

CHAPTER I

INTRODUCTION

A. Background

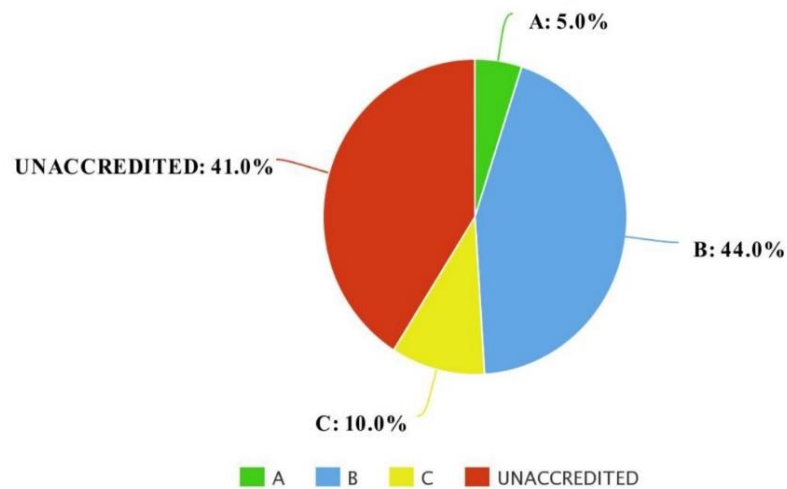
Performance is the result of assessing and broadcasting the success or failure of an organization. Performance is a crucial role in an organization because it is the real achievement of planned organizational goals and objectives (Tjahjadi et al., 2019). Performance is a term used to describe the output and outcomes that arise from an activity. It is also used to describe the achievement of an organization's vision and goals (Tjahjadi et al., 2019). Performance is an improvement that can be achieved by a business entity which can increase income, productivity, costs, service acceptance, speed of reaction or change, achievement of quality standards or customer/client reactions. To measure performance, it is not only seen from finances, but can also be seen from the level of customer satisfaction, technological development and the creation of an environment to support learning and growth of an organization.

Technological developments bring new changes to all sectors of human life such as health, economics, politics, etc., including the education sector. In the context of higher education learning and teaching, academics are keen to emphasize various online teaching methods (Apostolidis, 2022). The differences between online learning and offline learning require adjustments in the transition from offline to online learning (Rapanta et al., 2021). Because the success of a lesson depends on the creativity and quality of a lecturer in motivating students

during the learning process by adjusting students' needs and interests in the learning process. This certainly affects the performance of universities.

As the transition to online activities is implemented in higher education institutions for most of its activities as well as for learning (Rashid & Yadav, 2020), higher education is increasingly required to accelerate the development and implementation of robust information technology (IT) systems, including various applications. Consequently, ensuring effective IT governance has emerged as an important concern in the university context (Sengik et al., 2022). In addition, the existence of intellectual capital helps organizations in increasing its competitiveness because it focuses on managing existing resources so that they can survive in a rapidly changing environment (Secundo et al., 2010) including rapid changes caused by technological developments.

Private higher education (PHE) has faced greater challenges in dealing with technological developments compared to state higher education. These differences arise from their heavy reliance on tuition and private funding, disruptions in fundraising, limited technology infrastructure, enrollment and retention difficulties, and different funding models. Public higher education typically has access to greater government funding and resources, which has better positioned them to navigate the challenges of the pandemic.



Picture 1.1 The proportion of higher education accreditation in Lampung

Accreditation	Amount
A	4
B	35
C	8
UNACCREDITED	33
Total	80

Source: data processed from BAN-PT

As shown above based on the graph in figure 1.1 it can be seen that Lampung, as one of the provinces in Indonesia, has many universities, reaching 80 private universities with lower accreditation (below "A" accreditation). This shows that there are 5% of universities with "A" accreditation, 44% accredited with "B", 10% accredited with "C", and 41% is not yet accredited (BAN-PT and PDDIKTI KEMENDIKBUD, 2022).

One of the factors that can improve organizational performance is that this paragraph emphasizes the principles and values that are important for effective and responsible management. Islamic teachings encourage individuals in positions of authority to lead with fairness, justice, and compassion while being accountable for their actions in this life and the afterlife. improve a good monitoring and control system. With regard to the meaning of control, in several Islamic studies literature, several concepts have actually been formulated, one of which can be referred to from the verse.

Surah Al-Baqarah (Chapter 2), verse 205:

وَإِذَا تَوَلَّى سَعَىٰ فِي الْأَرْضِ لِيُفْسِدَ فِيهَا وَيُهْلِكَ الْحَرْثَ وَالنَّسْلَ ۗ وَاللَّهُ لَا يُحِبُّ الْفُسَادَ

"And when he goes away, he strives throughout the land to cause corruption therein and destroy crops and animals. And Allah does not like corruption."

