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Leveraging good university governance to enhance HEI's performance through the lens of ethical work climate

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A B S T R A C T

This study examines the role of management control systems (MCS) in enhancing the performance of Higher Education Institutions (HEIs) in Indonesia, focusing on the interaction between enabling and coercive control systems within the framework of ethical work climate (EWC) and good university governance (GUG). The research highlights the importance of creating a positive ethical work environment to improve the effectiveness of MCS and governance practices. A survey was conducted with lecturers and administrative staff from private universities across Indonesia, with data analyzed using Structural Equation Modelling (SEM) to test the relationships between EWC, MCS, GUG, and HEI performance. The findings reveal that both Enabling and Coercive Control Systems positively influence HEI performance and contribute to the improvement of GUG. Additionally, a positive EWC strengthens the effectiveness of both control systems, fostering trust, transparency, and employee engagement. The study provides theoretical insights into how MCS and ethical climates shape governance and performance in higher education, with practical implications for HEIs administrators to optimize MCS, balance control systems, and cultivate an ethical work environment to enhance institutional success. Future research could further explore the impact of leadership styles and external factors on the effectiveness of these systems in different higher education contexts.

1. Introduction

Higher Education Institutions (HEIs) play a crucial role in improving the country's welfare through enhancing human capital quality, competitiveness, service quality, research capabilities, and access to resources (Urdari et al., 2017). Performance in this sector is quite different from others in knowledge, from economic base characteristics such as quantity and quality of skilled human resources, entrepreneurial human resources, basic research, applied research, research and development, research evaluation, action research, knowledge creation, utilization and internalization for industry, and social responsibility (Urdari et al., 2017) as well as internal processes that support these functions such as financial performance (Asif & Searcy, 2014). The performance of HEIs performance, especially in Indonesia, is still a concern. Although Indonesia has the second largest number of HEIs in the world, not many are able to compete at the global level (Carey, 2017; Murdowo, 2018). Proper implementation of a management control system (MCS) can improve university performance by managing and optimizing the use of organizational resources,

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increasing transparency, and facilitating better decision making in achieving institutional goals (Ismail, 2016). MCS involves various types of controls that help ensure the achievement of predetermined objectives, maintain operational efficiency, and improve risk management. In the context of higher education, MCS is essential for improving the quality of teaching, research, and community service, as well as improving financial and human resource management. To overcome performance problems HEIs can apply MCS from Radtke et.al (Radtke & Widener, 2016) which adopts Simon's MCS type (Simons, 1991; Simons et al., 1990) and Adler's theory (Adler & Borys, 1996), namely MCS enabling control system and coercive control system together in their management control system. The enabling control system, which emphasizes empowerment, flexibility, and transparency, strengthens individual participation, enhances creativity, and encourages innovation. In contrast, coercive control systems focus more on strict supervision and adherence to set standards, which contributes to consistency and discipline within the organization (Radtke & Widener, 2016). While both controls are important, their application in higher education is still limited. Most of the existing research examines each control separately. Research examines the enabling control system (Bernd & Beuren, 2022; Dimes & de Villiers, 2020; Toyosaki, 2024; Van Triest et al., 2023; Wijethilake et al., 2018) and coercive control system (Bisbe et al., 2019; Doornich et al., 2019; Ekstrom, 2020; Stark & Hester, 2019) separately, which leads to differences in research results. Some studies show that enabling control systems can improve performance through increased creativity and individual empowerment (Wijethilake et al., 2018), while coercive control systems are more effective in maintaining discipline and compliance with procedures (Bisbe et al., 2019). Research that examines these two types of control simultaneously in the context of higher education, especially in Indonesia, is still very limited and is a research gap that needs to be filled. In addition, previous research also shows that MCS has a positive influence on organizational performance (Gupta & Sharma, 2014; Hokayem & Kairouz, 2014; Kardos, 2012). However, there are also other studies that do not find a strong relationship between MCS and performance (Henri, 2006; Moores & Mula, 2000). This ambiguity occurs because many studies do not combine both types of control in one model, even though they can complement each other to achieve better performance (Bisbe et al., 2019).

One of the main challenges faced by Higher Education is the implementation of an effective management control system (MCS). Management control systems are essential for aligning organizational activities with strategic objectives, optimizing resource allocation, and improving performance (Ismail, 2016). However, the effectiveness of MCS depends on various contextual factors including the ethical work climate (EWC) in the organization (Radtke & Widener, 2016). EWC refers to employees' shared perceptions of ethical practices and procedures in their workplace (Victor & Cullen, 1988). A positive EWC can enhance MCS effectiveness by fostering employee trust, transparency and commitment (Martin & Cullen, 2006). MCS also plays a crucial role in realizing good university governance (GUG). GUG is an important foundation for universities to achieve sustainable performance, accountability, and trust from stakeholders. Failure to manage university performance will trigger a decline in student numbers and further threaten the viability of universities in the future (Pratolo et al., 2022). The demand for well-performing universities has also triggered universal changes in management and governance practices in universities (Song, 2018). Thus, proper implementation of MCS focuses not only on improving operational efficiency and effectiveness, but also on establishing a transparent, participatory and accountable governance system. Overall, the combination of enabling control and coercive control in an effective MCS can increase GUG in an effort to improve the HEIs performance. The right balance between these two types of control creates an environment that supports innovation, accountability and transparency, all of which are essential to achieving good and sustainable governance. The effectiveness of MCS will lead to excellent academic services, encourage students to achieve the best GPA, and mobilize staff to perform optimally and will ultimately improve HEI performance (Muktiyanto et al., 2020).

