

Institutional Trust as A Governance Mechanism in Dual Governance Systems of Indonesian Private Universities

Graverra Personata*, Eko Handoyo, Widiyanto Widiyanto

Universitas Negeri Semarang, Semarang, Indonesia

*Corresponding Author: gpersonata@students.unnes.ac.id

Abstract. Governance effectiveness in Indonesian private universities is often challenged by dual governance arrangements involving foundations and university leadership. While previous studies have primarily explained these relationships through Agency Theory, emphasizing monitoring, control, and accountability mechanisms, limited attention has been given to the role of institutional trust in facilitating effective governance. This study aims to explore how institutional trust functions as a governance mechanism within dual governance relationships in Indonesian private universities. A qualitative multiple-case study design was employed involving four private universities in Indonesia: Universitas Muhammadiyah Purwokerto (UMP), Universitas Muhammadiyah Semarang (UNIMUS), Universitas Islam Sultan Agung (UNISSULA), and Universitas Pancasakti Tegal (UPS). Data were collected through semi-structured interviews with foundation representatives, governing board members, rectors, and senior university leaders and analyzed using thematic analysis. The findings revealed four interrelated dimensions through which institutional trust operates. First, transparency and accountability strengthened confidence through open reporting and information sharing. Second, role clarity and clearly defined authority boundaries reduced uncertainty and supported cooperative governance relationships. Third, formal and informal communication facilitated mutual understanding and conflict prevention. Fourth, shared institutional values, including Al-Islam dan Kemuhammadiyahan (AIK), amanah wakaf, and professionalism, reinforced collective commitment to institutional goals. Across all cases, trust emerged as a complementary governance mechanism that supported collaboration between principals and agents alongside formal governance structures. The study concludes that governance effectiveness in private universities cannot be fully explained through traditional Agency Theory alone. A Trust-Based Governance Perspective is proposed, highlighting institutional trust as a critical mechanism that enhances governance effectiveness and institutional sustainability within dual governance environments.

Keywords: institutional trust, governance mechanism, dual governance, agency theory, private universities, Indonesia.

INTRODUCTION

Higher education is undergoing profound transformation driven by globalization, technological disruption, increasing competition, and growing demands for accountability and quality assurance. Universities are increasingly expected to demonstrate not only excellence in teaching and research but also effective governance, financial sustainability, and institutional performance (Martínez & Fernández, 2020). These challenges are particularly significant in Indonesia, where higher education institutions are required to improve accreditation, research productivity, international competitiveness, and organizational sustainability.

Unlike public universities, Indonesian private universities operate under a dual governance system in which legally established foundations

are responsible for institutional ownership, strategic oversight, financial management, and asset control, while rectors lead academic and operational activities. Although this governance arrangement is intended to strengthen accountability, it frequently creates tensions arising from overlapping authority, role ambiguity, information asymmetry, and competing institutional priorities (Diogo et al., 2020; Keczer, 2023; Navia, 2022). Foundations generally emphasize financial sustainability and organizational control, whereas rectors prioritize academic quality, research development, and institutional autonomy. Consequently, governance conflicts may delay strategic decision-making, weaken organizational cohesion, and reduce institutional effectiveness.

These governance dynamics can be understood through Agency Theory, which conceptualizes the relationship between foundations and rectors as a principal-agent relationship characterized by information asymmetry, divergent interests, and

monitoring challenges (Kivistö & Zalyevska, 2015). Although Agency Theory provides a useful explanation for governance conflicts, its emphasis on monitoring and formal control offers only a partial understanding of governance effectiveness within higher education institutions. Universities operate through collaboration, shared values, and long-term relationships that cannot be governed solely through contractual mechanisms. As Eisenhardt (1989) argued, agency relationships often involve complex interactions that extend beyond formal contractual arrangements.

Recent governance literature increasingly recognizes institutional trust as an informal governance mechanism that complements formal control systems. Rather than relying solely on monitoring, trust facilitates cooperation, enhances communication, reduces uncertainty, and supports collaborative decision-making (Fukuyama, 1995). Mayer, Davis, and Schoorman (1995) further explain that trust is built upon perceptions of competence, integrity, and benevolence, enabling governance actors to collaborate more effectively despite differences in authority and institutional interests. In higher education, trust may therefore reduce governance tensions, clarify institutional roles, and strengthen strategic collaboration between foundations and rectors, ultimately contributing to organizational effectiveness and sustainability (Johanson & Vakkuri, 2026; Siregar & Sihombing, 2021).

Despite its potential importance, previous studies on higher education governance have primarily focused on structural governance arrangements, authority distribution, monitoring, and accountability, while giving limited attention to the relational role of trust, particularly within Indonesian private universities (Gbadegesin et al., 2021; Ramezani, 2025). This study addresses that gap by examining how institutional trust functions as a governance mechanism within dual governance relationships in Indonesian private universities. By integrating relational dimensions into Agency Theory, this study proposes a trust-based governance perspective that contributes to a more comprehensive understanding of governance effectiveness and institutional sustainability in complex higher education environments.

METHODS

Research Design

This study employed a qualitative multiple-

case study design to explore how institutional trust functions as a governance mechanism within dual governance relationships in Indonesian private universities. A multiple-case approach was selected because it enables an in-depth understanding of governance processes across different institutional contexts while facilitating cross-case comparisons. The design is particularly appropriate for investigating complex social phenomena in which contextual factors, organizational dynamics, and interpersonal relationships play a significant role in shaping governance outcomes.

