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Abstract. The current study aims to develop the framework for corporate governance and to assess the corporate governance scoring trend based on R-MBU/2012 in publicly traded SOEs. The study adopts mixed qualitative-quantitative methods. The qualitative method is based on grounded theory and interpreted by way of constructivist approach, whereas the quantitative method uses the technique of descriptive statistics. The data were obtained from R-MBU/2012; the sample consists of 18 SOEs listed on the Indonesia stock exchange. The results identify the relationship between variabilities in the roles of shareholders, the General Meeting of Shareholders, Board of Commissioners (BOC), Board of Directors (BOD), corporate commitment and culture, and information disclosure as the determining indicator of the level of good corporate governance implementation. Five banking companies, 2 manufacturing companies, and 3 companies in service industry are all scored ‘very good’ for the implementation of good corporate governance. However, other companies scored ‘good’, ‘fair’, and ‘poor’, respectively.

Keywords: State-owned enterprises (SOEs), Good Corporate Governance (GCG), Government Policy, Analysis of Scoring

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Introduction

It is a general view that Good Corporate Governance (GCG) is a barometer needed to assess corporate accountability or company profile. Such description implies that various corporate accounting scandals could be the results of loosely implemented Corporate Governance (CG). This, to some extent, indicates that the implementation of good corporate governance in Indonesia is considered as worse than that in other countries (see, Lukviarman, 2016). As the implementation of good corporate governance constitutes an effort to improve company image, to protect stakeholders, to improve organizational and managerial compliance with the applicable laws and business ethics, it is important for the government as the regulator to put special emphasis on this issue (Al-Kassar and Al-Nidawiy, 2014; Rahman and Khatun, 2017). Contextual good corporate governance as presented by Cadbury Committee in an excerpt from Forum for Corporate Governance in Indonesia (FCGI) reads as follows: A set of rules and procedures to ensure that managers uphold ethical standards in carrying out management principles and functions (Lukas and Basuki, 2014; Rahman and Khatun, 2017).

Governments play a major role in strengthening the building blocks of good corporate governance, especially those of their own: State-owned Enterprises (SOEs) for Central Government and Regional-Owned Enterprises (ROEs) for local government (see, Trihatmoko, 2020; Trihatmoko and Susilo, 2018). In SOEs, the role of central government is exercised by the Ministry of SOEs as stipulated in the Ministerial Regulation Number Per-01/MBU/2011 (R-MBU/2011). The regulation or policy provides operational definition of good corporate governance, i.e the principles that underlie a company management process and mechanism based on laws and regulations and business ethics. The affirmation of this good corporate governance regulation is a follow-up to the Ministerial Decree of SOEs No.117/M-MBU/2002 of July 31st, 2002. Furthermore, 10 SOEs were selected for the pilot project of good corporate governance implementation, and therefore have informed the joint commitment to put the principles of good corporate governance into practice.

The presence of SOEs in global economy is expected to make some reforms in their good corporate governance practices (Liang et al., 2015; Aras and Crowther, 2008). In any country, however, studies that explore the implementation of good corporate governance in SOEs remain relatively few (see, Purnamasari and Negara, 2020; Trihatmoko, 2020; Furqan et al., 2018; Trihatmoko and Susilo, 2018; Dobson, 2017; Udin et al., 2016; Purnamasari et al., 2016; Radygin et al., 2015; Sanusi, 2015; Arkhipova et al., 2015; Liang et al., 2015; Kloivene and Gimzauskienob, 2014). The relationship between governance and performance as adapted to the system of plan assessment and monitoring has become an important research topic (Kloivene and Gimzauskienob, 2014).

In the last decade, a lot of research on corporate governance have generally focused on company performance, corporate social responsibility, and on the principles of...
governance. Researches by the following authors presented theoretical perspectives and their conceptions in certain countries and a group of companies in those countries and, thereby, interesting and relevant for pursuing further studies: for example Bushman et al. (2004), Deschênes et al. (2015), Lukas and Basuki (2015), Akbar et al. (2016), Aras and Crowther (2008), Farhan et al. (2017), Rahman and Khatun (2017), Furqan et al. (2018), Khan et al. (2018). This paper portrays itself as being different from earlier studies in that it develops the theory and framework of corporate governance as well as presenting the performance achievement of SOEs in Indonesia. Rahman and Khatun (2017) provide an indication that, reality, most of the studies assessing the quality of good corporate governance implementation remain on a low level.

Government policy through the issuance of R-MBU/2011 is expected to have a positive impact on the performance or the development of good corporate governance implementation in publicly listed SOEs. Moreover, the government has issued additional R-MBU/2011, i.e the Decree of the Secretary to the Ministry of SOEs Number SK-16/S.MBU/2012 concerning Assessment and Evaluation Indicators/Parameters of the Implementation of Good Corporate Governance in SOEs (R-MBU/2012). Purnamasari et al. (2016) found that of 19 enterprises assessed, 1 scored very good, 9 scored good, 4 scored fair and 5 scored poor. The results are based on 153 indicators that comply with R-MBU/2012 from the data presented in the Financial Reports (annual reports) of each SOE. The results describe that the presence of R-MBU/2012 for four years has not been sufficiently effective in improving the implementation of corporate governance—there are only 1 SOE that achieved an excellent credit score.