2. Theory and Hypotheses Development

2.1 Ethical Work Climate and Enabling Control System

Ethical work climate (EWC) is a critical factor that shapes the implementation and effectiveness of management control systems (MCS), particularly enabling control. EWC refers to the shared perceptions of employees regarding the ethical practices, norms, and values within an organization (Victor & Cullen, 1988). A positive EWC fosters an environment of trust, transparency, and mutual respect, which are essential for the success of enabling control mechanisms (Martin & Cullen, 2006). Enabling control, which emphasizes empowerment, flexibility, and employee participation, thrives in such an environment as it encourages open communication, collaboration, and innovation (Adler & Borys, 1996). Organizational Climate Theory provides a robust framework for understanding how EWC influences enabling control. According to this theory, the climate of an organization comprising shared perceptions of policies, practices, and procedures shapes employee behaviour and attitudes (Schneider, 1975). A positive EWC, characterized by ethical leadership, fairness, and concern for employee well-being, creates a supportive environment where enabling control can flourish. Employees in such climates are more likely to perceive enabling control as a tool for empowerment rather than a mechanism for surveillance, leading to higher levels of engagement, creativity, and commitment (Radtke & Widener, 2016). Despite the growing recognition of the importance of EWC in organizational settings, there is limited research examining its specific impact on enabling control in higher education institutions (HEIs). Most studies have focused on the general effects of EWC on organizational outcomes, such as employee satisfaction and ethical behaviour, without delving into its influence on specific control mechanisms (Martin & Cullen, 2006). Additionally, the unique context of HEIs characterized by diverse stakeholders, complex governance structures, and external pressures necessitates a more nuanced understanding of how EWC interacts with enabling control to enhance institutional performance. This study addresses this gap by investigating the relationship between EWC and enabling control in HEIs, providing new insights into the role of ethical climates in shaping control systems. Based on Organizational Climate Theory and prior empirical evidence, it is hypothesized that a positive EWC will enhance the effectiveness of enabling control by fostering a culture of trust, transparency, and employee empowerment. In such an environment, employees are more likely to perceive enabling control as supportive and beneficial, leading to greater acceptance and implementation of these control mechanisms (Adler & Borys, 1996).

H$_1$: *Ethical work climate has a positive and significant effect on enabling control systems in HEIs.*

2.2 Ethical Work Climate and Coercive Control System

While EWC is generally associated with positive outcomes, its impact on coercive control is less straightforward. A strong EWC may reduce the need for coercive control by promoting ethical behaviour and self-regulation (Victor & Cullen, 1988). However, in some cases, a positive EWC may also legitimize the use of coercive control to ensure compliance with ethical standards (Radtke & Widener, 2016). The relationship between ethical work climate (EWC) and coercive control is complex and multifaceted. Coercive control, which focuses on compliance, standardization, and monitoring, is often used to ensure adherence to rules and regulations within organizations (Bisbe et al., 2019). However, the effectiveness of coercive control is highly dependent on the organizational climate, particularly the ethical environment in which it is implemented. A positive EWC may either legitimize or undermine coercive control, depending on how employees perceive the intentions and fairness behind such control mechanisms (Radtke & Widener, 2016). Organizational Climate Theory provides a robust framework for understanding how EWC influences coercive control. According to this theory, the climate of an organization comprising shared perceptions of policies, practices, and procedures shapes employee behaviour and attitudes (Schneider, 1975). A positive EWC, characterized by fairness, transparency, and ethical leadership, creates an environment where employees are more likely to trust management and perceive coercive control as a necessary tool for maintaining integrity and accountability (Victor & Cullen, 1988). In such a climate, coercive control is seen as a mechanism to uphold ethical standards and ensure organizational goals are met, rather than as a means of oppression or micromanagement. Conversely, in a weak or negative EWC, coercive control may be perceived as overly restrictive or inconsistent with organizational values, leading to resistance and reduced effectiveness (Adler & Borys, 1996). Employees in such environments are less likely to trust management and may view coercive measures as punitive or unjust, which can undermine morale and compliance. Thus, the ethical climate plays a critical role in shaping how coercive control is implemented and received within the organization.

While existing research has extensively explored the positive effects of EWC on enabling control and employee behaviour, its influence on coercive control remains underexplored (Martin & Cullen, 2006). Most studies have focused on the general outcomes of EWC, such as ethical behaviour and employee satisfaction, without delving into its specific impact on coercive control mechanisms. Additionally, the dual nature of coercive control and its potential to ensure compliance while also risking employee alienation has not been adequately examined in the context of higher education institutions (HEIs). This gap is particularly significant given the unique challenges faced by HEIs, such as balancing academic freedom with regulatory compliance and fostering innovation while maintaining quality standards. This study addresses this gap by investigating how EWC influences the implementation and effectiveness of coercive control in HEIs. Based on Organizational Climate Theory, it is hypothesized that a positive EWC will enhance the effectiveness of coercive control by legitimizing its use for ethical purposes. In such an environment, employees are more likely to perceive coercive control as a necessary mechanism for maintaining integrity and accountability, rather than as a tool for oppression (Radtke & Widener, 2016). However, if the EWC is weak or negative, coercive control may be perceived as overly restrictive, leading to resistance and reduced effectiveness (Bisbe et al., 2019).

