

**IMPLEMENTATION OF GOOD UNIVERSITY GOVERNANCE AND  
INTELLECTUAL CAPITAL IN UNIVERSITY CONTEXT  
(CASE STUDY AT MERCU BUANA UNIVERSITY)**

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**Abstract**

*This study aims to determine the implementation Good University Governance (GUG) and Intellectual Capital (IC) at the University with the unit of analysis at Mercu Buana University. The data used are primary data using questionnaires. The population in this study is all structural officials in the University environment. Using stratified random sampling in which only the structural officials who became the study sample, from all questionnaires distributed, only 60 were able to be processed. This research uses a descriptive qualitative approach. The data analysis method used is Partial Least Square. Results outer test research models meet the criteria of validity and reliability, while from the inner test models indicate that the implementation of Good University Governance at the University of Mercu Buana related to Intellectual Capital. GUG as the main factor IC appeal. IC implemented, will improve the ability of an institution, but there are some areas that need improvement.*

**Keywords:** *Good University, Intellectual Capital, University*

**1. Introduction**

The meaning of good corporate governance demands that companies create enterprise value by utilizing all available resources, aiming to run into the prosperity of stakeholders. In order to meet the prosperity of shareholders and other stakeholders that good management is in need of an enterprise. Good corporate governance can also be applied to public sector organizations such as universities. According to Trakman & South (2008) that good university governance (GUG) can be seen as an application of the basic principles of the concept of "good governance" in the system and the process of governance in higher education institutions. Higher education institutions evolved in a transformation of creation and capitalization of knowledge itself and eventually higher education institutions become more comparable, flexible, transparent and competitive in terms of education. Universities viewed from the concept of education are an industrial economy, so the concept of good governance and the right to apply to college-university Good (Good University Governance) reflects the performance and success of the university to produce graduates qualified students and competencies to compete with other universities both in the country or other countries (Modood, 2016). To achieve good graduates must be supported by good infrastructure, for it takes hard work and discipline in giving guidance, educational and cultural values taught in the university environment. As the embodiment of good governance, then a university course lecturers are required to have qualified and superior competence and high productivity in implement of three principles-Tri Dharma Higher education are included the Learning, Community Services, and Research.

Alred & Garvey (2007), defines the university is part of the system of science, education, and innovation of a nation and producers of knowledge. The most important output produced from universities is knowledge, incorporated into new research results, publications and student manuscripts educated. So that the most valuable resource of the university is the research conducted by faculty and students. The main purpose of college is to produce and

disseminate knowledge, and no less importantly, the research and development of human resources (Cañibano & Sánchez, 2004). The college is a nonprofit organization that does not have a structure like private companies, but it has a long life cycle. Associated with the main function is the production and dissemination of knowledge, universities need to improve competitiveness and service, as well as universities must report to stakeholders what had happened at the college from the standpoint of the development of knowledge and contribute to the transparency and increase trust (Bratianu, 2009). Strategic issues that continue to grow in the various circles of the country of which is the demand for good governance and accountability throughout the organization. Demands the implementation of good governance not only in non-governmental sectors, especially in public companies and the like,

The phenomenon is still weak competitiveness of universities in Indonesia in the international arena indicate that the application of good university governance is still not good, it was delivered by the President Joko Widodo, who often poked the performance of the Ministry of Research, Technology and Higher Education (Kemristekdikti) regarding the competitiveness of universities in Indonesia he considered unsatisfactory. Finally, last October, Jokowi wonders why only three universities who managed to enter the world's top 500 universities in the 2018 version of Quacquarelli Symonds (QS). The President questioned the university management is less able to respond to global demands (Website ALMI, November 16, 2018). In the middle of the university's internationalization policy that is being promoted, the Ministry of Research recently released the findings of a number of ethical violations publications by researchers, managers, and administrators scientific periodicals public university. Ethics violations discovered publication includes multiple publications, citations of his own works or self-citation that is not natural, and the policy of publishing scientific papers without a disciplined review process.

Results of research conducted by Ulum & Novianty (2012) at three universities in Indonesia based webometrics ranking of the world organization, show that disclosure of the IC at the three state universities in Indonesia is still low, and none of the universities in Indonesia, which revealed the full item. Ulum & Novianty (2012), the use of the Internet for the university are very appreciated by organizations that aim to improve the quality for universities in the world to evaluate and rank acknowledged to the web, such as Webometrics. Bezhan (2010), stated that 30 universities in the UK in the practice of intellectual capital disclosure in the annual report of the college are still low. The university is obliged to be able to dig funds by collaborating with business partners in developing the business unit. Safieddine et al., (2009) examined the relationship GCG and IC in Institutions and the result is that the application of GCG in the Faculty becomes a major factor in the university IC disclosure. Through the vision and mission, a university should be able to develop the governance of universities by implementing superior management, where the mission of the college is looking for, find, and disseminate scientific truth.

