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Analyzing the Good Governance of Public Sector Organizations Through Good Corporate Governance: A Case Study of PT. South Sulawesi Citra Indonesia South Sulawesi

Muh. Alwi*[1]; Armin Arsyad[2]; Badu Ahmad[3]; Muhammad Yunus[3]

[1]Doctoral Program in Public Administration, Faculty of Social and Political Sciences, Hasanuddin University. Indonesia
[2]Department of Political Science, Faculty of Social and Political Sciences, Hasanuddin University, Indonesia
[3]Department of Public Administration, Faculty of Social and Political Sciences, Hasanuddin University, Indonesia

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* Corresponding author; : alwi@ecampus.ut.ac.id

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ABSTRACT

Effective corporate governance is unequivocally a framework that oversees and regulates companies, ensuring they generate value for all stakeholders. PERSERODA, formerly a local company, has undergone a transformation in line with legal provisions. This study aims to scrutinize the application of good corporate governance in the management of regional companies, specifically focusing on PERSERODA. Utilizing qualitative research methods, the research is conducted at PT. South Sulawesi Citra Indonesia, operating as PERSERODA in the South Sulawesi province. Primary data is gathered through in-depth interviews and participant observation. The findings reveal that the fundamental principles of good corporate governance have not been consistently and comprehensively applied in the company's operations, resulting in PERSERODA falling short of its potential contribution to the region. Implementing these principles thoroughly within a company can enhance both its performance and the quality of its output.

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INTRODUCTION

Good corporate governance is definitively a system that regulates and controls companies that create added value for all stakeholders (Monks and Minow 2011). There are two emphasized aspects in this concept: first, the importance of shareholders' rights to obtain accurate and timely information, and second, the company's obligation to disclose information accurately, timely, and transparently regarding all aspects of corporate performance, ownership, and stakeholders. Good Corporate Governance is a fundamental requirement for every business organization that aims to compete in the global market. This phenomenon is closely tied to the support and involvement of corporate leaders through the leadership styles they apply (Haryanty 2005). In the financial market, there is an increasing awareness that Good Corporate Governance is associated with larger companies. Institutional investor communities believe that improvements in Corporate Governance tend to enhance performance rather than hinder corporate development (Solomon 2020).

Good corporate governance, as evidenced by Dabor (2015), Nurhidayanti (2023), Bocean (2016), and Jarvis (2006), has a significant impact on company performance, financial performance, and company value. By improving decision-making processes, enhancing operational efficiency, and providing better services to stakeholders (Alexander et al. 2015; Nurhidayanti et al. 2023), good corporate governance not only enhances company performance but also strengthens the company's overall value. This positive effect further contributes to building investor trust and satisfying shareholders. Therefore, good corporate governance not only contributes to increasing shareholder value and dividends (Atacik and Jarvis 2006; Karpof et al. 2016) but also creates an environment conducive to sustainable growth and corporate sustainability. There are four main components required in the concept of good corporate governance: fairness, transparency, accountability, and responsibility. These four components are crucial because the consistent application of good corporate governance principles has been proven to enhance the quality of financial reports and act as a deterrent to performance manipulation activities that may result in financial reports not reflecting the fundamental value of the company (Kaen 2003; Shaw 2004).

Badan Usaha Milik Daerah (BUMD) are companies established by regional governments, with the majority or entirety of their capital owned by the regional government. The purpose of establishing regional companies is for the development and economic potential of the respective regions. Therefore, the management of BUMD needs to be optimized to truly become a reliable economic force, actively contributing to both its functions and duties and the regional economy (Satria, 2019). From a business perspective, BUMD serves as a tool to generate profits. The success indicators for a BUMD can be observed through its market share, contributions to regional finances, contributions to economic activities, and regional development. For BUMDs engaged in public utility services, success indicators include their ability to provide goods needed by the public in both adequate quantity and quality (Purwadi, 2002).

In Indonesia, there are various forms of companies that can be labeled as Regional-Owned Enterprises, including those in the South Sulawesi Province. BUMDs in South Sulawesi Province operate in multiple dimensions, ranging from finance, banking, insurance services, parking, to construction companies. One of the notable BUMDs owned by the South Sulawesi Province, receiving significant attention from the government, is the Regional Corporation, commonly abbreviated as *Perseroan Daerah* (PERSERODA). PERSERODA is a regional company that has transformed its legal form into a Regional Corporation in accordance with the provisions of Law Number 23 of 2014 concerning Regional Government. Technically, all activities and scopes related to PERSERODA are regulated in the South Sulawesi Provincial Regulation Number 2 of 2020 concerning the change of legal form of the South Sulawesi regional company into a regional corporation.