H$_2$: *Ethical work climate has a positive and significant effect on the coercive control system in HEIs.*

2.3 Enabling Control System and HEI's Performance

Enabling control is expected to positively impact HEI performance by empowering employees, fostering innovation, and improving decision-making processes (Adler & Borys, 1996). Enabling control, which emphasizes empowerment, flexibility, and employee participation, is increasingly recognized as a critical factor in enhancing organizational performance, particularly in complex and dynamic environments like higher education institutions (HEIs) (Adler & Borys, 1996). Enabling control fosters a culture of innovation, collaboration, and continuous improvement by providing employees with the tools, resources, and autonomy they need to excel in their roles (Wouters & Roijmans, 2011). In the context of HEIs, enabling control can enhance performance by improving decision-making processes, fostering academic excellence, and promoting a sense of ownership among faculty and staff (Muktiyanto et al., 2020).

Organizational Climate Theory provides a robust framework for understanding how enabling control influences HEI performance. According to this theory, the climate of an organization comprising shared perceptions of policies, practices, and procedures shapes employee behaviour and attitudes (Schneider, 1975). In a climate that supports enabling control, employees are more likely to perceive the organization as empowering and supportive, leading to higher levels of engagement, creativity, and commitment (Radtke & Widener, 2016). This, in turn, enhances organizational performance by fostering a culture of innovation, adaptability, and continuous improvement. Enabling control aligns with the principles of a positive organizational climate by promoting transparency, open communication, and employee participation. These elements are particularly important in HEIs, where the success of the institution depends on the ability of faculty and staff to adapt to changing educational demands, innovate in teaching and research, and collaborate effectively with stakeholders (Muktiyanto et al., 2020). By empowering employees and providing them with the resources they need to succeed, enabling control can enhance HEI performance across various dimensions, including academic quality, research output, and student satisfaction. While the benefits of enabling control have been widely documented in the context of business organizations, its impact on HEI performance remains underexplored (Adler & Borys, 1996; Bisbe et al., 2019). Most studies have focused on the general effects of enabling control on employee behaviour and organizational outcomes, without specifically examining its role in the unique context of HEIs. Additionally, there is limited research on how enabling control interacts with other organizational factors, such as ethical work climate and institutional governance, to influence HEI performance. This study addresses this gap by investigating the direct impact of enabling control on HEI performance, providing new insights into the role of empowering control mechanisms in higher education. Based on Organizational Climate Theory and prior empirical evidence, it is hypothesized that enabling control will have a positive and significant effect on HEI performance. By fostering a culture of empowerment, innovation, and collaboration, enabling control enhances the ability of HEIs to achieve their strategic goals and adapt to changing environmental demands (Adler & Borys, 1996).

H3: *Enabling the control system has a positive and significant effect on HEI performance.*

2.4 Coercive Control System and HEI's Performance

Coercive control may have a mixed impact on HEI performance. While it can ensure compliance and reduce risks, excessive reliance on coercive control may stifle creativity and employee morale (Bisbe et al., 2019). Coercive control, which emphasizes compliance, standardization, and monitoring, is often used to ensure adherence to rules, regulations, and organizational goals (Bisbe et al., 2019). While coercive control can be effective in maintaining order and reducing risks, its impact on organizational performance, particularly in higher education institutions (HEIs), is more nuanced. In HEIs, where creativity, academic freedom, and innovation are highly valued, excessive reliance on coercive control may stifle employee morale, reduce flexibility, and hinder performance (Adler & Borys, 1996). However, when implemented appropriately, coercive control can also provide structure and ensure accountability, which are essential for achieving institutional objectives. Organizational Climate Theory provides a useful framework for understanding the relationship between coercive control and HEI performance. According to this theory, the climate of an organization comprising shared perceptions of policies, practices, and procedures shapes employee behaviour and attitudes (Schneider, 1975). In a climate where coercive control is perceived as necessary and fair, employees may accept it as a legitimate mechanism for maintaining standards and ensuring accountability (Victor & Cullen, 1988). However, in a climate where coercive control is perceived as overly restrictive or inconsistent with organizational values, it may lead to resistance, reduced morale, and ultimately, lower performance (Radtke & Widener, 2016). In the context of HEIs, coercive control can play a dual role. On one hand, it can help ensure compliance with accreditation standards, regulatory requirements, and institutional policies, which are critical for maintaining quality and reputation (Muktiyanto et al., 2020). On the other hand, excessive reliance on coercive control may undermine the intrinsic motivation of faculty and staff, stifle creativity, and create a culture of fear and compliance rather than innovation and collaboration (Adler & Borys, 1996). Therefore, the effectiveness of coercive control in enhancing HEI performance depends on how it is perceived and implemented within the organizational climate. While the effects of coercive control have been studied in various organizational contexts, its impact on HEI performance remains underexplored (Bisbe et al., 2019). Most studies have focused on the general outcomes of coercive control, such as compliance and risk reduction, without specifically examining its role in the unique context of HEIs. Additionally, there is limited research on how coercive control interacts with other organizational factors, such as ethical work climate and enabling control, to influence HEI performance. This study addresses this gap by investigating the direct impact of coercive control on HEI performance, providing new insights into the role of compliance-oriented control mechanisms in higher education.

