

The Institutional Complexity of Financial Management in the Hybridization of State Universities in Indonesia

Muhammad Iqbal, Abdul Hamid, Hirman Hirman, Syahriah Sari, I P Hardiyani, R Bombing

Politeknik Negeri Ujung Pandang, Indonesia

Email: muh_iqbal@poliupg.ac.id, hamid@poliupg.ac.id, hirman@poliupg.ac.id, syahriahsari@yahoo.com, ikaputrihardiyani@gmail.com, bombingrezki@gmail.com

Abstract: *This study investigates the complexity of financial management in hybridized public universities in Indonesia. Using a multi-qualitative case study approach, two universities were selected as cases. Data were collected from official documents of the universities, including strategic plans and annual reports. The study reveals that these universities must balance financial and service priorities due to the hybrid nature of their organizations. To address this, they adopt strategies such as diversifying revenue, aligning curricula, and enhancing industry partnerships. The findings reveal that hybrid universities face significant institutional complexity, particularly in balancing service-oriented missions with market-driven financial demands. Key challenges include diversifying revenue streams, aligning curricula with industry needs, and managing ethical dilemmas in research commercialization. To address these challenges, the universities adopt adaptive governance models, such as agile university governance and leap-frogging strategies, alongside strengthening industry collaborations. These approaches highlight the tension between traditional public service logics and the emerging entrepreneurial mindset required for financial autonomy.*

Keywords: *Financial management, public universities, case study*

INTRODUCTION

In the last decade, the management of higher education in Indonesia has undergone a transformation with the enactment of Law No. 12 of 2012 concerning Higher Education. One of the law's important points is the structural change in higher education management, allowing institutions to be more autonomous. The autonomy of higher education in Indonesia had been pushed for several years before. In 2009, Parliament passed the Law on Legal Entities of Education, but this law was canceled shortly after due to significant rejection from community groups. The BHP Law is seen as the foundation of the neoliberalization of education (Widaningsih & Barliana, 2008). The spirit of autonomy found its momentum through Law No. 12 of 2012.

With the implementation of the law, several universities changed their status to State Universities with Legal Entities (PTN-BH). At a lower degree of autonomy, the term State Universities with Public Service Agencies (PTN-BLU) is also known. PTN-BH and PTN-BLU are manifestations of higher education autonomy, where educational institution managers have the authority to manage universities independently within the established regulatory corridor. The distinction between the two lies solely in the degree of autonomy, with PTN-BH having a higher degree of autonomy than PTN-BLU.

Over time, more universities have shifted from being PTN work units to PTN BH and PTN BLU. The desire to provide quality education with flexible governance is a major motivation for this status change. Before gaining autonomy, state universities in Indonesia operated as work units with centralized financial management typical of public organizations. This rigid financial structure limited their ability to grow, triggering the desire to transform. Autonomy, through PTN-BH and PTN-BLU status, now allows universities to diversify their income. State universities can combine income from student payments and commercial ventures utilizing university assets.

In this situation, PTN is no longer seen solely as a public organization. Financial management autonomy requires them to utilize their assets to generate income, including through commercial

activities. This inevitably leads PTN to become a hybrid organization (Iqbal & Triana, 2023). Hybrid organizations combine previously distinct organizational elements such as public-private (Emmert & Crow, 1988) or social-commercial (de Mon et al., 2022; Park & Bae, 2020). This integration blurs the boundaries of previously dichotomized organizations (Hota et al., 2023; Smith, 2010). In the context of educational institutions, hybridization of higher education has developed in various countries. Reform of higher education governance leads universities to become corporate actors (Kleimann, 2019). They are increasingly encouraged to integrate with industry to replace conventional funding sources (Jongbloed, 2015).

One interesting issue related to hybrid organizations is the institutional complexity they face when they must accommodate two or more institutional logics embedded within the organization (Conrath-Hargreaves & Wüstemann, 2019). There is concern that organizations may neglect their initial mission under the influence of new embedded logics (Ebrahim et al., 2014). Similarly, in Indonesian PTNs, hybridization requires exploration of more varied income sources. Income from commercial activities is also used to strengthen university finances. However, the extent to which they can maintain a balance between financial goals, and the quality of educational services remains a question. Competing logics can arise when state universities, both PTN BH and PTN BLU, are unable to navigate pressures caused by differing institutional logics.

