

# Institutional Logic Conflict in Performance-Based Budget Reform: A Qualitative Study of Private University Governance

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Submitted:  
December 19, 2025

Revised:  
January 28, 2026

Accepted:  
February 27, 2026

Published Online:  
February 28, 2026

## ABSTRACT

*This study is motivated by the increasing demand for financial accountability and discipline in private non-profit universities that primarily rely on student-derived funding, particularly amid leadership transitions and budgeting reforms. The research aims to examine the practical challenges of implementing performance-based budgeting within the management control system at PTS X in Semarang. A qualitative single-case study design was employed. Data were collected through in-depth interviews with 11 key managerial actors, including vice rectors, deans, bureau heads, and work unit leaders directly involved in budget allocation. The data were analyzed using NVIVO to identify key managerial issues and coordination challenges during the budgeting process. The findings reveal that the adoption of the money follows program approach and the use of Key Performance Indicators (KPIs) enhanced budget structure and accountability. However, its effectiveness was constrained by an uneven understanding of KPIs at the operational level and frequent budget adjustments. The study concludes that strengthening internal communication, deepening KPI internalization, and ensuring policy consistency are essential to optimizing the full management control system cycle.*

**Keywords:** Key Performance Indicators, Management Control System, Money Follows Program, Performance-Based Budgeting.

## INTRODUCTION

The management of Private Universities (*Perguruan Tinggi Swasta/PTS*) faces unique challenges compared to Public Universities (*Perguruan Tinggi Negeri/PTN*). Government Regulation No. 4 of 2014 states that PTS management bodies are required to provide education based on the principle of non-profit. The principle of non-profit means that PTS are not profit-oriented. Any surplus from operations must be reinvested in the PTS to improve quality and services. However, on the other hand, PTS funding is independent, and almost 100% of the funding comes from the community, mainly through New Student Admissions (*Penerimaan Mahasiswa Baru/PMB*). PTS need to improve their governance and develop the right competitive strategies to remain competitive and survive amid the onslaught of existing PTN and PTS (Pratolo et al., 2020).

PTS X is undergoing a management system transition along with a change in top management. The new PT leadership aims to improve governance, especially financial governance. Several breakthrough steps have been taken, including the implementation of priority programs, the establishment of Key Performance Indicators (KPIs), and the concept of money following program in the budget preparation process (Ezzamel et al., 2012). These changes are taking place because the leadership of PTS X aims to create financial management that is innovative and participatory, but also measurable,

**JIAKES**

Jurnal Ilmiah Akuntansi  
Kesatuan  
Vol. 14 No. 1, 2026  
pp. 31-42  
IBI Kesatuan  
ISSN 2337 – 7852  
E-ISSN 2721 – 3048  
DOI: 10.37641/jiakes.v14i1.4842

structured, and integrated with the vision and mission of PTS X. By organizing innovative programs, the leadership hopes that PTS X will become a leading and competitive university amid the competition among private universities in Indonesia, especially in the city of Semarang. However, PTS X is a private university with limited financial capacity.

Modern organizational theory introduces the perspective of institutional logic in organizations. The institutional logic approach aims to articulate the relationship between ideas about broader institutional order and issues of individual choice, theorization, and identity (Ezzamel et al., 2012). One phenomenon of management control systems affected by opposing institutional logic is budgeting (Canhilal et al., 2016; Lepori & Montauti, 2020). Professional logic in university management leads to professional consensus. Rationality must be in line with academic norms, and hierarchical structures are based on professional authority. In terms of budgeting, managerial logic encourages universities to allocate resources based on strategic considerations and quantitative assessments of performance by introducing practices originating from the private sector, such as the use of KPIs and performance-based budgeting (Brignall & Modell, 2000). Differences in perspective and priorities between central management and work-unit management create friction during the budget preparation process. Work unit leaders are not yet familiar with KPI-based programs and activities. Many programs and activities ultimately have to be revised because they are not in line with KPIs. Budget preparers are also not yet familiar with the budget preparation format developed by the university. This study analyses the problem's root causes from an institutional logic perspective to provide appropriate alternative solutions for leaders facing the current constraints at PTS X.

Referring to the description above, PTS X is experiencing a problem related to adjusting to changes in budgeting patterns. The previous conventional budgeting pattern has changed to money follows program. Money follows program provides space for budget actors to be creative and innovative in accordance with the needs of the work unit. However, PTS X is a private university with limited finances. As a private university, PTS X mainly relies on income from students. The budget that is expected to meet all the needs of the work units must be prepared using a priority scale. Obstacles and friction arise due to differences in perspective between central management and budget actors at the work unit level. The purpose of this study is to identify the root causes of problems related to the university budgeting process and to provide solutions for top management based on the institutional logic perspective.