Based on Organizational Climate Theory and prior empirical evidence, it is hypothesized that coercive control will have a mixed impact on HEI performance. While it may contribute to compliance and risk reduction, excessive reliance on coercive control may hinder creativity, flexibility, and employee morale, ultimately undermining performance (Adler & Borys, 1996).

H4: *Coercive control has a positive and significant effect on HEI performance.*

2.5 Enabling Control System and Good University Governance

The implementation of enabling control in higher education has a significant influence on Good University Governance (GUG), as it encourages active participation and collaboration between faculty, staff, and students. Enabling control facilitates more transparent and fair decision-making, which is a key principle in GUG. According to Adler & Borys (1996), enabling control supports organizational success by creating space for active participation, which ultimately improves the quality of decision-making. In addition, this concept strengthens relationships between internal parties of the university and increases the sense of responsibility for good governance. This is in line with the principle of participation emphasized in dynamic capability theory, which suggests that organizations that are able to adapt and learn continuously will be better prepared to face challenges (Heaton et al., 2023). The Resource-Based View (RBV) theory also underlies this relationship, where enabling control can be seen as a capability that supports the management of college resources. By creating an environment that supports organizational learning and innovation, enabling control increases the college's capacity to adapt to changes in the external environment, such as technological developments or labour market demands. Innovation and experimentation encouraged by enabling control play an important role in maintaining the relevance of universities in society (Baird et al., 2018; Zahir-Ul-Hassan et al., 2016). In other words, enabling control enhances dynamic capabilities that support rapid adaptation and response to change, which in turn contributes to the strengthening of GUGs in higher education. Thus, the next research hypothesis can be organized as follows:

H_5: *Enabling control system has a positive and significant effect on GUG in HEIs.*

2.6 Coercive Control System and Good University Governance

On the other hand, the application of coercive control can also contribute to Good University Governance (GUG) by emphasizing compliance with established standards and regulations, such as accreditation, financial transparency, and accountability. Coercive control focuses on the implementation of strict procedures and clear structures, which are essential for maintaining operational efficiency and compliance in the management of higher education institutions. Coercive control serves to ensure that organizations comply with existing rules and procedures, which support the realization of efficient governance(Van Veen-Dirks et al., 2021; Zahir-Ul-Hassan et al., 2016). In the context of higher education, compliance with these regulations can help improve the quality and credibility of the institution, which is one of the main objectives of the GUG. However, while coercive control is important in ensuring compliance and efficiency, this approach can limit flexibility and innovation within the college. This can cause colleges to struggle to adapt to rapidly changing external environments, such as labor market demands or technological developments. The Resource-Based View (RBV) theory cautions that organizations that rely too heavily on tight control may lose the ability to innovate and adapt, which are important factors in creating competitive advantage (Barney, 1991). Organizations that focus too much on compliance and strict procedures risk losing the flexibility needed to survive and thrive in a rapidly changing environment. Therefore, while coercive control is important for efficiency, it is also important to balance it with a more flexible and responsive approach.

H_6: *Coercive control system has a positive and significant effect on GUG in HEIs.*

2.7 Good University Governance and HEI's Performance

The concept of Good University Governance (GUG) is derived from the principles of good governance and is designed to ensure efficient, transparent, and accountable management of higher education institutions. GUG aims to achieve excellent study program performance, improve academic services, and support the development and sustainability of higher education. The implementation of GUG requires support from three main elements: the government, the business world, and the community, all of which are interconnected to drive the quality of higher education. The Indonesian government has implemented various policies, including accreditation and internal control systems, to improve the quality of governance practices in higher education (Sofyani et al., 2022). The Resource-Based View (RBV) theory explains that the competitive advantage of universities can be achieved through good resource management, which is influenced by the implementation of GUG. The principles of GUG, such as transparency, accountability, participation, responsiveness, and efficiency, create strategic value for universities. GUG enables universities to utilize internal resources more effectively, develop new capabilities, and increase public trust and external collaboration. In addition, the implementation of GUG can be a rare source of competitive advantage, as not all universities are able to implement GUG consistently. Empirical research shows that the implementation of GUG has a positive effect on university performance (Kyriakopoulos et al., 2004; Nofianti & Suseno, 2014) however, other studies have found no clear relationship between governance structure and performance (Meznar & Johnson, 2005). Nevertheless, in-depth and continuous research is still needed to better understand the effect of GUG on higher education performance, given the importance of good governance in facing the challenges of global higher education.