## **2. Literature Review and Hypotheses**

### ***2.1 Good University Governance***

University governance is defined as the shape and the constitutional process when universities set their own affairs (Shattock, 2013). Governance is the way in which the organization's power or authority in allocating and managing resources. Governance involves policies and procedures for decision-making and control over the direction and management of the organization to be effective (Lucianelli, 2017). It refers to the practice of requiring the monitoring, control, disclosure, and transparency (Muktiyanto, 2016; Quyên, 2014), the structure of the university, delegation and decision-making, planning, organizational coherence and direction (Swansson et al., 2005). The application of the values of good corporate governance in higher education can be internalized into the college culture so that it becomes a system that strengthens competitive advantage. The goal of good corporate governance policy in higher education is that the parties involved in running the university management to understand and carry out the appropriate functions and roles of authority and responsibility. World Bank (2012) GUG concept can be measured by using five dimensions: 1) Overall Context, Mission, and Goals; 2) Management Orientation; 3) Autonomy; 4) Accountability; and 5) Participation. Measurements for GUG variable component based on the partial accreditation.

## 2.2. Intellectual Capital

Intellectual Capital has begun to flourish in Indonesia since the advent of IAS 19 regarding unfulfilled assets (Endi, 2011; Ulum, 2009; Utami, 2005). Unfulfilled assets are an identifiable non-monetary asset without physical form. Some examples of intangible assets include science and technology, design and implementation of new systems or processes, licenses, intellectual property rights, market knowledge and trademarks (including product brands and publicity titles).

The term Intellectual Capital, IC is used to describe the intelligence of individuals who are developed, maintained and use the knowledge to develop innovations in the form of business strategies (Martín-de-Castro et al., 2011). Intellectual capital is the knowledge, information, experience used to create value (Laswad & Roush, 2000). Disclosures intellectual capital (human capital and structural capital disclosure) has no effect on the company. However, the disclosure of customer capital disclosure affects the value of the company. This proves the importance of the disclosure of customer capital disclosure in the competitive strategy of business so as to contribute to increasing the value of the company (Pujianto, Utami, & Sastrodiharjo, 2016). While Kok (2007) argument, this intellectual capital is an intangible asset that consists of employee competence, internal and external structures are used effectively and generate value for the organization. According to the previous research from Bontis (2006), IC consists of three sub-criteria, namely:

- Human capital: knowledge, expertise, knowledge of pent contained in the mind of an employee.
- Structural capital: routine activity, hardware and software, the data, organizational structure
- Relational capital: the knowledge that is built through the cooperation of both customers and other organizations.

## 3. Methodology

This study is qualitative research looking at the relationship GUG with IC. The object of research is the event, phenomenon or a problem that has been abstracted research into a concept or variable (Arikunto, 2015), the object of this study is the concept of Good University Governance and Intellectual Capital. The sample in this study using a stratified sampling, where the data is taken only at the level of structural officials by using the tool questionnaire. Respondents consisted of 75 officials of the structural and questionnaires collected 60 respondents. Data were analyzed using partial Least Square, by testing the outer and inner models.

## 4. Results and Discussion

### 4.1. Evaluation Measurement (Outer) Model

Convergent validity tests against reflexive indicators considered valid if it has a correlation value above 0.70 (Figure 1). However, in the research stage of development of the scale, the load factor of 0.50 to 0.60 is still acceptable (Ghozali, 2014).

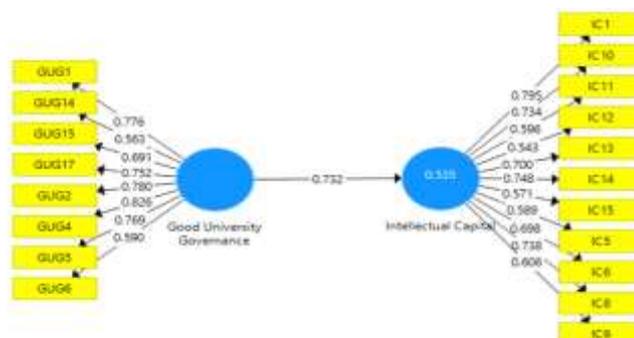


Figure 1 The results of PLS Algorithm 2  
Source: Data processed

The results of the testing modifications to two convergent validity that shown in Figure 1 above, the indicator variable constructs GUG and IC after re-testing by eliminating the correlation values below 0.5, has filled the validity criteria. The indicators above are considered valid and further test can be carried out, namely reliability testing.

