

Good Corporate Governance Towards Employee Performance at Indonesian Energy Company

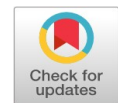
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Abstract: Good Corporate Governance (GCG) is a key component in achieving the company's mission and strategy effectively in creating a working environment conducive to improving employee performance. Currently, PT Bukit Asam (Persero) Tbk is still ranked 16th out of 50 Indonesian companies implementing GCG, this is due to the lack of GCG sustainability of the company. This study aims to identify the influence of GCG on Employee Performance at PT Bukit Asam (Persero) Tbk Tanjung Enim. The method used in this research is descriptive, causal research. By using Probability sampling technique, the sample in this research is 96 respondents from 2,400 employees in PT Bukit Asam (Persero) Tbk Tanjung Enim. The result of the descriptive analysis shows GCG is categorized as excellent and employee performance is included in the good category. The influence between GCG on Employee Performance at PT Bukit Asam Tanjung Enim is still very small, while it is the contribution of other variables that are not examined in this research. Based on the results of research, suggested PT Bukit Asam Tanjung Enim socialization related how the regulations that must be obeyed by all parts in the company, providing socialization about the absence of fraud in any case.

Keywords: Good corporate governance, Employee performance, Business ethics, Management performance, Business administration

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INTRODUCTION

In the current era of globalization, very rapid changes occur, starting from technological advances, globalization trading system, and the stability of the world's political economy is characterized by an increase in the number of competitors abroad and within the country, the organization is expected to improve external performance and internally in order to compete globally (Fauver & Fuerst, 2006). Therefore, companies are required to adapt to the current state of the increasingly modern and demanding an organization must move to follow the changes that exist (Wijayati, Fazlurrahman, & Hadi, 2018). In the face of these conditions the company needs a superior strategy to compete in order to have a position in the market. The superior strategy, in this case, is that the company must develop a new system and pradiigma through GCG.

According to Sutedi (2011) Good Corporate Governance is a process and structure used by corporate organs to improve business success and corporate accountability in order to safeguard the interests of other stakeholders based on legislation and ethics in the company.

Currently, the Importance of applying GCG principles has been regulated in the regulations of Indonesian State Minister for State Owned Enterprises Number (PER-01/MBU/2011, 2011) on the implementation of good corporate governance to SOEs and State-Owned Enterprises (BUMN) No. PER-09/MBU/2012 about GCG. BUMN is one of the spearheads of the wheels of the economy of the country; the company is required to take comprehensive action against its assets in order to generate profits in the form of cash income sehingga have added value company. To ensure effective and efficient implementation of GCG the company can measure by looking at the level of Disclosure of Information,

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Accountability, Accountability, Independence and Justice within the company. This is explained in the regulation of the Minister of State-Owned Enterprises: PER-09/MBU/2012, whether this benefit will be seen in the long run of high corporate performance and good corporate image. GCG is now implemented throughout the country; this is the reason why companies trust GCG system as a guarantee of the company's long-term survival. Indonesia has been able to apply the principles of GCG will be far from perfect. Below is an explanation of the ranking of Indonesia seen from several Asian countries implementing GCG.

