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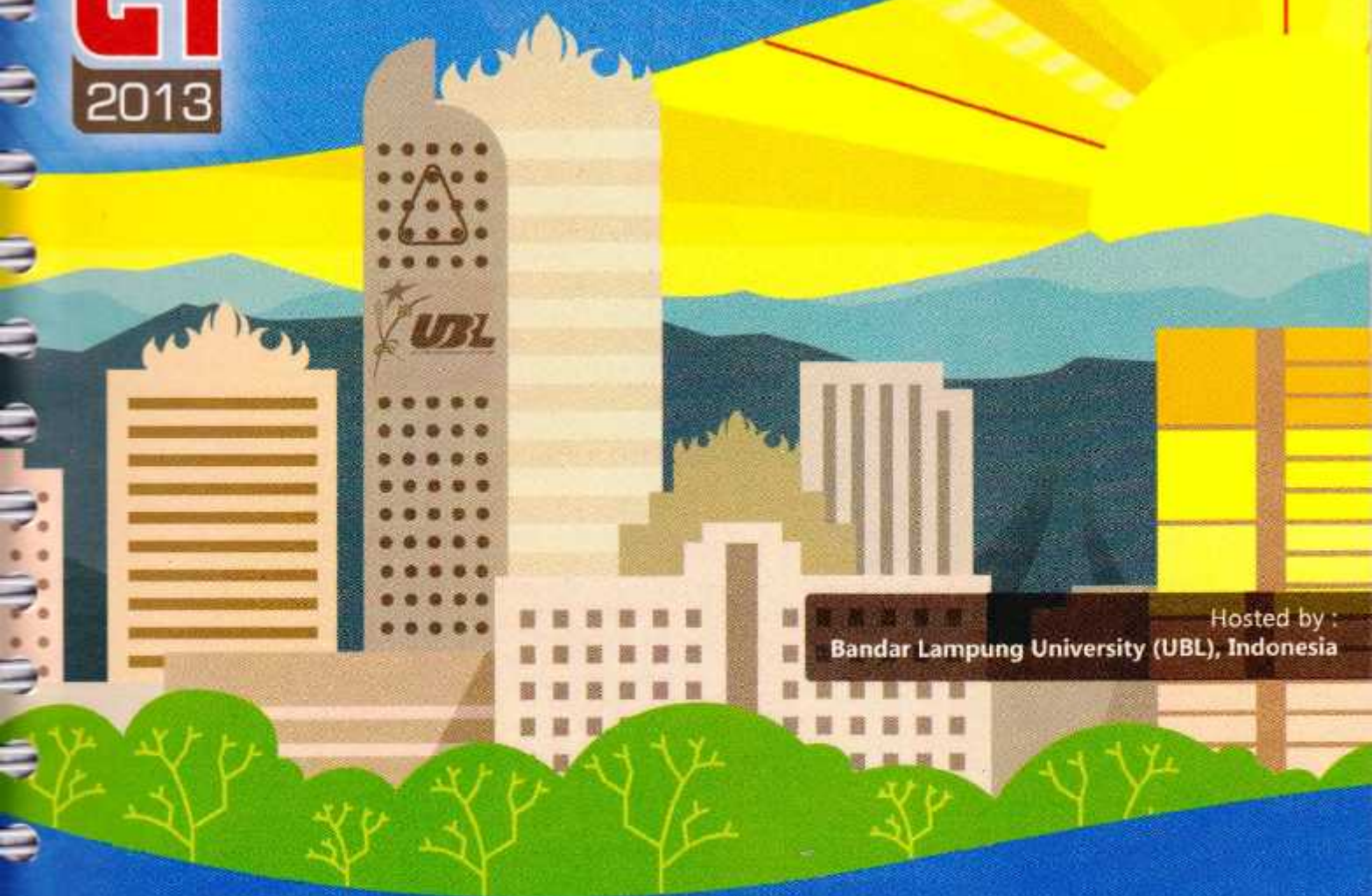
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bandar lampung

THE FIRST  
INTERNATIONAL CONFERENCE ON  
**LAW, BUSINESS  
& GOVERNANCE**

**23-24**

OCTOBER 2013  
BANDAR LAMPUNG  
UNIVERSITY (UBL),  
INDONESIA

**ICoN-BG**  
2013



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Bandar Lampung University (UBL), Indonesia



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**PROCEEDINGS**



# **Icon-LBG 2013**

**THE FIRST INTERNATIONAL CONFERENCE  
ON LAW, BUSINESS AND GOVERNANCE 2013**

**22, 23, 24 October 2013  
Bandar Lampung University (UBL)  
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## **PROCEEDINGS**

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## **PREFACE**

The Activities of the International Conference are in line and very appropriate with the vision and mission of Bandar Lampung University (UBL) to promote training and education as well as research in these areas.

On behalf of the First International Conference on Law, Business and Governance (Icon-LBG 2013) organizing committee, we are very pleased with the very good response especially from the keynote speaker and from the participants. It is noteworthy to point out that about 67 technical papers were received for this conference.

The participants of the conference come from many well known universities, among others : International Islamic University Malaysia, Utrech University, Maastricht University, Unika ATMA JAYA, Universitas Sebelas Maret, Universitas Negeri Surabaya, Universitas Jambi (UNJA), Diponegoro University, Semarang, Universitas 17 Agustus 1945 Jakarta, Universitas Bandar Lampung, Universitas Andalas Padang, University of Dian Nuswantoro, Semarang, Universitas Terbuka, Universitas Airlangga, Bangka Belitung University, President University, Tujuh Belas Agustus University Jakarta, International Business Management Ciputra University, Surabaya, University of Indonesia, Business School Pelita Harapan University, STIE EKUITAS, Bandung, STAN Indonesia Mandiri School of Economics Bandung, Lampung University.

I would like to express my deepest gratitude to the International Advisory Board members, sponsor and also to all keynote speakers and all participants. I am also gratefull to all organizing committee and all of the reviewers who contribute to the high standard of the conference. Also I would like to express my deepest gratitude to the Rector of Bandar Lampung University (UBL) who give us endless support to these activities, so that the conference can be administrated on time

Bandar Lampung, 22 October 2013

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## **Table Of Content**

Preface.....	ii
International Advisory Board .....	iii
Steering Committee .....	iv
Organizing Committee.....	vi
Table of Content .....	ix