The study was guided by an interpretivist perspective, emphasizing participants' experiences, perceptions, and interpretations regarding trust, governance effectiveness, and the relationship between foundations and university leadership. By examining multiple institutional settings, the research sought to identify recurring patterns and trust-related governance mechanisms that contribute to institutional sustainability.

Research Sites

The study was conducted in four private universities in Central Java, Indonesia, selected through purposive sampling based on their experience operating under dual governance structures involving foundations and university leadership.

1. The participating institutions were:
2. Universitas Muhammadiyah Purwokerto
3. Universitas Muhammadiyah Semarang
4. Universitas Islam Sultan Agung
5. Universitas Pancasakti Tegal

These institutions were selected because they represent diverse governance experiences while sharing similar characteristics as foundation-based private universities operating within the Indonesian higher education system.

Participants

Participants were selected using purposive sampling to ensure that individuals directly involved in governance processes were included. The study focused on key decision-makers who possessed substantial knowledge regarding the relationship between foundations and university leadership. The participants were considered information-rich cases due to their direct involvement in institutional governance, strategic decision-making, and the management of foundation–rector relationships.

Table 1. Research Participants

Participants	Number
Rectors	4
Foundation Leaders	4
Total	8

Data Collection

Data were collected through three complementary techniques: in-depth interviews, observations, and document analysis. First, semi-structured in-depth interviews were conducted with rectors and foundation leaders to explore their experiences, perceptions, and interpretations of trust within governance relationships. Interviews focused on communication patterns, decision-making processes, authority boundaries, conflict management, and collaborative practices. Second, non-participant observations were undertaken to capture interactions among governance actors and to understand how governance practices were enacted in institutional settings. Observational notes were used to supplement interview findings and provide contextual understanding.

Third, relevant institutional documents were analyzed, including university statutes, governance regulations, organizational policies, strategic plans, and institutional reports. Document analysis provided additional evidence regarding governance structures, authority distribution, and formal mechanisms governing foundation–rector relationships. The use of multiple data sources facilitated methodological triangulation and enhanced the credibility of the findings.

Data Analysis

Data were analyzed using thematic analysis following the framework proposed by Braun and Clarke (2006). Thematic analysis was selected because it provides a systematic approach for

identifying, analyzing, and interpreting patterns within qualitative data.

The analysis consisted of six stages:

1. Familiarization: repeatedly reading interview transcripts, field notes, and documents to gain an overall understanding of the data.
2. Coding: identifying meaningful segments of data related to governance relationships and trust.
3. Theme Development: grouping similar codes into broader conceptual categories.
4. Theme Review: evaluating and refining emerging themes across cases.
5. Theme Definition: clearly defining the characteristics and boundaries of each theme.
6. Reporting: synthesizing findings and developing an interpretive narrative supported by empirical evidence.

Cross-case analysis was subsequently conducted to identify common patterns and variations among participating universities.

Trust Coding Framework

To guide the thematic analysis, an initial coding framework was developed based on the trust literature and refined through iterative analysis of the empirical data. These dimensions served as sensitizing concepts during data analysis while allowing new themes to emerge inductively from participants' experiences. The final themes were generated through continuous comparison between theoretical constructs and empirical evidence obtained from the four case institutions.

Table 2. Trust Dimensions Identified

Trust Dimension	Indicators
Integrity	Consistency, transparency, ethical behavior
Competence	Professional capability, decision-making effectiveness
Benevolence	Mutual concern, goodwill, supportiveness
Role Clarity	Clear authority boundaries, defined responsibilities
Communication	Formal and informal interaction, information sharing

RESULTS AND DISCUSSION

Institutional Trust as a Governance Mechanism within Dual Governance Relationships

The analysis revealed that trust emerged as a recurring theme across all four institutions, namely Universitas Muhammadiyah Purwokerto (UMP), Universitas Muhammadiyah Semarang (UNIMUS), Universitas Islam Sultan Agung (UNISSULA), and Universitas Pancasila Tegal (UPS). Although trust was expressed in different forms and organizational contexts, participants consistently described it as an important element

shaping interactions between foundations (or BPH) and university leadership (figure 1). Thematic analysis identified four major themes associated with institutional trust: (1) trust through transparency and accountability, (2) trust through role clarity and authority boundaries, (3) trust through communication and relational interaction, and (4) trust through shared institutional values. These themes emerged repeatedly across interviews and were evident in the narratives of both principals and agents.

