

## EXAMINING THE ELEMENTS OF GOVERNANCE ARRANGEMENTS: THE CASE OF A BUSINESS AND ACCOUNTANCY SCHOOL IN CENTRAL LUZON, PHILIPPINES

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### Abstract

*This paper provides an examination of the elements concerning the governance arrangements unique to one business and accountancy school in Central Luzon, Philippines, based on its current governance team. This study was also carried out to determine which of the elements in the governance arrangements is considered as the strengths and weaknesses of the school using the Australian Public Service Commission's for Building Better Governance (2018) as a framework, through a survey of twenty-eight (28) full-time faculty members both for graduate and undergraduate schools covering an academic year. It was found out that leadership, culture, and communication is the strongest governance element that even with those already in-charge with governance or newly appointed management staff may be regarded to be the most prime. While comprehensive risk management and assurance systems, could be an area of improvement. Such can be achieved through the creation of an internally standardized quality assurance system to facilitate processes and decision making. It is recommended that team building, and technical workshops activities that could foster leadership-subordinate coordination, strengthen relationships, align action plans to key strategic objectives, and promote process improvements to enforce controls be held. Renewal of key management positions instead of annual replacement of governance roles can be a better alternative. Finally, the creation and implementation of a comprehensive risk management system through identified key responsibility centers that along will in create a fortified internal controls system to minimize the financial and non-financial risks to the academic institution must be reinforced.*

**Keywords:** good governance, governance, governance arrangements, school governance.

### INTRODUCTION

While good governance and ethics remain to be a challenge among corporations nowadays, the academe also faces the same as the business of the academe shares this same analogy. Corporate governance, is also required in the academe, as defined in Zvavahera and Ndoda (2014), good governance is the way businesses are being controlled or directed; and the business of the academe is not an exception. Studies have shown an association between good governance-especially the practice of scrutiny-and the performance of schools (Ranson et al., 2005).

Good governance also serves as ethical, moral and value framework in the decision-making process that is why organizations must have a guiding model or framework for corporate governance. The Australian National Audit Office [ANAO] (2006) clearly defined public sector governance as:

*"...the set of responsibilities and practices, policies and procedures, exercised by an agency's executive, to provide strategic direction, ensure objectives are achieved, manage risks and use resources responsibly and*

*with accountability... it also encompasses the important role of leadership in ensuring that sound governance practices are instilled throughout the organization and the wider responsibility of all public servants to apply governance practices and procedures in their day-to-day work”.*

In Deloitte (2013) a governance operating model must be emphasized by being used as a mechanism by the board and management by converting the elements of the governance framework and policies into practices, procedures, and job responsibilities within the corporate governance infrastructure. Such framework is that in Bartos (2004) which provided the basic building blocks that need to be considered when establishing governance arrangements. This is patterned after the Australian Public Service Commission’s for Building Better Governance. Elements would include strong leadership, culture, and communication with those in charge with governance. Setting of appropriate governance committee structures such as committees and sub-committees for specific purpose. In addition, the setting of clear accountability mechanisms such as policies and protocols is another key element. The governance team dealing various stakeholders while working effectively across organizational boundaries and beyond the confines of the business is to be kept in mind. It also encompasses, comprehensive risk management, compliance and assurance systems, strategic planning, performance monitoring and evaluation and flexible & evolving principles-based system (Bartos, 2004).

These building blocks will help identify areas of strengths and for improvements in good governance for past, incumbent or transitioning governance team in organizational units Australian National Audit Office [ANAO] (2006). Such as the case of the School of Business and Accountancy, where a transitioning governance team is now taking the lead of more than one-hundred faculty and over five-thousand students this first semester, for this school year.

The governance team has shaped in this case, a school of business and accountancy in Central Luzon, Philippines that started as a small college to becoming a school because of the vertical integration strategies of the university, owing its roots from its founding fathers who paved the way to open an old college of commerce way back in 1950. This then slowly had grown to become the biggest college of the university, because of the increased demand for business graduates to align with the augmenting commercial and business establishments in the city. Currently, this school supports the learning outcomes through its various business and accountancy programs and prepare the students to either pass the Certified Public Accountant licensure examination being held twice a year, if not be prepared for the world of commerce, industry, and trade. With the proper matching of the learning style and methods in teaching accounting, management, finance, tax, and law subjects among accounting students, will contribute to strengthen the required knowledge, competencies, attitude, and skills required to graduate the enrolled programs.