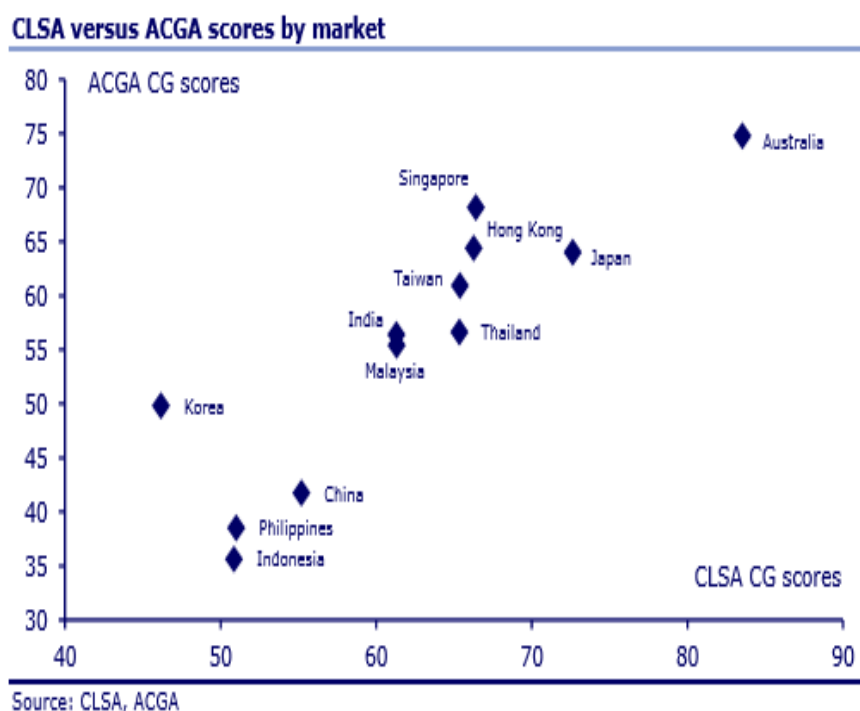


Figure 1. GCG implementation ranking in Asia [Source: CLSA (2016)]

From the above data can be seen that according to the results of the Asian Corporate Governance Association (ACGA) survey which in this survey calculate the value of the country based on the state performance appraisal. So that is top position Australia in 2016, then Singapore is in the top two. Hong Kong and Japan are in the same position of the top three, and Indonesia are under the Philippines. According to the ACGA survey the existence of GCG ecosystems is a differentiating factor between the success and failure of long-term systems.

However, it is not enough to only do the calculations using ACGA so it needs to be calculated using CLSA based on Figure 1, which is the CLSA to calculate the value of the country based on the bottom-up valuation of companies that are under CLSA coverage in Asia. According to CLSA's calculations that Australia can maintain clear leadership in the 2016 CG Watch survey and second place in Japan, on the CLSA's calculations Indonesia is above Korea (CLSA, 2016).

Explained in the above ACGA survey results, this survey calculates the value of the country based on its performance appraisal. Thus, it is necessary to know the meaning or intent of the performance itself is the result of work in quality and quantity achieved by an employee/employee in performing its duties in accordance with the responsibilities given to each organ within the company (Fakhri, Aditya, & Pradana, 2014). Furthermore, the implementation of GCG is very important for the company in order to obtain good human resources performance. Individuals who show good results can be regarded as individuals who have high or good performance. Vice versa, individuals who show poor results can then be told that the person has low or bad performance. According to Mason and Simmons (2014), to measure how the performance of employees in the company can be done by performance appraisal by

knowing how the ability, initiative, timeliness, communication, and quality of work done by employees or internal organs to describe the level of achievement of a predetermined goal. At this time, the company is required to develop a new system and paradigm in business and industry management (Kurniawati & MeilianaIntani, 2016; Wartika, 2015; Yaemjamuang, 2017). GCG or more commonly known as good corporate governance emerges as an option that is not only a formality, but a good value and performance system is essential for increasing corporate value in the eyes of investors.

PT Bukit Asam (Persero) Tbk or PTBA is a company based in southern Sumatera region and became one of the SOEs committed to applying the principles of good corporate governance (GCG). In accordance with business ethics, PTBA is professionally running a business without being influenced by other parties. This is indispensable in dealing with various situations in the business world to achieve long term sustainable growth. PTBA always maintains and upholds the implementation of GCG with its five principles, namely openness, accountability, responsibility, independence, and equality.

Due to the company's persistence in applying the principles of GCG, then in 2014 PT Bukit Asam (Persero) Tbk can be ranked 16th out of 50 companies that apply GCG. The following data obtained from the Indonesian Institute of Directorship 2014 on the list of companies that have implemented GCG in Indonesia.