H_7: *GUG has a positive and significant effect on HEIs performance.*

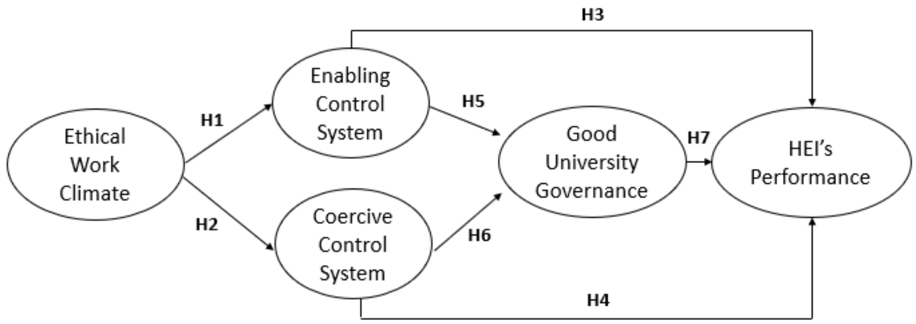

Fig. 1. Full Model

Source: Created by Authors

3. Research Method

3.1 Data Collection

This study uses a quantitative survey approach to analyse the relationship between EWC, MCS, GUG and higher education institutions performance. The target population consists of all lecturers at universities in Indonesia. To determine the sample size, this study followed the recommendations of Hair et al (Hair et al., 2010), who suggested that survey research should use a sample size between 5 and 20 times the number of questionnaire items. With 28 items spread across five research variables, the minimum sample size was set at 280 respondents (28 × 10). Respondents were selected based on a minimum of three years of work experience, ensuring that participants had sufficient understanding of MCS implementation at their respective universities. Data were collected through an online survey, yielding 381 valid responses, which exceeded the minimum sample requirement and strengthened the statistical power of the study. The demographic profile of the respondents in this study shows diversity, reflecting participation from various higher education sectors. The majority of respondents were female, comprising 64% (244 respondents), while males accounted for 36% (137 respondents). In terms of age, the largest group was aged 35-49 years, making up 70.6% (269 respondents), followed by the 25-34 years group at 16.8% (64 respondents), and those aged 50+ at 6% (23 respondents). Only 6.6% (25 respondents) were under 25 years old. Regarding education level, most respondents held a Master's degree (72.4%, 276 respondents), while 27.6% (105 respondents) had a Doctorate. In terms of work experience, the majority (65.9%, 251 respondents) had over 10 years of experience, followed by 19% (67 respondents) with 6-10 years, 11.5% (44 respondents) with 3-5 years, and only 5% (19 respondents) with less than 3 years of experience. These figures indicate that the respondents are primarily experienced professionals with a high level of education. This large and diverse sample, combined with the structured survey design, enhances the reliability and generalizability of the findings, allowing for a robust analysis of EWC, MCS, GUG and HEI performance.

Table 1
Demographic Characteristics of Respondents

Item	Frequency	Percentage
Gender		
Male	137	36.0
Female	244	64.0
Age		
<50y	25	6.6
>50y	23	6.0
25y-34y	64	16.8
35y-49y	269	70.6
Education		
Doctorate	105	72.4
Master's degree	276	27.6
Working Period		
≥ 3y	67	17.6
3y-5y	44	11.5
6y-10y	19	5.0
>10y	251	65.9

Source: Created by Authors

3.2 Measurements

The measurement scales for each variable were adapted from established studies and refined to align with the specific context of this research. A 5-point Likert scale was used for all variables, where 1 represented "strongly disagree" and 5 represented "strongly agree". EWC was measured using five indicators that are Instrumental, Caring, Independence, Rules, Law and code of ethics (Essien & Anyadighibe, 2022; Wang & Hsieh, 2012). HEIs Performance was assessed using three key indicators: teaching performance (Dicker et al., 2019; Goos & Salomons, 2017), research performance (Yaakub & Mohamed, 2020), and service performance (Asif & Searcy, 2014; Badri & Abdulla, 2004; Hui C. Harry et al., 2003; Nedwek & Neal, 1994), ensuring a comprehensive evaluation of institutional effectiveness (Iqbal et al., 2024). GUG uses indicators to measure transparency, accountability, responsibility, independence, fairness, quality assurance and relevance, effectiveness, and non-profit status (Hanum et al., 2021). Enabling control was measured using five indicators (Beuren & Santos, 2019) that capture transparency, participation, and flexibility in decision-making, while coercive control was assessed through seven indicators (Beuren & Santos, 2019) that reflect top-down enforcement, monitoring, and compliance-driven governance. The measurement scales for EWC, enabling control, coercive control, and HEIs performance were adapted from prior studies and validated through confirmatory factor analysis (CFA). All constructs demonstrated good reliability and validity.

Table 2
Research Instrument

Variabel	Item	
HEI Performance	P1	Teaching performance
	P2	Research performance
	P3	Services performance
Enabling control system	EC1	Incentives to promote information sharing and leader interaction
	EC2	Opportunities to learn and solve problems
	EC3	Freedom to innovate when encountering obstacles
	EC4	Flexibility in achieving goals and carrying out activities
	EC5	Characteristics of improvement, internal transparency, and flexibility
Coercive control system	CC1	Direction of action according to management standards
	CC2	Determination of activities to be performed
	CC3	Division of specific tasks
	CC4	Reporting the conformity of actions with the plan
	CC5	Monitoring compliance with procedures
	CC6	Communication of expected behaviour
	CC7	Limitation of manager's decision authority
Ethical Work Climate	EWC1	Instrumental
	EWC2	Care
	EWC3	Independence
	EWC4	Rules
	EWC5	Laws and codes of conduct
Good University Governance	GUG1	Transparency
	GUG2	Accountability
	GUG3	Responsibility
	GUG4	Independence
	GUG5	Fairness
	GUG6	Quality assurance and relevance
	GUG7	Effectiveness
	GUG8	Non-profit status

Source: Created by Authors

3.3 Data Analysis

Data analysis was conducted using Structural Equation Modelling (SEM) with Partial Least Squares (PLS) estimation, employing SmartPLS v.3.3 software. SEM-PLS was selected due to its robustness in handling complex models with multiple constructs and its suitability for exploratory research (Hair. et al., 2014). This technique allows for the simultaneous estimation of interdependent regression equations, providing a comprehensive understanding of the relationships between MCS, innovation, and HEI performance. To ensure the reliability and validity of the results, PLS bootstrapping analysis was performed using the bias-corrected and accelerated (BCa) method with a two-tailed significance level of 0.05. This approach enhances statistical accuracy by correcting for bias and improving confidence interval estimation. The model was evaluated through convergent validity, discriminant validity, and reliability tests, ensuring that all constructs met the required statistical thresholds for rigorous empirical analysis.