This verse indirectly touches on the concept of performance management because it refers to people who have authority and influence. Abuse of power and authority leads to corruption and destruction such as tuition fees and private funding, disruptions in fundraising, limited technological infrastructure, enrollment and retention difficulties, and disparate funding models. Although this verse does not directly use the term management performance, this verse emphasizes the principles and values that are important for effective and responsible management with supervision which in Islam has several categories such as material and spiritual supervision, monitoring and not just managers, but also Allah SWT also sees us doing something which uses humane methods that

uphold human dignity. Islamic teachings encourage individuals in positions of authority to lead with fairness, justice, and compassion while being accountable for their actions in this life and the afterlife.

Previous research sheds light on the connection between intellectual capital and performance management systems. Zéghal and Maaloul (2010) revealed that organizations can gain a competitive edge through effective utilization of their strategic resources, including intellectual capital. This positive influence of intellectual capital on firm performance, as confirmed by Cañibano et al. (2000), is further supported by Joshi et al. (2013) and Nadeem et al. (2017). Additionally, the extent and nature of this value addition are contingent on the presence of complementary organizational resources and the broader business environment, as observed by Lazic et al. (2011). The adoption of IT governance, as proposed by Lazic et al. (2011), offers organizations a comprehensive platform for collecting, analyzing, and discussing organization-wide information.

Moreover, further studies, such as Kamaluddin and Rahman (2013), Chatterji and Kiran (2023), Awan and Saeed (2015), and Apiti et al. (2017), underscore the significance of intellectual capital in shaping firm and university performance, as well as its notable connection to financial performance. Structured IT governance mechanisms, as highlighted by Weill and Ross (2004), Lunardi et al. (2014), and Grama (2015), yield positive outcomes for organizations, leading to improved performance and increased profitability. Grama (2015) particularly emphasizes the pivotal role of effective IT

governance in assisting institutions in achieving their objectives by efficiently leveraging IT resources. Furthermore, performance management systems, as evidenced by Walker et al. (2011) and Widener (2006), exhibit a positive impact on organizational performance. Knowledge-based organizations with a high level of intellectual capital prioritize innovative performance management systems that integrate diagnostic and interactive approaches, as suggested by Joiner et al. (2009). In sum, this body of research suggests that organizations with elevated levels of intellectual capital tend to achieve superior performance by effectively managing their intellectual resources through balanced diagnostic and interactive performance management systems.

Based on the several issues related to the challenges that PHEs with lower accreditation face, devising strategies for improvement, promoting equity in education, informing policy decisions, and contributing to regional development in facing the rapid changes of technology development, the researcher is interested to investigate “The Impact Of Intellectual Capital And It Governance On Performance With Performance Management System As An Intervening Variable (An Empirical Investigation on Private Higher Education in Lampung)”

B. Research Question

1. Does intellectual capital have a positive impact on performance management system?
2. Does it governance have a positive impact on performance management system?

3. Does intellectual capital have positive impact on organizational performance?
4. Does it governance have positive impact on organizational performance?
5. Does performance management system have a positive impact on organizational performance?
6. Does intellectual capital have a positive impact on organizational performance with performance management system as an intervening variable?
7. Does it governance have a positive impact on organizational performance with performance management system as an intervening variable?

C. Research Objective

1. To examine and find empirical evidence that the intellectual capital has a positive impact on performance management system
2. To examine and find empirical evidence that it governance has a positive impact on performance management system?
3. To examine and find empirical evidence that intellectual capital has a positive impact on organizational performance?
4. To examine and find empirical evidence that it governance has a positive impact on organizational performance?
5. To examine and find empirical evidence that the performance management system has a positive impact on organizational performance?
6. To examine and find empirical evidence that intellectual capital has a positive impact on organizational performance with performance management system as an intervening variable?

7. To examine and find empirical evidence that it governance has a positive impact on organizational performance with performance management system as an intervening variable?

D. Research Benefits

1. Benefits in the theoretical fields

This research aims to enhance understanding of performance management system and the factors influencing organizational performance. Furthermore, it is anticipated that this research can serve as a valuable reference for future studies and scholarly inquiries.

2. Benefits in the field of practice

This research is expected to provide insight into factors that can improve organizational performance. Apart from that, it is hoped that this insight can be useful for universities with lower accreditation to improve their performance so that the general public, especially parents or students, can see and identify new information and understanding that can increase public awareness in improving organizational performance.

In the intellectual capital (Providing a deeper understanding of how decisions are organized and taken in an intellectual context and improving organizational decision-making processes so that they can provide in-depth insight into the processes of thinking, decision-making and creativity in which intellectual models can contribute to the development of technology and applications that create systems that smarter and better connected to human understanding).

In it governance (Assist in identifying and mitigating risks associated with the use of information technology. Increasing transparency in IT management, including understanding how data and information are managed, organizations can increase competitiveness, reduce risk, and support the achievement of business goals through effective and efficient management of resources power and IT systems).

In organizational performance (By understanding the factors that influence organizational performance through research, leaders and practitioners can take more informed and effective steps to improve overall organizational performance, increase productivity, increase operational effectiveness, employee performance appraisal, organizational innovation and change, improve quality and service).

In the management system (By investigating and understanding performance management systems through research, organizations can increase effectiveness and efficiency in employee performance management, which in turn can contribute to achieving strategic goals and becoming a good management system).