### **Keynote Speakers :**

1. Leadership Style, Climate, Commitment and Corporate Performance – Andreas Budihardjo .....	I-1
2. The Great Paradox of Good Governance in Indonesia - Andrik Purwasito .....	I-8
3. Local Autonomy and Inter-Sector Performance-Based-Governance in Lampung Province – Ari Darmastuti .....	I-15
4. Urgency of Regulatory Priorities Watershed in Order To Conduct an Integrated Watershed Administrative Law In Indonesia – I Gusti Ayu Ketut Rachmi Handayani.....	I-22
5. The Strategic Development Model of Organizational Dynamic Capabilities at Private Higher Education Institutions Using Soft System Methodology – M Yusuf S Barusman.....	I-29
6. Governance, Business and The Environment - Maliah Sulaiman .....	I-39
7. Good Governance and The Rule Of Law - Nik Ahmad Kamal Nik Mahmud .....	I-45
8. The Legal Protection of Geographical Indications in Indonesia Towards The Asean Economic Community - Wahyu Sasongko.....	I-56
9. Bank Indonesia Law Relations With The Financial Services Authority (FSA) in Indonesian Banking Supervision - Zulfi Diane Zaini .....	I-63
10. Application of Factor Analysis to Public Sector Integrity in Indonesia - Warsono, Armen Yasir, Dian Kurniasari, Widiarti, Ridwan Saifuddin .....	I-69
11. Strengthening Creative Economic Resources Through Designing Appropriate Regulatory Model in Managing and Optimising Cultural Property- Hayyan ul Haq.....	I-76

### **Invited Speaker**

12. The Direction Of Future Management Accounting Research In The Asia Pacific Region - Grahita Chandrarin .....	I-77
---	------

### **Paper Presenter :**

#### **Law :**

1. Indonesian Marriage Legal System Construction In Order to Protect Children From Marriage Law That is Not Recorded - Amnawaty .....	II-1
2. Urgently of Harmonization of National Legislation on Juvenile Criminal Justice Towards International Standards: A Review of Rules of Deprivation of Liberty of Child Offender - Antonius Ps Wibowo.....	II-14

3. The Urgency of Total Economic Value Aspect in Food Security Regulation In Order to Engage Asia's Trade Area (Indonesia Case Study) - Anugrah Adiastuti .....	II-25
4. Strike as The Last Resort In Dispute Settlement Between Workers and Employers - Arinto Nugroho .....	II-30
5. Politics of Land Law For Indonesian Farmers (Towards the Bill of Land in Indonesia) - Elita Rahmi .....	II-35
6. State Role In Building People's Economy Amid Economic Globalization - Elly Nurlaili .....	II-40
7. Legal Protection of Traditional Crafts Tapis Lampung Based Local Wisdom in The Era of Globalization- Erlina B .....	II-45
8. Perda Progressive : an Alternative To Fulfillment of Poor People Rights of Health in Local Autonomy - H.S. Tisnanta, Agus Triono .....	II-52
9. The Comparison Between Indonesian Constitutional Court and Russian Constitutional Court - Lintje Anna Marpaung.....	II-58
10. The Politics of Islamic Criminal Law in Indonesia (A Critical Analysis) - Mohamad Rapih.....	II-67
11. Learning Environmental Rights, Finding Green Future: The Road to Ecojustice - Muhammad Akib, Fathoni .....	II-73
12. The CSR of Tobacco Industries: The Concept And Its Implementation – Nanik Trihastuti .....	II-80
13. The Comparison Of The Indonesian Ppatk Role With Other Countries Financial Intelligence Unit (FIU) - Nikmah Rosidah .....	II-86
14. Benefits Of Ratification Of The Madrid Protocol (Protocol Relating To The Madrid Agreement Concerning The International Registration Of Marks) For The Protection Of Intellectual Property Rights In Indonesia - Risti Dwi Ramasari.....	II-92
15. Equitable Law of Democracy Political Policy Against The Election of Incumbent - S. Endang Prasetyawati .....	II-99
16. Narcotics Crime as A Phenomenon of Transnational Organized Crime - Zainab Ompu Jainah .....	II-110
17. Safety Net of The Financial System in The Perspective of Indonesian Banking Law - Zulfi Diane Zaini .....	II-115
18. National Land Law Reform in Facing Globalization - Darwin Ginting .....	II-122
19. Land Dispute Settlements Insocial Philosophy Perspectives (A Case Study in PTPN VII of Bergen Unit Business in South Lampung Regency) - Herlina Ratna S.N. ....	II-130
20. Analysis of Regional Expansion as Implications of Regional Autonomy Implementation - Indah Satria .....	II-137
21. Normative Judicial Analysis of Dissolution of Political Parties Towards Democratic System in Indonesia - Rifandy Ritonga .....	II-141
22. Limitations Of Legal Ability In Dispute Resolution Of Consumer Protection - Tami Rusli.....	II-147

## **Business**

1. Accountability And Financial Performance of Local Government in Indonesia – Aminah, Lindrianasari .....	III-1
--	-------

2. Competitive Advantage; The Affecting Factors and Its Impact on Selling-In Performance (Studies on Patronage Outlets PT. Indosat Semarang) - Ana Kadarningsih .....	III-7
3. Bankruptcy Analysis of Banking Companies in Indonesia Period 2001-2012 (Using the Altman Z-Score Model)- Andi Sanjaya, Lindrianasari, Aminah.....	III-20
4. The Influence of Audit Committee Quality and Internal Auditor Objectivity Toward The Prevention of Fraudulent Financial Reporting(A Survey in BUMN of Indonesia) - Angrita Denziana .....	III-26
5. Performance Measurement of Management Study-Program Based on Balanced Scorecard from Students' Perception – Ardansyah, Ayu Ichda Mardatila.....	III-32
6. E-Business : At A Glance Indonesia Online Shop Agent - Arnes Yuli Vandika, Samsul Arifin, Eka Imama Novita Sari, Debi Herlina Meilani .....	III-37
7. Brand Awareness Strategy: Role of Blackberry Messenger (Case in Sumber Tiket Murah Travel: PIN 2144C41F) - Dian Pane, Baroroh Lestari.....	III-40
8. Analysis of Corporate Social Responsibility Implementation And Social Audit at PT Semen Padang - Elvira Luthan, Sri Dewi Edmawati .....	III-50
9. Tourism Investment, Supply and Demand in Indonesia: Impact and Factor Analysis -Faurani Santi, Rina Oktaviani, Dedi Budiman Hakim, Reni Kustiari.....	III-61
10. The Effect of Job Satisfaction and Organizational Justice on Organizational Citizenship Behavior with Organization Commitment as The Moderator - Fauzi Mihdar.....	III-75
11. The Economic of Umar Bin Khatt b Policy in Modern Economic Policy - Hendri Hermawan Adinugraha .....	III-83
12. The Influence of Corporate Governance Implementation toward Bank Performance (Empirical Study on Banks Listed in Indonesia Stock Exchange) - Heriyanni Mashitoh, Irma.....	III-90
13. The Factors That Influence The Firm Performance In The Furniture Industry Jepara - Mahmud,Guruh Taufan H, Ida Farida.....	III-102
14. The Implication of Opportunistic Behavior Towards a Financial Report Conservatism : A Study of Banking Company Go-Public at BEI - Novi Darmayanti, Nur Suci Mei.....	III-110
15. Innovation Strategy With Environment Variable Antesenden Internal, External And Environmental Partnership Strategy For Their Impact On The Sustainable Competitive Advantage (Survey on Small Business in Pangkalpinang city) - Reniati and Dian Prihardini Wibawa .....	III-118
16. The Infuence of Cash Flow Information Toward Stock Return - Reza Kurniawan .....	III-126
17. The Influence of Internal Control toward Production Cost Control Efectivity - Sarjito Surya.....	III-132
18. The Influence of Management Information System to Management Control System - Sihar Tambun, Vienda A. Kuntjoro.....	III-138
19. Identifying Indonesia-Uruguay Bilateral Trade Opportunities:A Revealed Comparative Advantage Approach - Sulthon Sjahril Sabaruddin, Riris Rotua Sitorus .....	III-145
20. Redesign the Competence Business Strategy of SME's in Dealing with ASEAN Economic Community (AEC) Trade Liberalization 2015 Case Studies: SME's Creative Industry Sector in Bandung - Teddy Fauzi .....	III-153