4. Result

This study examined the role of Management Control Systems (MCS) in fostering innovation and improving the performance of Higher Education Institutions (HEIs) in Indonesia. The respondents consisted of lecturers and administrative staff from private universities across the country. A total of 381 valid responses were collected through an online survey (Google Forms), ensuring a robust sample size for multivariate analysis. Given the complexity of the research model, Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed for data analysis. The measurement model was assessed to establish internal consistency reliability, convergent validity, and discriminant validity (Hair. JF et al., 2022). First, factor loadings for each construct were evaluated, and items with loadings below 0.600 were removed unless the Average Variance Extracted (AVE) of the parent construct met the threshold value of 0.500 (Hair et al., 2022). Second, Cronbach's alpha (α) values and Composite Reliability (CR) values were examined, with all values exceeding the recommended threshold of 0.700, indicating strong reliability (Hair et al., 2022). Finally, the AVE values for all constructs were found to be above 0.500, confirming convergent validity (Hair. et al., 2014; Hair et al., 2019). The detailed results of the factor loadings, reliability, and validity assessments are presented in table 3, 4, and 5.

Table 3
Reliability and Convergent Validity

Constructs	Alpha	rho_A	Composite Reliability	AVE
Coercive Control System	0.977	0.977	0.981	0.878
Enabling Control System	0.968	0.968	0.975	0.887
Ethical Work Climate	0.968	0.968	0.975	0.886
Good University Governance	0.971	0.972	0.976	0.833
HEI Performance	0.875	0.906	0.924	0.803

Source: Created by Authors

Table 4
Combined Loadings and Cross Loading

	Coercive Control System	Enabling Control System	Ethical Work Climate	Good University Governance	HEI Performance
CC1	0.932	0.669	0.665	0.669	0.673
CC2	0.938	0.663	0.635	0.678	0.702
CC3	0.935	0.658	0.648	0.685	0.689
CC4	0.943	0.668	0.636	0.671	0.690
CC5	0.942	0.669	0.659	0.689	0.683
CC6	0.936	0.652	0.647	0.687	0.682
CC7	0.934	0.667	0.646	0.683	0.676
EC1	0.679	0.946	0.648	0.697	0.681
EC2	0.680	0.942	0.643	0.682	0.656
EC3	0.661	0.939	0.619	0.676	0.664
EC4	0.660	0.949	0.637	0.675	0.669
EC5	0.655	0.933	0.645	0.678	0.648
EWC1	0.661	0.607	0.943	0.681	0.690
EWC2	0.650	0.664	0.942	0.675	0.682
EWC3	0.654	0.642	0.941	0.682	0.672
EWC4	0.650	0.655	0.940	0.677	0.686
EWC5	0.640	0.621	0.942	0.674	0.675
GUG1	0.630	0.638	0.648	0.930	0.672
GUG2	0.667	0.664	0.658	0.938	0.702
GUG3	0.668	0.671	0.666	0.926	0.664
GUG4	0.655	0.645	0.657	0.926	0.684
GUG5	0.654	0.644	0.629	0.933	0.679
GUG6	0.652	0.651	0.640	0.921	0.689
GUG7	0.641	0.640	0.641	0.928	0.661
GUG8	0.704	0.702	0.691	0.793	0.876
UP1	0.694	0.695	0.715	0.769	0.948
UP2	0.543	0.463	0.496	0.558	0.787
UP3	0.712	0.705	0.707	0.742	0.943

Source: Created by Authors

Table 5
Heterotrait-Monotrait (HTMT) Criterion

	Coercive Control System	Enabling Control System	Ethical Work Climate	Good University Governance	HEI Performance
Coercive Control System	0.937				
Enabling Control System	0.708	0.942			
Ethical Work Climate	0.692	0.678	0.941		
Good University Governance	0.726	0.724	0.720	0.913	
HEI Performance	0.731	0.705	0.724	0.778	0.896

