

Importance of the Theory of Transformative Leadership in Higher Education

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Abstract: Conceptually, this study seeks to describe ideas of elements that impact Good University Governance. Good money management was covered extensively in college. There are still a lot of different approaches to implementing financial governance at this temporary institution. There is a need for a more thorough evaluation of the role that internal and external factors play in the effective implementation of financial management in universities, as these two categories describe the various elements that impact the management system's ability to incorporate financial governance. Organizational culture, management competency, organizational dedication, leadership, internal audit effectiveness, and accounting system application are some of the numerous factors that impact a university's ability to practice good governance, which is defined as the implementation of measures to increase transparency and public accountability.

Keywords: Efficient financial management, sound university administration, and accounting

1. Introduction

The idea of good university governance (GUG) is one that is now becoming commonplace in the establishment of institutions. Indeed, this idea is a spinoff of good governance, which is a broader notion of governance. Good University Governance is therefore comparable to Good Corporate Governance or Good Governance in General. The main distinction is that Good University Governance aims to create a community that upholds ideal ideals and focuses on knowledge transmission and conservation, whereas the other approaches aim to achieve other ends.

In order to promote the development of efficiency, openness, and conformity with laws, colleges need good corporate governance. Good corporate governance requires the backing of three interdependent parties: the community as stakeholders and consumers of businesses' goods and services, the business community (including universities) as market participants, and the state and its regulatory instruments (Kunami, 2007). Financial management is one of many facets that make up good governance in universities. The new challenges faced by Indonesian universities, both public and private, include areas such as public accountability, financial management, academic freedom in curriculum development, and the cultivation of new sources of productive funding (Aristo, 2005).

The autonomy of universities as centers of higher education, scientific research, and community service was guaranteed in article 24 paragraph (2) of Law on National Education System (Sisdiknas) no. 20 of 2003. Paragraph 3 states that towns whose administration is based on the idea of public responsibility may provide colleges with financing. Education is a joint duty of the government, parents, and the society, according to the National Education System Law. This includes higher education as well as basic and secondary education. It follows that the general populace has the legal authority to form and direct institutions of higher learning in accordance with existing statutes and policies.

Article 48 of the National Education System Law No. 20/2003 outlines the values of fairness, accountability, and honesty that must underpin the administration of the college fund, which in turn requires general budget openness to the public. One of the fundamental principles of moving a university to GUG is the notion of responsibility and openness. Finding the ideal college model in close proximity to academics Misbahul Anwar and Suryo Pratolo (2012) is motivated by grasping the fundamentals of GUG. The academic process, resources, and other governance processes can be swiftly and appropriately

supported by good financial governance, according to Misbahul Anwar and Suryo Pratolo (2012). This mechanism begins with planning, financial administration, financial reporting, auditing, and the implementation of incentives and punishments.

2.Literature Review

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

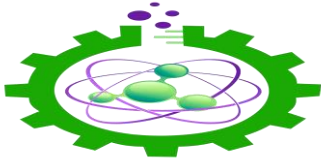
In terms of financial governance, Julnes and Holzer (2001) point out several factors that affect the implementation of financial governance systems that include the existence of internal provisions, resource availability, access to information, orientation (agreement) of goals, external provisions requiring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

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

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

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

In order to create an organization with high performance requires a high management commitment from the leadership and staff to achieve the desired results (GAO, 2001). GAO (1997) states that the implementation of a results-oriented management system will not work without a strong commitment from its personnel. In the context of good financial governance, Shields (1995) in Cavalluzzo and Ittner (2003) states that management commitment can be mirrored by allocating resources, objectives, and strategies to



valuable plans; reject resources that hamper innovation; and provide the political support necessary to motivate or suppress individuals or other parties who deny innovation. Thus, the existence of a high management commitment will enhance performance accountability (Artley, 2001) and the use of performance information (The Urban Institute, 2002). Cavalluzzo and Ittner (2003) also argue that management commitment positively affects the development of performance indicators, performance accountability and the use of performance information generated by the application of sound management systems. Technology is one of the key factors that influence the successful implementation of an information system. Organizations that do not have appropriate and adequate technology will usually have difficulty designing, implementing, and evaluating products or services that have been generated (Poole et al., 2001). On the other hand, organizations with better quality information systems will be able to implement organizational governance systems more easily than organizations with poor information systems due to lower governance costs as stated by Krumwiede (1998) in Cavalluzzo and Ittner (2003). Some research results in the public sector indicate that the information system problem represents a major obstacle to the successful implementation of an organizational governance system. This is related to the limitations of existing information systems capabilities to provide reliable, valid, timely and cost-effective data. Kravcuk and Schank (1996) point out that public sector organizations often face serious problems in financial governance due to various problems in information systems such as differences in data definition, technology, accessibility, and the amount of data obtained. The use of performance measurement systems for accountability and support for decision-making is likely to be limited because of the limitations of information systems will prevent managers from obtaining timely and reliable data. According to Cavalluzzo and Ittner (2003), the limitations of information systems in an organization negatively affect the development of organizational governance systems.

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

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

generated by the implementation of performance measurement systems.

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

and situations and are communicated and shared among people in a careful context.

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

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

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

Vijay Kelkar (2009) states that the accounting framework has an impact on the quality of governance. Another study was conducted by P. Brown et al (2010) which states that there is a positive relationship between good governance and accounting quality. Mardiasmo (2002) states Good governance and accounting in the public sector have a strong relationship, where public sector accounting as a tool for elaborating good governance to a more realistic order. Furthermore, Mardiasmo (2006) states that public sector accounting, articulated through management accounting, financial accounting, and public sector auditing, is very urgent for development and application as a tool to realize transparency and public accountability in achieving good governance. The results of research conducted by Urif Santoso and John (2008) who found evidence that the application of public sector accounting effect on good governance in this case to the government accountability. Similarly, Eka (2012) research finds that the accounting publication in public sector in City Device Work Unit (SKPD) of Medan City has a significant effect on Good Governance.

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

organizational performance, or its role in avoiding organizational failure by ensuring that the governance of the company is well-executed.

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

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

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

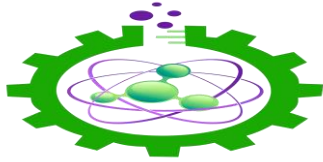
rather than top-down power (Ramsden, 1998). Therefore, academic staff is involved in facing new challenges. In addition, academic and administrative staff are encouraged and supported together for the creation of a cooperative and professional culture so that existing problems can be solved more effectively.

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

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

2. Conclusion

Because of its central role in driving human progress toward a more creative, innovative, and responsive future, higher education must continuously innovate to remain relevant and meet the challenges of an ever-

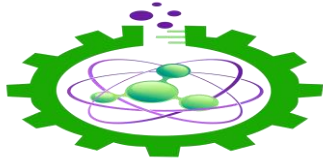


changing world, and it must periodically reform its governance to keep up with these changes. In the near future, there will be a great deal of financial management responsibilities placed on educational institutions, which will make it extremely difficult to do things like decide how much tuition students will pay and then convey that information to their families and the community. To be competitive, university budgets must adhere to the tenets of equity, efficiency, openness, and public accountability while also raising the bar for the caliber of graduates. That is why a university must adhere to the rules of good university governance while putting it into practice.

Several factors are said to impact the implementation of good financial governance and GUG, according to the literature review. These factors include personal factors, such as management competence and commitment, internal policy factors, like the effectiveness of accounting practices and decision-making authority, the external environment, which includes competition among universities, regulation of universities, and societal interest, and information system factors, like information technology and access to it.

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