21. Service Innovation: In Highly Competitive of Hotel Industry - Widjaja Hartono .....	III-157
22. The Impact of Liquidity, Profitability And Activity Ratio To The Probability Of Default For Banking Companies Listed in Indonesia Stock Exchanges For The Period 2006 To 2012 - William Tjong, Herlina Lusmeida .....	III-164
23. Using Altman Z-Score Model and Current Status Of Financial Ratio to Asses Of Consumer Goods Company Listed in Indonesia Stock Exchange (IDX) - Yoppy Palupi Purbaningsih, .....	III-169
24. Analysis of Factors Affecting Foreign Direct Investment Mineral Mining Sector in Indonesia Period 2009-2012 - Zeflin Anggal, Purwanto .....	III-176
25. Implement of M-Government to Improve Public Services - Ahmad Cucus, Yuthsi Aprilinda .....	III-181
26. The Development of Productivity Performance Models: Based on Self-efficacy, Trust, Systems Quality, and Information Quality. Study on Information Systems of PT Pindo Deli Paper Products - Indah Kartika Sandhi.....	III-187

#### Governance

1. Controlling for Agricultural Land Conversion District in West Java Province Tasikmalaya - Ade Iskandar .....	IV-1
2. Local Handicraft Development Policy Implementation - Ani Heryani .....	IV-5
3. Designing IT Governance Approach Standard ISO 38500 for Indonesia Higher Education - Arnes Yuli Vandika, Samsul Arifin, Eka Imama Novita Sari, Debi Herlina Meilani .....	IV-9
4. Potential Thematic Campaign for Lampung Tourism - Hasan Basri .....	IV-12
5. Globalization and Its Effect on Democracy - Ida Farida .....	IV-17
6. Bureaucracy Communication and Government Organizational Culture - Khomsahrial Romli .....	IV-23
7. Creative Economic Development Mode Through Business Learning Group For The Purpose of Ending The Poverty - Soewito, Suwandi .....	IV-29
8. Child Protection Strategies at Agrarian Conflict Area (A Case Study at Moro- Moro Village, Register 45, Mesuji Regency) - Wijatnika .....	IV-36

# **THE STRATEGIC DEVELOPMENT MODEL OF ORGANIZATIONAL DYNAMIC CAPABILITIES AT PRIVATE HIGHER EDUCATION INSTITUTIONS USING SOFT SYSTEM METHODOLOGY**

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## **Abstract**

Today, Indonesian private higher education institutions (IPHEIs) are facing enormous challenges regarding their existences due to dynamic environment such as competition, changing government policies, demanding needs of industries etc. Contradictory among such institutions in responding to the dynamic environment is interesting topic to study. The objectives of this paper are three folds, first is to describe the use of Soft System Methodology as an epistemological bases in facing such a complex, dynamic problems. The second is to build institutional model of private higher education institution sustainability. The third is to develop the strategic model of organizational dynamic capabilities of private higher education institutions. The result of this study shows that there are 21 stakeholders that influence the sustainability of private higher education institutions. In addition, the institutional model of private higher education and the strategic model of organizational dynamic capabilities at private higher education institution describe the process of coordinating, learning, and reconfiguring the private higher education institution stakeholders.

*Keywords:* private higher education, sustainability, dynamic capabilities, soft system methodology

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## **1. INTRODUCTION**

The research to address the cause of the organization that can survive in a very long time has been done by many people. So far, there are four paradigms that can explain that matter (Teece et al, 1997). First is the dominant paradigm during the 80's that is competitive approach developed by Porter (1980). The second is strategic conflict approach (Shapiro, 1989). The third is the resource-based competitive advantage (Hammel and Prahalad, 1996; Collis and Montgomery, 2005; Barney et al, 2008). The last approach (the fourth) is the dynamic capability that emphasizes to the exploitation of internal and external competencies to respond the environmental changing (Teece et al, 1997; Eishenhardt and Martin, 2000; Helfat, 2009). Teece (2009) explains that the process of dynamic capability starts from the sensing, seizing and managing threats/transforming. Although the concept has begun to be widely accepted, or at least discussed among experts, but the empirical evidences supporting this concept are still very sparse.

In one last decade, IPHEIs face major challenges related to their sustainability in a very dynamic environment such as intense competition, government policy, industrial demand related to PHEIs graduates' competence and so on. Based on data in 2010, there were about 30% of the total 3.010 of PHEIs to be closed down by various factors including their inability to face the intense competition.

The more intense competition with both State Higher Education Institutions and other PHEIs is also seen in Coordination of Private Universities Region II that includes the area of South Sumatra, Bangka Belitung, Lampung and Bengkulu. It is shown from the growing number of private universities in the last 10 years that reaching 90%. Five forms of Higher Education Institutions (university, college, institute, academy and polytechnic) in Coordinator of Private Universities Region II compete to get new students, in order to be able to survive in the dynamic of a very rapid environment changing. The impact of the competition obviously appears in higher education institutions in the form of university totaling 11.59% from the total number of private universities in this region, in which 30% of the private universities over the age of 10 years only have less than 1,000 students. It surely affects the sustainability of those PHEIs in the future.



The purposes of this paper are to (1) describe the use of Soft System Methodology as an epistemological base in solving such a complex, dynamic problems, (2) build institutional model of private higher education institutions sustainability, and (3) develop a strategic model of organizational dynamic capabilities of private higher education institutions.

## **2. CONCEPTUAL FRAMEWORK**

### **A. Philosophical Problems**

Most scholars in Indonesia have been experiencing to the use of quantitative statistic method to cope with social issues including educational problems. Others use qualitative methods to get deep analysis of certain issues. Instead of their strength, these methods always try to reduce the complicated problems into fewer variables to be analyzed partially based on existing theoretical foundation. The most fundamental assumption toward the use of such methods is their attempts to use analytical thinking in order to get clear understanding of the issues. The very dependence of this way of thinking will lead difficulties to solve problems since most effective solutions come from synthesizing various aspects that are more relevant to future scenarios. In addition, due to its rigid method, the researchers do not have enough room to be more creative during his/her journey of inquiry. Thus, many educational policies face failures in their implementation due to either lack of rigorous research or philosophical mistakes in coping with those complicated problems.