The problem remains that both the government and the stakeholders (with the former being the majority shareholder in SOEs and the authorized economic policy maker) have to monitor the performance of corporate governance in all SOEs, including ROEs. Recent problem confronting SOEs is the financial scandal that results in liquidity and solvency crises in PT Asuransi Jiwasraya (persero) ‘Jiwasraya’ and PT ASABRI (persero) ‘Asabri’. These have taught the government, enterprises and public an important lesson to learn from corporate governance. While the companies’ shares have not been publicly traded, the government policy as stipulated in R-MBU/2012 is applicable to all SOEs in Indonesia. Yet there remain important questions about where the principles of good corporate governance will lead to in R-MBU/2012 and how the progress of corporate governance implementation in SOEs has been made so far.

This paper intends to reexamine the sustainability and development of corporate governance implementation score rating with reference to R-MBU/2012 in publicly traded SOEs. The score is expected to show an upward trend each year, which means that the level of corporate governance implementation is getting higher. Therefore, the study aims to develop a framework of corporate governance and, at the same time, to conduct an analytical assessment of scoring trend of good corporate governance in publicly traded SOEs based on R-MBU/2012. Both objectives represent a step forward in developing and measuring the theory of corporate governance.
Moreover, this paper serves as a follow-up to previous study by Purnamasari et al. (2016). Indeed, Purnamasari and Negara (2020) have done the same thing, but it is limited to the banking sector. Scoring in other sectors needs to be disclosed and juxtaposed with banking as a comparison or benchmarking. This means that the analysis of scoring method for good corporate governance could be an independent and objective assessment tool that is highly beneficial for stakeholders. The finding has practical implications for public management supervisory function in the jurisdiction of state government at the executive, legislative and judiciary levels. Moreover, it has also implications for the implementation of managerial functions in SOEs, in general companies of Indonesia including ROEs, as well as for the comparison with those in other countries for the purpose of developing good corporate governance.

**Literature Review And Theory**

**Government Policy and Legislation**

Both R-MBU/2011 and R-MBU/2012 are government policies that reinforce previous regulation on SOEs which promotes good corporate governance practices in them. Law No. 19 of 2003 states that SOEs are business entities of which all or most of capital is owned by the state through direct capital participation originating from separated State assets. State capital participation in SOE establishment is derived from State Budget, capitalization of reserves and other sources. Articles (5)-(8) and (13) of Law No. 19 of 2003 is normatively regulated Perseros’ authority and obligations to carry out their corporate governance functions. In subsequent development, the government encouraged SOEs to conduct an independent assessment of their corporate governance practices (Articles 44 (1b), and (5)-(7) in R-MBU/2011 and R-MBU/2012).

The principles of agency theory underpin the role of SOEs in implementing national economic development in accordance with the state constitutional mandate. This reminds us that government policies and legislation are contracts for efficiency that bind all perseros. The latter should be accountable for the managerial performance and corporate governance implementation to the government as the agent and to the legislature as the principal (see, Lopez-Quesada, 2018; Nijhof et al., 2018; Trihatmoko and Susilo, 2018b; Farhan et al., 2017; Lukviarman, 2016; Lukas and Basuki, 2015; Liang et al., 2015; Bergen et al., 1992; Jensen and Meckling, 1972). Within the structure of agency theory, SOEs held the position as the sub-agents for the government. SOEs are considered to the agents for national development because the government owns the majority of stocks in them. Kocmanova et al. (2011) stated that the concept of sustainable development integrates three pillars of sustainability: economic, social, and environmental factors.

This study intends to examine R-MBU/2012 as the realization of an efficient contract between government and SOEs in effort to implement good corporate governance and to serve their function as agents of development. This is in line with Lopez-Quesada et
al. (2018) argument that the relationship between ownerships must be separated according to agency theory, to remind us of the years of corporate governance origin to be brought back to the present day. The important argument for corporate governance is the alignment of interests between the agent and the principal through certain mechanism such as monitoring or control, rewards, and sanctions in corporate organizations (Khan et al., 2018). The challenge facing corporate governance implementation in SOEs is the complexity of sustainable development. They need to have global cooperation, coordination, and strategy, as well as to make the best decision for the progress of the company (Kocmanova et al., 2011).

Good Corporate Governance Concept

The relationship mechanism between corporate governance organs makes transparency, fairness, responsibility, and accountability possible in corporations (Aras and Crowther, 2008; Al-Kassar and Al-Nidawiy, 2014; Lukviarman, 2016; Rahman and Khatun, 2017; Farhan et al., 2017; Goel, 2018; Wicaksana et al., 2019). World Bank defines corporate governance succinctly as a collection of laws, regulations, and rules that companies must comply with to improve the performance of their resources to work more efficiently. Thus, it is expected that corporate governance plays a vital role in increasing company value on a sustainable basis and brings benefits for shareholders’ and stakeholders’ interests (Goel, 2018).

From R-MBU/2011 and R-MBU/2012 it can be identified and described that good corporate governance in SOEs includes important aspects such as GMS and Shareholders, commitment and corporate culture development, the role of the board of directors and commissioners, information disclosure and transparency (Purnamasari and Negara, 2020). All these are identified as the factors determining the corporate governance performance or, more precisely, the level of implementation. Previous literature review supported the direction and design of corporate governance as regulated by the government for SOEs and, therefore, it is possible to trace down the theoretical study for the purpose of the current study. Purnamasari and Negara (2020) have compiled a theoretical framework, however, this building is like identifying important aspects for the implementation of good corporate governance. Therefore, this study has an interest in reconstructing this framework by exploring the essence of R-MBU/2012, in detail and comprehensively.

Levels of Good Corporate Governance Implementation

The scores indicate varying levels of company performance in corporate governance implementation: very good, good, fair and poor. Upon further review of previous literature, we found that the levels of good corporate governance and company performance were more like two sides of the same coin. Therefore, the arguments for the theoretical framework can start from that point.