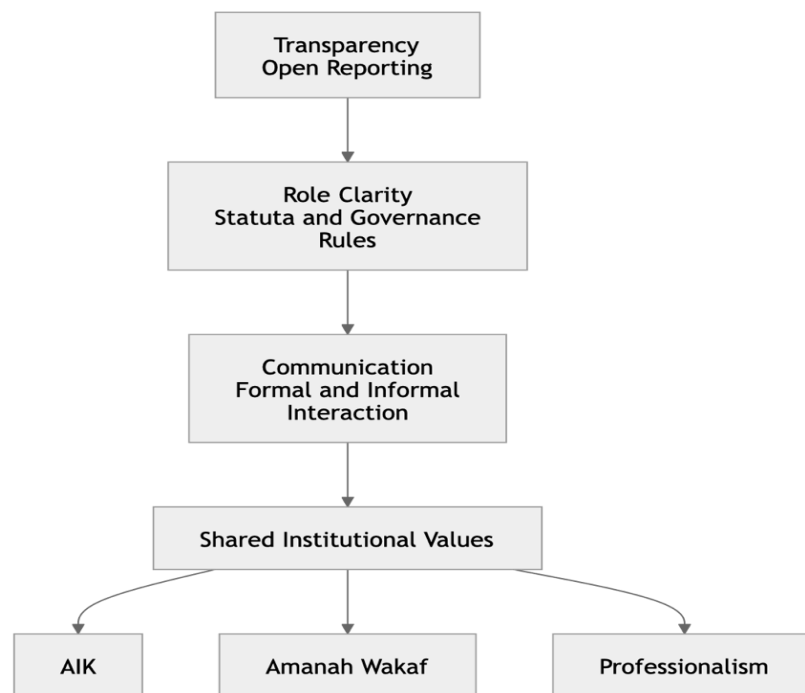


Figure 1. Trust mechanism

Trust Through Transparency and Accountability

One of the strongest patterns identified across all cases was the relationship between trust and organizational transparency. Participants repeatedly emphasized the importance of openness in financial reporting, institutional performance, and decision-making processes. Trust was frequently described as developing when information was openly shared between the foundation and university management.

At UMP, transparency was repeatedly mentioned as a prerequisite for maintaining confidence between the BPH and rectorate. Informants explained that regular reporting and financial openness allowed both parties to remain informed about institutional conditions and

strategic initiatives.

Prof. Abdul Aziz explained, "The key is mutual trust and transparency. As long as the Rector is transparent about finances and policies, BPH will sleep well and fully support."

Similarly, the Rector of UMP described transparency as a routine organizational practice that helped maintain positive relations with the BPH. Information regarding budgets, institutional performance, and strategic planning was routinely communicated through formal meetings and reports.

At UNIMUS, participants highlighted a similar pattern. Informants described transparency as an essential component of the governance process. Budget proposals, annual work plans, and institutional performance indicators were regularly discussed with the BPH before

implementation.

Prof. Masrukhi stated, "Alhamdulillah, so far BPH has been very supportive because we present transparent data. So nothing is covered."

Interview data indicated that transparency was not limited to financial information. Participants also referred to the disclosure of performance achievements, accreditation progress, staffing plans, and strategic development projects.

At UNISSULA, transparency was similarly described as an important aspect of the relationship between the Yayasan Badan Wakaf Sultan Agung and the university leadership. Informants noted that discussions regarding institutional development, strategic investments, and organizational performance involved continuous information sharing between both parties.

Drs. Tjuk Subchan Sulang explained, "The Rectorate please innovate, the Foundation will fully back-up. The key is mutual trust between the Organizing Board and the Management Body."

Participants reported that trust was strengthened when information flowed openly and when both parties possessed similar understandings regarding institutional priorities and challenges. At UPS, transparency was also identified as a recurring governance practice. Participants described regular reporting mechanisms, discussions regarding institutional finances, and formal accountability processes as part of maintaining organizational confidence.

Across all cases, participants consistently associated trust with openness, reporting practices, accountability mechanisms, and information sharing. These patterns appeared regardless of differences in institutional size, ownership structure, or ideological orientation.

Trust Through Role Clarity and Authority Boundaries

Another recurring theme concerned the relationship between trust and the clarity of organizational roles. Participants across all institutions described trust as being closely linked to clearly defined responsibilities and authority boundaries between foundations and university management. Interview data showed that informants frequently referred to statutes, governance regulations, and institutional policies as instruments that established these boundaries.

At UPS, participants emphasized the importance of the university statute as a reference point for organizational interactions. Dr. H. Imawan Sugiharto stated, "The key is in the

Statute. We have a University Statute which is our 'holy book' or our common constitution. It has been arranged very clearly."

Similarly, the Rector of UPS explained, "Minimize yes to a minimum so that there are no collisions... it is clarified which is the domain of the Foundation, which is the domain of the University."

At UNISSULA, participants described a comparable arrangement. Informants explained that authority was distributed according to institutional statutes and governance regulations. Strategic matters remained under foundation authority, whereas academic matters were managed by university leadership.

Mr. Basir explained, "Any potential overlap is discussed openly through institutional forums, with us based on the Statute."

At UMP, participants described a governance arrangement characterized by clear distinctions between policy-making and operational execution. Prof. Abdul Aziz explained, "So the limit is in policy and execution. BPH in policy and supervision, Rector in execution."

The Rector of UMP provided a similar description, "BPH functions as a steering committee, a director. The Vice Chancellor's friends and I are the organizing committee."

At UNIMUS, participants also emphasized role differentiation between governance bodies. Prof. Masrukhi stated, "BPH is the realm of policy, supervision, and budget considerations. The Rector is in the realm of academic and non-academic operational execution."

Across the four institutions, participants consistently described trust in relation to predictable organizational roles. Narratives frequently referred to clearly defined authority structures, documented regulations, and institutional statutes. These governance arrangements were described as helping each party understand its respective responsibilities.

Trust Through Communication and Relational Interaction

The third theme concerned communication and relational interaction as mechanisms associated with trust. Participants across institutions frequently referred to both formal and informal communication channels in describing relationships between foundations and university leaders. Formal communication included meetings, annual planning discussions, budget reviews, performance evaluations, and governance forums. However, many participants

also emphasized informal interactions.

