



Implementation of the Principles of Good Corporate Governance in an Effort to Improve the Performance of PT PLN (Persero)

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Abstract. The purpose of this research is to determine the impact of PT PLN's implementation of *Good Corporate Governance* principles on company performance (Persero). This study applies qualitative descriptive analysis by collecting field data (field research), conducting interviews with a variety of informants, and gathering relevant documents and data. The findings revealed that PT PLN (Persero) ULP Sunggal followed *Good Corporate Governance* standards when conducting business. This can be proven through the PLN Mobile application's supply of access and service information to help consumers. Employees that respond rapidly to customer difficulties, such as power outages, meter loss, and electrical problems caused by natural disasters, suggest that accountability has been implemented effectively. PLN's vow to reply to every complaint/suggestion presented to it in a timely and effective manner illustrates its commitment to accountability, assuming responsibility has been met. Independence, having a commitment to materialize a PLN free of Corruption, Collusion, and Nepotism (KKN), one of which is achieved by refusing to accept bribes, gratuities, and other forms of intervention in every PLN decision. When PLN validates the e-KTP, fairness, the actual form of this principle's execution, is visible. If the consumer is registered as a member of a disadvantaged community with the Population Office, half of the usual power usage price is waived. Implementing *Good Corporate Governance* can bring value to the community (general public), suppliers, distributors, governments, and investors, ultimately affecting the company's survival.

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1. Introduction

Since the long-running crisis that shook Asia, particularly Southeast Asia, in the middle of 1997, the issue of *Good Corporate Governance* in Indonesia has come up. According to Asian Development Bank (ADB) research, the Asian economic crisis is caused by a systematic failure of *Good Corporate Governance* implementation as a result of a weak legal framework system, inconsistent accounting standards and audit standards, poor banking practices, ineffective board of directors supervision, and a disregard for minority shareholder rights. The low standard of governance in both the public and private sectors is one of the reasons of this problem. In order for organizations to overcome obstacles, *good corporate governance* demands a robust firm management structure. Furthermore, when *Good Corporate Governance* is in place, the worth of a firm can be declared to be positive. Strong corporate governance, also known as excellent corporate governance, promotes the formation of accountable and cordial relationships among firm components (Board of Commissioners, Board of Directors, and shareholders) in order to improve company performance.

Good Corporate Governance, as defined by the OECD (Organization for Economic Cooperation and Development) is a means of directing and controlling firms. Internal and external procedures are used to monitor *Good Corporate Governance*. Internal Mechanism is a technique of governing a business through internal structures and procedures such as the General Meeting of Shareholders (GMS), the composition of

the Board of Directors, the proportion of the Board of Commissioners, and board meetings. External mechanisms, on the other hand, include firm control, ownership structure, and market control. To determine the implementation of corporate governance in this study, the method with institutional ownership proxies, proportions of the Independent Board of Commissioners, audit committees, and audit quality will be studied. Adoption of *Good Corporate Governance* is critical in the eyes of the government, investors, and the general public since it can create value and drive the establishment of an efficient market for the company. Given the expanding risks and issues confronting the banking industry, *good corporate governance* is the most important component. *Good corporate governance* will improve the firm's competitive position, maximize company value, and manage resources and risks more efficiently and effectively. However, the application of *Good Corporate Governance* has not been optimized to date, therefore the extent to which *Good Corporate Governance* has an impact on the company's reputation remains controversial.

Human resources in a firm are critical in fostering a productive and industrial atmosphere. For the availability of valuable human capital, quality education and sufficient work are essential. Human resources' intellectual and technical aptitudes are still relatively low in terms of both their intellectual and technical abilities. The challenge is how to produce optimally performing human resources in order to satisfy the company's goals. The most critical aspect in generating a successful performance is human resources. As a result, analyzing employee performance in a financial organization becomes a critical motivator. Performance becomes a technique for generating better results from companies, teams, and individuals by understanding and regulating performance within the framework of goals, standards, and agreed-upon attribute criteria. According to Armstrong and Baron, any company will strive to consistently improve the performance of its employees in order to meet defined goals [1]. Because motivation can affect overall employee performance, the job motivation of employees in a company becomes vitally important. Employee motivation can increase productivity, impacting the achievement of corporate goals. Motivation is a desire that motivates an individual to perform.

Good management or management accompanied by internal commitment supports an employee's performance depending on an activity. Management's role in an organization is to regulate the management organizational structure in accordance with the company's desires, to assist managers in supervising and identifying the people needed in the organization, to achieve quick decision making in the company, and to ensure that the organization is well-organized.

