: Conceptual Framework

Figure 1 describes that a good governance influences organizational culture, while organizational culture affects to performance. In this literature study, the organization used as an object in the explanation of the framework is a university especially in Indonesia.

Universities that have good quality are believed to provide qualified graduates. The quality of higher education can be seen from the academic quality and quality of administrative services. Related to the quality of administrative services there are two important aspects that need to be considered namely the aspects of management and culture applied in the college concerned. According to Antonius, Chief Product Officer of Job planet Indonesia, stated that aspects of management and culture of universities play a role in determining the quality of administrative services in universities.

The quality of higher education is important to support the students' selection. At present, prospective students can assess the quality of college from various sources. The quality of a college is not something that a university gained from the government or other outside parties. Universities must realize that the quality of higher education stems from the internal organization by considering the quality of lecturers to the learning system found in universities. Improving the quality of human resources must start from the quality of higher education.

The organizational culture in the university is different from the organizational culture in the company. In the company, the relationship between management and staff is hierarchical. Culture that exist in college is collegial culture. The relationship between the rector, the dean, the head of the study program is collegial. In higher education, there is a leadership rotation. The Rector will one day become a regular faculty member and become a colleague. This is what makes college culture interesting to studied.

Governance can have an impact on the formation of organizational culture. Good governance is expected to form a good organizational culture as well. Within higher education, governance and culture will support the creation of a college quality that will have an impact on the performance of universities. The quality of higher education is reflected in the quality of lecturers, good learning systems, the quality of graduates, research and publications undertaken, and administrative services. These things will directly support and support the performance of universities viewed from the financial and non-financial aspects. Based on the existing research review literature, the opinions of experts, and the thinking of the researcher, a conceptual framework set forth above can be used as a basis for empirical research.

4. CONCLUSION

The first quantitative study that links between culture and performance [39]. The results suggest that firms with higher positive perceptions in the work environment will have a better performance impact compared to lower positive perception firms. A study that produced evidence of the existence of four cultural traits: involvement, consistency, adaptability, and mission [40]. These four properties are positively related to performance measured by ROA and sales growth.

A researcher states that culture influences decision making [37]. Organizational culture reflects what it does, how to do it, and who does it. Understanding organizational culture will help administrators to resolve potential conflicts and manage change more effectively and efficiently. Some researchers are using the latent variables of organizational culture are organizational structure and purpose, organizational values, task organization, climate, and individual values and beliefs [41]. The results show that there is a relationship between organizational culture variables and organizational performance.

3. PROPOSED FRAMEWORK OF GOOD GOVERNANCE, ORGANIZATIONAL CULTURE, AND ORGANIZATIONAL PERFORMANCE

Of all the studies described above, we attempt to propose a conceptual framework model that may be developed and proven by empirical research. The conceptual framework is described as follows:

Organizational culture is an important thing to be considered in supporting organizational performance. Organizational culture varies between organizations that are likely to have different performance impacts. Good governance is developed and implemented so that the governance in universities become well-controlled in accordance with Act no. 12/2012. Good governance and standardized will form a good organizational culture so as to realize the performance of a good college as well.

The conceptual framework proposed by the researcher is based on literature review, expert opinion, and thought of the previous researchers. This conceptual framework will become strong and become a new theory with empirical research to prove it. It is a task for researchers and me to prove it. We hope that the results of this exposure can shed more light on the further research.

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