At UMP, informal communication emerged strongly throughout the interviews. Assoc. Prof. Dr. Jebul Suroso explained, "I apply a fluid communication style. So if there is a crucial issue, we discuss it first at the dinner table before at the formal meeting table."

Similarly, Prof. Abdul Aziz state, "If there is a difference of opinion, we will return it to deliberation. So if there is a difference, yes, it is resolved at the dinner table, finished."

Participants described informal discussions as occurring through social visits, shared meals, and routine interpersonal interactions. These interactions were described as complementing formal governance structures.

At UNIMUS, participants similarly highlighted the importance of dialogue and consultation. Prof. Masrukhi noted, "If there is a difference, we will talk first. The approach is family."

Interview data suggested that communication often occurred before formal decisions were made. Participants described discussions aimed at reaching shared understanding prior to official meetings.

At UNISSULA, participants emphasized collaborative communication practices between foundation representatives and university management. One participant explained: "We are not confrontational, but collaborative."

Similarly, governance issues were described as being discussed through various formal and informal forums involving foundation representatives, university leaders, and other stakeholders. At UPS, communication was also frequently mentioned in relation to governance stability. Participants described regular coordination meetings and discussions involving foundation members and university leaders.

Across all institutions, participants consistently highlighted communication processes when describing trust relationships. Both formal governance mechanisms and informal relational interactions appeared repeatedly throughout the interviews.

Trust Through Shared Institutional Values

The fourth theme identified in the analysis concerned the role of shared institutional values. Participants frequently referred to organizational values, religious principles, and institutional missions when describing relationships between foundations and university leaders.

At UMP and UNIMUS, values associated with Al-Islam dan Kemuhammadiyah (AIK) were repeatedly mentioned. Participants described these values as influencing institutional behavior and decision-making processes.

The Rector of UMP stated: "UMP is a common property. So we have to be transparent." Participants explained that organizational decisions were often framed in relation to collective responsibility, service, and commitment to Muhammadiyah principles. At UNIMUS, participants similarly emphasized Muhammadiyah values and the concept of organizational service.

One participant noted: "In Muhammadiyah, there is no owner. Because the intention is to raise da'wah." Interview data indicated that participants frequently associated governance practices with broader organizational missions rather than individual interests.

At UNISSULA, trust was frequently discussed in relation to the concept of wakaf. Drs. Tjuk Subchan Sulang explained, "This is a waqf foundation. What does it mean? The owner is Allah SWT. There are no individuals, no families who own shares."

Participants described themselves as custodians of institutional resources rather than owners. References to amanah and responsibility appeared repeatedly throughout interviews.

At UPS, participants emphasized professionalism, statutory compliance, and organizational responsibility. Dr. H. Imawan Sugiharto explained, "We're private, but we feel like red plates." (red plates: public institution)

Interview data indicated that participants often referred to institutional obligations, organizational legitimacy, and public accountability.

Across all four institutions, shared values appeared as a recurring theme. Although the specific values differed according to institutional background, participants consistently described governance relationships in reference to broader organizational missions and collective commitments.

Patterns of Trust Across Cases

Comparison across cases revealed several recurring patterns show in table 3. First, trust was described by both principals and agents as an important element in governance relationships. Participants from foundations, BPHs, rectorates, and senior management all referred to trust when discussing institutional governance.

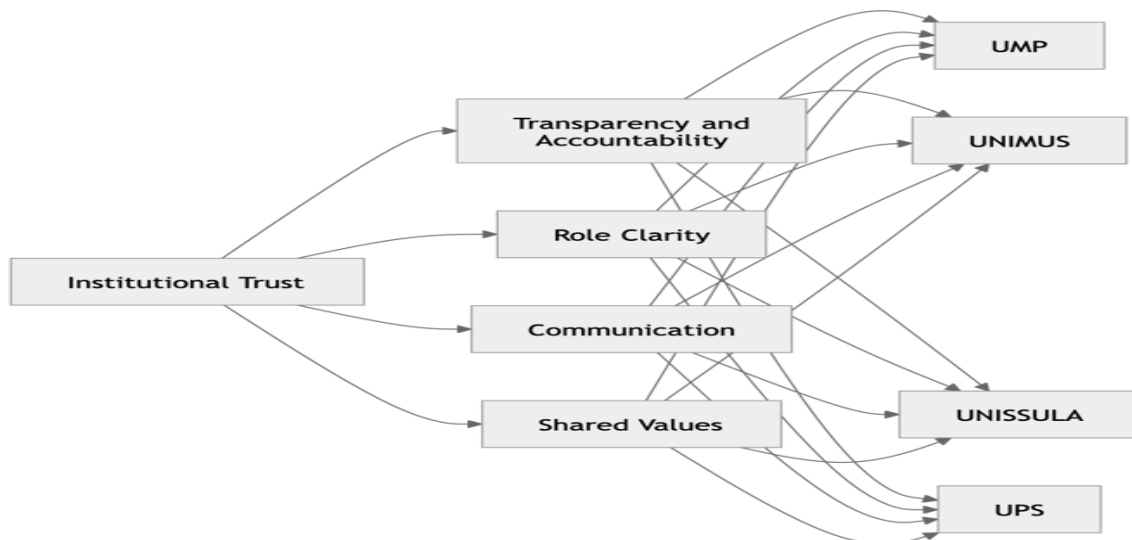
Table 3. Patterns of Trust Across Cases

Trust Theme	UMP	UNIMUS	UNISSULA	UPS
Transparency and Accountability	✓	✓	✓	✓
Role Clarity and Authority Boundaries	✓	✓	✓	✓
Communication and Relational Interaction	✓	✓	✓	✓
Shared Institutional Values	AIK	AIK	Amanah Wakaf	Professionalism
Formal Governance Mechanisms	✓	✓	✓	✓
Informal Relationship Mechanisms	✓	✓	✓	✓