The school continuously aimed at improving its academic quality and operational excellence through embarking to local and international accreditation as well as making both accountancy and management programs. To achieve the accreditation of its programs, improvement in the qualifications and professional advancement of faculty shall be given utmost priority through scholarships, provisions of logistics and financial subsidy. As an authentic instrument for countryside development, the school response to the challenge through the various linkages and collaboration with private and government agencies and institutions through faculty and students exchange, research, seminars, and training have been undertaken. Mitigating programs

are continuously extended to faculty members who are affected by the K-12 transition. With more than seventy years since its foundation, the school has evolved to become a leading university in the region. Consonance to this is the established governance arrangements within the context of an academic institution particularly the governing body of the school, through its board of trustees and management, contributing to what the organization is now today. In line with this, the researcher would like to examine the overall governance arrangements from the perspective of one of its most salient stakeholders which are the faculty or teaching personnel. The results of the assessment would help determine which among the elements contribute to the status of the school today. Further this study also aimed to address the following questions:

1. Which among the building blocks of governance arrangements is considered as the strength of the school?
2. Which among the building blocks of governance arrangements is considered as an area(s) for improvement of the school?
3. What is the overall assessment school's governance arrangements by its constituents using the Building Better Governance framework (Australian Public Service Commission, 2018)?
4. What possible issues and challenges can be derived based on the results?

## Review of Related Literature

### *Governance*

In Australian Public Service Commission [APSC] (2018), good governance is composed of two things which are performance and conformance. Performance focuses on the overall performance and the delivery of goods, services, or programs while conformance is how an institution or agency uses the governance arrangements so that requirements set forth by law, rules, regulations, standards and community expectations of accountability, probity and openness are all met. Further it based on the following principles:

“accountability—being answerable for decisions and having meaningful mechanisms in place to ensure the agency adheres to all applicable standards’

transparency/openness—having clear roles and responsibilities and clear procedures for making decisions and exercising power;

integrity—acting impartially, ethically and in the interests of the agency, and not misusing information acquired through a position of trust;

stewardship—using every opportunity to enhance the value of the public assets and institutions that have been entrusted to care;

efficiency—ensuring the best use of resources to further the aims of the organization, with a commitment to evidence-based strategies for improvement;

leadership—achieving an agency-wide commitment to good governance through leadership”(APSC, 2018).

In short governance is the way businesses and institutions are directed and controlled and relates to how the board is constituted and how it performs its role and goes beyond the issues of board composition and structure, but how it carries out the framework of the board's accountability to its stakeholders (Zvavahera, & Ndoda, 2014). In Peterson (2013), it is not only a not a once- off activity but it pertains to a long-term corporate culture.

#### *Governance Arrangements in an Academic Institution*

Governance remains significant in improving school performance and in every pupil or student attainment given the dynamic nature of governance and the problematic nature of managing change(s) in school governance. With the difference and variety the complexity of school governance such as diversity of provision; complex and demanding capabilities required for, and participation in, governance; from micro to macro issues; and joint modes of institutional governance several challenges may arise (Connolly & James, 2011). Those experienced outside audits and inspections had changes in the governance of quality assurance and data use together with collection and function of these data. Other school boards also indicate little participation on curriculum and instruction in schools (Ehren et al., 2016).

Schools where parents and community involvement is very transparent and visible contributes to highly effective and learners' positive behavior and to the improvement in their performance (Nana Adu-Pipim Boaduo et al., 2009). Some schools have governance system that are characterized schools with professional and bureaucratic modes of governance, and positive attitudes were found in schools with partnership governance. This mode of governance is a promising step toward a community-oriented approach (Addi-Racah & Ainhoren, 2009).

One way to improve institutional performance is to involve institutional performance through stakeholder involvement and with the democratic of school governance is viewed (James, 2014). Stakeholders, particularly the participation of parents and community in the governance of schools affect teacher effectiveness and improvement of learner performance. Parents seem to have positioned themselves as outsiders. As a result, parents mostly rely on and rubber stamp whatever the educators have already decided (Mavuso & Duku, 2014). Even large capital school considers projects creates the idea of project governance which is a function of stakeholder complexity and functional positioning in the organization (Bekker, 2014).

Unions are other stakeholders in school governance which in a larger context acts as agents for teachers by articulating their concerns that must be addressed if teachers harnessing the professional role of teachers in school governance through union contracts (Jacoby, 2011).