Table 1: GCG implementation rating in Indonesia

No	Listing Code/Company Abbr.	Publicly Listed Company Name
11	ANTM	Aneka Tambang (State-Owned)
12	ASII	Astra International
13	BNII	Bank International Indonesia
14	BNLI	Bank Permata
15	BNJBR	Bank Jabar & Banten
16	PTBA	Bukit Asam (Persero)
17	GIAA	Garuda Indonesia
18	JSMR	Jasa Marga
19	WASKT	Waskita Karya
20	EXCL	XL Axiata

Source: (IICD, 2014)

From the results of the above table, it can be seen that in 2014 PT Bukit Asam, Tbk is able to compete with 49 other companies in Indonesia. But the rank 16 is still under other mining companies, so this is still a problem that continues to be faced by the company, the problem is caused by the lack of maximum GCG implementation in the company, while the implementation of GCG is very important for the sustainability of mining companies, with the implementation of GCG, can raise the image company and produce good performance. GCG in PT Bukit Asam is still not maximized because all employees do not understand how important the implementation of GCG itself. However, with the achievement of this 16th rank the company continues to work in improving the system and pradiigma in the company so that for the next year can achieve the best ranking.

According to Mason and Simmons (2014), the relationship between GCG and performance is an application of the principles of GCG will affect the performance of the company, due to GCG as a value system that has a set of core values (openness, independence, accountability, accountability, and equality) in which the ideal value of what is considered good by all parties in managing the company.

With the implementation of good principles of GCG (openness, independence, accountability, accountability, and equity), it will make it easier for companies to know how these GCG principles affect employee performance in the company, because good performance can be seen from the openness of fellow organs in the company, and so can know what the constraints that exist in the company. Accountability becomes important in the company because with one of the elements of GCG principles can see how employees perform work with good quality in accordance with the responsibilities given. Here are the results of employee performance achievement of PT Bukit Asam Tanjung Enim 2016-2017 which tend to increase.

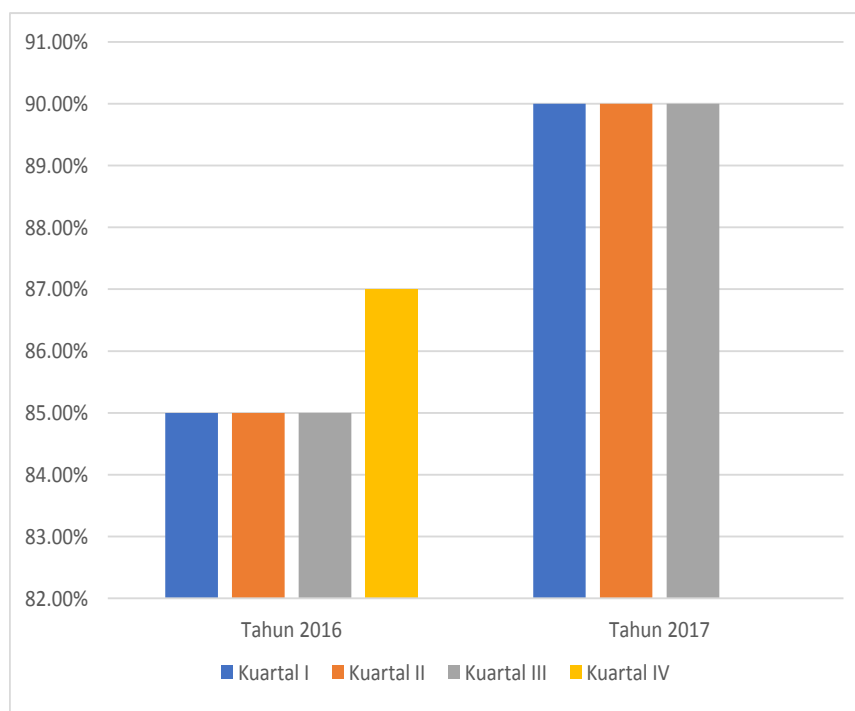


Figure 2. Graph of employee performance achievement PT Bukit Asam Tanjung Enim Source: Internal data of PT. Bukit Asam