### **B. The Needs of System Thinking**

Before working with system approach, first one should understand the system thinking as a method to understand how elements within a system interact with one another. Rooted from the work of Von Bertalanfy (1968) known as General System Theory (GST), the system approach seeks to understand the universality of systemic order, behavior and interdependency of part that characterize living and non living systems. It studies “wholes” and “wholeness”. This method is regarded as most suitable in dealing with complex and dynamic issues. We should consider a complex problem as a system that contains many elements interconnected and interdependent among each other. We cannot separate each element, even a group of them from the whole since each has its role and function supporting the work of the system. In other words, there is no more or most important element within the system so that we should consider them having the same level of significance as the whole. In addition, analyzing a part of a system will lead to sub optimizing its part in one side, but will break the meaning of the system as whole in the other side.

In the system thinking, we also consider system, subsystem, and supra system. A school organization as an open system should consider its sustainability dependent upon not only its internal factors what so called controllable variables, but also external factors that cannot be controlled by school management. In other words, a complex issue may be influenced by elements outside of the system what in strategic thinking is called external environment such as global economic, cultural and political trends. The sustainability of a system may also be affected by the balance relationship of the supra system. For example, the quality of student consists of elements such as teacher quality, curriculum, infrastructure, school management where the quality of teacher is influenced by factors such as teacher training, working environment, salary system etc. considered as subsystem or supra system of the whole.

In the system thinking, there are possibilities for researchers to expand their views in seeing the world holistically by multi-discipline, inter-discipline and trans-discipline. For example, in the issue of curriculum development, we should look at the problem based on multi-discipline of management, education, finance, economics, psychology and even math or biology. Using various disciplines, the issue of curriculum development will be seen more clearly, and may open a possibility to emerge in a new called trans-discipline.

In system thinking, one should consider a system using the terminologies of cybernetic, holistic and effective. Cybernetic means that every system has to have a goal to be achieved. Holistic means that one should view a system as whole in order to achieve the goal. And, effective means that the system must be able to operationalize in the real world. Most of the solutions we got in dealing with the educational problems have lead to other problems due to the lack of the three thinking principles. For example, the failure of competence-based curriculum is coming from the lack of clear goal toward the policy; even the curriculum is developed without a deep philosophical discussion. In addition, the policy has lead to the need of teacher performance improvement through teacher certification program that has been claimed failed too. The failure of the curriculum may come from a lack of understanding toward the implementation of the policy. The school is unable to translate clearly the curriculum in operational

level. Thus, a good strategy is not followed by a good implementation within the school operation. One needs to find a technical decision for bridging the strategy and operation.

Many problems in making educational policies also come from a lack of understanding about the future. This is due to conventional method of thinking which mostly using analysis instead of synthesis. Analysis focuses on past problems. On the other hand, synthesis focuses on future solution for solving problems. Analysis attempts to understand each part, even by breaking down into smaller parts. On the other hand, synthesis attempts to converge various elements to get universal understanding. Analysis focuses on why a problem occurred. Synthesis focuses on how to solve the problem. Despite of each strengths and weaknesses, in the use of system thinking one should use the two modes of thinking in his/her work.

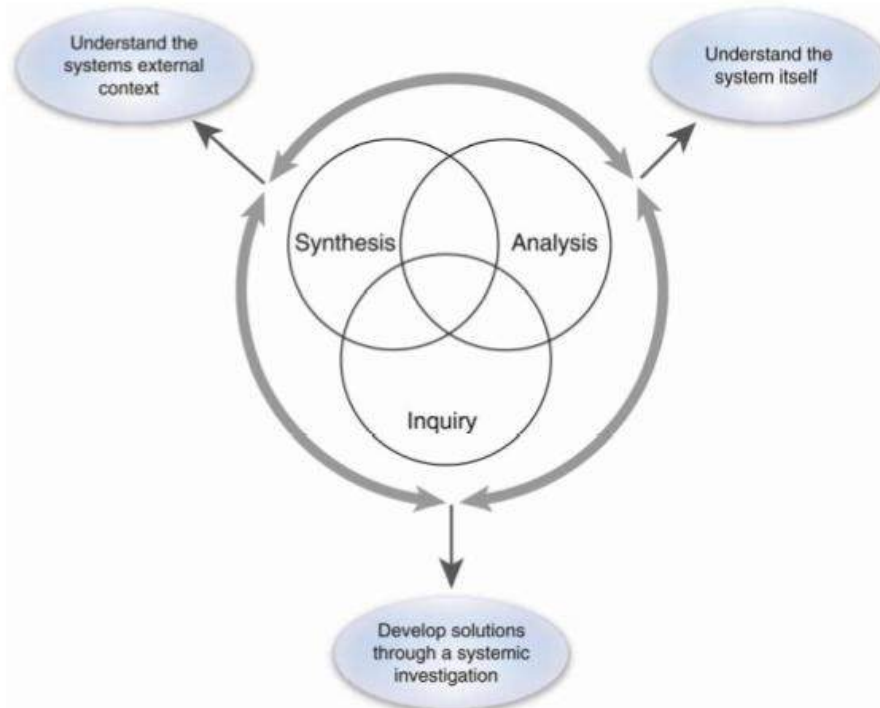


Figure 1. The existence of Analysis, Synthesis, Inquiry (Edson, 2008)

### C. Hard System vs. Soft System Methodology

In the system approach, there are two kinds of approach called Hard System Methodology (HSM) and Soft System Methodology (SSM). Each has its suitability for specific purposes. Hard System Methodology (HSM) is usually related to system engineering and technology engineering. It is thinking about systems. On the other hand, Soft System Methodology (SSM) is associated with system assessment, policy, social and government system. It is thinking from system.

There are some other distinctions between HSM and SSM. Unlike Hard System Methodology, Soft System Methodology is suitable for dealing with ill-structured problems with unclear objectives. In Soft System Methodology, researchers are allowed to compare several conceptual models. It is also allowed to use several different tools in order to achieve research objectives. More important is Soft System Methodology focuses its inquiries on human activity system that based its process on participation and learning. It means that the inquiry in SSM is never ending process as dynamic situation develop. Thus, SSM is the most suitable method in dealing with complex, dynamic social problems such as educational problems.

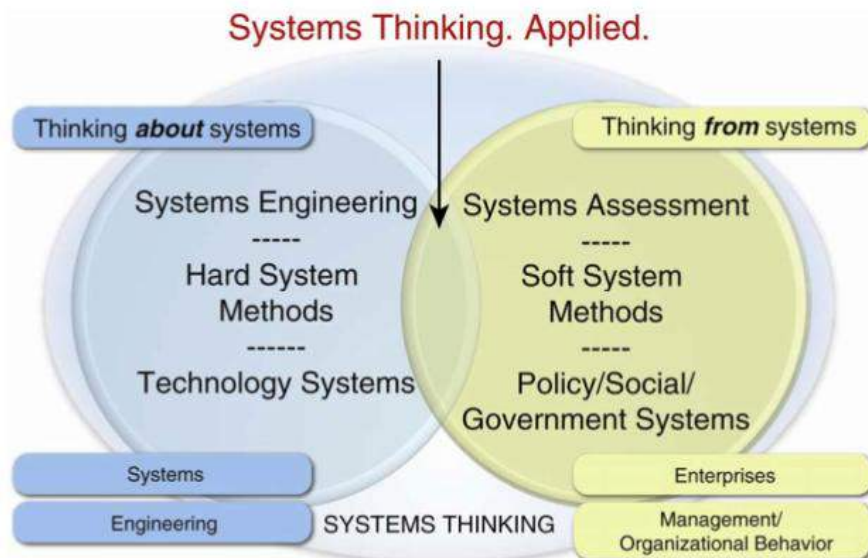


Figure 2. Hard and Soft System Applied (Edson, 2008)