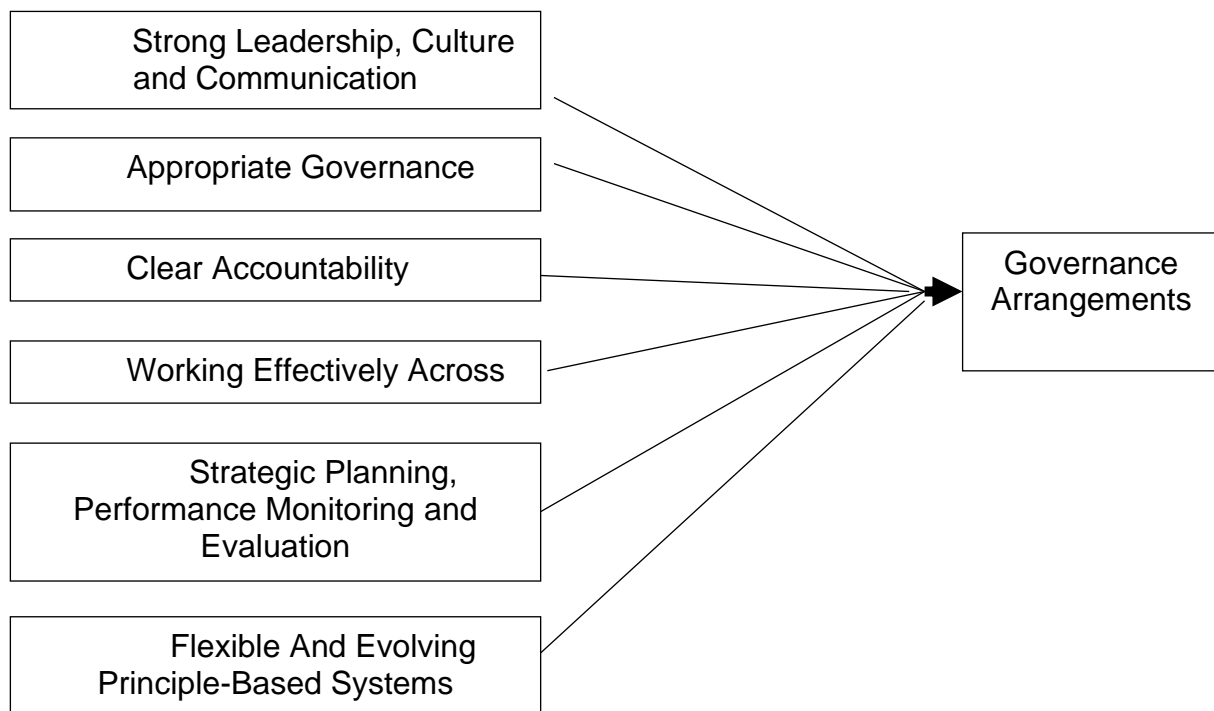
Other schools follow existing models of school governance for school boards from international state school literature. These would include democracy and trustee models which are useful for describing some aspects of non-state school governance, but a faith model is also suggested (Austen et al., 2012).

Other school's governance arrangement follow a school-based management (SBM) system focusing on decentralization, empowering school level management and inhibiting the influence of intermediate level of governance leads to better allocation of school resources and meeting demands of various stakeholders (Kwan & Li, 2015). Other schools are broadening their current legal governing bodies, others generate ad hoc bodies transforming legal ones into new institutional arrangements (Prieto-Flores et al., 2018).

In the end, the evaluation of the school governance plays a pivotal role on how an academic

institution is well-run. In Hanberger (2016), evaluation is a generic term that focuses on inspection, quality assurance, ranking and to both stand-alone evaluations and evaluation systems which can be done by three models which are the state model, local government, and multi-actor model of governance. Since there exists a relationship between the distribution of board-executive governance responsibilities and the performance of organizations operating the existence of an ideal balance between board-executive governance responsibilities in key functional areas on charter school boards (Ford & Ihrke, 2018).

### FRAMEWORK OF THE STUDY



**Figure 1**

Figure 1 presents the framework of the study focusing on the various elements of governance arrangements was used as an assessing the tool.

### METHODS

#### Study Design

The research is descriptive in terms of type and descriptive in design because the study focuses on the generating basic orientations of the study such as the assessment of the governance arrangements by the participants at a given period. To fully understand, statistical techniques were used in the study. The unit of analysis of the study is organization since it involved the school of business and accountancy in Central Luzon, Philippines. The point of focus of the study are orientations measured through the level. The study is cross-sectional since the study is for a given period.