Theoretically, the implementation of good corporate governance has implications for increased company value due to financial performance, increased interest among investors, reduced risks of decision-making that benefit certain groups (Tjager et al.,
2003). Karim and Purwanto (2020) concluded that companies with stocks that trade on a stock exchange are those with corporate governance implementation that shows an upward trend over time. However, Akbar et al. (2016) showed that no significant correlation was found between corporate governance and company performance indices. Corporate governance is a controlled and structured system that defines rights and obligations of shareholders. This makes possible for corporations to operate their business by rules and detailed procedures in determining the company objectives and to monitor their business performance (see, Kocmanova et al., 2011). It is a framework for effective business management that will lead to improved company performance or, more precisely, improved stock price (Al-Kassar and Al-Nidawiy, 2014).

The Role of General Meeting of Shareholders and the Shareholders
Shareholders possess the most important rights and are exercised in every General Meeting of Shareholders (GMS), which is a forum that serves important functions in company culture (Khan et al., 2018). Corporate governance is a way of protecting minority shareholders from takeovers by managers or majority shareholder controllers (Mitton, 2002). Shareholders have interest in good corporate governance because it makes possible to increase business trust that will generate return on their investment (Goel, 2018). This review indicates that the level of good corporate governance rests on the antecedent, i.e he General Meeting of Shareholders.

Commitment to and Cultural Development of Good Corporate Governance
Commitment to develop the culture of good corporate governance is too often constrained by management effort to improve company’s business performance. The main point is that each possible change in company performance will affect adherence to the corporate governance principles, or vice versa (Akbar et al., 2016). As Kocmanova et al. (2011) have reconstructed, corporate governance implementation is one building block of the whole structure of corporate performance. Aras and Crowther (2008) identified organizational culture as the essence of corporate sustainability that requires interrelationship between company and the internal stakeholders, especially employees and other organizational components. Organization’s cultural practices in building the commitment to good corporate governance implementation reflect company’s effort to maintain sustainable business performance.

The organization’s cultural practices are meant to achieve company’s longterm objectives as represented in the model of sustainable development to enhance competitiveness (see, Aras and Crowther, 2008). All organizational elements in a company have interest in the corporate culture developed to improve company performance and to implement good corporate governance (see, Lukas and Basuki, 2015). Hypothesis testing by Lopez-Quesada et al. (2018) confirmed the relevance between corporate governance practices, company performance level, and the corporate governance level. The development of good corporate governance practices in this study is inseparable from the role of the board of directors and commissioners that occupy the leading positions in corporate governance implementation.
The Role of the Board of Directors and Commissioners

GMS in Indonesia has two different terms: board of commissioners and board of supervisors in persero (limited liability Company) and public company, respectively—and both are in charge as the board of directors. Lukviarman (2016) separated their respective roles, i.e., the board of commissioners or board of supervisors focus more on governance, whereas the board of directors put more emphasis on operational and managerial functions. Nonetheless, the role of the board of directors is inseparable from the company objectives to increase the level of good corporate governance.

The characteristics of the board of directors indicate their role in building organizational commitment to Corporate Social Responsibility (CSR) and, thus, to good corporate governance (Deschênes et al., 2015). The characteristics include nomination of a woman in top managerial position, percentage of independent directors, number of boards of director members, compensation of directors, director tenure, and director ownership.

Farhan et al. (2017) managed to examine the impact of independent board, board size, and independent audit commission on company performance. Accountability of the Board of directors has an impact on share price (Al-Kassar and Al-Nidawiy, 2014). Lukas and Basuki (2015) indicated the role of the board of directors and commissioners in developing good corporate governance because they take active part in determining the company financial performance. The variables that they have tested were the monitoring of share ownership by majority shareholders (foreign ownership and public ownership) and the monitoring mechanism of internal control by the board of directors and independent commissioners.

Lopez-Quesada et al. (2018) concluded that the composition of the board of directors has more external (independent) elements and the intensively held meetings have led to excellent financial performance. This can minimize the agency problem and it forms a harmony with professionalism in corporate governance and the bureaucracy. Khan et al. (2018) identified a correlation between corporate governance and company performance that include varied board composition, board of directors, chief executives, remuneration and supervision. This review describes, on a contextual basis, that company performance is the predominant theme in researchs on corporate governance (Khan et al., 2018).

Information Disclosure and Transparency

Good corporate governance is identical with terms like transparency, information disclosure, and transparent corporate reporting, and all these are indicators in the assessment of good corporate governance implementation. The quality of financial reporting has implications for corporate governance implementation in publicly listed firms (Karim and Purawanto, 2020). Transparency, accountability, responsibility, and fairness are the pillars of good corporate governance practices (Aras and Crowther, 2008; Lukviarman, 2016, Rahman and Khatun, 2017; Farhan et al., 2017; Wicaksana et al., 2019). Corporate governance system requires companies to be transparent.
However, a problem that often arises is the information gap between management and shareholders due to some factors in financial accounting system, complexity of business, and business diversification (Bushman et al., 2004). Farhan et al. (2017) opined that higher standard of corporate transparency and accountability can maintain investment attractiveness for both domestic and foreign investors. Disclosure and corporate transparency have an impact on company performance (Al-Kassar and Al-Nidawi, 2014). Effectiveness of corporate government mechanism depends on the degree of transparency and disclosure practices in corporate reporting (Goel, 2018).

