

CHAPTER 1 INTRODUCTION

A. Research Background

Organizations and government agencies usually undertake their programs and activities to reach their goals in the end of the performance. Performance measurement is one of the criteria for measuring the success of programs or activities in accordance with the established objectives. Performance is a description of the level of application of an activity/policy in achieving the organization's target, goals, mission, and vision as outlined in its strategic plan. The performance of an individual or group can be determined if success is defined by predetermined criteria.

Competition between higher education institutions is developing as a result of the growing number of universities, particularly at private universities or in Indonesian Perguruan Tinggi Swasta (PTS), the number of which much exceeds that of Public University or in Indonesian Perguruan Tinggi Negeri (PTN). Each PTS strives to excellent themselves in order to deliver high quality that is satisfactory for all parties and to keep up with the quality of the PTN.

Out of a total of 3,128 private universities (PTS) in Indonesia, only 10% are considered to have a good performance, while the remaining 90% are, in fact, not having a good performance. This percentage represents a significant disparity. It is necessary for the government to merge the universities. However, after several merging of universities, new issues had been discovered. At the moment, a great number of private universities and colleges in Indonesia are confronted with operating challenges (cited from <https://www.kompas.com/>)

Cited from kompas.com, the gap that exists between private universities and state universities is another one of the challenges that private institutions must contend with PTN. The pattern of state investment, particularly in the Ministry of Education, Culture, Research, and Technology, made the emerging contrast between PTS and PTN abundantly said by Kemendikbud Ristek. Less than six percent of the funding is allocated to providing help or direction to private universities. During this time, nearly 94 percent of the total funding is allocated to state universities.

Riau is the part of LLDIKTI X. Lembaga Layanan Pendidikan Tinggi (LLDIKTI) is an organization or work unit under the Secretariat General, Ministry of Education, Culture, Research, and Technology which has the duties and function in the field of facilitating quality improvement in the implementation of higher education in Indonesia. There are several obstacles faced by LLDIKTI Region X in its efforts reporting of the performance targets. One of these obstacles is no private universities with excellent accreditation in Region X LLDIKTI mainly due to the still not optimal quality of lecturer resources. PDDikti data as of 31 December 2021 shows that only 841 out of 9,585 lecturers with doctoral educational qualifications and only 29 lecturers with positions Professor cited from Laporan Kinerja LLDIKTI 2021. This is a challenge for private higher education institutions, including private universities in Riau. Universities will find it difficult to maintain their existence in the world of education if they do not or lack competitive advantage, especially with the increasing number of tertiary institutions resulting in increasingly fierce competition. The other exa

The performance of the management of the private university planning a strategy to build high competitiveness has a significant impact on the institution's ability to compete in the global education market (Girikallo, 2017). In addition, private higher education institutions require qualified personnel who are highly motivated, satisfied with their jobs, and creative. Furthermore, to differ from other organizations in terms of output, namely the production of trustworthy scholars and experts, they are also extremely susceptible to all forms of disorder and their relationship with a constantly changing environment.

أَمْ حَسِبْتُمْ أَنْ تَدْخُلُوا الْجَنَّةَ وَلَمَّا يَأْتِكُمْ مَثَلُ الَّذِينَ خَلَوْا مِنْ
 قَبْلِكُمْ مَسَّتْهُمُ الْبَأْسَاءُ وَالضَّرَّاءُ وَزُلْزِلُوا حَتَّى يَقُولَ الرَّسُولُ وَالَّذِينَ
 ءَامَنُوا مَعَهُ مَتَى نَصْرُ اللَّهِ أَلا إِنَّا نَصْرُ اللَّهِ قَرِيبٌ ﴿٢١٤﴾

Meaning :

Do you think that you will enter heaven, even though there has not yet come to you (trial) as was the case with those who were before you? They were afflicted by calamities and tribulations, and were shaken (with various trials) so that the Messenger and those who believed with him: "When will Allah's help come?" Remember, Allah's help is very near (Q.S. Al-Baqarah 2:214).

The verse contains several implied meanings, including we as humans must be patient and steadfast in the face of various trials that come. As explained in the verse that "God's help is very close" then we as humans only need to try and pray so that we are always given fortitude and do not despair.

Private institutions are continuing to strengthen their IT infrastructure on their campuses nowadays. Because it's something that's desperately required in today's world. This can be an added value with good IT since well-managed IT can help achieve success and measure the extent to which organizational performance is correctly done.