The design may be considered is classified as a case study which in McLeod (2008) are in-depth investigations of a single person, group, event, or community. Typically, data are gathered from a variety of sources and by using several different methods (e.g. observations & interviews). The research may also continue for an extended period, so the processes and developments can be studied as they happen.

### Sampling and Participants

The participants of the study are the faculty members of the school of business and accountancy particularly its undergraduate and graduate faculty members. The identified stakeholders are in the position to see the unit of the organization, including the governance from a wider perspective and at the same time, are not part of the administration. For this study, purposive sampling was used, and the identified respondents are the respondents who may best answer the questions. Twenty-eight (28) undergraduate and graduate teaching personnel of the study.

### Data Gathering Instruments

Self-administered survey to assess the overall governance arrangements of the School of Business and Accountancy. The first part of the survey required information on the demographic information of the respondent and the second part of the survey are composed of the governance elements and the level of agreement for each statement using a four-point liker scale.

### Data Collection Procedures

This section describes in detail the data-collection procedures. The primary sources of information will be the result of the surveys. The secondary sources of information quotes came from publications, such sources include comments on, interpretations of, or discussions about the original research conducted abroad. Academic research works using electronic source were also used as a related study.

### Data Analysis

The study was analyzed using statistical tools used on this study include frequency and percentage distribution and mean rating. These were used to describe and assess the data gathered. Mean rating before and after the activities were utilized to determine the “balance point” in a set of data, it will be used to determine the descriptive rating of the responses. This also determined the results on the level of awareness after the participants were involved in the different activities.

### Ethical Considerations

The consent of administrators of the school of business and accountancy was obtained for the permission to conduct the study. Results of the research were used for academic purposes only. For confidentiality purposes, the name of the academic institution is not revealed. All authors of related literature are properly acknowledged and cited. There were no potential benefits received from the participation of the survey.

## RESULTS AND DISCUSSION

Tables 1 to 4 show the statistics of the study and frequency of the respondents

**Table 1. Statistics**

GENDER	AGE	TENURE	NO OF YEARS
28	28	28	28

**Table 2. Respondents Grouped According to Gender**

GENDER	Frequency	Valid Percent
Male	18	64.3
Female	10	35.7
Total	28	100.0

**Table 3. Respondents Grouped According to Number of Years in HAU**

Frequency	Frequency	Valid Percentage
20 to 30 y/o	12	42.9
31 to 40 y/o	4	14.3
41 to 50 y/o	2	7.1
More than 51 y/o	10	35.7
Total	28	

**Table 4. Respondents Grouped According to Number of Years in HAU**

Frequency	Frequency	Valid Percentage
1 to 3 years	12	42.9
4 to 5 years	4	14.3
More than 5 to 10 years	2	7.1
More than 10 years	10	35.7
Total	28	

Using the Australian Public Service Commission [APSC] (2018), the school is relatively good in almost all aspects despite the transition of new leadership this semester, however room for improvement is still expected. The strength of the school's governance team, based on the survey is its strong leadership, culture and communication even if the those in-charged with governance or appointed as management staff are new to their positions. The one that yields with the lowest mean rating is comprehensive risk, management, and assurance systems where standardized assurance system such as ISO are still on its way to be embedded in the school although orientation was provided among the management team last April.

Under clear accountability terms with the statement "The relationship between the administrators and students is well managed" is one dimension that the governance team must investigate. This is understood since the governance team Another statement, "the school practices risk management and implements controls in achieving its objectives" needs to be clear cut perhaps because some controls may not be in place or are present but are not effective. This may mean that the governance arrangement currently in SBA is working as planned, however there are certain areas that must be carefully studied and reassessed overtime.

**Table 5. Mean Rating Results of the Assessment**

<b>A. STRONG LEADERSHIP, CULTURE AND COMMUNICATON</b>	<b>MEAN RATING</b>
1. There is a strong commitment from the top that is being cascaded across the school.	3.36
2. There is a promotion of ethical and values-based culture by the leaders of the school.	3.36
3. There is frequent and consistent communication with the management staff of the school.	3.18
4. The school's leadership provide on going training and support to its faculty members.	3.36
<b>MEAN</b>	<b>3.31</b>
<b>B. APPROPRIATE GOVERNANCE COMMITTEE STRUCTURES</b>	
1. The school is composed of special committees that will head the decision making for special issues .	3.21
2. The school has special committees for research, outreach programs and other activities.	3.61
3. The school's assigned committee has a clear purpose and sense of strategic obligations .	3.18
4. The school committee are well-established and effective for their given task.	3.07
<b>MEAN</b>	<b>3.27</b>
<b>C. CLEAR ACCOUNTABILITY MECHANISMS</b>	
1. There is a clear line of reporting within the school.	3.25
2. There is a sense of accountability and responsibility within the school.	3.21