The above literature on good corporate governance is in accordance with R-MBU/2012. However, this paper intends to reconstruct the concept to make it practically and theoretically easier to understand. Article 44 in R-MBU/2011 stipulates that SOEs are obliged to measure the quality of good corporate governance implementation biennially in two forms—implementation assessment and evaluation as the follow-up to the recommended improvement based on previous results. In principle, the evaluation is conducted by SOEs (independent assessment). As for the implementation assessment, the Board of Commissioners will appoint a competent independent assessment service team. The obtained scores and their classification as well as the areas for improvement in the scoring of good corporate governance in this study are meant to objectively assess the outcomes of government policies regarding SOEs, as the affirmation of R-MBU/2012. Thus, the results of study will be discussed in two perspectives: measurement of the level of good corporate governance and an overview of actual achievement in several sectors of industry which constitute the core business of SOEs.

**Research Method**

The study employed mixed qualitative-quantitative methods. However, by mixed methods we don’t mean to use both methods at the same time, rather we use them according to their respective functions. The qualitative method is used to discover the first point, and the quantitative for the second objective of this research. The mixed method as we employed here is meant to contribute to insights about research methods. Considering that quantitative and qualitative methods differ in paradigm, care must be taken in using them to comply with their implementation procedures (Trihatmoko, 2019; Creswell, 2013; Creswell, 2009).

**Qualitative Approach**

Qualitative research methods are based on grounded theory and interpreted by way of constructivist approach. The strategies of grounded theory are meant to identify the theme of good corporate governance in R-MBU/2012, after which the results are interpreted to build the construct (Trihatmoko, 2019; Flick et al., 2017; Kalu and Bwalya, 2017; Taylor et al., 2016; Gupta and Awasthy, 2015; Creswell, 2013; Fatchan, 2011; Saldana, 2011; Creswell, 2009; Trihatmoko, 2019).
The data collection procedure is conducted by way of interpreting the entire content of R-MBU/2012. Each data meaning is identified by a coding technique, and the relationship between the themes is built by an axial coding system (see, Table 3). At the same time, the methodological procedures lead to data analysis techniques, namely discovering cultural and componential analysis (Trihatmoko, 2019; Creswell, 2013; Fatchan, 2011).

The next step will be data interpretation to describe every meaning of R-MBU/2012 enactment. Textual descriptions are intended to interpret data operationalization, while structural descriptions are used to develop theories and conceptions of good corporate governance. The results of the overall processing and analysis of the data becomes an analogical framework for the analysis of good corporate governance scoring, which in this case uses a quantitative method.

**Quantitative Approach**

The themes that have been identified using qualitative method are subsequently processed using statistical description. The study population consists of SOEs in Indonesia since they tend to be less prepared to withstand the dynamic environment. SOEs seem to be lacking in business competitiveness because they enjoyed special treatment from the government, and some of them have become monopolies. This, more likely, has resulted in low efficiency and performance, and the same holds true for the implementation of good corporate governance as the latter has not been considered as important corporate objective. SOEs are chosen to be the object of our research because the government policy concerning R-MBU/2011 and R-MBU/2012 is intended to improve corporate governance performance as described earlier.

The overall sample consists of all ROEs listed on the Indonesia Stock Exchange from 2012 to 2018, as a continuation of previous research (Purnamasari et al., 2015). The reason for choosing SOEs as our sample is to illustrate the effectiveness of good corporate governance practices. For example, each company that has already made a public offering is required to publish an Annual Report. It is in the interest of the researcher that the data of the reports can be directly accessible. The publicly traded SOEs in our research sample consist of 7 companies in service sector and 7 in manufacturing sector in different industries, and 4 companies in banking sector. Of 19 companies, 18 were considered eligible for research sample, and the remaining 1 was excluded because of insufficient data.

For the quantitative descriptive analysis, we use indicators and parameters for assessment and evaluation (scoring) of good corporate governance implementation in SOEs based on R-MBU/2012 (see, Tables 1 and 2). Variable testing is carried out using the measurement of each indicator and the parameters and the scoring. We use those variables because they are theoretically compiled using qualitative method.
Table 1. Good Corporate Governance Implementation Rating in SOEs

<table>
<thead>
<tr>
<th>No.</th>
<th>Assessed Aspects</th>
<th>Indicator</th>
<th>Parameter</th>
<th>Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Commitment to sustainable CG</td>
<td>6</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>2.</td>
<td>Shareholders and GMS</td>
<td>6</td>
<td>25</td>
<td>9</td>
</tr>
<tr>
<td>3.</td>
<td>Board of Commissioners/ Supervisors</td>
<td>12</td>
<td>44</td>
<td>35</td>
</tr>
<tr>
<td>4.</td>
<td>Directors</td>
<td>13</td>
<td>52</td>
<td>35</td>
</tr>
<tr>
<td>5.</td>
<td>Disclosure and Transparency</td>
<td>4</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>6.</td>
<td>Others</td>
<td>2</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>153</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Data processed from R-MBU/2012 (see, Purnamasari and Negara, 2020)

Table 2. Obtained Scores of Good Corporate Governance Implementation in SOEs

<table>
<thead>
<tr>
<th>No.</th>
<th>Score</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>&gt;85</td>
<td>Excellent</td>
</tr>
<tr>
<td>2.</td>
<td>75 - 85</td>
<td>Very Good</td>
</tr>
<tr>
<td>3.</td>
<td>60 - 75</td>
<td>Good</td>
</tr>
<tr>
<td>4.</td>
<td>50 - 60</td>
<td>Fair</td>
</tr>
<tr>
<td>5.</td>
<td>&lt; 50</td>
<td>Poor</td>
</tr>
</tbody>
</table>

Source: Data processed from R-MBU/2012 (see, Purnamasari and Negara, 2020)
Results And Discussion

Good Corporate Governance
The data processed from R-MBU/2012 indicated the research themes that correspond to the aspects of variability assessment (Table 1). The variability identification was described using discovery and componential analysis by identifying the analysis of relationship between themes in interpretive tabulation of good corporate governance (Table 3). All indicators of the theme as outlined in R-MBU/2012 constitute important variables for the success of good corporate governance and the parameters are described in detail. Other aspects (No. 6, Table 1) are identified as the form of corporate commitment so that they are not presented as independent themes in Table 3.