Source: Created by Authors

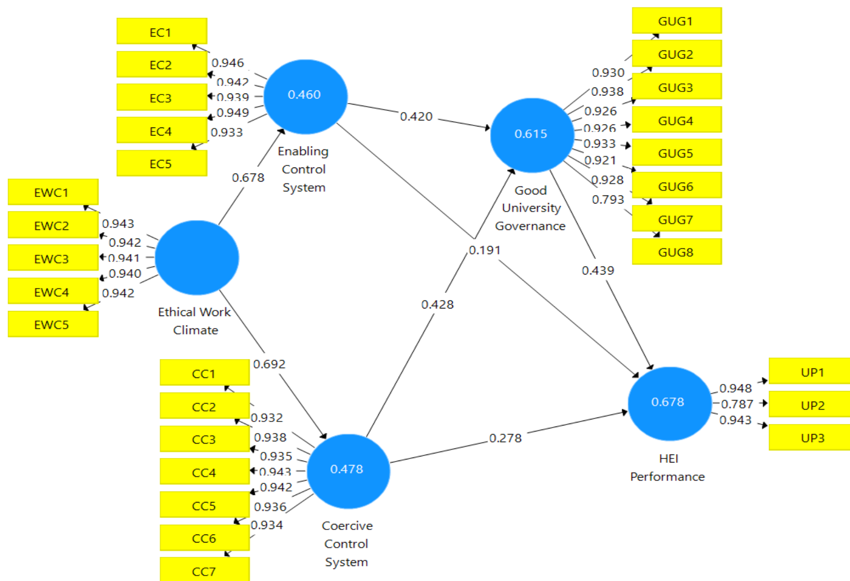

Fig. 2. Measurement Model Assessment

Source: Created by Authors

The inner model, which evaluates the relationships between latent variables, was analyzed using bootstrapping tests. This evaluation produced key indicators, including the coefficient of determination (R^2), predictive relevance (Q^2), path coefficients, and latent variable correlations. The coercive control system has an R-squared value of 0.478, indicating that the model explains 47.8% of the variance in this variable. Similarly, the enabling control system has an R-squared value of 0.460, meaning 46% of its variance is accounted for by the model. GUG shows a slightly higher R-squared value of 0.615, meaning the model explains 61.5% of the variance in this variable. Finally, HEI Performance has the highest R-squared value of 0.678, suggesting that 67.8% of the variance in HEI performance is explained by the model. These results suggest that the independent variables included in the model significantly influence the respective control systems and HEI performance. However, a portion of the variance remains unexplained, implying that other factors may also play a role in shaping these outcomes, beyond the scope of the variables included in this study. These results demonstrate the substantial explanatory power of the model. A summary of these findings is presented in Table 6.

Table 6
Coefficient of Determinant (R^2)

Variable	R Square	R Square Adjusted
Coercive Control System	0.478	0.477
Enabling Control System	0.460	0.458
Good University Governance	0.615	0.613
HEI Performance	0.678	0.676

Source: Created by Authors

Furthermore, hypothesis testing results indicate that all P-values were below the 0.05 significance threshold, confirming the statistical significance of all hypothesized relationships. The complete hypothesis testing results are detailed in Table 7. These findings provide strong empirical support for the proposed theoretical model, reinforcing the important role of ethical work climate in the efficient implementation of MCS and GUG for institutional performance improvement in the higher education sector.

Table 7
Hypothesis Testing Results

Hypothesis		Original Sample	Sample Mean	Standard Deviation	T Statistics	P-Values
H1	EWC → Enabling Control System	0.678	0.676	0.046	14.819	0.000
H2	EWC → Coercive Control System	0.692	0.690	0.044	15.819	0.000
H3	Enabling Control System → HEI Performance	0.191	0.191	0.064	2.990	0.003
H4	Coercive Control System → HEI Performance	0.278	0.278	0.063	4.440	0.000
H5	Enabling Control System → GUG	0.420	0.419	0.077	5.449	0.000
H6	Coercive Control System → GUG	0.428	0.429	0.078	5.492	0.000
H7	GUG → HEI Performance	0.439	0.439	0.071	6.189	0.000

Source: Created by Authors

5. Discussion

The research findings provide valuable insights into the relationships between ethical work climate, management control systems, good university governance, and higher education institution performance. Starting with the relationship between EWC and the enabling control system, the results support the idea that a positive ethical work climate fosters transparency, trust, and openness, which are essential for the successful implementation of enabling controls. This aligns with the work of Adler and Borys (1996), who emphasized that a supportive organizational climate encourages collaboration and innovation, leading to better organizational outcomes. In a positive ethical climate, employees are more likely to view enabling control mechanisms as tools for empowerment and participation rather than surveillance. Similarly, the study finds that EWC also positively influences the coercive control system, reinforcing the view that a strong ethical work climate can legitimize the use of coercive controls to ensure compliance with ethical standards and organizational goals. Radtke and Widener (2016) highlighted this relationship, where a positive ethical climate reduces resistance to coercive controls by framing them as necessary mechanisms for maintaining integrity and accountability within the institution. Therefore, the findings suggest that an ethical work climate creates an environment where both enabling and coercive controls are more likely to be accepted and effectively implemented.

The relationship between enabling control systems and HEI performance is significant, though moderate, indicating that while enabling controls have a positive effect on performance, other factors may be required to maximize their impact. This finding aligns with Wouters and Wilderom (2008), who argued that enabling control systems, which focus on flexibility and collaboration, enhance organizational performance by encouraging innovation and adaptation. However, the moderate effect size suggests that enabling controls alone may not be enough to drive substantial improvements in HEI performance, highlighting the need for complementary factors such as leadership and strategic alignment. In contrast, the research shows a stronger relationship between coercive control systems and HEI performance, which supports the argument that coercive controls, such as monitoring and compliance, are essential for maintaining order and ensuring that institutional goals are met. This is in line with the findings of Bisbe et al. (2019), who argued that while coercive controls help achieve efficiency, they may not be sufficient by themselves to drive high performance in academic institutions. This underscores the importance of balancing both enabling and coercive controls in fostering a performance-oriented environment that promotes both efficiency and innovation. The study also found that both enabling and coercive control systems significantly contribute to good university governance. Enabling controls, which encourage participation and transparency, improve decision-making processes and accountability, thus contributing to the development of good governance. Similarly, coercive controls ensure adherence to standards and regulations, which are crucial for maintaining robust governance structures. These findings align with the work of Muktiyanto et al. (2020) and (Santos & Beuren, 2022), who argued that a combination of both types of control is essential for effective governance. The results highlight the importance of integrating these controls to build a governance framework that supports institutional effectiveness and long-term sustainability. Lastly, the research confirms that good university governance has a significant positive effect on HEI performance. This is consistent with the findings of Kyriakopoulos et al. (2004) and Nofianti & Suseno (2014), who found that strong governance practices positively impact the performance of higher education institutions. The Resource-Based View (RBV) further supports this, suggesting that universities with effective governance systems can better leverage their resources, leading to improved outcomes in teaching, research, and service. Effective governance enhances trust among stakeholders, which contributes to better overall institutional performance.

