An empirical study of the impact of leadership, virtuousness and decision-making process on effectiveness of Indonesian private universities

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Abstract. The purpose of this study is to investigate the relationship between servant / authentic leadership, organizational virtuousness, collegial / rational decision-making and organizational effectiveness of the departments at private universities. This study uses 97 faculty members’ data, collected from 78 departments in 17 private universities in Lembaga Layanan Pendidikan Tinggi (LLDikti) III. Structural Equation Modelling - Partial Least Square technique was used to determine statistical significance and path coefficients for the model. The findings indicate that servant leadership significantly affects organizational virtuousness, organizational virtuousness has a significant effect on both collegial / rational decision-making and organizational effectiveness, and organizational virtuousness has a significant effect on organizational effectiveness as well. This research reveals that servant leadership plays a substantial role in developing a virtuous culture, whereas authentic leadership has not contributed to encourage organizational virtuousness in private universities’ departments. Organizational virtuousness practices in departments result in more organizational effectiveness and enable them to exercise collegial / rational decision-making process for the allocation of resources. Moreover, the collegial / rational decision-making approach positively influences the effectiveness of the private universities’ departments.

Keywords: Servant Leadership, Authentic Leadership, Organizational Virtuousness, Collegial / Rational Decision-Making, Organizational Effectiveness, Private Universities.

INTRODUCTION

Background

Organizational effectiveness, organizational virtuousness, decision making process and leadership are considered topics of primary importance in the field of higher education today (Kouzes, J., 2019; Kadoić, N., 2018) and the standard of education at higher education institutions is considered very crucial for the development of any country.
Higher Education in Indonesia

Indonesia has been progressing in the field of education with an increasing number of high school graduates and a growing percentage of teaching staff with advanced degrees. However, Indonesian universities and colleges need to expand their capacity to accommodate an increasing number of secondary school graduates as well as work on quality by improving the standard of education at these institutions (Hussain & Siddik, 2013). Moreover, Indonesia had been ranked the last with regard to adult literacy and skills during 2016 among all the OECD countries (OECD, 2016).

Currently, Indonesian human capital index (HCI) needs attention since it has dropped 22 levels down compared with the previous year rank.

<table>
<thead>
<tr>
<th>Year</th>
<th>HCI Rank</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>69</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>72</td>
<td>Dropped 3 Ranks</td>
</tr>
<tr>
<td>2017</td>
<td>65</td>
<td>Improved 7 Ranks</td>
</tr>
<tr>
<td>2018</td>
<td>87</td>
<td>Dropped 22 Ranks</td>
</tr>
</tbody>
</table>

Source: Data from World Bank website, processed by author (March, 2019)

Above table indicates that Indonesia needs to take steps to strengthen its HCI, and higher education can be an assuring source to improve human capital index in the country.

Furthermore, Indonesian higher education institution’s ranking is not very favorable according to international ranking systems.

<table>
<thead>
<tr>
<th>QS World University Rankings</th>
<th>Times Higher Education World University Rankings</th>
<th>Academic Ranking of World Universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Indonesia (310)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Institute of Technology, Bandung (461–470)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>University of Indonesia (358)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Institute of Technology, Bandung (431–440)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>University of Indonesia (325)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Institute of Technology, Bandung (401–410)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>University of Indonesia (277)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Institute of Technology, Bandung (331); Gadjah Mada University (401–410)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: (Rosser, 2018)

Above table shows that more efforts are needed to improve the standards of Indonesian universities as out of around 600 universities in Indonesia, just 3 were able to get the place among top 500 worldwide.

Research Purposes

The purpose of this study is to identify how and in what ways private university leaders (rectors, heads or deans) contribute to shape the virtuousness and influence decision-making processes to facilitate the Organizational effectiveness for a continuous quality improvement.
LITERATURE REVIEW

Organizational Effectiveness

The management system of higher education institutions plays a central role to the effectiveness of institutions. According to Cope (1981), organizational effectiveness is represented by the ability of the system to meet organizational targets.