The application of information technology has recently become a managerial concern. The value of applying information technology is able to assist managers in the upkeep of the company and can also aid boost competitive advantage (Prasetyaningrum, 2019). In a similar terms, good IT governance is essential for private universities. Learning activities will be made easier to carry out by private universities that are able to supply a learning platform. Therefore, student academic success will continue to be high in order to preserve the reputation of the private university and ensure that the private university will continue to be able to function.

Ali & Green (2012) stated that it is essential to have a solid understanding of the fact that the elements that determine the efficiency of IT governance cannot be generalized to all different types of businesses or industries. This is due to the fact that every organization possesses its own unique qualities. The purpose of sound governance of information technology (IT) is to enhance the performance of IT within businesses.

By enhancing the performance of their information technology, businesses hope to receive benefits from their IT, including solutions that are dependable, quick, and secure; to obtain a reasonable return on investment; and to increase their levels of efficiency and productivity. If effective IT governance is established and executed,

the campus must have intellectual capital capable of managing and utilizing it, as this is also a factor to consider in order to compete with other private institutions.

There are numerous definitions of intellectual capital offered by various researchers. Intellectual capital is defined by the International Federation of Accountants (IFAC) as intellectual property, intellectual assets, and knowledge assets, which can be interpreted in various ways. as stock or capital based on the company's intellectual property.

Educators who have the ability and good quality will give good results. So using the management of quality intellectual capital can build a positive environment and add value to the origin of an organization. This can be a concern for every university. The ability to form new inspirations and critical paradigms is produced using the presence of good intellectual capital. Universities that manage intellectual capital well will form students with the best graduates. Using it, campus accreditation will be even better as something to be proud of and become a great achievement. Private Universities (PTS) in Riau have performance competition, one of which is in the form of accreditation. At least, based on the results of the author's observations so far there are no private tertiary institutions that have "A" accreditation. Here the author presents the accreditation of a total of 60 universities in Riau province

The following is a list of private universities in Riau and their accreditation according to the 2022 National Accreditation Board for Higher Education (BAN-PT) as follows:

Table 1.1
Total of Private Universities
Accreditation in Riau

No	Private University	Number of PT	Institutional Accrediation				Total
			A	B	C	Have not accreditation yet	
1	Universitas	7	0	7	0	0	7
2	Institut	0	0	0	0	0	0
3	Sekolah Tinggi	23	0	15	8	0	23
4	Akademi	24	0	10	10	4	24
5	Lembaga Pendidikan	1	0	1	0	0	1
6	Politeknik	5	0	5	0	0	5
Total		60	0	38	18	4	60

Source : BAN-PT Data

Based on the several issues such a lack of educational qualification of the lecturer, low rank and accreditation of the universities in Riau that have been mention. Also, this research needs to be studied more. Based on the background above, the writer decide to take the tittle about “THE INFLUENCE OF INTELLECTUAL CAPITAL AND IT GOVERNANCE TOWARDS ORGANIZATIONAL PERFORMANCE WITH PERFORMANCE MANAGEMENT SYSTEM AS INTERVENING VARIABLES (Empirical Study on Private University in Riau)”

B. Research Questions?

1. Does Intellectual Capital have a positive effect on Performance Management System?
2. Does IT Governance have a positive effect on Performance Management System?
3. Does Intellectual Capital have positive effect on Organizational Performance?
4. Does IT Governance have positive effect on Organizational Performance?
5. Does Performance Management System have a positive effect on Organizational Performance?
6. Does Intellectual Capital have a positive effect on Organizational Performance with Performance Management System as an intervening variable?
7. Does IT Governance have a positive effect on Organizational Performance with Performance Management System as an intervening variable

C. Research Purposes

Research Purposes

1. To obtain empirical evidence of the influence of Intellectual Capital on the Performance Management System
2. To obtain empirical evidence of the influence of IT Governance on the Performance Management System
3. To obtain empirical evidence of the influence of Intellectual Capital on Organizational Performance
4. To obtain empirical evidence of the influence of IT Governance on Organizational Performance
5. To obtain empirical evidence of the influence of the Performance Management System on Organizational Performance
6. To obtain empirical evidence of the influence of Intellectual Capital on Organizational Performance through the Performance Management System
7. To obtain empirical evidence of the influence of IT Governance on Organizational Performance through the Performance Management System

D. Research Benefit

1. Benefit Theories

This research is expected to be able to increase knowledge related to performance management systems and the factors that can affect organizational performance. In addition, it is hoped that this research can be a reference and reference for further research.

2. Practical Benefit

This research is expected to be able to provide information related to what factors can improve organizational performance