5.1 Theoretical and Practical Implications

This study contributes to the existing literature by offering new insights into the role of management control systems in enhancing good university governance and HEI performance. By integrating the concepts of enabling and coercive control systems within a positive ethical work climate, the research supports Organizational Climate Theory, which emphasizes the importance of the work environment in shaping employee behaviour and organizational outcomes. The findings demonstrate that a supportive ethical climate enhances the effectiveness of both enabling and coercive controls, which are crucial for improving governance and performance in higher education institutions. Additionally, the study strengthens the application of the Resource-Based View in the higher education context, highlighting how strong governance and effective control systems can help HEIs leverage internal resources to achieve better outcomes.

From a practical standpoint, the study provides valuable guidance for HEI administrators and policymakers. To optimize the effectiveness of MCS, HEIs should focus on cultivating a positive ethical work climate characterized by transparency, fairness, and ethical leadership. This can be achieved by promoting open communication, establishing clear ethical standards, and ensuring fair treatment of all stakeholders. Furthermore, the research emphasizes the importance of balancing enabling and coercive control systems. Enabling controls, which encourage innovation and collaboration, should be complemented by coercive controls that ensure compliance with regulations and institutional goals. Striking this balance is key to fostering a performance-oriented culture that drives both operational efficiency and academic excellence.

5.2 Limitations and Suggestions for Future Research

While this study provides important insights into the relationship between ethical work climate, management control systems, good university governance, and HEIs performance, there are several limitations that should be acknowledged. First, the study relies on survey data collected from a specific group of respondents (lecturers and administrative staff) at private higher education institutions in Indonesia. This may limit the generalizability of the findings to other types of institutions, such as public universities or HEIs in different countries with varying cultural and institutional contexts. Future research could expand the sample to include a broader range of HEIs, both public and private, as well as institutions from other regions to examine whether the findings hold in different settings.

Second, the study uses a cross-sectional design, which limits the ability to draw conclusions about causality. While significant relationships between the variables were identified, the study cannot establish whether these relationships are causal or simply correlational. Longitudinal studies or experimental designs could provide deeper insights into the causal mechanisms behind the effects of EWC and MCS on HEI performance and governance. Furthermore, future research could explore the long-term impact of enabling and coercive controls on institutional performance, as this study only provides a snapshot of the current state.

Lastly, this study focuses primarily on the direct effects of EWC, MCS, and GUG on HEI performance, but other contextual factors, such as leadership styles, organizational culture, and external pressures, may also play significant roles in shaping these relationships. Future studies could investigate the role of these additional factors in influencing the effectiveness of management control systems and governance structures in HEIs. Exploring the intersection between leadership, organizational culture, and control systems would provide a more comprehensive understanding of the dynamics at play in higher education institutions. Additionally, research on the role of digital transformation and its influence on MCS and governance in the context of higher education would be a valuable area for future investigation.

6. Conclusion

This study offers valuable insights into the dynamics between ethical work climate, management control systems, good university governance, and higher education institution performance. The findings highlight the significant role of both enabling and coercive control systems in shaping the governance structures and performance outcomes of HEIs. A positive EWC enhances the effectiveness of these control systems by fostering a supportive environment of trust, transparency, and ethical behaviour. Additionally, the research demonstrates that a strong governance framework, driven by both enabling and coercive controls, is crucial for improving HEI performance across various dimensions, including academic quality, research output, and overall institutional reputation. The study also emphasizes the importance of striking a balance between enabling and coercive controls to create a performance-oriented culture in HEIs. Enabling controls promote innovation and collaboration, while coercive controls ensure compliance and accountability. This balance is key to achieving sustainable improvements in both governance and institutional performance. Furthermore, the research provides practical implications for HEI administrators and policymakers, suggesting that fostering a positive ethical climate and integrating effective control systems are essential for long-term institutional success. Overall, the findings contribute to the existing literature by applying organizational climate theory and the resource-based view in the context of higher education. The study offers a comprehensive framework for understanding how different control systems and governance structures influence HEI performance. The study highlights the critical role of both enabling and coercive control systems in shaping the governance and performance of higher education institutions. By creating a strong ethical climate and integrating these control mechanisms effectively, universities can improve their governance structures and enhance institutional performance. HEI leaders and policymakers can benefit from these insights by adopting strategies that prioritize ethical leadership and balance different types of control to support long-term institutional success. This research provides a framework for future studies to explore additional contextual factors, such as leadership styles and institutional culture, to deepen our understanding of the dynamics at play in higher education governance.

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