## **LITERATURE REVIEW**

### **Institutional Context and Competing Logics in Higher Education Budgeting**

Institutional theory posits that organizations striving for legitimacy will adapt to their external and social environments (Indudewi et al., 2021). Institutions are constituted by formal regulations, normative expectations, and cultural-cognitive elements that provide stability and meaning to social life (Bolfikova et al., 2012; Scott, 2014). This conceptualization explains how institutions shape rule-abiding behavior and how non-compliance may trigger legal or social sanctions (Frumkin & Galaskiewicz, 2004). Isomorphism, therefore, highlights the tendency of organizational fields to conform to dominant norms, including in budgetary practices and managerial expectations. Change can also be driven by compliance with higher-authority norms or organizational consolidation, which is relevant in understanding why higher education institutions revise budgeting mechanisms (Ponte & Pesci, 2022).

Institutional logic extends institutional theory by explaining how actors interpret and organize daily activities through shared values, beliefs, and normative expectations (Glynn, 2013; Haveman et al., 2023). Friedland and Alford (1991) argue that institutional logic shapes beliefs and actions across individual, organizational, and societal levels, forming collective identity as a cognitive, normative, and emotional connection among members (Polletta & Jasper, 2001). In higher education, pluralistic institutional pressures arise from knowledge pursuit, professional norms, academic autonomy, and complex governance structures (Greenwood et al., 2011; Lepori, 2016; Shields & Watermeyer,

2018; Grossi et al., 2019; Guarini et al., 2020). Universities simultaneously face managerial and professional logics: managerial logic emphasizes efficiency, accountability, and measurable performance, while professional logic prioritizes scholarship and disciplinary autonomy. Competing logics significantly influence Management Control Systems (MCS) and evolve through organizational change, particularly in budgeting practices requiring innovation and compliance (Taylor & Kahlke, 2017; Härström, 2023; Frei et al., 2023; Dytham et al., 2025). In PTS X, the money follows a program approach that promotes creativity while reinforcing efficiency constraints typical of private institutions (Trisna, 2025).

### **Implications for Budgeting Reform Solutions**

Institutional Entrepreneurship (IE) focuses on actors who initiate and participate actively in institutional change by mobilizing resources to achieve valued goals (Battilana et al., 2009; Scott, 2014). IE is distinct from general agents of change because it disrupts established patterns within an institutional context, leading to novel organizational practices or restructuring of existing ones. For an actor to be considered an IE, they must initiate change that differs from established norms and be actively engaged in implementing that change. Institutional heterogeneity, which varies in structures, systems, or mechanisms, creates internal contradictions, generating tensions that can open spaces for strategic action. Lower levels of institutionalization often correlate with increased uncertainty, which can prompt strategic agency and create opportunities for IE to intervene (Battilana et al., 2009; Härström, 2023).

In university budgeting reform, competing logics and institutional heterogeneity highlight the need for actors who can navigate professional expectations and managerial demands. IE provides a framework to understand how reforms, such as performance-based budgeting at PTS X, can be enacted and sustained. IE actors leverage organizational resources to reconcile conflicting logics, integrating new financial mechanisms with established academic norms. They are essential in designing and promoting practices that balance accountability and flexibility, a critical requirement in management control system reforms where professional autonomy and managerial oversight must coexist (Ghafran & Yasmin, 2025). Literature emphasizes that successful budgeting reform requires strategic agency, collective understanding, and alignment across organizational levels. Institutional logics alone cannot drive effective change; actors who interpret, negotiate, and embed institutional demands into practice are central to reform success (Milosevic et al., 2023). This perspective also addresses budgeting challenges such as limited KPI internalization, coordination failures, and competing priorities, highlighting solutions like shared understanding, bridging leadership, and institutionalizing practices that support both performance measurement and academic autonomy.

### **RESEARCH METHODS**

This study employed a qualitative research design to obtain an in-depth and comprehensive understanding of budgeting practices and institutional logic in the management control system at a private university in Semarang (Yuana et al., 2025). A qualitative approach was deemed appropriate because it allows researchers to explore complex social processes and interpret the perspectives of organizational actors involved in financial management reform. Specifically, this research utilized a single case study design, focusing on one private university (referred to as PTS X) that has recently undergone significant reform in its budgeting system, shifting from a conventional budget approach to one based on the money follows program concept. The case study strategy enabled a detailed examination of contextual factors, institutional actors, and interpretive insights into how budgeting and control systems are experienced and enacted within the university.

