

Effect of Good University Governance and Organizational Commitment on the Performance of Private Higher Education Institution

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Abstract—This study analyzed the effect of good university governance and organizational commitment on private higher education institution performance. Performance indicators used on this research was adopting the Kanji's Business Excellence Model indicators. The research took place in one of private higher education institution in Malang, Indonesia. The population and samples were drawn from full-time employees and possessed leading position in the university's units. The research employed quantitative method by developing valid and reliable questionnaire survey to collect empirical data. The constructs were measured by 1 to 5 Likert scale and the scale represent the rank of strongly disagree to strongly agree. Furthermore, the data were analyzed using Structural Equation Modelling (SEM) analysis tool based on the variant and Partial Least Square (PLS). The results showed that the implementation of good university governance principles had a significant and direct effect on organizational performance. However, organizational commitment had no direct effect on organizational performance. Based on these results, Universitas Ma Chung is encouraged to fully implement the principles of good university governance in order to have a better result in organizational performance, started from the perception of their own internal stakeholders.

Keywords—good university governance; organizational commitment; organizational performance; Kanji's business excellence model; private higher education institution

I. INTRODUCTION

Entering the Industry 4.0 era where digitalization and robotics are undergoing very massive development, higher education in Indonesia has a formidable task to prepare its workforce to face this condition. Following the mandate of the Higher Education Law in 2012, higher education should have a strategic role in educating the nation's life and advancing science and technology. Universities, both state-owned and private organize higher education in Indonesia. Over 95% of tertiary institutions in Indonesia are private universities [1], and accommodate almost 75% of students in Indonesia [2].

The reputation of universities is one of the main factors that influence the decisions of prospective students in choosing

private universities. This reputation is represented by the accreditation of study programs, institutional accreditation, international accreditation, national and international awards, and other factors [3]. Meanwhile, 77.9% of PTS in Indonesia are still below the quality standards [4]. According to Henard and Mitterle, governance is a vital instrument, along with funding and other factors, to develop and maintain the quality of higher education [5].

Measurements on the quality of higher education, as well as applied in the Study Program Accreditation and Accreditation of Higher Education in Indonesia, are often carried out with performance indicators. The performance measurement approach based on the quality concept was carried out by Kanji through the concept of business excellence measurement [6]. Not only considering performance perceived by external parties, but also examining the perceptions of the internal parties of the organization itself. In the university environment, the internal stakeholders are university employees, both lecturers and education staff, the essential component in building the quality of higher education.

Successful organizations depend on the high performance of their employees to meet their objectives [7]. Organizational commitment is defined as a willingness of the employee to exert considerable effort on behalf of the organization [8]. This concept is also believed to apply to higher education environments, where organizational commitment from internal stakeholders will be able to drive the performance of higher education institutions. Employees who have high commitment are also the key to institutional development for non-profit companies whose salary scale is not competitive [9]. Private universities are organizations that are categorized as non-profit organizations whose salary level is still less competitive compared to profit organizations. According to Meyer and Allen, commitment to an organization is a multidimensional construct comprising three components: affective, normative, and continuance [10].

To build a competitive Indonesian private university that can contribute optimally to the world of higher education in Indonesia, the research on the effect of good university

governance and organizational commitment on the performance of this organization is carried out. By knowing the influence of the two things which are internal factors of this organization, private universities that are identical with limited resources and are very dependent on income from students can focus on improvement efforts that must be done.

This research was conducted at a private university in Malang, Indonesia, namely Ma Chung University. This private higher education institution is ranked 125 out of 2010 tertiary institutions in Indonesia and is in a cluster of 3 [11], which shows that the institution is in a healthy condition and meets the quality standards set by the Ministry of Research, Technology and Higher Education.

II. METHODS

A. Population and Sample

The population of this study comprise of all of the employees in the Universitas Ma Chung. From 156 employees, 36 employees in a leading position were purposively chosen as the respondent on this research.