In 2016 in the first quarter until the 3rd quarter, they achieved 85% of its performance and in the 4th quarter increased by 2% to 87%, which in 2016 has not been the demand for coal production, so in 2017 the first quarter until the third quarter the achievement of PT Bukit Asam Tanjung Enim increased by 3% to 90%, at the end of 2016 the achievement of only 87% and for the fourth quarter is still in the assessment process so that PT Bukit Asam has not been able to provide data to researchers. The cause of the increase in performance achievement in 2017 is due January to September has increased sales Low to medium range calorie to meet market demand from China, India, Cambodia, and Vietnam. The following data on sales data made by the hard work of PT Bukit Asam Tanjung Enim (Persero) Tbk employees to meet the demand of the export market. The revenue obtained in 2017 amounting to Rp 13.22 trillion rose 31.7% compared to the Year 2016 of Rp 10.04 Trillion, then the sales volume in the Year 2017 increased by 17.24 Million Ton compared to the year 2016 which amounted to 15.14 million tons, total production of which in 2016 only amounted to 12.98 million tons, in 2017 increased so as to obtain total production of 16.91 million tons. The net profit obtained by PT Bukit Asam Tanjung Enim (Persero) Tbk in the period of January - September 30 2017, amounted to Rp 2.625.8 billion net profit increased from the previous year that is 2016 which only get a net profit of Rp 1,051,7 billion. This increase is the result of the company's continuous efforts to penetrate the market to sell low to medium range calorie coal. Increased revenue, sales volume, total production, and net profit PT Bukit Asam Tanjung Enim is done by competent employees and perform all work in accordance with the principles of GCG so that the company has maximum profit.

From the explanation of performance data and sales data, PT Bukit Asam continuously strives to maintain and continuously improve employee performance, to maintain and increase sales among others by improving good corporate governance system. Based on the above description, the authors are interested in conducting research with the title "The Influence of Implementation of GCG on Employee Performance at PT Bukit Asam (Persero) Tbk Tanjung Enim."

THEORETICAL FRAMEWORK

According to [Hasibuan \(2013\)](#), as human resource management is the science and art of managing relationships and the role of labor, this aspect should effectively and efficiently help the realization of corporate goals, employees, and society. Hence, according to [Moeheriono \(2014\)](#) performance or performance is a picture of the level of achievement of the implementation of an activity or policy program in realizing organizational goals, objectives, vision and mission as outlined through strategic planning of an organization ([Pangarso, 2017](#)).

Employee performance put forward by Gomes in ([Mangkunegara, 2005](#)) is the expression of output, efficiency and effectiveness often associated with productivity. The performance indicator is a measure of quality and quantity that describes the level of achievement of a predetermined goal. According to [Fauver and Fuerst \(2006\)](#), performance indicators are as follows; ability, initiative, punctuality, quality of work and communication.

According to [Sutedi \(2011\)](#), GCG is to direct and control the company to achieve a balance between the strength and authority of the company. GCG is an entire system that is formed from the right, process and control both inside and outside the company's management. The Principles of GCG based on the Regulation of the Minister of State-Owned Enterprises No. PER-09/MBU/2012 defines GCG principles including transparency, accountability, responsibility, independence and fairness in terms of equality and fair treatment.

The implementation of GCG principles will have an impact on the performance of Human Resources, as GCG as a value system has a set of core values (openness, independence, accountability, accountability and fairness/equity) what is considered good by all parties in managing the company ([Tika, 2006](#)).

As according to UNDP (United Nations Development Program) is defined as a good management process, involving stakeholders, to various economic activities, social politics and the use of various natural resources, finance, and human for the interests of the people who are following the principle of principles fairness, equity, equity, efficiency, transparency, and accountability.

METHODOLOGY

According to [Suparyogo \(2001\)](#) and [Sekaran and Bougie \(2016\)](#), the framework of research is a synthesis of relationships between variables that are compiled from various theories that have been described. GCG according to [Fakhri et al. \(2014\)](#) is the guidance and control of the company to achieve a balance between the strength and authority of the company. To measure its performance in a company it can be done by using indicator proposed by [Fauver and Fuerst \(2006\)](#) Fauver & Fuerst (as elaborated in [Pradana and Reventiary \(2016\)](#) that is ability of employees to perform various tasks in work, action or responsibility to do something in execution of duty or responsibility, the timeliness to complete the work with the target planned time ([Natyari & Pradana, 2016](#)), the quality of the work is the result of a job ([Pangarso, 2017](#)), and the last indicator to be able to see or assess the existing employees in the company is communication made by superiors to subordinates and vice versa ([Fakhri et al., 2014](#)).

