

HARMONIZATION CONCEPT OF GOOD CORPORATE GOVERNANCE AND COMPANY CULTURE

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Abstract

Implementation of principles for good corporate governance in a certain kind of company aims at managing and improving company's performance. In fact, those principles of corporate governance has been, so far implemented less optimally. It is due to several drawbacks. The main problems in implementing good corporate governance principles is lack of sanction for companies which do not implement them and certain kind of culture encouraging people to obey more on informal regulation such as certain custom prevailing in certain community than on formal one. To overcome those problems of good corporate implementation, it is recommended that the state and its apparatus functioning as regulator should force companies to implement principles of good corporate governance and company culture as a unity of harmonious values followed by implementing rules of law and consistent law enforcement. Corporate world as market stakeholder implements good corporate governance as basic guidance of business and community holds social control objectively and responsibly.

Keywords: company culture, harmonization, corporate governance

Abstrak

Penerapan prinsip-prinsip tata kelola perusahaan yang baik dalam sebuah perusahaan bertujuan untuk mengelola perusahaan secara sehat dan meningkatkan kinerja perusahaan. Dalam penerapannya prinsip tata kelola perusahaan kurang optimal. Kurang optimalnya dalam penerapan disebabkan adanya hambatan-hambatan. Hambatan utama dalam penerapan prinsip tata kelola perusahaan tidak adanya sanksi bagi perusahaan yang tidak melaksanakannya dan faktor budaya masyarakat yang lebih mematuhi hukum informal yang berupa kebiasaan daripada hukum formal. Rekomendasi untuk mengatasi hambatan tersebut adalah negara dan perangkatnya sebagai regulator harus memaksa perusahaan untuk menerapkan prinsip tata kelola perusahaan dan budaya perusahaan sebagai sebuah kesatuan nilai harmonis yang diiringi dengan melaksanakan peraturan perundang-undangan dan penegakan hukum secara konsisten (*consistent law enforcement*), dunia usaha sebagai pelaku pasar menerapkan tata kelola perusahaan yang baik sebagai pedoman dasar pelaksanaan usaha, dan masyarakat melakukan kontrol sosial (*social control*) secara obyektif dan bertanggung jawab.

Kata kunci: budaya perusahaan, harmonisasi, tata kelola perusahaan

Introduction

Company as a pillar in the economic growth in Indonesia is an organization that is established by a person or a group of people or other corporation that their activities are producing and distributing in order to fulfill people's need that has various general aim which is looking for profits, otherwise the aim is not only looking for the profits, but as social foundation, spiritual, and etc. The company in carrying out

its activity, is obliged to implement the principal for corporate governance that aims to increase the company's performance so that the company will get the profits.

The company's performance is the output of the performance achieved by someone in order to carry out the duties that are the combination of important factors which are the ability and someone career interests, acceptance and explanation, delegation and duty and the role

as well as employee motivation.¹ The optimization of the principal for good corporate governance implementation is less optimal. It is caused by many drawbacks such as lack of the knowledge about the principal of the corporate governance among the businessman and its human sources, there is no sanction for the company that doesn't implement that principal, the society cultural principal that tends to obey the informal law that is a practice than formal law and etc. Tri Purwani said that some companies in Indonesia is also susceptible toward economical fluctuation. It is shown by the weakness of regulation implementation, the responsibility towards the stockholder, the disclosure standards and transparent as well as the process of companies' management.²

Principles for good corporate governance are supported by three pillars that connects each other, which the state and its apparatus as regulator, the corporate world as the market player, and society as the costumer of the product and business service. The basic principle that should be implemented by each pillar is that the countries have to be able to play a role in creation of law order that regulates the activities of businessman and creates a conducive situation, business world does the economics activities and the society takes control.³

The implementation of Principles for good corporate governance will run optimally when the implementation can be done harmoniously with the company culture. This writing aims to describe the concept about the harmonization of Principles for good corporate governance and the company culture in order to create the con-

ducive situation in the corporate world so that it can change the company behaviour to obey the principles for good corporate governance.

Discussion

The Definition and Basic Concept of Harmonization

Harmonization according to Agency for National Legal Development or "Badan Pembinaan Hukum Nasional" (BPHN) from the book that is written by Moh. Hasan Wargakusumah and friends, Law Harmonization is a scientific activity in order to reach the process of written harmonization that can cover some values such as philosophy, sociology, economist or even juridical. Law harmonization can be stated as a process of adaptation and harmonization in each law regulation as a part of integral or legal sub system for reaching the aims of legal.⁴ Therefore, in this article, synergy between the harmonization of principles for good corporate governance with the company culture as unity of ethics in a company that aims to improve the company's performance.

Based on the several definition above, harmonization can be stated as an efforts and process. Harmonization is an effort or process that synergizes the principles for corporate governance and company culture in order to overcome the problems that may appear in the companies. The efforts or process to create harmony, suitability, aptitude, compatibility and balance among many kind of factors until that factors can yield unity or form one entirely as part of the system. Harmonization of principal and companies' culture for good corporate governance is implemented by setting the companies' culture as a basic of policymaking that should be obeyed by all stakeholders in the company.