3. The relationship between the administrators and faculty is well managed.	3.11
4. The relationship between the administrators and students is well managed.	2.93
<b>MEAN</b>	<b>3.13</b>
<b>D. WORKING EFFECTIVELY ACROSS ORGANIZATIONAL BOUNDARIES</b>	
1. The school, through its leadership, maintains good relationship with industry partners.	3.29
2. The school, through its leadership, maintains good relationship with the government (i.e CHED).	3.25
3. The school, through its leadership, maintains good relationship with the communities.	3.29
4. The school, through its leadership, maintains good relationship with the public as a whole.	3.29
<b>MEAN</b>	<b>3.28</b>
<b>E. COMPREHENSIVE RISK MANAGEMENT, COMPLIANCE AND ASSURANCE SYSTEMS</b>	
1. The school practices risk management and implements controls in achieving its objectives.	2.82
2. The school has an established compliance system such as protocols and checklists.	3.21
3. The school strictly adheres to a quality assurance system such ISO, OBE, CBE and the like.	3.25
4. The school's programs, procedures and policies are well-documented.	3.21
<b>MEAN</b>	<b>3.12</b>
<b>G. STRATEGIC PLANNING, PERFORMANCE MONITORING AND EVALUATION</b>	
1. The school has integrated framework for business planning that practically involves both faculty and administration.	2.93
2. The school has a system of monitoring the performance and evaluation of both admin and faculty.	3.36
3. The school has individual and development plans for both admin and faculty.	3.21
4. The school's programs, procedures and policies are subject to regular reviews.	3.18
<b>MEAN</b>	<b>3.17</b>
<b>H. FLEXIBLE AND EVOLVING PRINCIPLE-BASED SYSTEMS</b>	
1. The school admin and faculty is strictly bound by the rules instead of principles.	3.14
2. The school admin and faculty understand principles behind the policies and objectives that allows sound decision making	3.04
3. The school's leadership quickly tackles policy problems.	3.18
4. The leadership is flexible and responsive to the needs of the school.	3.14
<b>MEAN</b>	<b>3.13</b>
<b>OVERALL MEAN</b>	<b>3.20</b>

### CONCLUSION & RECOMMENDATION

“Good governance with good intentions is the hallmark of our government. Implementation with integrity is our core passion” (Modi, n.d.). Good governance, together with the concepts of ethics has always been complementary. The need to practice and implement the right moral judgment to generate the the best possible process for making decisions remains imperative.

Elements are building blocks that will serve as the foundation for a better governance system. These would include strong leadership, culture, and communication with those in charge with governance. The setting of clear accountability mechanisms such as policies and protocols is another key element. The stakeholders’ engagement and management are also crucial to the success of the governance system, while working effectively across organizational boundaries and beyond the confines of the business is to be kept in mind. It also encompasses, comprehensive risk management, compliance and assurance systems, strategic planning, performance monitoring and evaluation and flexible & evolving principles-based system completes the myriad of elements of the governance system. This transcends to the transparency, accountability, and responsibility, that is part and parcel of the governance and ethics. Though the real mechanism for corporate governance is the active involvement of its owners.

The school’s oversight committee must see the alignment of action plans to key strategic objectives, this is made possible through a cascading of plans for the entire year. President sets the plans, cascaded to the Vice-President for Academic Affairs, trickle down to the Dean, the



Chairpersons and the finally, the faculty members. Process improvements must be initiated by the faculty and a system of rewards and recognition must be set to enforce controls. For example, approval process of urgent requests and after the fact approvals. The school's leadership and committee to conduct team building and training activities to ensure effectiveness. Renewal of appointments instead of annual appointments to preserve continuity of processes and programs. Committees must also be subject to review and evaluation. Implement risk management and controls up to the school's level. Team building activities to foster leadership- subordinate coordination and strengthen relationships. Accountability lines and responsibility centers must be formally established to strengthen a feedback mechanism system. Applications for additional international accreditations for both accountancy and business management programs and the overall processes of the school academic or non-academic must be pursued. Though challenges and issues due to unexpected financial and non-financial risks are inevitable, a comprehensive risk management system framework can be followed by the school to minimize or prevent the effects of these risks.

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