Data were collected primarily through semi-structured interviews with 11 informants who have authority in budgeting and management control. Informants were purposively selected based on their roles as budget users and decision-makers across different

organizational levels. These positions included the vice rector for academic affairs, the vice rector for general administration, finance, and personnel, the vice rector for student affairs and alumni, deans, heads of units, and heads of bureaus. The selection criteria ensured that participants possessed firsthand knowledge of budgeting processes and organizational practices relevant to the research topic. The interview instrument consisted of a core set of questions asked of all informants to maintain consistency in responses. In addition, a set of tailored questions was posed to top management informants to capture their specific perspectives on budget change policies, managerial judgment, and expectations for work unit performance.

All interviews were conducted with the prior knowledge and consent of informants and were audio-recorded by the research team. Recordings were later transcribed verbatim into text for detailed analysis. To ensure systematic and rigorous data interpretation, the research team used NVIVO software to assist in organizing and coding the qualitative data. NVIVO facilitated the identification of key themes, patterns, and relationships emerging from the interview transcripts, enabling the researchers to generate thematic categories grounded in the participants' responses.

The analytical process involved iterative coding, beginning with initial open coding to capture significant concepts, followed by axial coding to link related categories and selective coding to refine core themes. This process allowed for the integration of empirical evidence with theoretical constructs related to institutional logic and management control. By combining rich qualitative descriptions with systematic coding, the study generated meaningful insights into the challenges and dynamics of budgeting reform at PTS X.

## RESULTS

### Root Causes of Problems in the Budgeting Process at PTS X

The reform of PTS X's management has been ongoing for two years. Table 1 shows the conditions before the reform, after the reform, and the obstacles encountered during the two years of financial reform.

**Table 1.** Condition Before and After Reform and Challenges Encountered

Before Reform	During Reform	Challenges
No KPIs	KPIs emerged as the basis for every work unit activity proposal	Work units did not fully understand KPIs, especially during the initial stages of KPI implementation. Activities proposed in the budget were not explicitly aimed at achieving the KPIs set by the university.
There are no targets set for activities except for the PMB	All proposed activities must have clear and measurable targets	Work units are not "bold" in setting targets. There is concern that failure to achieve targets will affect performance.
Conventional budget concept	The budget concept applies that money follows program.	Work units are not yet familiar with programs and activities based on the money follows program concept, resulting in several revisions to activity proposals.
There is no negotiation and costing process.	There is a negotiation and costing process in which the unit negotiates with university leaders regarding the activities and budget amounts proposed.	The work unit is not yet accustomed to negotiation and costing, so when the negotiation and costing process takes place, the unit is not yet optimal when submitting its budget plan.
The budget is not detailed.	The budget is detailed, especially the expenditure estimates	The unit experiences difficulties and is not yet accustomed to submitting detailed budgets.
There are no official regulations related to financial management	Rector Regulation Number 9 of 2024 concerning technical guidelines for financial management has been issued	Frequent socialization is needed for all work units.
There is no control or verification of LPJ	There is control and verification of LPJ.	There are no obstacles; work units only need to make revisions (if any) in accordance with the recommendations of the internal audit unit.

Based on Table 1, there are significant differences between the conditions before and during the reform. To obtain an overview of the conditions currently experienced by PTS X in adapting to financial reform, the researchers conducted in-depth interviews with several informants who have authority in management and also act as budget users. There were 11 informants who were willing to be interviewed by the research team.

The research team used NVIVO software to organize and process the interview transcripts systematically. Through this qualitative analysis, key themes emerged that formed the basis for interpreting the data (Braun & Clarke, 2006). These themes include socialization and understanding of KPIs, challenges in the budgeting process, space for creativity and innovation, and budget changes with corresponding KPIs adjustments. These core themes guided subsequent analysis and helped illuminate how financial reform is experienced and interpreted by institutional actors at different levels.

The academic community at PTS X generally interprets KPIs as performance measures used to achieve institutional goals and activity targets (Aithal & Aithal, 2023; Multan et al., 2023). At the managerial level, most work unit leaders demonstrate an adequate understanding of the KPIs established by top management. KPIs function as a guideline in designing and planning programs, including international community service activities, international seminars, overseas lecturer engagements, and student recruitment promotion programs. Certain units even refer to specific KPIs indicators as the primary basis for structuring their promotional strategies and budgeting allocations.