Previous research has explored the challenges of hybridization in higher education. For instance, Kleimann (2019) examined German universities as hybrid organizations, highlighting tensions between academic traditions and market-driven demands. However, this study focused primarily on European contexts, leaving a gap in understanding similar dynamics in developing countries like Indonesia. Similarly, Jongbloed (2015) investigated diversification of revenue streams in European universities but overlooked unique regulatory and cultural challenges faced by Indonesian institutions. These studies underscore the need for context-specific research on how hybrid universities in Indonesia navigate competing institutional logics.

This study fills these gaps by analyzing the financial management complexities in two Indonesian PTN-BH universities, offering insights into how they balance service and financial logics. By examining strategies such as revenue diversification and industry partnerships, the research contributes to the broader discourse on hybrid governance in higher education. The findings aim to inform policymakers and university leaders in Indonesia and similar contexts, providing practical recommendations for managing autonomy while maintaining educational quality.

The research is a case study of two state universities in Indonesia. Through content analysis of official publications, the author explores how institutional complexity manifests after status changes to PTN BH. Both cases studied are universities with PTN BH status. This dual application of business and public logics in PTN-BH illustrates hybridization, which can enhance goal achievement but also lead to institutional complexity. This study aims to delve deeper into these complexities, particularly in financial management. The results are expected to provide policy recommendations for higher education managers and enrich literature on hybrid organizations, especially in developing country contexts.

MATERIALS AND METHOD

To achieve the research objectives, this study employed a qualitative approach. Qualitative methods provide a valuable way to obtain natural data without researcher intervention or subjective settings (Yin, 2011). The results of qualitative research present rich descriptions and offer concepts and theories to understand organizational realities (Gephart, 2018). Additionally, qualitative research is a humanistic approach to uncovering human thoughts and actions (Lichtman, 2017). Specifically, a multiple case study method was chosen. Two state universities that had transformed into autonomous

state universities, both with PTN BH status, were selected. For ethical reasons, the names of the universities are not disclosed.

To better understand institutional complexity in financial management, a content analysis was conducted on official reports and publications of universities that had transitioned to PTN BH and PTN BLU. This was done to gather comprehensive information on the campus conditions after becoming hybrid organizations. The data sources included:

1. Annual Performance Reports
2. Strategic Plan Documents
3. Official Publications and Institutional News

After data collection, coding followed three stages as outlined by Corbin and Strauss (1990):

1. Open Coding: Labeling statements by assigning codes or labels based on detailed reading of the texts.
2. Axial Coding: Grouping codes from open coding into categories and subcategories based on similarities.
3. Selective Coding: Integrating categories into a main category representing the central theme, guided by questions such as: "What is the main analytical idea of this research?" and "How would I summarize this research in a few sentences?"

Data analysis consisted of two stages: within-case analysis and cross-case analysis (Ayres et al., 2003). Within-case analysis presented findings from each case individually to deepen understanding of each university's institutional complexity. Cross-case analysis then identified patterns and themes across all cases, comparing similarities, differences, and assessing the extent to which patterns could be generalized.

RESULTS AND DISCUSSION

Within-case Analysis

1. University A

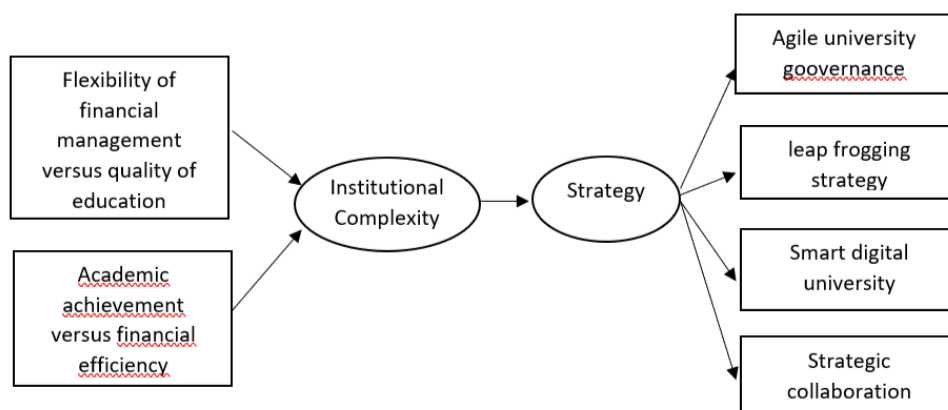


Figure 1. Institutional Complexity and Strategy of University A

University A faces the challenge of institutional complexity along with its transformation into a hybrid organization. The status as a PTN BH makes University A no longer a work unit that is fully controlled by the central government. They are now given the authority to manage the institution in order to achieve their goals. The results of the search for performance reports and company strategic plan documents identified several institutional complexities faced by University A. First, the status as a PTN-BH gives them the authority to be flexible in financial management. In this case, University A is required to be able to manage their own sources of income that no longer rely on income from the

APBN. This pressure requires them to act also by adopting a corporate business model. However, on the other hand, they must continue to provide high-quality education.