Harmonization principal and companies' culture also set the mindset that policymaking must include the legal substance, legal struc-

¹ Dedek Kurniawan Gultom, "Pengaruh Budaya Organisasi Perusahaan dan Motivasi Terhadap Kinerja Karyawan pada PT. Perusahaan Gas Negara (PERSERO) Tbk Medan", *Jurnal Manajemen dan Bisnis* Vol. 14 No. 02, October 2014, Medan: Faculty of Economics Universitas Muhammadiyah Sumatera Utara, page 176.

² Tri Purwani, "Pengaruh Good Corporate Governance Terhadap Kinerja Perusahaan", *Majalah Ilmiah INFORMATIKA*, Vol. 1 No. 2, May 2010, Semarang: Universitas AKI Semarang, page 49.

³ Antonius Suhadi, AR. Febrian, dan Sri Tutamiyah, "Model Corporate Social Responsibility (CSR) Perusahaan Tambang Batubara di Kabupaten Lahat Terhadap Pemberdayaan Masyarakat Berbasis Kearifan Lokal", *Jurnal Dinamika Hukum*, Vol. 14 No. 1, January 2014, Purwokerto: Faculty of Law Universitas Jenderal Soedirman Purwokerto, page 75.

⁴ M. Isna Wahyudi, "Harmonisasi Hukum Dalam Penyelesaian Sengketa Ekonomi Syariah Melalui Peraturan Mahkamah Agung (PERMA)", *Jurnal Hukum dan Kemasyarakatan*, Vol. 8 No. 2, 2014, Bandung: Universitas Islam Negeri Sunan Gunung Djati, page 57.

ture, and legal culture.⁵ The companies' policy is stated as philosophical policy when it is suitable with legal goal as the highest positive value, has juridical value, which means that if the formal requirements in making of legislation is fulfilled and has the sociological value, which means as effectiveness or the result of legislation in the society's life.

The Principles for Good Corporate Governance

Indonesia started to implement The Principles for Good Corporate Governance since the signing of *Letter of intent* (LoI) with *International Monetary Fund* (IMF) in 1998 that yielded "Komite Nasional Kebijakan Corporate Governance" (KNKCG), that in 1999 has responsibility for formulating and making national policy recommendation about the principal for corporate governance, and initiative and controlling the betterment in the field of Corporate Governance in Indonesia so that all companies in Indonesia is obliged and responsible for implementing the principal for Good Corporate Governance standard. Countries that allies in the *Organisation for Economic Co-operation and Development* (OECD) defines that the corporate governance is a set of relationship management among companies' management, commissioner management, shareholder as well as other stakeholder. The corporate governance is also fully equipped by a structure and process where the companies target and a means of accomplishment have been settled and monitored.⁶

Stijn Claessen, Charles P. Oman and others divide corporate governance into 2 aspects,⁷ the first aspect is related to the relationships pattern and the actor's behavior in the companies. Management behavior with the employee; company behavior with supplier, creditor and etc. This aspect can be called as as-

pect of corporate behavior and the target is improving the performance. The second aspect is about the a set of regulations and norms that create those behavior above. It includes company law, other legislation, standard and norm, such as code of ethics for profession, corporate ethics guidance, and etc. It can be called normative aspect from corporate governance and the target is conformance.

The principal for good corporate governance aims to create additional value for all stakeholder in the company.⁸ *Forum for Corporate Governance in Indonesia (FCGI)*, is a professional non-governmental organization (NGO) that in the first publication was called as Cadbury Committe, it is stated that corporate governance is "A set of regulation that settle the relationship between the stock holder, company's administrator, creditors, government, employee and also intern stakeholders and other extern parties that relates to their rights and duty, or on the other hand, a system that settle and control the company".⁹ FCGI explains the principles commonly such as:¹⁰ Disclosure and Transparency, Accountability, Responsibility, Independency, and Fairness. The implementation of Principles for good corporate governance is an important element in order to improve economic efficiency. Economic efficiency is good companies management based on soft definition side that is easy to understand, even by the common people, which is: commitment, rules, and healthy and ethical business practices

The steps of Implementation of Principles for good corporate governance can be divided

⁵ Sapto Budoyo, 2014, "Konsep Langkah Sistemik Harmonisasi Hukum Dalam Pembentukan Peraturan Perundang-Undangan", *Jurnal Ilmiah CIVIS*, Vol. IV No. 2, July 2014, Semarang: Universitas PGRI Semarang, page 609.

⁶ Leo J Susilo dan Karlen Simarmata, 2007, *Good Corporate Governace Pada Bank*, Bandung: PT. Hikayat Dunia, page 18.

⁷ *Ibid*, page 16.