However, the understanding of KPIs has not been fully internalized across all organizational levels. While sub-division heads tend to comprehend the indicators, many staff members still experience difficulties in categorizing activities in accordance with the appropriate KPIs. In practice, staff frequently consult their supervisors regarding the alignment of proposed programs with existing performance indicators. Furthermore, the dissemination of KPI information appears to be limited, as meetings are generally attended only by unit heads, resulting in incomplete knowledge transfer to lower-level staff. At the faculty level, only a small number of staff members are familiar with the KPIs framework. There are also concerns that the current KPIs remain too broad and have not been fully aligned with the institution's human resources capacity, infrastructure conditions, and overall vision and mission. Consequently, several leaders suggest that the KPIs should be refined and adjusted to better reflect the institutional context and strategic priorities of PTS X. The budget preparation process at PTS X is conducted through the submission of proposed programs and activities accompanied by detailed financial requirements. All proposals from work units are required to align with the established KPIs and comply with the institutional cost standards (Ecim et al., 2025). In practice, this mechanism has generated several challenges for work units.

One of the primary difficulties lies in the obligation to align all proposed activities with the existing KPIs framework (Yasir, 2025; Khudhair et al., 2025). In several instances, work units have designed programs considered strategic and essential for the institution's future development; however, such initiatives were not supported by relevant indicators within the current KPI structure. Consequently, units were compelled to modify or redirect their proposals to fit the predetermined indicators, as submitting programs outside the established regulatory framework was not permissible. Furthermore, the transition from a previously needs-based budgeting approach to a KPIs-based system has required significant adaptation (Zarita et al., 2025). Work units have had to engage in additional coordination and consultation with university leadership to ensure compliance, often resulting in budget revisions and, in some cases, budget reductions. Although leadership is perceived as providing a certain degree of flexibility, the mandatory adherence to KPIs guidelines has rendered the budgeting process more structured yet simultaneously more complex than under the previous system.

The provision of space for work units in the budget preparation process reflects leadership's commitment to participatory budgeting practices (Augustine, 2022). In general, leadership is perceived as granting a reasonable degree of flexibility to work units,

although adherence to the established KPIs guidelines remains mandatory. At the faculty level, the longstanding culture of distributing budgets proportionally across study programs continues to be maintained. Study programs are given autonomy in planning their activities; however, such initiatives must still be directed toward generating measurable impacts, particularly in supporting accreditation outcomes. Work units are therefore able to determine the programs they propose, yet the implementation of these programs ultimately depends on the availability of financial resources.

Nevertheless, perceptions of flexibility are not uniform across all units. Some units perceive certain limitations imposed by leadership in the formulation and submission of activity proposals. In several instances, directives regarding specific activities originate directly from top management. When proposed initiatives are not aligned with leadership preferences, units are often required to adjust their proposals accordingly. This situation illustrates the ongoing tension between participatory decision-making and managerial control within budgeting practices, a dynamic frequently discussed in management control system literature (Bukh et al., 2025).

The research findings indicate that budget changes and activity adjustments have occurred during implementation, including sudden additions, reallocations of activities, and modifications in the amount of funding received by work units. Such changes have the potential to influence the alignment between planned activities and the established KPIs, consistent with performance management perspectives emphasizing the linkage between planning and control mechanisms (Chmutova et al., 2024). In general, work units perceive that adjustments to the KPIs themselves are not feasible, as all planned activities have been designed in accordance with the predetermined performance indicators. Consequently, adjustments tend to occur primarily at the budgetary level rather than at the level of performance targets. Units attempt to accommodate urgent or unforeseen activities by reallocating funds within existing budget items, given that additional funding allocations are typically unavailable.

However, experiences across units vary. In certain cases, proposed budget reallocations such as shifting funds from faculty-level programs to university-level initiatives have been contested. Some units have sought to defend their initially approved budgets through negotiation with central management, emphasizing their commitment to implementing activities as originally planned. Budget changes are often perceived as disruptive to previously established timelines and priorities, particularly when activities have already been carefully sequenced based on urgency at the beginning of the fiscal period. Despite these challenges, work units consistently express their commitment to achieving the established KPI targets. When budget reductions occur, they attempt to adjust implementation strategies and optimize the remaining resources to ensure that planned activities can still be carried out within the existing regulatory framework.