There are a number of models that have been developed to measure the effectiveness of higher education institutions. After reviewing previous literature, Chinta et al., (2016) surmised that the evaluation models can be classified based on procedures and designs, evaluators and objectives. The models that are developed based on procedures and designs can be further grouped into two categories, namely; standard and modern (Darwin, 2012). In general, standard evaluation methods are based on quantitative data whereas modern methods depend on qualitative data (Chinta et al., 2016).

Cameron and Smart (1998) described these components of organizational effectiveness for educational institutions as, Student Educational Satisfaction, Faculty and Administrator Employment Satisfaction, Organizational Health, Student Academic Development, Professional Development and Quality of the Faculty, Student Personal Development, Student Career Development System, Openness and Community Interaction and Ability to Acquire Resources.

Leadership Theories

In every organization, all of its processes and their outcomes considerably depend on the leadership approach followed by that organization. Moreover the success or failure of these processes, within a group or a company is determined by the potentials of their leadership approach (Ogbonna & Harris, 2000).

Servant Leadership:

The term servant leadership was originally conceived in 1970 by Robert Greenleaf (1904-1990) in his essay The Servant as Leader (Van Dierendonck, 2011). According to William Jr., (2017), Greenleaf’s work explained that servant leaders are different from other types of leaders since they are horizontally follower-centric and not vertically leader-centric leaders.

Various studies researching servant leadership spotted more than 20 attributes of this leadership style. These attributes can be reflected through six dimensions of servant leadership behavior, namely; voluntary subordination, authentic self, covenantal relationship, responsible morality, transcendent spirituality, and transforming influence (Sendjaya et al., 2008).

Authentic Leadership

Although research on authentic leadership is in the initial stages of development, however this topic has already become an area of increasing attention for the researchers. Walumbwa et al., (2008) defined authentic leadership as “a pattern of leader behavior that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development” (p. 94).

Organizational Virtuousness

Virtuousness is one of the characteristics among others that are studied in the area of positive organizational scholarship (POS). Kline (2008) while stressing on the importance of POS within organizations, described that higher education institutions must shift their orientation from “being a university” to “serving others as a university” (p. 16–17).
According to Cameron & Winn (2012) virtuousness refers to “aggregates or virtues, acting in combination, which manifests itself as behaviors, processes, and routines in organizational settings” (p. 233).

Collegial / Rational Decision-Making Process

In collegial / rational decision making approach the use of teams is significantly greater than in other approaches where one individual dominantly influence the resource allocation decisions or these decisions are influenced by the relative power of participants. Therefore collegial / rational approach is preferred in today’s decision making environment to deal with more complex challenges than ever before (Brooks, 2005).

Smart et al., (1997) illuminated certain features of this decision making such as, huge membership participation, group discussion and consensus, resource allocation decisions based on organizational priorities and a standard set of procedures to ensure consistency in the decisions.

RESEARCH METHODS

Research Method and Design

This study used quantitative survey method to explore the relationship among the variables.

The variables used in this research are servant leadership (SL), authentic leadership (AL), organizational virtuousness (OV), collegial / rational decision making (C/R DM), and organizational effectiveness (OE). The units of analysis in this study are the departments of private universities located in LLDikti III and the units of observation are the faculty members from various departments of private universities. This study contains two exogenous latent variables namely authentic leadership and servant leadership, two intervening latent variables namely organizational virtuousness and collegial / rational decision making, and one endogenous latent variable namely organizational effectiveness.

Structural Equation Modeling (SEM) – Partial Least Square (PLS) with the SmartPLS program is used for the analysis in the study.

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistical Analysis:

A total of 125 responses were received, from them 28 responses were discarded as they were not meeting the criteria of this research. Each item in the questionnaire was anchored on a six-point Likert scale to measure the respondent’s agreement to the items posted. Following chart presents the distribution of depts. and responses across sample universities.
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Quantitative Data Analysis:

This study used Structural equation modeling (SEM) to analyze the hypothesized structural relationships among its latent variables.

T-values are needed to check the significance / insignificance of the hypothesized paths, moreover bootstrapping technique can be used to generate these t-values.
Followings are the conclusions for the structural model’s paths.