PT PLN (Persero) will begin the transition to corporate management on the basis of *Good Corporate Governance* principles, which explain how to administer a firm transparently, free of political pressure, and with clear accountability. *Good corporate governance* is no longer an option; it is a requirement. This research aims to advance the application of *Good Corporate Governance* concepts to the performance of employees at PT PLN in Indonesia (Persero).

2. Theoretical Framework

2.1 *Good Corporate Governance*

Good corporate governance is a framework that governs the interplay between the functions of the Board of Commissioners and the Board of Directors, shareholders, and other stakeholders [2]. A clear way of creating, achieving, and assessing the company's objectives is also known as *good corporate governance*. This concept emphasizes two aspects: first, the importance of shareholders' right to obtain accurate and timely information, and second, the company's obligation to make accurate, timely, and transparent disclosures (disclosure) of all information on the company's performance, ownership, and stakeholders.

Meanwhile, the OECD (Organization for Economic Co-operation and Development) (1999, "Corporate Governance: A Framework for Implementation") defines *Good Corporate Governance* as a relationship between a company's management, its board of directors, its shareholders, and other stakeholders. This link offers several regulations and incentives for establishing a defined corporate structure and set of objectives, as well as the tools for attaining the objectives and overseeing the firm's functioning. Effective *Good Corporate Governance* creates a system that can maintain a balance between controlling the company so that corruption and abuse of authority of each company organ are kept to a minimum, and creating incentives for managers to maximize the productivity of the use of assets and other resources in order to achieve the best possible business results.

a. The Concept of Good Corporate Governance

The essential principle of *Good Corporate Governance* as [3]:

- 1) Internal Balance of the GMS, Commissioners, and Directors in terms of the institutional framework and operational techniques of the three organs.
- 2) External Balance, or the fulfillment of a company's responsibilities in society and with stakeholders.

b. Implementation Objectives of Good Corporate Governance

Article 4 of the Minister of State-Owned Enterprises Regulation 01/2011 states the following objectives for *Good Corporate Governance* implementation [4]:

- 1) Optimizing the Company's value in order to have strong national and global competitiveness, allowing it to survive and thrive in order to fulfill its goals and objectives.
- 2) Encouraging the Company's professional, efficient, and effective management, as well as empowering functions and enhancing the autonomy of the Company's Organs
- 3) Encouraging the Company's organs to make decisions and perform activities based on high moral standards and adherence to rules and regulations, as well as creating an understanding of the Company's social responsibility to stakeholders and environmental sustainability.
- 4) Increasing the Company's national economic impact.
- 5) Creating a conducive environment for national investment growth

c. Principles of Good Corporate Governance

The National Committee on Governance Policy (2006) describes the five elements of *good corporate governance* as follows [5]:

- 1) Transparency is the open expression of material and pertinent information, as well as the execution of the decision-making process. Companies are expected to provide sufficient, accurate, and timely information to all of their stakeholders. The information presented covers the financial status, financial performance, ownership, and management of the company. Transparency is used to keep shareholders and others informed of the company's state and to maximize shareholder value.
- 2) Accountability, namely the clarity of function and implementation of accountability of firm organs in order for their management to work efficiently. If this accountability principle is correctly implemented, the organization will avoid agency concerns (conflicts of interest roles). The company must be able to account for its performance in a fair and transparent manner. As a result, the firm must be managed appropriately, evaluably, and in accordance with the company's interests, while also taking shareholders' and other stakeholders' interests into account.
- 3) Responsibility is defined as the company's management's adherence to sound business principles and appropriate rules and regulations. Taxation, labor relations, environmental protection, workplace health and safety, payroll obligations, and fair competition are all covered by relevant rules. Managers are obligated to hold stakeholders accountable for all corporate management actions as a result of the trust placed in them.
- 4) Indenpency is defined as a situation in which a company is professionally managed without any conflict of interest or influence / pressure from any party that is not in accordance with applicable rules and regulations and solid corporate standards. The company is properly managed, with no conflicts of interest, undue influence or pressure from third parties or persons, and in accordance with all applicable laws, rules, and sound business practices.
- 5) Fairness, including fairness and equality in the fulfillment of stakeholders' rights derived from contracts and applicable laws and regulations. Fairness is essential to ensure that all business assets are managed effectively and responsibly, so that shareholders' interests are fairly preserved (honestly and fairly). The corporation must always consider the interests of its shareholders, other stakeholders, and all other parties involved, based on the principles of equality and fairness of stakeholders.