Second, trust appeared in both formal and informal organizational settings. Formal mechanisms included reporting systems, governance regulations, statutes, planning documents, and accountability processes. Informal mechanisms included interpersonal communication, social interactions, consultation, and relationship-building activities. Third, trust was linked to multiple organizational processes simultaneously. Participants associated trust with transparency, communication, authority boundaries, organizational values, accountability, and decision-making processes. Fourth, despite differences in governance models among Muhammadiyah universities, wakaf-based institutions, and foundation-based universities, trust emerged as a common feature across all cases. Participants consistently referred to trust

regardless of variations in organizational ownership structures and governance arrangements.

Finally, trust was described as operating between various actors within the governance system. Participants referred to trust between foundations and rectors, BPH members and university management, foundations and academic leaders, as well as among members of the broader institutional community. The thematic analysis identified four major themes related to institutional trust within dual governance relationships in Indonesian private universities (figure 2). These themes included trust through transparency and accountability, trust through role clarity and authority boundaries, trust through communication and relational interaction, and trust through shared institutional values.


Figure 2. Institutional trust

Across all four institutions, participants consistently described trust as being associated with open information sharing, clearly defined governance responsibilities, ongoing

communication practices, and commitment to institutional values. Although each university demonstrated unique organizational characteristics, the presence of these themes was

evident throughout the interview data and appeared repeatedly in the narratives of both principals and agents.

These findings demonstrate that institutional

trust was embedded within multiple dimensions of governance practice and was described by participants as part of their everyday interactions within dual governance systems (Table 4).

Table 4. Institutional trust dimensions

Theme	Representative Evidence	Observed Across Cases
Trust through Transparency	Financial openness, reporting, accountability	UMP, UNIMUS, UNISSULA, UPS
Trust through Role Clarity	Statuta, governance regulations, authority boundaries	UMP, UNIMUS, UNISSULA, UPS
Trust through Communication	Meetings, consultation, musyawarah, informal discussions	UMP, UNIMUS, UNISSULA, UPS
Trust through Shared Values	AIK, Dakwah, Amanah Wakaf, Professionalism	UMP, UNIMUS, UNISSULA, UPS

DISCUSSION

Institutional Trust as a Governance Mechanism in Dual Governance Relationships

This study sought to explore how institutional trust functions as a governance mechanism within dual governance relationships in Indonesian private universities. The findings revealed that trust was embedded within four interconnected dimensions of governance practice: transparency and accountability, role clarity and authority boundaries, communication and relational interaction, and shared institutional values. Across all four cases, participants consistently described trust as an important feature of interactions between foundations and university leadership. Rather than emerging as a separate organizational outcome, trust appeared to operate through everyday governance processes that shaped collaboration, decision-making, and organizational relationships.

These findings suggest that governance effectiveness within private universities is not solely dependent upon formal structures of monitoring and control. While governance regulations, statutes, reporting systems, and accountability mechanisms remained important, participants repeatedly emphasized relational processes that enabled cooperation between principals and agents. This finding provides an important perspective on how governance operates within nonprofit higher education institutions characterized by shared missions and long-term organizational relationships.

Transparency and Accountability as Foundations of Trust

One of the most consistent findings across the

cases was the relationship between transparency and trust. Participants repeatedly emphasized the importance of open reporting, financial disclosure, and information sharing as mechanisms that maintained confidence between foundations and university leaders (Pratiwi & Kusumah, 2024).

This finding is consistent with previous research suggesting that transparency reduces uncertainty and strengthens governance relationships. Within Agency Theory, transparency functions as a mechanism for reducing information asymmetry between principals and agents. Traditional agency assumptions suggest that principals face difficulties in monitoring agents because agents possess greater information regarding organizational operations. Consequently, monitoring systems are established to reduce opportunistic behavior.

However, the present findings suggest a more nuanced relationship. Participants did not describe transparency merely as a monitoring instrument. Instead, transparency was perceived as a means of sustaining trust. Financial openness, routine reporting, and performance disclosure appeared to create confidence that university leaders were acting in accordance with institutional objectives. Rather than increasing surveillance, transparency appeared to reduce suspicion and strengthen cooperation (Sun et al., 2022).

This finding supports emerging scholarship arguing that trust and accountability should not be viewed as competing governance mechanisms but as complementary processes. In the context of Indonesian private universities, transparency appeared to facilitate trust by creating shared visibility regarding institutional conditions and

strategic priorities.

Role Clarity as a Basis for Institutional Trust

The findings further demonstrated that trust was closely associated with clearly defined authority boundaries. Across all four institutions, participants frequently referred to statutes, governance regulations, and formal role definitions as mechanisms that established predictable relationships between foundations and university leadership.

This finding aligns with governance studies suggesting that ambiguity regarding organizational authority often generates conflict and reduces institutional effectiveness. Previous research on Indonesian private universities has similarly identified role overlap and authority disputes as common governance challenges. The present study extends this literature by demonstrating that role clarity is not only a structural governance issue but also a trust-related phenomenon.