- AL $\rightarrow$ OV, $t$-value = 0.223, which is $< 1.96$, the path is **not significant**.
- AL $\rightarrow$ C/R DM, $t$-value = 0.839, which is $< 1.96$, the path is **not significant**.
- SL $\rightarrow$ OV, $t$-value = 3.190, which is $\geq 1.96$, the path is **significant**.
- SL $\rightarrow$ C/R DM, $t$-value = 0.342, which is $< 1.96$, the path is **not significant**.
- OV $\rightarrow$ C/R DM, $t$-value = 12.577, which is $\geq 1.96$, the path is **significant**.
- OV $\rightarrow$ OE, $t$-value = 5.880, which is $\geq 1.96$, the path is **significant**.
- C/R DM $\rightarrow$ OE, $t$-value = 3.267, which is $\geq 1.96$, the path is **significant**.

Following figure exhibits the path coefficient values of the research model.

**Discussion on Quantitative Findings of the Model**

Authentic leadership is not found to influence organizational virtuousness within departments of private universities in LLDikti III. As the prior research has revealed that authentic leaders fit better in individualistic cultures such as Unites States, United Kingdom (Rego et al., 2015; Ling et al., 2017; Hofstede, 2001; Hofstede et al., 2010).

Authentic leadership is not found to influence collegial / rational decision making within departments of private universities in LLDikti III. It could be because there are more than one cultures operating simultaneously at higher education institutions in Indonesia (Rahmat, 2001; Widjaja & Kusilina, 2018).

Servant leadership is found to influence organizational virtuousness significantly within departments of private universities in LLDikti III. This finding matches with the

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findings of some previous scholars; such as Dutta and Khatri (2017) described that servant leadership approach instills positive organizational behavior among workers and consequently impacts their turnover intentions.

Servant leadership is not found to influence collegial / rational decision making within departments of private universities in LLDikti III. As illustrated earlier that there is more than one cultures (clan culture, adhocracy culture, market culture, and hierarchy culture) operating simultaneously at the private university (Rahmat, 2001; Widjaja & Kuslina, 2018).

Organizational virtuousness is found to influence collegial / rational decision making significantly within departments of private universities in LLDikti III. One relevant study revealed that where level of trust is high, decision making process calls for an environment of open communication as well as informal interactions among the members within these organizations, on the contrary, organizations with low level of trust doesn’t support such open group discussions and consensus (Fox (cited in Clark, 1992)).

Organizational virtuousness is found to influence organizational effectiveness significantly within departments of private universities in LLDikti III. Some scholars from the past also support similar results. Searle and Barbuto (2011) suggested a framework to elaborate the role of micro and macro-positive psychology variables to improve the performance of the organizations.

Collegial / rational decision making is found to influence organizational effectiveness significantly within departments of private universities in LLDikti III. Some previous studies have also reported similar results and supported the relationship between collegial/rational decision making and organizational effectiveness (Smart et al., 1997).

CONCLUSION AND RECOMMENDATION

Conclusion

AL is not found to influence OV within departments of private universities, this could be due to the fact that AL fits better in the individualistic cultures like United States, United Kingdom.

AL is not found to influence C/R DM within departments of private universities, this could be due to the reason that there are more than one cultures operating simultaneously at higher education institutions.

SL is found to influence OV within departments of private universities, this could be due to the fact that the servant leadership approach instills positive organizational behavior among private university workers. Further, it is also because SL fits better in the collectivistic societies like Indonesia.

SL is not found to influence C/R DM within departments of private universities. As stated earlier that there is more than one cultures found operating simultaneously at higher education institutions.

OV is found to influence C/R DM significantly within departments of private universities. The findings propose that organizations, where level of OV is high, decision making process calls for an environment of open communication as well as informal interactions among the members, which leads to follow the C/R DM approach in these organizations.

OV is found to influence OE significantly within departments of private universities. This research suggests that organizations who nurture virtuousness and sustain it, their workers would contribute to the effectiveness of their organizations, mainly because of the amplifying and buffering functions of organizational virtuousness.

C/R DM positively affects OE, therefore the performance of a department will improve if it promotes C/R DM to make resource allocation decisions.

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