2.2 Employee Performance

The phrase "performance" derives from the terms "job performance" and "real performance" (work performance or actual achievements achieved by a person). achieved by an employee while performing his duties, specifically in accordance with the obligation entrusted to him Performance is described as an employee's actual behavior as part of his or her work successes in accordance with his or her allocated tasks. Employee performance is the quality and quantity of the employee's work in the execution of his

tasks [6].

To achieve good and successful company performance, several performance measures, including as work quantity, work quality, knowledge of work, the ability to articulate ideas, decision-making, work planning, and work organization, are required. Simply said, performance evaluation is an assessment of human behavior in carrying out responsibilities and accomplishing corporate goals.

3. Method

This is a field study which is research conducted directly in the field to collect complete and valid data on the implementation of *Good Corporate Governance* Principles in an effort to improve PT PLN's performance (Persero) [7]. This research was conducted at PT PLN (Persero) UPL Sunggal Jl. Bunga Raya No. 11 in Medan, North Sumatra.

4. Results and Discussion

The Company realizes that, in order to improve the governance performance of the Company, it must adopt a management guideline that is consistently used and is expected to produce a pattern of mutually beneficial and harmonious interactions between the Company and all of its stakeholders (Stakeholders). This harmonious relationship will make determining the Company's development and performance direction easier, as well as the efficient operation of decision-making activities, control operations, and management oversight. The administration of the firm in accordance with *Good Corporate Governance* principles is essentially an effort to establish *Good Corporate Governance* as a rule and guideline for the company's management. If the company is to survive and thrive in the face of increasing competition, *good corporate governance* concepts must be introduced immediately. *Good Corporate Governance* is expected to help the Company achieve its goals, including the prevention of corrupt activities, collusion, and nepotism, the enhancement of budget discipline, the use of oversight, and the promotion of management efficiency. To ensure the smooth implementation of *Good Corporate Governance* in the Company, a *Good Corporate Governance* Guideline that acts as a reference for the Company's Organs while they carry out their various activities and responsibilities must be prepared. The roles and obligations of the Company's organs, particularly the General Meeting of Shareholders, the Board of Commissioners, and the Board of Directors, are highly stressed in this Guideline as the frontline in the implementation of *Good Corporate Governance*. These *Good Corporate Governance* Recommendations will be revised on a regular basis (every three years) or if there are regulatory changes that have a substantial influence on these principles. The guiding principles of a technique and mechanism for operating a firm in line with applicable laws, regulations, and corporate ethics are referred to as *good corporate governance*.

PT PLN (Persero) is mandated to execute *Good Corporate Governance* as an SOE in compliance with the State Minister of SOEs Regulation Number Per-01 / MBU / 2011 on the implementation of *Good Corporate Governance* in SOEs. The Company recognizes that current *Good Corporate Governance* implementation is no longer simply a fulfillment of obligations, but has become a requirement for conducting the Company's business activities in order to maintain sustainable business growth, increase company value, and ensure the Company's competitive viability. The Company has demonstrated a high level of competence in applying *Good Corporate Governance* principles, including the establishment of a *Good Corporate Governance* management function under the Corporate Secretary, who specifically oversees and monitors *Good Corporate Governance* implementation within the Company. To improve the quality of GCG implementation, the organization implements corrective measures on a regular basis in both its soft structure and GCG infrastructure. The Company has made available supporting documentation for *Good Corporate Governance* implementation, including the *Good Corporate Governance* Guidelines, the Board Manual, and the Code of Conduct. The Board of Commissioners also has supporting organs, most notably the Committees of the Board of Commissioners, which help the Board of Commissioners carry out its supervisory duties more effectively.

4.1 *Good Corporate Governance* Principles Implementation

According to this research, the principles of *Good Corporate Governance* are incorporated into daily business activities of PT PLN (Persero) ULP Sunggal.

Transparency. In carrying out the decision-making process and providing material and pertinent facts about the company, disclosure is required. According to the findings of the research, the transparent principle of *Good Corporate Governance* is in conformity with the requirements of the Minister of State-Owned Enterprises Regulation Number: Per-09 / Mbu / 2012 on the Implementation of *Good Corporate Governance* in State-Owned Enterprises. PT PLN (Persero) ULP Sunggal has implemented *Good Corporate Governance* by providing clients with access and service information via the PLN Mobile application. All customer requirements are displayed in the application.