Participants consistently described trust as being strengthened when responsibilities were clearly defined and respected by both parties. Statutes were frequently referred to as authoritative references that clarified expectations and reduced uncertainty regarding decision-making authority. When institutional actors understood the limits of their responsibilities, interactions became more predictable and cooperative (Ramaditya et al., 2022).

From an Agency Theory perspective, this finding suggests that governance effectiveness may depend not only on monitoring arrangements but also on mutually understood institutional rules. Role clarity appeared to reduce the potential for conflict by minimizing misunderstandings regarding jurisdiction and responsibility. Trust therefore emerged not simply from interpersonal goodwill but from confidence in stable institutional arrangements.

Communication and Relational Interaction as Trust-Building Processes

A third significant finding concerns the role of communication in sustaining trust relationships. Participants across all institutions repeatedly emphasized both formal and informal communication practices. While formal meetings and governance forums were important, many participants highlighted informal interactions such as personal discussions, social gatherings, and musyawarah as important aspects of governance relationships.

This finding is consistent with trust literature emphasizing the relational nature of organizational trust. Trust develops through repeated interaction, reciprocal communication, and opportunities for relationship building. The present study demonstrates that such processes remain important even within highly formalized governance structures.

An interesting observation concerns the prominence of informal communication. Participants frequently described resolving disagreements through dialogue before issues escalated into formal disputes. Informal discussions appeared to provide opportunities for clarification, mutual understanding, and conflict prevention.

These findings differ somewhat from traditional Agency Theory, which largely assumes contractual and formal governance arrangements. Agency Theory typically focuses on monitoring, incentives, and control mechanisms as methods of aligning interests between principals and agents (Abdulmawla et al., 2025). In contrast, the present findings indicate that interpersonal relationships and communication processes play a significant role in maintaining governance effectiveness.

The results therefore support arguments from relational governance literature, which suggests that trust-based relationships can complement formal governance systems. Within the universities studied, communication appeared to function as an ongoing mechanism through which trust was maintained and reinforced over time (Siswanto et al., 2013).

Shared Institutional Values and Moral Foundations of Trust

The fourth theme identified in the findings concerned the role of shared institutional values. Participants frequently referred to religious commitments, organizational missions, professional norms, and collective responsibilities when describing governance relationships.

Although the specific values differed across institutions, a common pattern emerged. Participants consistently emphasized commitments extending beyond individual interests. Muhammadiyah universities referred to AIK and dakwah, UNISSULA emphasized amanah wakaf, and UPS highlighted professionalism and organizational responsibility. This finding aligns with studies suggesting that trust is strengthened when organizational actors share common values and goals. Shared values create expectations regarding acceptable behavior

and provide a basis for cooperation even in situations where direct monitoring is limited.

The findings are particularly significant because they highlight the nonprofit context of Indonesian private universities. Unlike commercial organizations, these institutions operate within mission-driven environments where educational, religious, and social objectives play central roles. Participants frequently described themselves as custodians of institutional missions rather than owners pursuing personal interests. Consequently, trust appeared to be reinforced through shared moral commitments. Governance relationships were not solely governed by contracts and regulations but also by collective beliefs regarding institutional responsibilities and long-term organizational sustainability.

Extending Agency Theory Through a Trust-Based Governance Perspective

The findings collectively suggest that traditional Agency Theory provides only a partial explanation of governance effectiveness within Indonesian private universities. Agency Theory has been widely used to explain principal-agent relationships through concepts such as information asymmetry, monitoring, control, and incentive alignment. These concepts remain relevant within the governance systems examined in this study.

However, the findings indicate that governance effectiveness cannot be fully understood through control mechanisms alone. Participants consistently emphasized trust, cooperation, communication, and shared values as important aspects of governance relationships. These factors are not adequately captured within conventional agency assumptions that portray principals and agents as primarily self-interested actors.

The study therefore suggests that trust functions as a complementary governance mechanism alongside formal control structures. Rather than replacing monitoring systems, trust appears to enhance governance effectiveness by reducing relational tensions, facilitating communication, supporting collaboration, and encouraging mutual confidence between foundations and university leadership.

Accordingly, this study proposes a Trust-Based Governance Perspective in which governance effectiveness emerges from the interaction of formal governance structures and relational trust mechanisms. Within this perspective, transparency, role clarity,

communication, and shared values operate as trust-generating processes that support cooperative governance relationships.

Practical and Policy Implications

The findings have several implications for governance practice within private universities. First, university foundations and governing boards should recognize trust as a strategic governance resource rather than viewing governance solely through compliance and control mechanisms. Policies that promote transparency, information sharing, and accountability may contribute not only to oversight but also to trust development. Second, institutions should ensure that statutes and governance regulations clearly define authority boundaries between governing bodies and university management. Clear governance arrangements may reduce conflict and strengthen organizational confidence. Third, universities should encourage regular communication between foundations and university leaders. Formal governance meetings should be complemented by opportunities for informal dialogue and relationship building. Fourth, institutional leaders should actively reinforce organizational values that promote shared commitment to institutional missions. Such values may strengthen trust and support long-term governance stability.

Limitations and Future Research

Several limitations should be acknowledged. First, the study focused on four private universities in Indonesia. Although the cases provide rich insights into dual governance relationships, the findings may not be directly transferable to all higher education contexts. Second, the study relied primarily on qualitative interview data. Participants' perceptions may not fully capture all dimensions of governance practice. Future studies could incorporate surveys or mixed-method approaches to examine trust across larger populations of private universities.