#### D. Soft System Methodology

Peter Checkland developed soft Systems Methodology (SSM) in the late 60's at the University of Lancaster in the UK. Initially it was seen as a modeling tool, but in later years it has been seen gradually as a learning and meaning development tool. Even though it develops models, the models are not made-up to denote the "real world", but by using systems rules and principles allow us to structure our *thinking about* the real world. Further, he suggests that the models are neither descriptive nor normative, though they may carry elements of both. Like many other systems approaches, he argues that the heart of SSM is a comparison between the worlds as it is, and some models of the world as it might be. Out of this comparison arise a better understanding of the world ("research"), and some ideas for improvement ("action"). Initially, Checkland developed what so called "Classic Seven Steps of SSM" as shown in figure 3. However, scholars may use their creativities allowed in system approach using various methods and techniques to achieve research goals as long as it related to modeling human activity system.

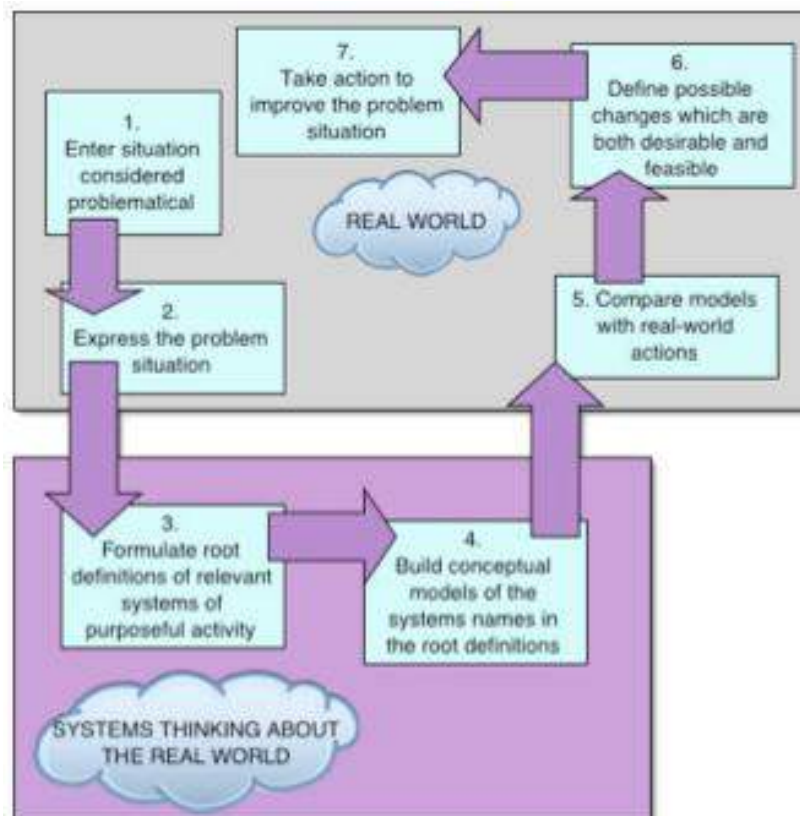


Figure 3. Checkland 's Classic Seven Steps of SSM

Before describing the conceptual framework which is a preliminary model of this study, the preceding description of the circular diagram of private higher education institution's sustainability is presented (Figure 4) which is developed from the model of Moizer and Tracey (2010) and the obscure box diagram of development system of organizational dynamic capability on PHEIs (Figure 5).