### **Expectations of Top Management and Competing Institutional Logics**

Expectations of top management reflect the aspirations of work unit leaders toward the university leadership (Imolong et al., 2025). In general, work unit leaders perceived that communication between top management and the units has been well-established, with an open space for discussion. They expressed that when urgent issues arise, the leadership is willing to directly engage relevant units in dialogue to address the problems. Several unit leaders acknowledged that the flow of information among units has been relatively transparent. However, concerns were raised regarding the current set of key performance indicators, indicating a need for the inclusion of additional indicators, particularly those related to internationalization, which are currently perceived as limited. Other respondents also noted that discussions with the leadership are frequent, including meetings aimed at mitigating work risks associated with information technology.

In addition to acknowledging positive communication, work unit leaders articulated several expectations of the top management (Alsharari et al., 2021). One prominent expectation was the enhancement of the information technology budget and the active involvement of relevant units in the planning process from the outset. Another

expectation emphasized greater flexibility in budget management. Specifically, respondents suggested that once a budget amount has been approved at the beginning of the period, it should not be reduced throughout the remainder of the period. They also recommended that a revised budget be prepared mid-period so that units can propose additional funds if their allocated budget proves insufficient to complete planned activities. Further expectations revolved around human resource support for the public relations unit, given the importance of disseminating institutional targets and activities. It was also suggested that if budget cuts become necessary, such changes should be communicated early during the budget determination phase to allow units to adjust their plans accordingly.

Moreover, some unit leaders noted discrepancies between proposed budgeting principles and actual practice in the field, reflecting a perception that activity implementation often follows the availability of funds rather than the intended program design. Based on all participant responses, supported by key term analysis generated through NVIVO software, the research team synthesized the root causes and competing logics between unit leaders and university leadership. Table 2 presents the items identified as root causes and differences in underlying logic.

**Table 2.** The Items Were Identified as Root Causes and Competing Logics

Root of the problem	Work Unit Leaders	University Leadership
Socialization and understanding of KPI	a. Internalization of KPI understanding has not reached the staff.	a. University leaders (WR I, II, and III) have coordinated and synchronized with the units they lead. Coordination and synchronization were carried out to avoid overlapping activities (WR II), select priority activities (WR I), and align activities with national policies, planning, and practices at private universities (WR III).
Budget changes	a. Budget changes are made suddenly. Changes often take the form of transfers.	a. Budget transfers often occur suddenly. Every transfer is always communicated so that subordinate units are aware (WR I). b. Transfers may occur within a single field. KPI transfers may occur. Budget transfers within units are always communicated by calling the unit in advance for discussion. When budget reductions occur, efforts are made to ensure that the components that are reduced do not have a significant impact on the unit. One way of dealing with funding constraints is for them to “tighten” loose posts. The university also has an RGA that can be used as a backup because the leadership does not want to burden the minds of colleagues below them. Budget changes are adjusted with the Foundation (WR II). c. If the leadership of PT makes a budget policy, we will adjust it according to PT’s priorities. I have to push my subordinates so that their performance can be maximized. Whenever there is a transfer, there is always communication with the units under me because they are the ones executing it, but still under my direction (WR III).
Expectations	a. The budget should be flexible, and reallocations should not be done suddenly. b. If there is a budget reduction, it should be done at the beginning of	a. More careful planning is needed. In particular, one faculty is severely lacking in activity planning. There is still confusion in the planning of activities. Factors include a lack of understanding of job descriptions and laziness, which result in suboptimal performance (WR I). b. Programs should be designed as intelligently as possible, with budgets as efficient as possible, to achieve maximum results. Unds used come from

Root of the problem	Work Unit Leaders	University Leadership
	the budget year, not in the middle of the budget year.	students, so budget allocation must be done wisely (WR II). c. Coordination must be further improved (WR III).

## DISCUSSION

The findings from interviews with eleven informants indicate that PTS X has implemented a performance-based budgeting system centred on KPIs. Yet, the internalization of KPIs remains uneven across organizational levels. While managers at the sub-division level generally understand KPIs and their role in guiding program design and budgeting, many operational staff continue to struggle with aligning activities to specific KPI items. This difficulty reflects the limited reach of KPIs communication and training, which has been most intensive for unit heads but not consistently extended to lower levels of staff. Similar challenges in performance budgeting have been documented in Indonesian higher education contexts, where competencies in budgeting, organizational commitment, and understanding of performance systems significantly influence the quality of performance-based budgeting implementation. Research on performance-based budgeting in Indonesian higher education notes that effective implementation requires management competencies and organizational understanding of performance concepts, activities fail to align with institutional goals (Rofiq & Setiyabudi, 2023; Azam & Bouckaert, 2025).