Third, the research examined trust within established governance relationships. Future research may investigate how trust develops during periods of organizational change, leadership transitions, or governance crises. Finally, future studies may explore the relationship between trust and measurable organizational outcomes such as institutional performance, accreditation achievements, financial sustainability, and stakeholder satisfaction. Such research would further enhance understanding of how trust contributes to

governance effectiveness in higher education.

The evidence suggests that institutional trust functions as a governance mechanism by enabling transparency, reinforcing role clarity, facilitating communication, and strengthening commitment to shared values. These processes support cooperative relationships between foundations and university leaders and contribute to governance effectiveness within dual governance systems. In doing so, the study extends traditional Agency Theory by demonstrating that governance effectiveness in nonprofit higher education depends not only on control and monitoring mechanisms but also on relational trust embedded within institutional practices.

CONCLUSION

This study explored the role of institutional trust in dual governance relationships within Indonesian private universities, using a multiple-case study design to examine interactions between foundations or governing boards and university leaders. The findings highlight that institutional trust significantly enhances governance effectiveness by complementing formal mechanisms like statutes and accountability procedures. Trust facilitates cooperation, mitigates tensions, and supports collaborative decision-making through four dimensions: transparency and accountability, role clarity and authority boundaries, communication and relational interaction, and shared institutional values. Transparency builds confidence through open reporting, while role clarity reduces conflicts by defining responsibilities. Communication, through formal meetings and informal interactions, sustains trust, and shared values like *Al-Islam* dan *kemuhammadiyahan* provide a moral foundation. The study suggests that governance effectiveness cannot be fully explained by traditional Agency Theory alone, emphasizing the importance of relational dimensions beyond formal control. It proposes a Trust-Based Governance Perspective, integrating trust with traditional systems for a comprehensive understanding of governance in Indonesian private universities.

Theoretical Contribution

This study contributes to the higher education governance literature by extending Agency Theory through the incorporation of institutional trust as a governance mechanism. Existing agency-based governance studies primarily

emphasize monitoring, control, accountability, and incentive alignment as mechanisms for managing principal-agent relationships. However, the findings demonstrate that governance effectiveness within nonprofit higher education contexts is also influenced by relational factors that facilitate cooperation and mutual confidence. The study therefore introduces a Trust-Based Governance Perspective that integrates formal governance mechanisms with relational dimensions of trust. This perspective contributes to a more nuanced understanding of governance within dual governance systems and expands the application of Agency Theory to nonprofit educational institutions.

Empirical Contribution

Empirically, the study provides evidence from four Indonesian private universities operating under different governance arrangements. The findings reveal consistent patterns regarding transparency, role clarity, communication, and shared institutional values despite differences in organizational backgrounds. This contributes to the limited body of research examining trust within private university governance in Indonesia.

Methodological Contribution

Methodologically, the study demonstrates the value of a qualitative multiple-case study approach for examining governance relationships within higher education institutions. By incorporating perspectives from both principals and agents, the research provides a holistic understanding of governance processes that may not be captured through quantitative approaches alone.

Practical and Policy Implications

The findings imply several key aspects for private university governance. Foundations and governing boards should prioritize trust as a vital governance resource, enhancing effectiveness through transparency, openness, and mutual accountability rather than just monitoring and control. Universities must ensure governance statutes clearly define authority and responsibilities to reduce ambiguity and boost confidence. Governance actors should engage in regular communication and relationship-building, complementing formal mechanisms with dialogue and collaborative problem-solving. Institutions should reinforce shared values supporting

collective commitment to missions and sustainability. Additionally, higher education regulators might integrate relational governance dimensions with traditional compliance-based approaches in developing guidelines for private universities.

Recommendations for Future Research

Several opportunities for future research emerge from this study. Future studies could examine institutional trust across a larger number of private universities using quantitative or mixed-method approaches to test the broader applicability of the findings. Additionally, future research may investigate the relationship between trust and organizational outcomes such as institutional performance, accreditation achievement, financial sustainability, and stakeholder satisfaction. Longitudinal studies could explore how trust develops, changes, and is maintained during periods of leadership transition, governance reform, or organizational crisis. Finally, comparative studies involving public universities, international higher education institutions, or other nonprofit organizations may provide additional insights into the role of trust within governance systems.

This study concludes that institutional trust functions as a critical governance mechanism within dual governance relationships in Indonesian private universities. Through transparency, role clarity, communication, and shared institutional values, trust complements formal governance structures and supports governance effectiveness. By proposing a Trust-Based Governance Perspective, the study contributes a relational dimension to Agency Theory and offers a more comprehensive understanding of governance within nonprofit higher education institutions.