Brand as a leading campus in Indonesia requires them to provide inclusive education for all groups. University A is expected to continue to excel by producing competent and integrated graduates. Achieving academic achievements certainly requires a large budget allocation. The campus needs to invest in providing modern educational facilities. They must also allocate a large budget to improve the capabilities of educators and education personnel. All of these things are needed to maintain the campus's reputation both at the national and international levels. A large budget allocation is needed to achieve all of that. On the other hand, there is pressure to manage resources efficiently. University A must consider wise steps to maintain its current ranking amidst budget constraints.

In managing financial complexity, the university introduced a governance concept that they call Agile university governance. Agile university governance is a higher education governance model that focuses on agility, flexibility, and the ability to adapt quickly and appropriately to changes in the internal and external environment. Of course, this is different from the governance of traditional public organizations that are slow and bureaucratic. Through agile university governance, University A can manage finances dynamically and responsively to the demands of the times. Creativity and innovation in resource management will help University A generate income from various sources so that financial pressures can be overcome properly.

To accelerate the achievement of targets, University A also implements a leap-frogging strategy. A leap-frogging strategy is the right choice amidst the dynamics of the external environment that are changing so rapidly. Linear and gradual growth no longer seems to be the best step to achieve targets. Linear growth seems slow amidst fast-moving competition. Therefore, innovative breakthroughs are needed to produce further leaps. In addition, University A also implements a smart digital university as a response to the current digitalization of the world of education. Smart digital university will help the efficiency of financial management because it will save wasteful costs caused by manual services.

Another strategy chosen by University A is strengthening strategic collaboration with industry and other leading universities at national and international levels. This strategic collaboration is expected to improve the quality of educational services through various collaborations in the fields of education and research. In addition, strategic collaboration with industry will help universities optimize revenue from collaboration.

2. University B

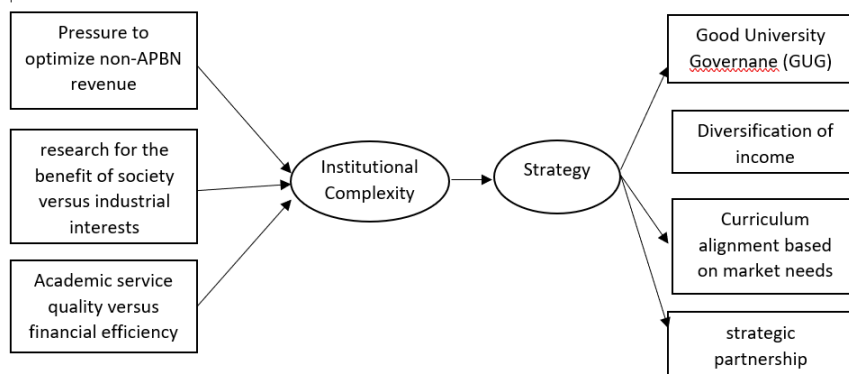


Figure 2. Institutional Complexity and Strategy of University B

University B also experiences institutional complexity in their position as a hybrid organization. They face pressure to optimize non-APBN revenue. Of course, this is an important issue considering that they are essentially a public organization that focuses on services. Commercial asset management

requires professionalism. If the way their commercial business works is still the same as the way public institutions work, of course, the income will not be maximized. It could even experience losses.

In addition, the next institutional complexity is related to research orientation. University B is faced with a dilemma between directing research results to solve societal problems or for the benefit of industry. Research for the benefit of society usually has a limited budget and does not have a significant impact on university finances. Meanwhile, research that is focused on helping industry is more financially profitable. However, if University B directs research for the benefit of industry, it will cause the next problem, namely the ethics and independence of the university from the commercial interests of the industry. Ethical responsibility for research requires research results to be impartial. Research funding by industry has the potential for conflicts of interest and reduces public trust in research results. Industry intervention in the research process can lead to biased and manipulative results.

The next institutional complexity is the tension of whether to provide quality education services or focus on efficiency. Providing quality education services is correlated with the addition of a not-insignificant cost allocation. On the other hand, universities strive to be more efficient so as not to experience financial difficulties.

Similar to the previous case, University B also chose to adjust its governance model to be more adaptive to the challenges faced by the university. University B chose to diversify its sources of income so that it does not only rely on income from students. They chose to establish a business entity managed by professionals in the business field..