**4.2. Test Reliability**

Having tested the validity, the next step is to test the construct using a reliability test the reliability test can be done by measuring the construct of two criteria: reliability and Cronbach alpha compositing. The construct will be declared reliable if the value of composite reliability and Cronbach alpha above 0.70 (Ghozali, 2014). PLS Algorithm on reliability testing results in table 1 are as follows:

**Table 2 Result of Cronbach's Alpha and Composite Reliability**

Matrix	Cronbach's Alpha	Composite Reliability
Good University Governance	0.866	0.897
Intellectual Capital	0.875	0.898

Source: Data processed

Results composite output and Cronbach's alpha reliability, both to construct GUG and excellent IC is above 0.70 so it can be concluded that all indicators of the construct are reliable or meet the reliability test.

**4.3. Inner Measurement Evaluation Model (Structural Model)**

Testing the inner model is the development of models based on concepts and theories in order to analyze the relationship between exogenous and endogenous variables described in the conceptual framework (Ghozali, 2014). Stages testing of structural models (inner model) is done with the following steps:

- Test R- Squares

The R-square value which is a test for goodness-fit model (Table 2) as follow:

**Table 2 Test Results of R-Squares Value**

Matrix	R Square	R Square Adjusted
Intellectual Capital	0.535	0.527

Source: Data processed

Refer to table 2 it can be seen that the value of R-Squares or the coefficient of determination is 0.535. This means that 53.5% of the variation or change in the IC affected by GUG, while the remaining 46.5% is explained by other causes. From the above results can be seen the value of R-Squares for IC variables by 0,535, which means that it is included in the high category.

- Test of Path Coefficient

The second test is realizing a substantial impression on the IC GUG see the value of coefficient parameters and the substantial value of t statistic on the Path Coefficients.

**Table 3 Test Results of Path Coefficients Value**

Path Coefficients						
Mean, STDEV, T-Values, P-Value	Confidence Intervals	Confidence Intervals Bias C...	Samples	Copy to Clipboard	Excel Format	Format
	Original Sample	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O /STDEV)	P Values	
Good University Governance -> Intellectual Capital	0.732	0.747	0.054	13.493	0.000	

Source: Data processed

In Table 3 above shows that the relationship between the variables Good University Governance (GUG) on Intellectual Capital (IC) is statistically significant with a value of 13.493 t (greater than 1.96) and the value of p values of 0.000 (less than 0.05), So it can be concluded that the Good University Governance significantly related to Intellectual Capital.

#### 4.4. Discussion

Discussion of empirical test results for the formulation of each problem and the hypothesis that use the results of the questionnaire results, open information from the respondents and interviews with several sources are utilized in addition to resolving the problem. The first hypothesis in this study is there is a relationship implementation Good University Governance by intellectual Capital. The results of hypothesis testing conducted to ascertain the amount of P-Value 0,000 less than the level of uncertainty of 0.005. The outcomes of this study provide empirical evidence that the better university governance applied will reflect the university has implemented intellectual capital so that it will produce superior graduates who can compete in the face of globalization. The University integrates strategies and aims to achieve a competitive advantage. These results prove that faculty members see that the implementation of Intellectual Capital (IC) in every academic activity in each faculty (improving the quality of lecturers, availability of facilities and infrastructure, quality management, graduate data base, maintaining good relations with the business and society, collaboration with universities in the country and abroad, improving the university's image, paying attention to stakeholder satisfaction) can improve Mercu Buana's university governance (Good University Governance) through achieving the university's mission, faculty goals and strategies, and achieving unit performance. This study confirms previous research that Intellectual Capital influences Good University Governance. This research was carried out by Bratianu (2009), Safieddine et al., (2009), Ulum & Novianty (2012) in this study showing the existence of a link between the implementation of Intellectual Capital which would improve the quality of university governance (Good University Governance).

#### 5. Conclusion

This study conclusively that implementation of Intellectual Capital at the University of Mercu Buana (UMB) directly and significantly related to the implementation of governance. Good governance at the University of Mercu Buana accomplished through the achievement of UMB's mission, strategy and goals are made and followed by members of the Faculty of improving the performance of the Faculty, by obtaining accreditation in the majority of the faculty at UMB. However, UMB must continue to improve governance in order to create a competitive advantage towards the era of globalization.

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