B. Method of Data Collection

This study involved quantitative research and was carried out based on primary data. The information was sourced using a close-ended questionnaire to collect information from representative samples. Likert scale of 1 – 5 which ranges from “Strongly Disagree” to “Strongly Agree” was applied in the questionnaire to identify responses. The numerical values were given for the purposes of quantification of variable as follows:

- 1 = Strongly Disagree
- 2 = Disagree

- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

The question in the questionnaire are straight forward and close ended questions. This research instrument was divided into four sections: 1) General Information, 2) Good University Governance, 3) Organizational Commitment, and 4) Organizational Performance. The questionnaire was carefully designed by combining literature and adopting some established questions from the prior research, especially in the part of organizational commitment and organizational performance adopting Kanji’s Business Excellence Model.

C. Method of Data Analysis

There were two parts to the data analysis: 1) analysis of general information of the representative samples through frequency distribution and percentage, and 2) analysis of seven variables of a good university governance, the three variables of organizational commitment, and the four variables of organizational performance adopted from Kanji’s Business Excellence Model indicators (see Figure 1) [6]. The good university governance and the organizational commitment variables were reflective latent variables, whereas the organizational performance variables was formative latent variables. The hypothesis model and empirical data were analyzed using varianced based structural equation modeling (SEM) or usually referred to as PLS – based SEM, where PLS stands for “partial least square”. Further, PLS was chosen as it has lower data quality requirements and allows a better data prediction. The software used on this research was WarpPLS 6.0.

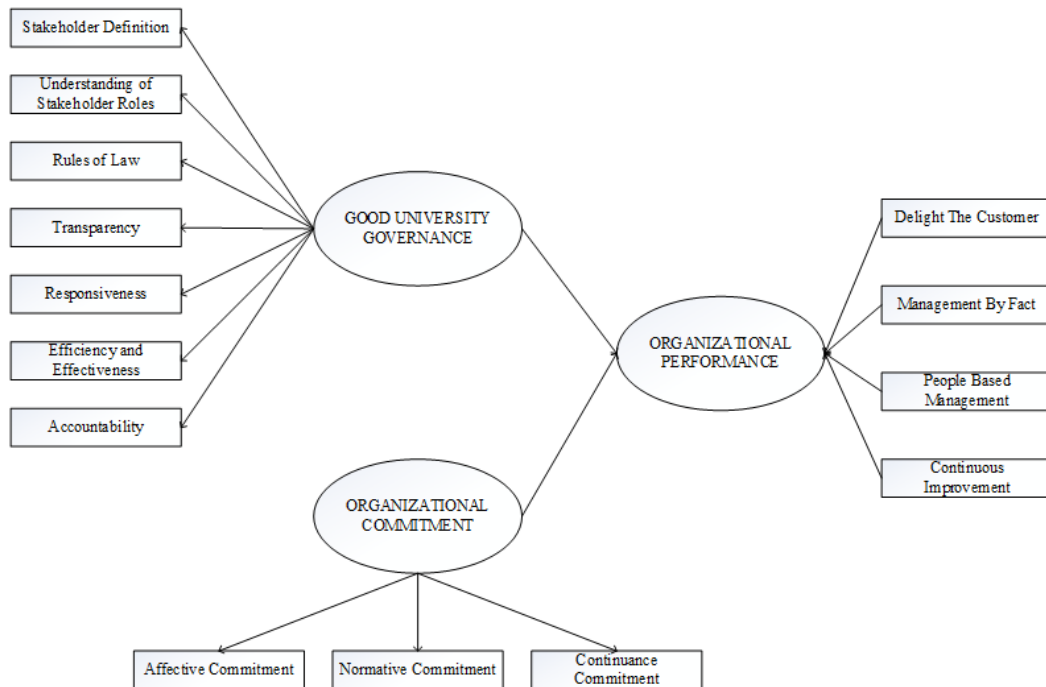


Fig. 1. Framework of the study.

III. RESULTS

A. Result of General Data Analysis

Data were collected from 32 units leader in Universitas Ma Chung. These samples included both male and female respondents from every period of employment, leading experience, and educational level. The results of the primary data analysis of the representative sample showed that the number of male and female in a leading position were equal and more than half of the respondents holding minimum master degree was male. Frequencies and percentages are shown in Table 1.