The textual and structural descriptions of the results were presented from top order of the theme (from first line) down through the objectives of the good corporate governance theme (last column), and the content of each A-O codes in the Table. Each description was interpreted to make premises (Pa.) and propositions (P1.) as theorectization in the research.

Table 3. Identification of Good Corporate Governance Themes from Interpreted R-MBU/2012

<table>
<thead>
<tr>
<th>Themes</th>
<th>GSM</th>
<th>BOC</th>
<th>BOD</th>
<th>Commitment and Cultural</th>
<th>Disclosure</th>
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<tbody>
<tr>
<td>BOC</td>
<td>A</td>
<td></td>
<td>J</td>
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</tr>
<tr>
<td></td>
<td>II.8.- (22-26)</td>
<td></td>
<td></td>
<td>IV.34.- (125-127)</td>
<td></td>
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<tr>
<td></td>
<td>II.10.- (30-31)</td>
<td></td>
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<td></td>
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<td></td>
<td>II.12.- (38)</td>
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<td>(40)</td>
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<tr>
<td>BOD</td>
<td>B</td>
<td></td>
<td>G</td>
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<td></td>
<td>II.7.- (16-21)</td>
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<td>II.10.- (30-31)</td>
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<td></td>
<td>II.12.- (38)</td>
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<td>(40)</td>
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<td>Commitment and Cultural</td>
<td>C</td>
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<td></td>
<td>II.9.- (27-29)</td>
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<td>Disclosure</td>
<td>E</td>
<td></td>
<td></td>
<td>III.16.- (51-57)</td>
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<td></td>
<td>II.10.- (33-34)</td>
<td></td>
<td></td>
<td>III.18.- (64-65)</td>
<td>V.38-39.-</td>
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<td></td>
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<td>III.21-24.- (70-83)</td>
<td>(136-142)</td>
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<tr>
<td>GCG</td>
<td>F</td>
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<td></td>
<td>II.10.- (32)</td>
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<td>III.13-14.- (41-46)</td>
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<td></td>
<td>II.11.- (36-37)</td>
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<td>IV.25-26.- (84-88)</td>
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<td></td>
<td>II.12.- (39)</td>
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<td>III.17.- (61-63)</td>
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<td>III.20. (69)</td>
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<td>IV.30-33.- (109-122)</td>
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<td>VI.42-43.- (152-153)</td>
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Shareholders and the General Meeting of Shareholders

The role of shareholders in company through the General Meeting of Shareholders (GMS) is the foundation of good corporate governance. The provisions of R-MBU/2012 stipulate the appointment and resignation of directors and board of commissioners or supervisors (BOC), long-term and short-term business goals, approval of annual reports and ratification of financial reports. In addition, they make every business decision openly and taking active part in good corporate governance implementation in accordance with their respective responsibilities.

The above description identifies that the role of shareholders and the GMS makes up the whole process of good corporate governance implementation directly (F) and through the roles of BOC and BOD (A, B), and realizes the corporate commitment to business and good corporate governance practices (c) and controls the managerial accounting report periodically (E). The interpretation leads to the following premises: (Pa) Shareholders and the GMS regulate and control the roles of BOC and BOD to make sure that they are in accordance with the managerial and corporate governance functions; (Pb) Shareholders and the GMS attempt to build corporate commitment to develop good corporate governance practices and to achieve higher managerial accomplishment in the company on a sustainable basis; (Pc) the validity of periodic managerial report and corporate financial statements upon approval by GMS, and assessing the accuracy of each information in the reports; and (Pd) Open decision-making process in the GMS indicates transparency, and the shareholders taking active part in compliance with corporate governance principles, in their interest to realize the implementation of good corporate governance.

**P1:** The role of shareholders and the GMS determines the role direction of BOC in developing good corporate governance.

**P2:** The role of shareholders and the GMS determines the role direction of BOD in developing good corporate governance.

**P3:** The role of shareholders and the GMS determines corporate commitment to good corporate governance implementation.

**P4:** The role of shareholders and the GMS is fully responsible for information disclosed in managerial reports and financial reports to advance good corporate governance.

**P5:** The role of shareholders and the GMS directly determines the obtained scores of good corporate governance.

The theoretical descriptions above elucidate that GMS occupy the top position above all governance elements and corporate management rank hierarchy. This finding is
legally and formally in accordance with the Law No. 40 of 2007 concerning the Persero, both SOEs and Private Corporation. The description on the role of shareholders and GMS is theoretically consistent with those of Khan et al. (2018) and Goel (2018).

In essence, the findings of the role of shareholders and GMS contributed to affirming previous estimates, i.e as the antecedent and foundation of corporate governance building. The power of shareholders has a direct impact on the level of good corporate governance implementation. In addition, their roles as the board of directors and commissioners enable them to control and determine the organizational structure and corporate organ, the commitment to cultural development, as well as disclosure and transparency. It is practically implied that the accountability for the level of good corporate governance implementation in every SOE lies with the shareholders as the authority, initiator, and controller.