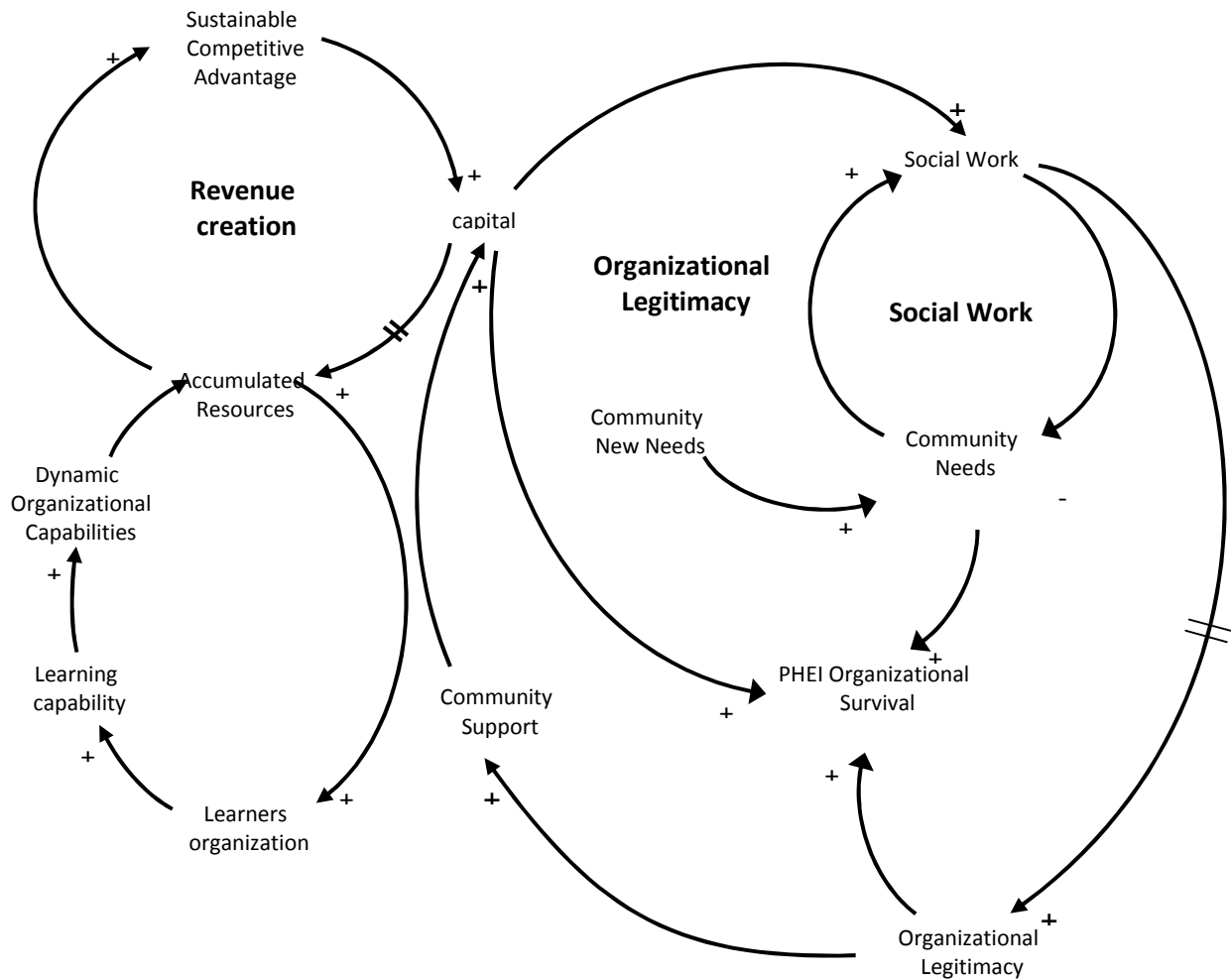


Figure 4. Clausal Loop of PHEI Organizational Sustainability

Based on the Figure 5, the conceptual framework of initial strategic model of the development of organizational dynamic capability on PHEIs is built and shown in Figure 6. The journey of this system is initiated with sensing system (sensor) that identifies the factors which are the external and internal inputs. The tools used for this sensing are in-depth interviews, expert surveys, and textual analysis. The next stage is filtering (seize) in order to select the external and internal factors that predominantly influence the sustainability of private higher education institution which will be used at the later stage. The third stage in that initial model is to build the alternative future scenarios and the competitive advantage basis. The method used to construct the future scenarios is Participatory Prospective Analysis (PPA). Furthermore, through the experts' discussion, the future scenario that is most likely to happen is determined. In facing the future scenario, PHEIs should be able to build the best strategy from different combination of resources and capabilities. At this stage, the Exponential Comparison Method (ECM) is applied. In more detail, the conceptual framework of organizational development on PHEIs system is presented in Figure 6.

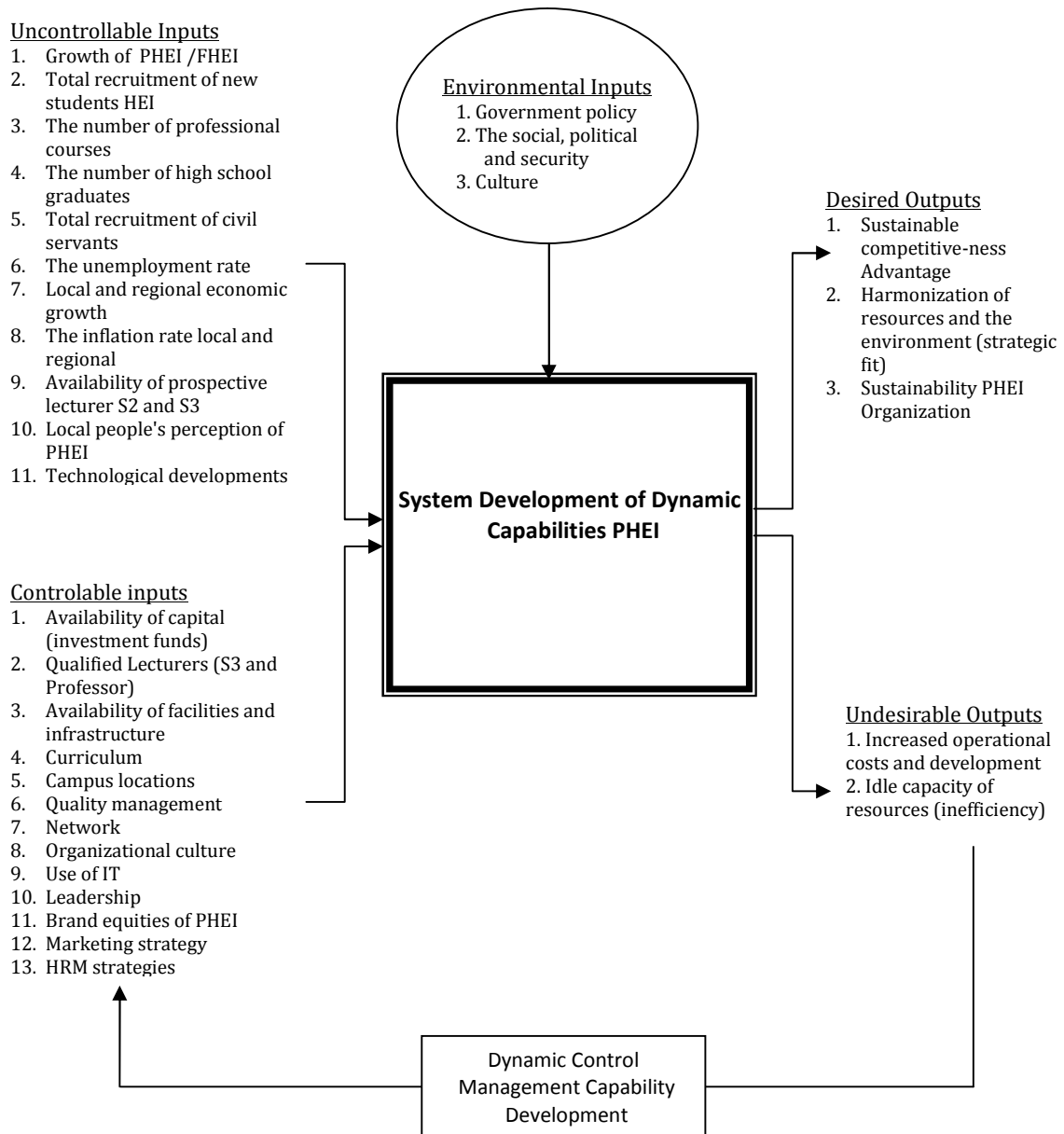


Figure 5. Black Box Diagram of System Dynamic Organizational Capabilities Development of Private Higher Education Institutions (PHEI)

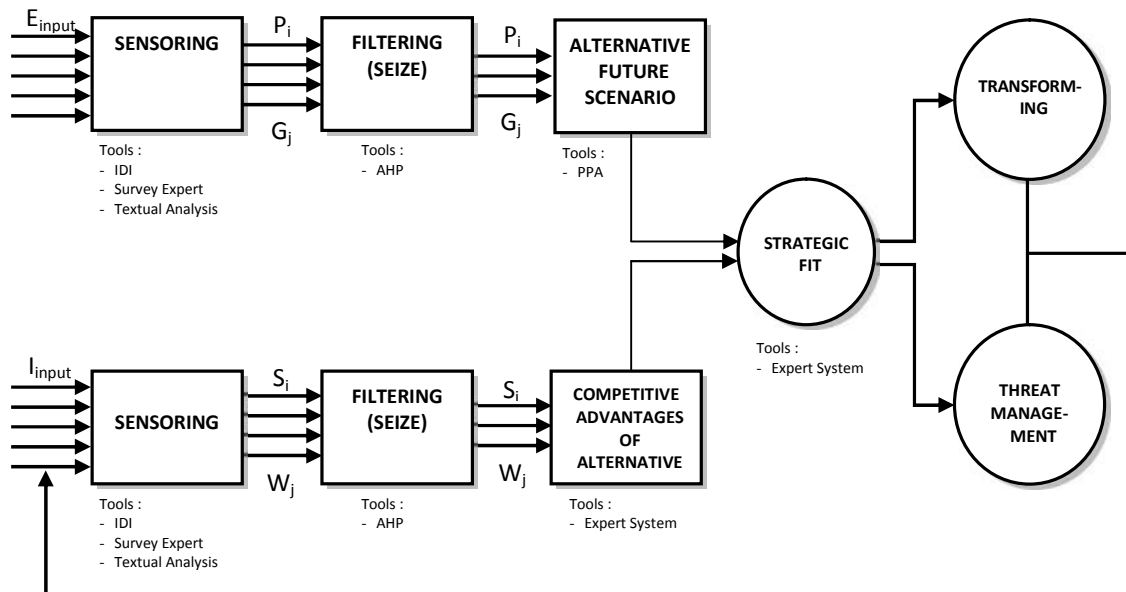


Figure 6 The conceptual framework of model of system of organizational dynamic capability development on private higher education institution.