TABLE I. GENERAL DATA ANALYSIS

Description	Frequency	Percentage
Sex		
Male	16	50.00
Female	16	50.00
Work Experience (years)		
1-4	4	12.50
5-8	12	37.50
>8	16	50
Academic Degree		
Doctoral degree	3	9.37
Master degree	15	46.88
Bachelor degree	14	43.75

B. Evaluation of Measurement Model

The relevance of a measurement model's reflective constructs can be checked by determining the indicator reliability, convergent validity and discriminant validity. An indicator stated to be valid, if the outer loading coefficient is

between 0.60 - 0.70. But for an analysis whose theory is unclear, the outer loading 0.50 is recommended [12]. The rule of thumb used for convergent validity is outer loading > 0.7, communality > 0.5 and Average Variance Extracted (AVE) > 0.5 [13]. The value of the loading factor from the estimation model from this study can be seen in Table 2.

TABLE II. LOADING FACTOR OF THE ESTIMATED MODEL

Construct	Indicators	Loading Factor	P Value
Good University Governance	Stakeholders Definition	0.796	<0.01
	Stakeholders Roles	0.752	<0.01
	Rules of Law	0.831	<0.01
	Transparency	0.811	<0.01
	Responsiveness	0.709	<0.01
	Efficiency and Effectiveness	0.786	<0.01
Organizational Commitment	Accountability	0.720	<0.01
	Affective Commitment	0.828	<0.01
	Normative Commitment	0.779	<0.01
	Continuance Commitment	0.793	<0.01

Discriminant validity is related to the principle that different construct should not be highly correlated. The method for assessing discriminant validity is by comparing the roots of Average Variance Extracted (AVE) for each construct with a correlation between the construct and other constructs in the model. The model has sufficient discriminant validity if the root AVE for each construct is greater than the correlation between constructs and other constructs in the model [14]. The result can be seen in Table 3.

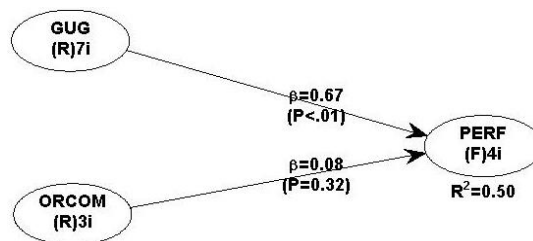


Fig. 2. Structural model of the research (WARPLS 6.0).

TABLE III. AVERAGE VARIANCE EXTRACTED AND INTERCORRELATIONS

Construct	Good University Governance	Organizational Commitment
Good University Governance	(0.773)	0.509
Organizational Commitment	0.509	(0.800)

Composite reliability and Cronbach's alpha is a measurement of reliability between indicator blocks in the research model [15], with the Cronbach's Alpha value criteria greater than 0.60 and the composite reliability value greater than 0.80. In addition, Ghazali and Latan also reveal that a measurement can be said to be reliable, if the composite reliability and Cronbach's alpha has a value greater than 0.70 [12].

TABLE IV. COMPOSITE RELIABILITY AND CROBACH'S ALPHA

Construct	Composite Reliability	Cronbach's Alpha
Good University Governance	0.912	0.887
Organizational Commitment	0.887	0.719

This study forms a formative latent variable, namely the dependent variable Organizational Performance whose indicators are adapted from the Kanji's Business Excellence Model (KBEM) approach. Measuring validity and reliability in the formative construct cannot be done by converging validity tests or discriminant validity tests performed on reflective constructs. This happens because indicators in formative latent variables do allow to have high scores with latent variables and with each other [16,17].

The indication of the validity of formative variables can be seen from the weight of the indicator (weight indicator). The P-value in the weight indicator is associated with the formative latent variable. Multiple regression analysis, that indicators that have a P-value lower than 0.05 are considered valid items in the measurement of formative latent variables. Indicators that weigh cannot be used for model measurements. The result can be seen in the Table 5.

TABLE V. INDICATORS WEIGHTS OF ESTIMATED MODEL

Construct	Indicators	Loading Factor	P Value	VIF
Organizational Performance	Delight the Customer	0.321	<0.01	2.023
	Management by Fact	0.277	<0.01	1.495
	People Based Management	0.311	<0.01	1.925
	Continuous Improvement	0.317	<0.01	1.990

C. Analysis of Structural Equation Model

The evaluation of structural model done by calculated all of the path coefficients, the respective significance levels as well as the endogenous constructs' coefficients of determination, often denoted as R² values (See Fig. 2). By taking the perceived path coefficients and their respective significance levels into consideration, it was found that good university governance implementation ($\beta = 0.67$; $p < 0.01$) positively influence the organizational performance. On the contrary, the analysis of variables relating to organizational commitment of the employee and organizational performance showed no significant statistic of influence ($\beta = 0.08$; $p = 0.32$).