The representative for shareholders in all SOEs is the minister of SOE, while in fact a minister is identical with a politically appointed official in an organization structure. It is not easy to find their direct correlation from this contextual discussion or debate, because stability and consistency of political policy are frequently not in line with the principles of good corporate governance. Criticism of this view can be found in the results of study confirming that the obtained scores of good corporate governance in each sector of SOE differ from one another (see, Table 4).

**Board of Commissioner**

BOC is an organizational element of a company that plays an important role in good corporate governance practices. Data analysis indicates that BOC conducted training or education and assigned duties and responsibilities on a structural basis in the managerial position of their organization. From the perspective of governance, that was done to improve organizational competency that will make them credible and competent to exercise their role in fulfilling managerial and corporate duties in accordance with the authority of each commissioner in the BOC structure.

The results indicate that BOC plays the role of controlling and directing the BOD (G). BOC must also make sure that the management is committed to practicing GCG and to achieving business target in accordance to the short-and long-term plan together with their management (H). Credibility and eligibility of each individual member in the structure of BOC represent the company value in effort to implement good corporate governance practices (I). Thus, the premise of BOC role states that: (Pa) BOC is the governance actor that control and direct BOD in serving their functions of operations management and good corporate governance practices; (Pb) BOC serves the function of supervising GCG practices in the company and managerial performance attainment periodically; (Pc) BOC strengthens the internal organization in effort to improve commissioners’ competency and to build their credibility to attain higher score of good corporate governance.

**P6:** The role of BOC is crucial to the role of BOD in improving good corporate governance and managerial performance attainment.
P7: The role of BOC is fully responsible for the corporate commitment to the implementation of good corporate governance.

P8: The role of BOC is to directly improve corporate governance implementation by the competency and credibility of individual member in their structure.

The results of study indentified that BOC directly controls the existence of BOD in serving managerial and governance functions, thus ensuring that the management functions properly in the corporate structure. This description is in line with that of Lukviarman (2016) depicting the differences in focus between organizing functions of management and governance. Theorization of BOC role confirms those of Farhan et al. (2017) and Lukas and Basuki (2015) about the number of independent commissioners, and the effectiveness of audit commission functions under the auspices of the board of commissioners.

The findings contribute to explaining that the role effectiveness of the board of commissioners is closely correlated with that of the board of directors by taking active part in developing corporate culture and determining the level of good corporate governance implementation. The implication it has on the board of commissioners is the demand for independency and professionalism as well as adequate competency for the best practices of corporate management.

**Board of Directors**

Indicators of directors and commissioners are described in R-MBU/2012. BOD can be interpreted as playing central role in ensuring the corporate commitment to development of good corporate governance. This means that the quality and effectiveness of good corporate governance practices are completely under the authority of BOD, because the latter serves managerial functions in their business operations. In the internal organizational structure they also provide training and education in effort to improve competency and maintain the credibility of directors.

BOD is described as taking part in every important activity organized by BOC. Directors arrange and organize BOD and BOC meetings, following up the direction/proposals from BOC, and therefore BOC performance is also determined by the role of BOD (J). The roles of BOD include devising a plan, determining business performance target, and operational and financial control to carry out the plan and strategic management policy (K). This also confirms that there is an individual director in BOD who is responsible for the corporate commitment to the implementation of good corporate governance (K: I.-{(3)}). BOD organizational competency and credibility, assignment of duties, functions, authority or responsibility to directors, GMS and compliance to the applicable laws constitute an effort to improve good corporate governance implementation (L).

Theorization of BOD role includes: (Pa) BOD takes part in and arranges the activities as a follow up to BOC directives concerning the functions that the directors served; (Pb) BOD role in serving their managerial and strategic functions for the purpose of improving corporate performance attainment and building the commitment to good corporate governance practices in their company and organization. (Pc) BOD
has the competency and credibility as indicated by its compliance with the laws in effort to improve good corporate governance performance.

P9: The role of BOD also determines the role of BOC in good corporate governance implementation and in corporate management objective accomplishment.

P10: The role of BOD determines corporate commitment to good corporate governance practices and corporate management objectives accomplishment.

P11: The role of BOD is to directly improve the level of good corporate governance based on the competency and credibility of each individual in their structure.

The mutual relationship between the roles of BOD and of BOC (P9 and P6) illustrates that the two management organizations share the interest in managerial functions, even though each structurally has different powers and responsibilities in the corporation (Lukviarman, 2016). Theorization of BOD role is central to the building block of good corporate governance and company performance. The discussion is consistent with those in previous literature on the characteristics of the board of directors, board size, board composition, director tenure, director ownership, and the interrelationship with company performance and corporate governance (see, Khan et al., 2018; Deschênes et al., 2015; Farhan et al., 2017; Al-Kassar and Al-Nidawi, 2014; Lukas and Basuki, 2015; Lopez-Quesada et al., 2018).

The finding has implications for the work pattern of human resources that put emphasis on good and professional cooperation between the board of directors and the structure of operation management, and between the board of commissioners and business controlling works. Competency and credibility of the board of directors will serve as a barometer for good corporate governance attainment in their accountability to shareholders and other stakeholders. However, it is not easy in the actual practice, because the establishment of the board of directors and commissioners is decided by the shareholders, in this case the Minister of SOEs. Over time, this indicates that each regime change in Indonesia tend to bring subsequent restructuring of the board of directors and commissioners in many SOEs. This point reminds us that good corporate governance attainment in SOEs starts from the political will of the Indonesian government.

**Commitment and Corporate Culture Development**

The results of study identify that the commitment of the corporate organ to good corporate governance practices is reflected in management reports and corporate financial reports (M). This illustrates that the roles of BOD and BOC in disclosing information in their reports comply with those of shareholders and the GMS that are inherent elements of the company organ (N:I.). Corporate culture manifests, among others, in the compliance with good corporate governance principles by which the company set a benchmark for other companies in Indonesia, both SOEs and private corporations (N:VI.).