The existence of relevance or influence between GCG and Performance, according to ([Tika, 2006](#)) the application of GCG principles will impact on the performance in the company, due to GCG as a system that has a core value that is openness, independence, accountability, accountability and equity. Where the ideal of what is considered good by all parties in the company series ([Saragih, Fakhri, Pradana, Gilang, & Vidjashesa, 2018](#)).

Based on the description above, it can be described as the following framework:

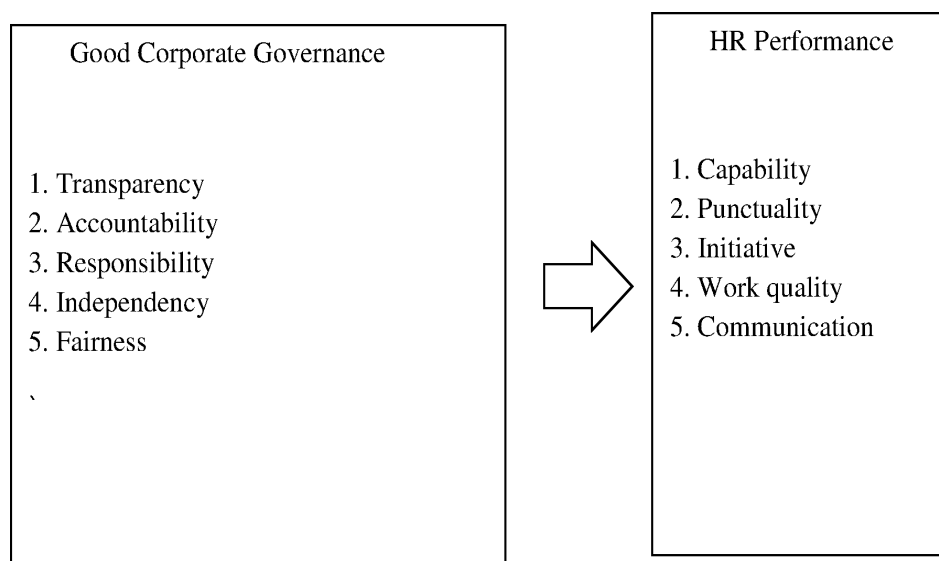


Figure 3. Framework of the study

RESULTS AND DISCUSSIONS

Descriptive analysis is done by dividing the total score by the average ideal score multiplied by 100%. The respondent's overall response to the GCG (X) variable was 5.281, while the average total score of 6.240 resulted in the percentage of 84.6%, the GCG (X) variable was in the "excellent" category. The overall respondent's response to the Employee Performance (Y) variable was 3.528, while the average total score of 4.320 resulted in a percentage of 81.6% then the Employee Performance (Y) variable was in the "good" category, this conforms to theory by Noor (2012).

Simple linear regression analysis is used to express the causality relationship between two variables and to estimate the value of the dependent variable based on the value of the independent variable. So to see the influence of GCG (X) on Employee Performance (Y) used a simple linear analysis with the help of SPSS version 24 in the following:

Table 2: Results of Simple Linear Regression Analysis Equations Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	2.512	.309		8.117	.000
x	.203	.116	.178	1.749	.084

Source: Data Processing Results, 2017

Based on the table above, we obtained the regression equation as follows:

$$Y = 2.512 + 0.203X \quad (1)$$

The value of the regression coefficient on the independent variables describes when estimated to be constant or equal to 0; then the dependent variable can be predicted up or down according to the sign of the coefficient of 2.512. It can be said that the variable Y is Employee Performance is not influenced by a free variable that is GCG (X) is zero, then the average value of employee performance is 2.512. Coefficient X (b) of 0.203, it shows that GCG positively influences employee performance at this company in the degree of 0.203.