In the implementation of its activities, PERSERODA in South Sulawesi Province still faces several shortcomings. The transparency level is relatively low, posing a challenge in PT. Sulsel Citra Indonesia as the Regional Corporation of South Sulawesi. Additionally, the accountability performed by the managers has not been conducted appropriately. Equally important is the lack of demonstrated significant responsibility towards the community and the environment, hindering sustained preservation. Based on the conceptual description and general overview of the phenomena, this research aims to analyze the application of good corporate governance principles in the regional corporation of South Sulawesi Province. Through this research, it is hoped to contribute ideas to regional companies to enhance their corporate governance models towards improvement.

METHOD

This research employs a qualitative research method. The qualitative research method utilized in this study aims to systematically, factually, and accurately describe or explain the issues at hand (Moleong 2017). The research location is at PT. Sulsel Citra Indonesia, a Regional Corporation (PERSERODA) in the South Sulawesi Province. The selection of this location is based on the issue at hand, specifically the governance at PERSERODA, which does not align with the ideal conditions according to the relevant concepts. The informants in this study are individuals authorized to provide information regarding the governance of PERSERODA, particularly at the directorial and managerial levels of PT. Sulsel Citra Indonesia as the Regional Corporation in South Sulawesi.

The data obtained for this research includes both primary and secondary data. Primary data is information obtained directly from the original source without intermediaries and can include individual or group opinions, observations of a physical object, event, or activity, as well as test results. On the other hand, secondary data is information obtained in ready-made form or in the form of published data (Church 2002). Primary sources encompass direct reports of events or activities, while secondary sources interpret, analyze, and draw conclusions about events in the past. Primary sources can include diaries, letters, and official records, while secondary sources make use of these data (SOURcES n.d.). The selection of these types of data can provide a comprehensive understanding of the research topic and support theory development (Nimon 2015). Primary data in this research are the results of researcher interviews with informants directly and observations about the institutional aspects of Keitemung traditional village. Meanwhile, secondary data consists of information related to the institutional structure of the traditional village and general organizational design obtained from the internet, books, journals, and previous researchers.

In the course of this study, the primary methods employed for data collection encompass in-depth interviews, participatory observation, and documentation studies. Takyi (2015) has delved into the challenges and ethical considerations associated with participatory observation, specifically emphasizing the participant's role as an observer. Building on this, Barker (1980) has explored the application of observation as a measurement procedure, shedding light on both its advantages and limitations. Complementing these insights, Silva (2006) has underscored the significance of the interview technique in qualitative research, particularly in gaining a profound understanding of beliefs, feelings, attitudes, and values.

In this research, the data analysis technique adopts the data analysis model developed by Miles, Huberman, and Saldana (2014), known as interactive analysis. Interactive analysis is an approach that involves continuous interaction between the researcher and the data, where a deep understanding is gained through a dynamic and responsive process to emerging findings during the research. This approach enables researchers to explore and delve into meanings more profoundly, form a comprehensive understanding, and identify patterns or findings that may not be detected through static analysis approaches.

RESULT AND DISCUSSION

The concept of Good Corporate Governance (GCG), also known as good corporate governance, has emerged not merely due to an awareness of the importance of GCG principles but is also driven by the prevalence of scandals affecting large corporations (Sukamulja 2005). Present-day companies or corporations have evolved from entities with relatively unclear roles into globally dominant economic institutions. This influence sometimes extends into the governance of a country, rendering it powerless to address the misconduct of influential business actors. This has led to an increased demand for GCG, with stakeholders (Romdhoni 2015). However, concerns exist regarding the interpretation and application of GCG, with some arguing that it does not always prioritize stakeholder values (Prabowo 2019). Overall, the rise of corporate scandals has underscored the necessity for effective GCG, but its implementation and interpretation remain areas of debate and scrutiny.