The corporate commitment premises read as follows: (Pa) corporate commitment to good corporate governance practices is indicated in disclosing detailed and objective important information in each corporate report; (Pb) Corporate commitment to GCG
practices is the central or the core of good corporate governance implementation and serves as a benchmark for other companies.

**P12:** Corporate commitment to good corporate governance practices has implications to the quality of information disclosed in corporate reports.

**P13:** Corporate commitment to good corporate governance practices determines the level of good corporate governance implementation.

The finding of corporate governance in good corporate governance theory is a recent theoretical contribution from previous literatures (see, Akbar et al., 2016; Kocmanova et al., 2011; Aras and Crowther, 2008; Lukas and Basuki, 2015; Lopez-Quesada et al., 2018). Corporate commitment serves as the central mediator of performance/attainment of good corporate governance implementation; therefore, it has implications for both roles of BOD and BOC during their tenure. Another practical implication would be the frequent change of figures that occupy a position on the GMS in SOEs because they are appointed to a political office, i.e. the Minister of SOEs, including those in the ministry of economic affairs. This discussion confirms previous account that a Ministry of SOEs is a playmaker for the implementation of good corporate governance for all SOEs in Indonesia.

**Disclosure**

Description of the corporate commitment to disclosure is affirmed by R-MBU/2012, section V, stating that: Company provides information for stakeholders and control the access to them, disclosing vital information in Annual Reports and Financial Reports in compliance with the applicable laws, and together with the managers, receive appreciation letter for the implementation of good. Thus, the premise (P-) states that disclosing vital information in each company reports represent the principles of good corporate governance in terms of transparency, accountability, and independency of corporate reports.

**P14:** Disclosure of vital information in Annual Reports and Corporate Financial Reports determines the level of good corporate governance implementation.

Governance theory postulates that information disclosure is one of the outcomes of good corporate governance principles implementation (see, Bushman et al., 2004; Aras and Crowther, 2008; Al-Kassar and Al-Nidawi, 2014; Lukviarman, 2016, Rahman and Khatun, 2017; Farhan et al., 2017; Goel, 2018; Wicaksana et al., 2019; Karim and Purawanto, 2020). Standardization of information disclosure in corporate reports has been developed to keep up with the law, principles, or standard of accounting applicable to all countries, and with the international standard. The format and content of every reports submitted by SOEs are tailored to conform the recent development of accounting theory, and this can be the practical implication of good corporate governance principles.

**The Framework of Good Corporate Governance**

The propositions stated in the above results and the discussion about previous theories have developed a new concept as the framework of corporate governance (Figure 1).
The construct contributes to the extension of good corporate governance theory to complement the existing literature on this, reported by Purnamasari and Negara (2020). The framework has also confirmed that R-MBU/2012 is the substance of government policy that is assumed to be correct for corporate management in effort to improve good corporate governance. This finding, at the same time, illustrates that good corporate governance is intended to improve business performance (see, Akbar et al., 2016; Kocmanova et al., 2011; Aras and Crowther, 2008; Lukas and Basuki, 2015; Lopez-Quesada et al., 2018). This indicates that the commitment to and development of corporate culture are inherent in the corporate operations management.

The scope of discussion can be extended to include the role of government as the shareholder. In approving each medium- and long-term management plan of every SOEs, the government needs to ensure that the operational interests of management do not conflict with the principles of good corporate governance. In the meantime, conflicts of interest are frequent to occur in public administrative structure; for example, between national economic development and business orientation of SOEs and their strategic management. Such a situation can be anticipated with sufficient understanding of
agency theory from the perspectives of state governance and corporate governance (see, Lopez-Quesada, 2018; Nijhof et al., 2018; Farhan et al., 2017; Lukviarman, 2016; Lukas and Basuki, 2015; Liang et al., 2015; Bergen et al., 1992; Jensen and Meckling, 1972).

The understanding of corporate governance framework (Figure 1) has implications for good corporate governance practices and corporate management in SOEs in Indonesia. It is possible for SOEs, or in fact private corporations, in many countries to adopt the concept. Further, the results reveal the practical implications through the attained score of good corporate governance.

The above findings indicate that good corporate governance scores fluctuate year on year in each SOE. In 2013 base year, majority of scores remain less than optimal due to bias in corporate financial reports that have not specifically included good corporate governance practices. R-MBU/2012 was only effective in 2013 as the initial year, thus it is reasonable that majority of SOEs have not included good corporate governance in accordance to the expected indicators.

Some companies indicate a consistent increase in scores, for example Garuda Indonesia, Jasa Marga, Aneka Tambang, Bank Mandiri, Bank Negara Indonesia, Bank Tabungan Negara, dan Bank Rakyat Indonesia. Banking sector tends to have consistently improving scores. The implementation good corporate governance is possible considering that banking business relies on public trust. For this reason, banks strive to maintain their company profile open to public through their financial reporting. This finding is in line with those of Purnamasari dan Kusuma (2020).

Good corporate governance implementation in service sector contributes significantly to their performance, except those engaged in public infrastructure like Wijaya Karya and Waskita Karya. This doesn’t mean that both companies do not implement good corporate governance. Rather, they tend to publish reports on their operational outputs accessible to the general public, such as highways, bridges, and other public facilities. A consistent increase was found in manufacturing companies like Aneka Tambang and Kimia Farma. Aneka Tambang is a mining company that needs to keep the gold spot price stable; Kimia Farma is a pharmaceutical company that needs to maintain high public trust. Overall description of the above results will be easier to comprehend if we refer to the graphical representation in Figure 2.
The next analysis will be the grouping in each of the three industrial sectors: service, manufacturing, and banking (Figure 3-5). Per-group analysis is conducted to find out the characteristics of one industry compared to the other. Sectoral differences among industries lead to differences in orientation towards good corporate governance practices.