Afterward, we conducted the significance test (*t* test). The criteria of hypothesis test partial assessment are:

1. $T\text{-count} > t\text{-table}$ and significance value less than 0.1, then H_0 is rejected, and H_1 accepted. This shows that there is a significant influence of the independent variable on the dependent variable.

2. T -count $<$ t -table and significance value more than 0.1, then H_0 is accepted; and H_1 is rejected. This shows that there is no significant influence from the independent variable to the dependent variable.

To establish t table value, it is necessary to have free degrees by the formula:

The degrees of freedom (df) = $(n-k-1)$ and the error rate (α) = 10%, n = number of samples, k = number of independent variables, then $df = 96-1-1 = 94$, so we get two-sided test t table = 1.290

Table 3: Hypothesis Test (t test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.396	.306		7.818	.000
x	-.027	.063	-.046	-.433	.666
	.061	.064	.103	.947	.346
	-.012	.063	-.021	-.199	.843
	.121	.059	.217	2.039	.045
	.100	.067	.153	1.486	.141

a = Dependent Variable (Y)
Source: Data Processing Results, 2017

Based on the above table can be seen that the dimensions in the variable GCG (X) that is the value of t arithmetic smaller than the value of t table is $-0.433 < 1.290$, significantly with the value $0.666 > 0.1$. Then it can be concluded that partially, there is a negative influence of the dimension Transparency on Employee Performance (Y). Dimension Accountability has t value smaller than t table that is $0.947 < 1.290$, significance with value $0.346 > 0.1$, hence can be concluded that partially, there is no significant influence from dimension of Accountability to Employee Performance. Responsibility dimension has t value smaller than t table that is $-0.199 < 1.290$, significance with value $0.843 > 0.1$, hence can be concluded that partially, there is negative influence from the dimension Responsibility to employee performance.

In the independence dimension has a value of t arithmetic greater than t table is $2.036 > 1.290$, significantly with the value of $0.045 < 0.1$, it can be concluded that partially there is a significant influence between the dimensions of Independency on employee performance. The last dimension of this variable is Fairness has t value bigger than t table that is $1.486 > 1.290$, with significance $0.141 > 0.1$, it can be concluded that partially there is no significant influence between dimension of Fairness to employee performance.

Table 4: Determination Coefficient Test (Model Summary^b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.178 ^a	.178	.032	.49614

a. Predictors: (Constant), x
b. Dependent Variable: y

Based on the table above, we found that the value of R Square is 0.032 means the relationship between GCG to employee performance of 0.032 or 3.2%. While the rest of 96.8% is a contribution of other variables that are not examined in this study.

CONCLUSION

Based on the results of research that has been done can be concluded as that the implementation of GCG (X) at PT Bukit Asam Tanjung Enim is in the very good category, there are Fairness dimensions that are in the good category and need to be considered. Employee Performance at PT Bukit Asam Tanjung Enim is as well in good category, there are dimensions of timeliness to note the company. There is the influence of the implementation of GCG to Employee Performance.

The influence between GCG on Employee Performance at PT Bukit Asam Tanjung Enim is still very small, while it is the contribution of other variables that are not examined in this research. Based on the results of research, suggested PT Bukit Asam Tanjung Enim socialization related how the regulations

that must be obeyed by all organs in the company, providing socialization about the absence of fraud in any case. In addition, companies need to provide training so that all parts of the company can complete all responsibilities in accordance with the time specified. To improve the understanding of GCG for all employees, the company needs to provide socialization and education about how important the implementation of GCG in the company. However, the company should disclose or update information related to the company especially financial performance so that investors and potential investors can know and obtain information about the performance in this aspect. The management is expected to pay more attention to the implementation of GCG in the company in order to create company value well. Both state and private company are expected to implement corporate governance well so that investors can be attracted to invest in a company that owns good governance. We admit that like other research results, our research also has some limitations. In our case, we merely showed them a perspective of GCG from an Indonesian energy company. Suggestion for the next research is that a similar study perhaps can pair more various indicators or variable GCG with others, so discussion in this field can be richer and wider.

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