In a study focusing on PT. Sulsel Citra Indonesia as the Regional Corporation (PERSERODA) in South Sulawesi province, the success of a company is analyzed through the implementation of good corporate governance principles. There are four main components required in the concept of good corporate governance: fairness, transparency, accountability, and responsibility (Kaen 2003; Shaw 2004). Thus, from the research focus oriented towards the application of these four principles, the findings are as follows:

Firstly, transparency, where information must be disclosed in a timely and accurate manner. The disclosed information includes financial condition, financial performance, ownership, and management of the company. Transparency is carried out so that shareholders and others are aware of the company's situation, thereby enhancing shareholder value (Kaen 2003; Shaw 2004). In PT. Sulsel Citra Indonesia as the Regional Corporation in South Sulawesi, it is found that corporate transparency has not been effectively implemented. This is evident from the lack of transparency of basic information within the organizational levels, both from managers to the board of directors and from managers to employees. In addition, employees, who should receive primary information within the company, complain about the frequent delays in information provided by the top-level management, leading to diverse perceptions among employees.

Secondly, in terms of accountability, a company must be able to transparently and fairly justify its performance. Therefore, the company must be managed correctly, measured, and aligned with the interests of the company, while still considering the interests of shareholders and other stakeholders. Accountability is a prerequisite for achieving sustainable performance (Kaen 2003; Shaw 2004). The results of observations conducted in the study indicate that accountability at PT. Sulsel Citra Indonesia as the Regional Corporation (PERSERODA) in South Sulawesi is still very low. This is evident in the low level of administrative accountability practiced by managers to the board of directors, often neglecting reported accountability reports. In addition to administrative accountability, substantive accountability, such as the application of values and norms within the company, has not been implemented in almost all levels of management in the organization, resulting in overall accountability being suboptimal.

Thirdly, responsibility. Companies, as well as their leaders and managers, carry out their activities responsibly. Companies must comply with regulations and fulfill responsibilities to society and the environment to ensure the long-term sustainability of business and be recognized as a good corporate citizen (Kaen 2003; Shaw 2004). As a government-affiliated company, PT. Sulsel Citra Indonesia as the Regional Corporation in South Sulawesi is considered unable to provide a good response to the situations that occur and tends to overlook important aspects that can influence the company. The weakness in the level of responsibility at PT. Sulsel Citra Indonesia as the Regional Corporation in South Sulawesi is also evident in terms of planning and implementing programs that have not been able to address the challenges faced by the company.

Lastly, and no less important, is fairness, defined as fair and equal treatment in fulfilling stakeholder rights arising from agreements and applicable laws and regulations. Fairness also includes clarity of investor rights, legal systems, and enforcement of regulations to protect the rights of investors, especially minority shareholders, from various forms of fraud (Kaen 2003; Shaw 2004). The results of the research conducted through interviews and observations show that the level of fairness in PT. Sulsel Citra Indonesia as the Regional Corporation in South Sulawesi is still far from ideal. Opportunities provided by the company for employee recruitment, career advancement, and professional task execution are not running well and sometimes tend to be based on the subjective assessments of company executives. Furthermore, the company in providing opportunities for stakeholders to provide input and express opinions for the benefit of the company and opening access to information in accordance with the principles of transparency in their respective positions is not fully implemented. The managerial group tends to provide less access to the board of directors regarding substantive and technical aspects of their activities, which may potentially lead to conflicts and setbacks for the company.

CONCLUSION

In implementing the values of Corporate Governance, the Company employs an approach based on a strong belief in the benefits of applying good Corporate Governance. Based on this strong belief, a high spirit will grow to implement it according to international standards. Regarding the implementation of good corporate governance principles, it should be realized that the effectiveness of good corporate governance implementation will only be achieved with the principle of compliance in day-to-day business activities, initially applied by the management and then followed by all employees. Through consistent, firm, and continuous implementation by all business actors. In the context of Regional-Owned Enterprises in South Sulawesi Province, the implementation of good corporate governance principles has not been fully effective. It can be seen from the research results that the four main principles of Good Corporate Governance have not been able to be comprehensively and consistently applied in the company's activities, thus making PT. Sulsel Citra Indonesia as the Regional Corporation in South Sulawesi has not been able to maximize its contribution to the region. In essence, the complete and comprehensive implementation of good corporate governance principles in the company will be able to improve the quality of the company both in terms of performance and the outcomes produced by the company.

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