### 3. RESEARCH METHOD

This study used system approach focusing on designing a model of dynamic capability development strategy on private higher education institution. Data was collected through the textual analysis, in-depth interviews, expert surveys, focus group discussions and questionnaires. The institutional models were developed based on the results of previous study using several analysis tools such as Analytic Hierarchy Process (AHP), Participatory Prospective Analysis (PPA) and the Exponential Comparative Method (ECM) (Barusman, 2013).

### 4. RESULTS AND DISCUSSIONS

#### A. The Most Suitable Strategy

From the various alternatives that have been collected in experts discussions, selection of the best strategy referring to the external dynamic scenario that most likely to occur is conducted. The use of Exponential Comparison Method (ECM) is due to the consideration of the available existing number of alternatives decisions and the plural criteria. In this case, the decision criteria used are: 1) the alignment with the organizational values and cultures of private higher education institution, 2) the easiness of selected and implemented decision and 3) the consequence of finance availability in implementing the selected decision. Based on the result of ECM data processing using the geometric average from 7 (seven) PHEIs that become the sample of this study, the best strategies are obtained. They are as follows:

1. The leadership strategy that motivates or encourages, empowers, committed to private higher education institution image, and adopts the values of change and being open.
2. The funding strategy that can be done by increasing the tuition's revenue and implementing cross-subsidy as well as encouraging the revenue's improvement outside of tuition through a variety of industrial cooperation. Related to the financing, there is a need to increase the funding allocation for human resource development and infrastructure as well as other quality oriented academic activities such as research and community service.
3. The human resource development strategy that improves the lecturers' quality through continuing education, the development of learner's attitude, open and anti-status quo, the quality orientation on all human resource policies and the need to build the human resource management system that can create a comfortable working environment and clarity of reward and punishment system.
4. The strategy related to the curriculum that suits the demands and needs of both local and national community, particularly the industrial party which is always up to date through the periodic reviews by involving various stakeholders both internal and external of the organization.



## B. Institutional Model of Sustainability of Private Higher Education Institutions

To see the effect of the external dynamic towards the sustainability of private higher education institution, it is necessary to illustrate the institutional model of sustainability of private higher education institution (Figure 7). The institutional model building is done in some stages, namely (1) identification of interested actors in the sustainability of the PHEIs, (2) defining the roles and functions of each actor, (3) the determination of relationship among actors. Model of Institutional Sustainability of Private Higher Education Institution has succeeded to identify three elements linked actors, namely:

1. Private higher education institution's elements comprising of the foundation of private higher education institution as the legal entity managing the private higher education institution, private higher education institution, students, alumni, parents and community.
2. Government elements comprising of Ministry of Education and Culture, Higher Education, Coordinator of Private Universities, National Accreditation Board of Higher Education, another Ministry, Local Government, Education Department and Manpower Department.
3. Industry elements comprising of industry, Competitors (other higher education institution), Professional Association, Finance/Banking Institution, other Research Institutions, other Quality Assurance Agency and Mass Media.

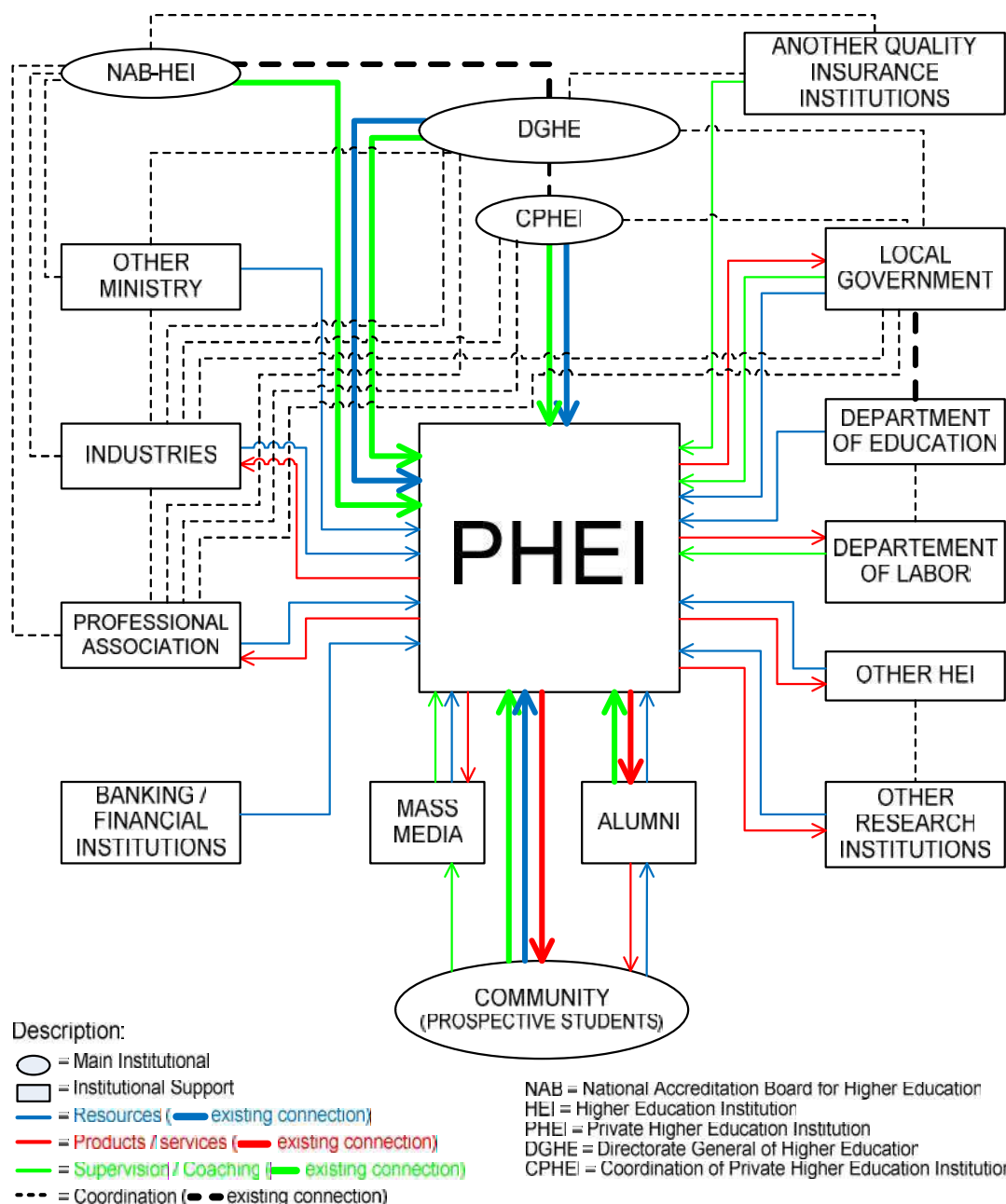


Figure 7 Model of Institutional Sustainability of PHEIs

### C. Development Model of Organizational Dynamic Capability at PHEIs

In order to respond the dynamic of the external environment reflected from the model of institutional sustainability of private higher education institution, therefore, the strategy that is able to create a sustainable competitive advantage is needed. Dynamic capability to be considered as the suitable strategy to accomplish the purpose in which the organization of private higher education institution is required to continuously adapt the dynamic of environment by integrating, building and rearranging the configuration of internal and external competency (Teece et al, 1997).