Accountability. Clarify the Organ's functions, implementation, and responsibilities so that the company can be handled properly. Based on the research findings, it is clear that the accountability principle of *Good Corporate Governance* has been appropriately applied, as indicated by workers' rapid reaction to customer issues such as power shortages caused by natural disasters, among others. Clients can report power-related issues via PLN Mobile. PT PLN (Persero) ULP Sunggal's monthly performance is current. The organizational work system was successfully documented by PT PLN (Persero) ULP Sunggal. It is possible to understand the many operating policies and practices that apply to the entire company. In addition to establishing quality control over the organization's partner services.

Responsibility. Compliance with legal rules and regulations, as well as sound business practices, in the Company's management. The accountability concept of *Good Corporate Governance* has been applied based on the findings of the research. As an SOE, PT PLN (Persero) ULP Sunggal can provide accountability in accordance with laws and regulations, specifically the Regulation of the Minister of State-Owned Enterprises Number: Per-09 / Mbu / 2012 concerning the Implementation of *Good Corporate Governance* (GCG) in State-Owned Enterprises (BUMN) on the management carried out on every goal of the company to be achieved. For each PLN If there is a discrepancy in company management that ultimately causes inconvenience for stakeholders, then all stakeholders, including the general public, can report in terms of providing complaints or suggestions quickly and without any time limit, to which PLN will respond immediately. This can be reported directly to PLN by visiting to PLN DIRECTLY or by using PLN Mobile. All PLN has given accountability, as seen by PLN's dedication to respond to every complaint or recommendation received in a timely and effective manner.

Independency. Agreement under which the Company is professionally managed without a conflict of interest or influence/pressure from any party that is not in accordance with applicable rules and regulations and solid business practices. According to the study's conclusions, the concept of Independent *Good Corporate Governance* has been adopted. Any PLN, including PLN ULP Sunggal, are clearly dedicated to creating a PLN free of corruption, collusion, and nepotism (KKN), one of which is achieved by refusing to accept bribes, gratuities, and the like in all PLN decision-making. The clean PLN initiative's purpose is to apply the ideals of *Good Corporate Governance* and anti-corruption to the implementation of electricity-supply company activities. Customer service reform is a collaborative effort.

Fairness. Fairness and equity in the execution of shareholder rights derived from contracts, statutes, and regulations. According to the findings of the research, the fairness principle of *Good Corporate Governance* has been implemented. This principle is actually put into action when the PLN checks the e-KTP. The usual power usage price is lowered by half if a consumer is registered with the Population Office as a member of a disadvantaged community.

4.2 Implications of *Good Corporate Governance* Principles for Improving Performance

In order to achieve company objectives, *good corporate governance* is defined as a framework for managing company resources efficiently, effectively, economically, or productively in accordance with the values of openness, accountability, independence, and justice. The notions of *Good Corporate Governance* proved to be consistent, and the moral difficulty of implementing *Good Corporate Governance* is founded, among other things, on the principles of accountability, responsibility, transparency, independence, and fairness. If implemented with forethought and intelligence, the concept of *Good Corporate Governance* will act as a tool to assist management in improving all aspects of the company's operations. Using *Good Corporate Governance* principles in business processes is akin to arranging an umbrella before it rains or sheltering the organization from numerous high-risk problems. Employee performance will improve if *Good Corporate Governance* is implemented consistently. Implementing *Good Corporate Governance*

principles based on employee performance has a significant impact on a company's long-term viability.

The primary goal of *Good Corporate Governance* principles is to improve the performance of the firm and its employees. The existence of an evaluation or measurement indicates the quality of employee performance, which acts as a decision-making tool for management and to establish the company's credibility to investors and other interested parties. Employee aptitude and conduct in applying *Good Corporate Governance* concepts will determine whether or not performance meets the intended criteria. The primary goal of implementing *Good Corporate Governance* principles is to optimize employee performance, which in turn improves the performance of the organization; accordingly, the interests of management and employees must be treated fairly and equitably in accordance with their respective positions. Implementing *Good Corporate Governance* can bring value to the community (general public), suppliers, distributors, governments, and investors, ultimately affecting the company's survival.

5. Conclusion

Based on the findings of research and discussions on the implementation of *Good Corporate Governance* principles in an effort to improve the performance of PT PLN (Persero), the author can conclude from the collected data that customer responses are positive and that employees have met the *Good Corporate Governance* implementation standards. Furthermore, the principle of transparency has implemented the principle of openness and fairness in providing information fairly and well in carrying out its corporate governance as well as accountability and accountability at PT PLN (Persero) ULP Sunggal has provided the functioning, structure, system, and responsibility of the company's organs, and professional independence within the company is appropriate without any conflict of interest and influence from the company's organs, and professional independence within the company is appropriate without any conflict of interest and influence from the company

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