The transition from a conventional budgeting approach to one that requires explicit ties between resources and performance targets has exposed weaknesses in coordination and planning capacity within PTS X's units. Work units reported frequent revisions of activity proposals due to the absence of relevant KPIs, demonstrating a gap between strategic intentions and operational readiness. This dynamic resonates with literature on performance budgeting, which highlights that limitations in staff understanding and data systems impede accurate linkage between budgets and performance outcomes. In a case study of performance budgeting implementation at a public university, researchers found that measuring and attributing budget allocations to specific performance indicators was challenging, particularly where activities contributed to multiple outcomes, underscoring the need for refined budgeting tools and performance tracking systems (Yasir, 2025; Khudhair et al., 2025).

The budgeting difficulties at PTS X were compounded by coordination challenges between central management and work units, as changes in budget allocations often occurred suddenly and without extensive early consultation. This pattern undermined units' ability to plan and sequence activities in a stable manner, a concern also observed in broader studies on performance budgeting, where budget flexibility and participatory planning are often constrained by limited communication and organizational resistance to change. For example, research examining performance-based budgeting in Indonesian private universities identified that leadership, cultural work patterns, and budget limitations were significant obstacles, implying that budgeting systems may falter if institutional actors lack shared understanding and adaptive strategies (Zarita et al., 2025).

Moreover, the situation at PTS X reflects a fundamental tension between professional logic and managerial logic. Unit leaders prioritize academic autonomy, operational clarity, and predictable funding, whereas top management emphasizes efficiency, strategic alignment, and institutional coherence. This friction aligns with studies showing that the successful implementation of performance budgeting requires harmonization of divergent priorities between operational and strategic stakeholders within higher education institutions, as misalignments can impede institutional performance and accountability (Adefolaju et al., 2024).

To address these challenges, it is crucial for PTS X to expand KPIs socialization to all organizational levels, strengthen harmonization of policies between the foundation and

university governance to avoid overlaps, and enhance institutional actor roles in unifying understanding and strategy. Furthermore, a comprehensive management control system cycle, encompassing planning, budgeting, implementation, monitoring, and evaluation, will support sustainable financial reforms that better align resources with performance objectives, consistent with broader literature emphasizing the importance of strong performance budgeting frameworks in higher education.

## CONCLUSION

The results of the study show that the application of institutional logic in the management control system at PTS X still faces a few obstacles, particularly in the process of internalizing KPIs and differences in perspective between central management and work units. The role of institutional actors at various levels, from the Foundation, university leadership, to work units, has proven to be very important in building harmony and mutual understanding. In addition, the success of performance-based budgeting reform is primarily determined by the strengthening of the MCS cycle, which must be implemented comprehensively and consistently.

This study has limitations because it only focuses on one private university in Semarang, so the results cannot be fully generalized to other institutions with different characteristics. The number of informants is also limited, and most of the data was obtained through interviews and internal documents, so the analysis results are still heavily influenced by the context and experiences of each informant. Considering the limitations, future research should involve more private universities to obtain a broader picture of the application of institutional logic in management control systems. For PTS X itself, it is necessary to strengthen the dissemination and understanding of KPIs among executive staff, improve coordination between university leaders and work units, and ensure consistency in budget policies to avoid confusion in their application. In addition, policy harmonization between the Foundation and the university is an essential factor, enabling sustainable financial management reforms and supporting improvements in institutional competitiveness.

## Acknowledgement

The researchers would like to express their gratitude to all informants who took the time to participate in the interviews, enabling the research team to complete this study.

**FUNDING STATEMENT:** This research did not receive any specific grant from funding agencies in the public, commercial, or not - for - profit sectors.

**CONFLICTS OF INTEREST:** The author declares no conflict of interest.

**DECLARATION OF GENERATIVE AI STATEMENT:** During the preparation of this work, the author used DeepL Translate and Grammarly to translate the text and to check and improve the quality of the English writing, especially in terms of grammar, spelling, punctuation, clarity, style, tone, and plagiarism detection. After using these tools/services, the author reviewed and edited the content as needed and is fully responsible for the published content.

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