The design model of dynamic capability development of private higher education institution is adopted by the adjustment of Teece's concept (2009) which has been used in earlier model of the conceptual framework of this study (Figure 6) where the organizational application applies the concept of organizational learning. Furthermore, the built model also considers the implementation of knowledge management that uses a database of research result in the form of alternative future scenario and recommended alternative strategy. Therefore, the development of information technology-based software proposed by Marquard (1996) is particularly relevant regarding to the implementation of strategic model of the development of organizational dynamic capability of private higher education institution.

In this research, the developed model is the institutional model describing the relationship among the relevant actors in internal organization related to the development of organizational dynamic capability (Figure 8).

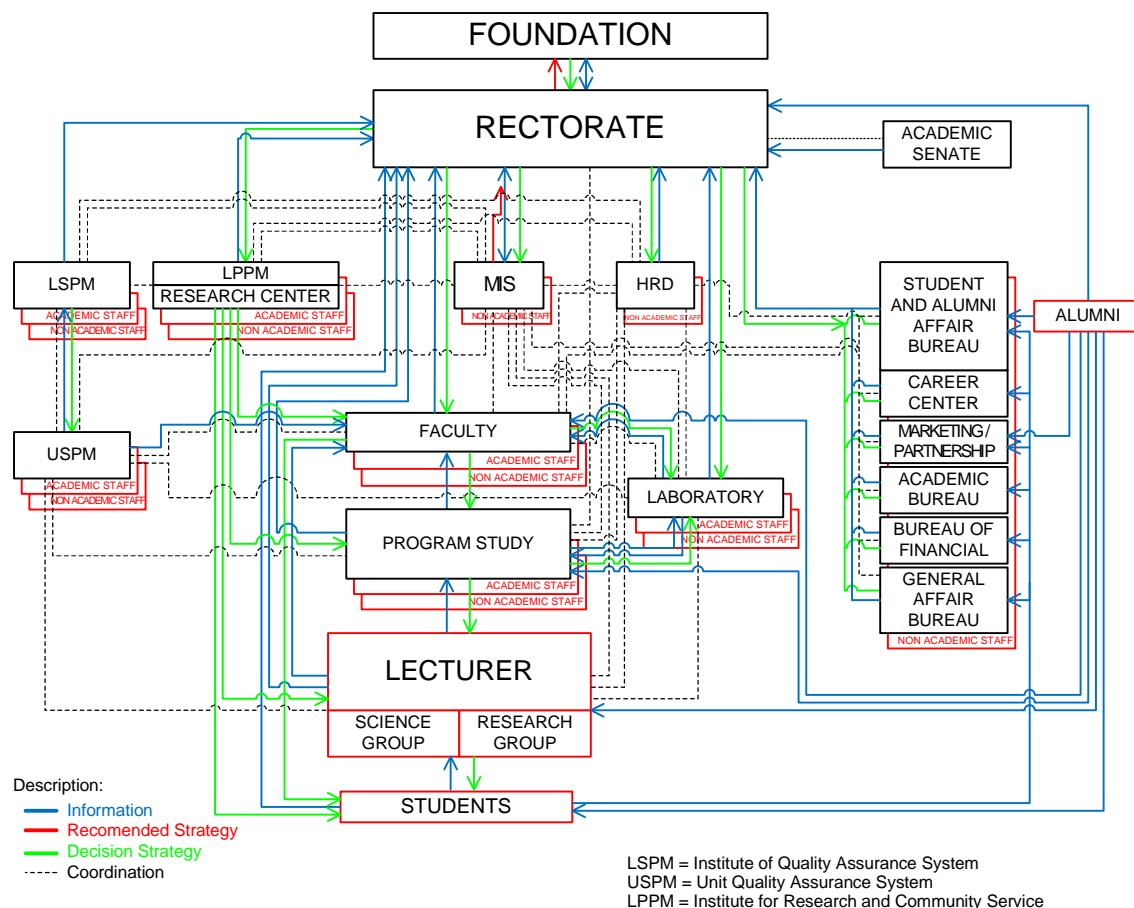


Figure 8 Model of the Development of Dynamic Capability of Private Higher Education Institution

## **5. CONCLUSIONS AND RECOMMENDATIONS**

### **A. Conclusion**

1. Soft System Methodology is considered to be the most appropriate approach in dealing with complex, dynamic problems such as sustainability of IPHEIs. It is also considered not only as research approach but also as managerial technology that can be applied in any organization circumstance including the development model of Dynamic Capabilities.
2. The stakeholders that influence the sustainability of IPHEIs are internal and external stakeholders. They are foundations, the management of the IPHEI, students, alumni, parents, Ministry of Education and Culture, Directorate General of Higher Education, Coordinator of Private Higher Education, National Higher Education Accreditation Body, Other related Ministries, Local Government, Other Higher Education Institutions, Industry, Professional Association, Research Centers, Quality Assurance Institutions, and Mass Media.
3. Institutional Model of Sustainability of IPHEIs describes the process of coordination, learning and reconfiguration among all stakeholders either internal or external.
4. The Development Model of Dynamic Capabilities at IPHEIs describes the process of coordination, learning and reconfiguring among all stakeholders either internal or external in facing the dynamic of environment by considering the process of organizational learning and knowledge management.

### **B. Recommendations**

1. IPHEIs should consider the use of Soft System Methodology as managerial technology in order to deal with complex, ill-structure managerial issues such as organizational sustainability.
2. IPHEIs should consider all stakeholders either internal or external in order for them to be adaptive and to sustain within dynamic environment.
3. IPHEIs should keep harmony with all stakeholders by building cooperation in the process of coordination, learning and reconfiguration in order to continuously develop in the future.
4. PHEIs need to continuously monitor the dynamic of the external environment through the Model of Institutional Sustainability of private higher education institution. This model describes comprehensively about the relationship among institutions concerned actors towards the sustainability of private higher education institution. Furthermore, in order to develop the organization's ability to adapt the dynamic of the external environment, the Model of Development Dynamic Capability of private higher education needs to be implemented. As the Dynamic Capabilities is identical with learning organization then the PHEIs need to implement the organizational learning and knowledge management.

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