REFERENCES

- Keczer, G. (2023). University governance reforms in Portugal. *The Hungarian Educational Research Journal*.
<https://doi.org/10.1556/063.2022.00174>
- Abdulmawla, M., Mohamed, L. M., & Elgarhy, S. D. (2025). Effects of Transformational Leadership and Intrinsic Motivations on Organizational Innovation in Hotels and Travel Agencies: The Mediating Roles of Organizational Citizenship Behavior and Organizational Commitment. *Journal of Tourism and Services*, 16(30), 1–27.
<https://doi.org/10.29036/5hye2z53>
- Affandi, N., Hidayat, S., Eryanto, H., & Hidayat, D. R. (2023). Higher Education Governance and Lecturer Performance: The Role of Leadership, Commitment, and Culture. *Journal of Higher Education Theory and Practice*, 23(6), 185–195. Scopus.
<https://doi.org/10.33423/jhetp.v23i6.5966>
- Al Mawadieh, R. S. M., Razzak, L. F. A., & Al-Badawi, M. (2026). Governance in Educational Institutions: Examining the Role of Leadership in Enhancing Academic Performance. In *Studies in Systems, Decision and Control* (Vol. 227, pp. 1849–1862). Scopus.
https://doi.org/10.1007/978-3-031-95310-1_133
- Alwi, F., Nawi, S., Fahmal, M., Qamar, N., & Mumin, K. H. A. (2025). Transformation of Foundation Law in the Management of Private Higher Education in Indonesia. *Jurnal Pengabdian Hukum Indonesia*, 8(2), 517–544. Scopus.
<https://doi.org/10.15294/jphi.v8i2.33399>
- Bradford, H., Guzmán, A., Restrepo, J. M., & Trujillo, M. A. (2021). Fostering good governance in higher education institutions: The case of Colombia. In *Governance Models for Latin American Universities in the 21st Century: Comparative Analysis, Global Perspectives, and Future Propositions* (pp. 213–230). Scopus. https://doi.org/10.1007/978-3-030-83465-4_12
- Diogo, S., Carvalho, T., & Breda, Z. (2020). Nomination vs. Election: Do They Influence Women's Access to Institutional Decision-Making Bodies? *Journal of Management & Governance*, 25(3), 879–898.
<https://doi.org/10.1007/s10997-020-09538-6>
- Gbadegesin, J. T., Komolafe, M. O., Gbadegesin, T. F., & Omotoso, K. O. (2021). Off-campus student housing satisfaction indicators and the drivers: From student perspectives to policy re-awakening in governance. *Journal of Human Behavior in the Social Environment*, 31(7), 889–915.
<https://doi.org/10.1080/10911359.2020.1825247>
- Johanson, J.-E., & Vakkuri, J. (2026). Hybridity, Resilience, and Organizations. In M. L. Frigotto & R. Pinheiro (Eds.), *Organizational Resilience* (pp. 97–117). Emerald Publishing Limited.
<https://doi.org/10.1108/S0733-558X20260000099006>
- Keczer, G. (2023). University Governance Reforms in Portugal. *The Hungarian Educational*

- Research Journal*.
<https://doi.org/10.1556/063.2022.00174>
- Kivistö, J., & Zalyevska, I. (2015). Agency Theory as a Framework for Higher Education Governance. In J. Huisman, H. De Boer, D. D. Dill, & M. Souto-Otero (Eds.), *The Palgrave International Handbook of Higher Education Policy and Governance* (pp. 132–151). Palgrave Macmillan UK.
https://doi.org/10.1007/978-1-137-45617-5_8
- Martínez, A. P., & Fernández, R. (2020). Concepción Del Alineamiento Estratégico Como Principio De La Gobernanza Universitaria. *Hallazgos*, 18(35).
<https://doi.org/10.15332/2422409x.5689>
- Navia, J. (2022). Leadership Practices among Private Higher Education Institutions: Basis for Transformational Leadership Model. *JPAIR Multidisciplinary Research*, 49(1), 159–177.
<https://doi.org/10.7719/jpair.v49i1.443>
- Okyere, E. D., Yamoah, E. E., & Nkansah, J. O. (2026). Governance and resource strategies in Ghana's dual-sector higher education: A case study analysis. *SN Social Sciences*, 6(4). Scopus. <https://doi.org/10.1007/s43545-026-01406-8>
- Pratiwi, M., & Kusumah, L. H. (2024). Enhancing the accreditation of Indonesian private universities through the integration of EduQual and accreditation standards of the BAN-PT. *REID (Research and Evaluation in Education)*, 10(2), 227–243.
<https://doi.org/10.21831/reid.v10i2.76406>
- Ramaditya, M., Maarif, M. S., Affandi, M. J., & Sukmawati, A. (2022). Private Higher Education Development Strategy in Indonesia in Facing an Era of Change. *Jurnal Aplikasi Bisnis Dan Manajemen*, 8(3), 793.
<https://doi.org/10.17358/jabm.8.3.793>
- Ramezani, S. G. (2025). The Hybrid Model of Academic Capitalism in Iranian Higher Education: A Complex Interplay of Neoliberal and State-Controlled Practices. *Higher Education Policy*, 38(4), 665–692.
<https://doi.org/10.1057/s41307-024-00364-1>
- Siregar, M. Y., & Sihombing, P. (2021). The Performance Improvement and the Competitiveness of Private Universities (PTS) in North Sumatera through the Strategy of Building Institutional Competence. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 4(1), 639–653.
<https://doi.org/10.33258/birci.v4i1.1647>
- Siswanto, E., . D., K.H., A. S., & Idrus, M. S. (2013). Good University Income Generating Governance in Indonesia: Agency Theory Perspective. *International Journal of Learning and Development*, 3(1), 67.
<https://doi.org/10.5296/ijld.v3i1.3134>
- Sun, Y., Davey, H., Arunachalam, M., & Cao, Y. (2022). Towards a theoretical framework for the innovation in sustainability reporting: An integrated reporting perspective. *Frontiers in Environmental Science*, 10, 935899.
<https://doi.org/10.3389/fenvs.2022.935899>