Seven SOEs in service sector show a consistent upward trend. As the above description suggests, the obtained scores of Wijaya Karya and Waskita Karya are relatively lower than those in other sectors, despite their positive trend.
Seven SOEs in manufacturing sector show a relatively similar performance, i.e. a positive upward trend over the years. Krakatau Steel occupied the lowest position compared to other manufacturing companies. This indicates a possibility that the company concentrates more on optimizing production capacity amid growing competition and in effort to keep spot price stable.

Four companies in banking sector have a very good performance with an upward trend over the years. The result is consistent with that of Purnamasari and Negara (2020). Such consistency indicates awareness among banking companies that disclosing
their corporate governance practice to general is necessary. They realize that their business operation is closely related to gaining public trust.

The analysis of good corporate governance scoring in publicly traded SOEs for the period 2013-2018 indicates an upward trend. This group of companies can be considered as having implemented the government policy stipulated in R-MBU/2012. The discussion about the implementation and scoring of good corporate governance send a message to BOC and BOD about the importance of good corporate governance scoring, and this has been confirmed in earlier discussion (Goel, 2018; Lukviarman, 2016; Khan et al., 2018; Deschênes et al., 2015; Farhan et al., 2017; Al-Kassar and Al-Nidawiy, 2014; Lukas and Basuki, 2015; Lopez-Quesada et al., 2018). This means that the organizational consequences of each role and responsibility have implications for their implementation of good corporate governance. This conforms to the direction of good corporate governance implementation; that it is not merely about numbers, but the business effectiveness and performance. Indicators and parameters referred to in R-MBU/2012 include the roles of shareholders, GMS, BOC, and BOD in devising short- and long-term plan for company to achieve business targets.

The whole, the results have implications for good corporate governance practices in SOEs that generally have not been publicly traded and that fall into the category of public company or regional enterprise or not categorized as persero companies. It is highly likely that this group of SOEs remains less optimally implemented good corporate governance principles because the public has no direct control over them. The cases of Jiwasraya and Asabri that tossed them into a deep financial trouble raise the question of how they implement good corporate governance principles. Results of studies on corporate governance and business performance have, more likely, implications for both state regulators and companies (Farhan et al., 2017). Al-Kassar and Al-Nidawiy (2014) advised managers of publicly listed companies to have deeper understanding of the framework for effective corporate governance.

CONCLUSIONS AND RECOMMENDATIONS

The results of this study have led us to conclude that, firstly, the essence of good corporate governance stated in R-MBU/2012 places shareholders and the GMS on the fundamental position for improving good corporate governance practices. BOC and BOD share the same role in making a commitment to advancing good corporate governance practices, transparency, information disclosure and corporate accountability reports. Shareholders, GMS, BOC, BOD, corporate commitment, information disclosure play a critical role in determining the level of GCG implementation. BOC and BOD indirectly contribute to the process of increasing the level of GCG implementation and to the development of corporate commitment to good corporate governance implementation. The attained level of good corporate governance implementation is, in part, determined by the government policy on ROE management. The government plays a dual role in determining managerial policy and public economy

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and, at the same time, in establishing the corporate strategic managerial policy as the shareholder in SOEs.

Secondly, over the period of 6 years (2013-2018) the attained scores for good corporate governance showed an initial fluctuation with subsequent upward trend. In 2018, the performance of all companies in banking sector scored ‘very good’. Manufacturing companies in mining and pharmaceutical industries scored ‘very good’, while the rest scored ‘relatively good’, except steel-producing companies. Those in the service sector also scored ‘very good’, but the telecommunications companies scored ‘good’, and two construction companies scored ‘poor’.

The conclusion sends an alarming signal to the shareholders (the government BOD and BOC) of the companies with fair and poor performance scores. All high-rank officers in those companies are recommended to gain deeper insight into the essence of good corporate governance as described in R-MBU/2012 for subsequent proper and correct implementation. We recommend shareholders to set the right target for those in BOC and BOD to encourage them to improve their commitment to good corporate governance implementation on a consistent and sustainable basis.

Good corporate governance principles have implications for the politically central role of the Minister of SOEs in relation to the board of directors and commissioners. A worth noting recommendation for every cabinet Minister of SOEs in a regime is that extra care must be taken when considering changing the structure of the board of directors and commissioners. R-MBU/2012 can serve as a reference to consider in organizational decision-making in every SOEs.

The framework of good corporate governance presented in this paper can act as the recommendation for the shareholders, BOD, and BOC in SOEs throughout Indonesia. It is meant to make them fully aware of their respective roles in improving good corporate governance practices in their companies. For wider scope, similar recommendation can also be given to ROEs and private corporations in this country. This also meant to encourage the government, in accordance with its authority, to support the implementation of good corporate governance in Indonesia through an appropriate policy.

The conceptual framework of corporate governance in this paper was developed through a qualitative approach. Future quantitative research can assess the relationship between variabilities of frameworks for research hypothesis. Scoring technique employed in this research can also be used for the benefit of the government in assessing every SOEs. This is intended to improve corporate governance practices at the national and local levels, considering that SOEs and ROEs are identified with public companies from the perspective of agency theory, although they have not been publicly traded yet.
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