The results from the model analysis show that the effect of good university governance and organizational commitment to give organizational performance R² value of 0.502. It can be interpreted that the variable construct organizational performance can be explained by variable construct good university governance and organizational commitment of 50.2%, while 49.8% is explained by other variables outside studied.

The overall effects related to the good university governance and organizational commitment influencing the organizational performance are expressed in Table 6. From Table 6 below it is known that the effect size produced by the Organizational Commitment variable on Organizational Performance is 0.029, lower than 0.15 so that it is included in the low category. Furthermore, the effect size produced by the variable Good University Governance on Organizational Performance is 0.473, the value is above 0.35, so it falls into the high category.

TABLE VI. THE EFFECT SIZES OF THE VARIABLES

Construct	Good University Governance	Organizational Commitment
Organizational Performance	0.473	0.029

IV. DISCUSSION

A. Structural Equation Modelling of the Research Influencing Latent Variables

The main objective of the study was to investigate the impact of a good university governance implementation and

organizational commitment on organizational performance using a structural equation model.

According to Rai, one of the importance of the good governance is increasing the accountability and performance management that enables confidence in the organization [18]. The application of the principles of good university governance may affect organizational performance was consistent the research of Pituringsih [19], Muktiyanto [20] and Astrina [21], who stated that the implementation of good governance principles will bring positive impact to the enhancement of organizational performance. By implementing good university governance, the performance of the university which predicted using KBEM's factors will show positive trend.

From the results of testing the outer loading it is known that organizational commitment reflected more affective commitment from employee in a leading position at the University. Affective commitment reflects a need for employees to maintain in an organization as a result of work experience that has created a sense of comfort and special for employees [22]. Affective commitment is related to the view of professionalism, namely service to the profession, which is an emotional attachment to the organization where employees identify with the organization and enjoy membership in the organization [23].

The results of this study are per the findings of the previous study, Astrina who found that organizational commitment did not significantly influence the performance of private universities [21]. However, on the contrary, the results of this study do not support the research findings of Aisyah et al. who found that organizational commitment had a significant and positive effect on the performance of local governments [24]. Kurniawan found a robust organizational commitment capable of encouraging the performance of community organizations [25]. Besides, the research conducted by Sari also found that organizational commitment had a significant effect on company performance positively [26].

To complement the result of inferential statistical analysis, this research also concluded the result of interview with the Head of Human Resource Department in Universitas Ma Chung and the Vice Rector of Student Affairs and Partnership. Based on the observation and experience, the Head of HR Department stated that rule enforcement, will surely reflects the implementation of GUG. The background was because the university started from relatively lack of rules in their early years, and after the rules already created, it needed some effort to make it obeyed by all the university staffs. The staffs value most when they found out that the management able to make all the university staffs comply the rules. This opinion fit with Farazmand, which stated that constitution is a blueprint and the most important structural dimension in the concept of sound governance [27].

Meanwhile, Vice Rector of Student Affairs and Partnership argue that more than 80% of the respondents are working more than 5 years in the university. As the definition of affective commitment mentioned by Luthans, employees on this stage usually have a sense of comfort and feel special [22]. This condition suspected to make them entering their comfort zone. This comfort zone will lead them to be more static and lack of

innovation. The KBEM concept of performance emphasize on continuous improvement [28], it can be understood that even though the organizational commitment is getting higher, it would not effect the organizational performance.

V. CONCLUSION

From this study, it can be concluded that the implementation of good university governance has a direct effect on organizational performance. The structural equation model of this study revealed that rule of law is the best indicator reflected good university governance. However, organizational commitment had no direct effect on organizational performance.

Based on the result of this study, Universitas Ma Chung as the object of this study should consider fully implementing good university governance on its organization to improve the quality and performance of the organization. This study focused on the quantitative research. It is recommended to do some qualitative research on this topic so the higher education institution will gain more information about the topics. Other factors that may bring effect on organizational performance from the side of KBEM is leadership, the prime of Kanji's business excellence concept. In addition to that, the concept of organizational performance may be completed with the external viewpoint.

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