In addition, they also align their curriculum to suit market needs. This is done so that their graduates are accepted by the industry. One of the important steps in this curriculum alignment is the implementation of project-based learning methods. So that the cooperation between universities and industry will be more strategic, especially in helping to solve problems at universities.

Cross-case Analysis

Both cases show the same challenges they face in their status as PTN-BH. Both universities A and B face demands to manage their resources effectively and efficiently. Institutional complexity arises when they must also accommodate their initial goal of providing quality and inclusive education services. In terms of research, they must also wisely balance between financial interests and the social benefits of their research results.

Interestingly, both campuses implement similar strategies for managing complexity. Alignment of governance to be more relevant to the context of hybrid organizations is chosen by both campuses. They are different terms but in essence the same, namely more flexible and adaptive university governance.

To deal with financial pressure, both cases also apply the same thing, namely reducing dependence on APBN revenue through diversification of revenue sources. Optimizing asset management commercially is the most likely option to obtain revenue. In addition, strengthening cooperation with industrial partners is an option for both cases to obtain alternative funding sources.

CONCLUSION

Hybridization of State Universities (PTN) in Indonesia brings significant challenges of institutional complexity, particularly in managing financial autonomy. To navigate these challenges, universities must adopt flexible and innovative governance models that balance competing pressures from service-oriented and financial logics. This study highlights these dynamics but is limited by its focus on a small number of cases, which affects the generalizability of its findings. Future research should examine a broader range of PTN cases to deepen and enrich understanding of institutional complexity within Indonesia's higher education landscape.

REFERENCES

- Ayres, L., Kavanaugh, K., & Knafel, K. A. (2003). Within-case and across-case approaches to qualitative data analysis. *Qualitative Health Research*, 13(6), 871-883.
- Conrath-Hargreaves, A., & Wüstemann, S. (2019). Managing multiple institutional logics and the use of accounting: Insights from a German higher education institution. *Abacus*, 55(3), 483-510.
- Corbin, J., & Strauss, A. (1990). Grounded theory research: Procedures, canons, and evaluative criteria. *Qualitative Sociology*, 13(1), 3-21.
- de Mon, I. A., Gabaldón, P., & Nuñez, M. (2022). Social entrepreneurs: Making sense of tensions through the application of alternative strategies of hybrid organizations. *International Entrepreneurship and Management Journal*, 18(2), 975-997.
- Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior*, 34, 81-100. <https://doi.org/10.1016/j.riob.2014.09.001>
- Emmert, M. A., & Crow, M. M. (1988). Public, private and hybrid organizations: An empirical examination of the role of publicness. *Administration & Society*, 20(2), 216-244.
- Gephart, R. P. (2018). Qualitative research as interpretive social science. In *The SAGE handbook of qualitative business and management research methods: History and traditions* (pp. 33-53). SAGE Publications.
- Hota, P. K., Manoharan, B., Rakshit, K., & Panigrahi, P. (2023). Hybrid organization deconstructed: A bibliographic investigation into the origins, development, and future of the research domain. *International Journal of Management Reviews*, 25(2), 384-409.
- Iqbal, M., & Triana, D. (2023). Model konseptual dana sosial Islam sebagai sumber pendanaan untuk perguruan tinggi negeri otonom di Indonesia. *Jurnal Tana Mana*, 4(2), 339-348.
- Jongbloed, B. (2015). Universities as hybrid organizations: Trends, drivers, and challenges for the European university. *International Studies of Management & Organization*, 45(3), 207-225.
- Kleimann, B. (2019). Universities as multiple hybrid organizations. *Higher Education*, 77(6), 1085-1102.
- Lichtman, M. (2017). *Qualitative research for social science*. SAGE Publications.
- Park, J. H., & Bae, Z. T. (2020). Legitimation of social enterprises as hybrid organizations. *Sustainability*, 12(18), Article 7583. <https://doi.org/10.3390/su12187583>
- Smith, S. R. (2010). Hybridization and nonprofit organizations: The governance challenge. *Policy and Society*, 29(3), 219-229.
- Widaningsih, L., & Barliana, M. S. (2008). BHMN dan BHP: Kecenderungan dan tantangan baru dalam "bisnis pendidikan". In *Konvensi Nasional Pendidikan Indonesia VI (KONASPI)* (pp. 1-12).
- Yin, R. K. (2011). *Qualitative research from start to finish*. Guilford Press.



© 2024 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (<https://creativecommons.org/licenses/by-sa/4.0/>).