⁸ Susi Susanto dan Ikhsan Budi Riharjo, "Pengaruh Good Corporate Governance terhadap *Corporate Social Responsibility* pada Perusahaan Cosmetics and Household", *Jurnal Ilmu dan Riset Akuntansi* Vol. 1 No. 1, January 2013, Surabaya: STIESIA Surabaya, page 154.

⁹ Reni Dyah Retno M dan Denies Priantinah, "Pengaruh Good Corporate Governance dan Pengungkapan Corporate Social Responsibility terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2007-2010)", *Jurnal Nominal*, Vol. 1 No. 1, 2012, Yogyakarta: Universitas Negeri Yogyakarta, page 86.

¹⁰ Thomas S. Kaihatu, "Good Corporate Governance dan Penerapannya di Indonesia", *Jurnal Manajemen dan Kewirausahaan*, Vol. 8 No. 1, March 2006, Surabaya: Faculty of Economics Universitas Kristen Petra, page 2.

into:¹¹ *First*, preparation. This aims to prepare the implementation of systematic and structural principles for good cooperate governance, so that the implementation can run well, efficiently, and effectively. *Second*, Implementation or corporate governance. This aims to implement all the principles for good corporate governance in all business process that is supported by the availability of company's guidance from top management level until operational level. *Third*, Evaluation. This step is necessary to measure on how far the effectiveness of corporate governance is. This step can be done by asking the independent party to audit and score the practice of the corporate governance.¹²

Company Culture

According to Wardani, the company culture as known as corporate culture is the dominant values that is spread in the organization and used as guidance for employee to work. According to Barney in Mansor and Muhammad (2010), company culture is a set of belief complexity, assumption, values, and symbols used in determining the way how the organizations run their business.¹³

Based on the book "Pabundu Tika" (2005) by Phiti Sithi Amnuai stated that: "Company culture is a set of basic assumption and belief that is owned by organization's member, then overcoming the problems from external and internal integration problems.¹⁴ Company culture that is commonly owned by the company is **commitment**, which means company culture on

every deed must be appropriate with the agreement and promise; **innovation**, which means that company culture exists in order to look for the betterment; **balance**, which means that company culture aims to keep the balance of all aspects that relates each other; **excellence**, which means that company culture aims to give the better result of all results before. This culture is related to the innovation culture. Relationship culture is a company culture for creating the good relationships for all parties. Team work is the company culture that creates synergy, intern cooperation and cross unit. Integrity is a company culture to create the unity and sincerity that include fairness, accountability, integrity, transparency, and honesty. Quality policy is an efforts to be developing company, all parties in the company is serious to build and improve company culture persistently and consistently, so that it can produce prominent and competitive product in fulfilling expectation and customer's satisfaction.

Company culture is the ethic code owned by the company in running the company. Research by the expertise shows that company culture is really influential to improve the company's performance. Result of research by Brahmasari shows that the company is influential positively and significantly towards the employee satisfaction. It means that the company culture is a concept that can be used as the facility for measuring the uniformity of the company's aims, strategy and duty organization, and the impact. The statement about the impact of culture on the employee satisfaction and company's performance will always be on the speculation, observation and case study without the valid format and reliable from the critical aspect of the organization culture.¹⁵

¹¹ Thomas S. Kaihatu, "Good Corporate Governance dan Penerapannya di Indonesia", *Jurnal Manajemen dan Kewirausahaan*, Vol. 8 No. 1, March 2006, Surabaya: Faculty of Economics Universitas Kristen Petra, page 2.

¹² Pancawati Hardiningsih, "Pengaruh Independensi, Corporate Governance, dan Kualitas Audit terhadap Integritas Laporan Keuangan", *Kajian Akuntansi*, Vol. 2 No. 1 February 2010, page 63.

¹³ Ni Made Ria Satyawati dan I Wayan Suartama, "Pengaruh Gaya Kepemimpinan dan Budaya Organisasi terhadap Kepuasan Kerja yang Berdampak pada Kinerja Keuangan", *E-Journal Akuntansi Universitas Udayana*, Vol. 6 No. 1, 2014, Badung: Universitas Udayana Bali, page 20.

¹⁴ Dedi Mulyadi dan Eman Sulaeman, "Pengaruh Budaya Organisasi Terhadap Kinerja Pegawai Pada Dinas Bina Marga dan Pengairan Kabupaten Karawang", *Jurnal Manajemen*, Vol. 09 No. 4 July 2012, Karawang: Universitas Singsaperbangsa Karawang, page 945.

¹⁵ Ida Ayu Brahmasari dan Agus Suprayetno, "Pengaruh Motivasi Kerja, Kepemimpinan dan Budaya Organisasi Terhadap Kepuasan Kerja Karyawan serta Dampaknya Pada Kinerja Perusahaan (Studi Kasus pada PT. Pei Hailnternational Wiratama Indonesia)", *Jurnal Manajemen dan Kewirausahaan*, Vol. 10 No. 2, September 2008, Surabaya: Universitas Kristen Petra, page 132.

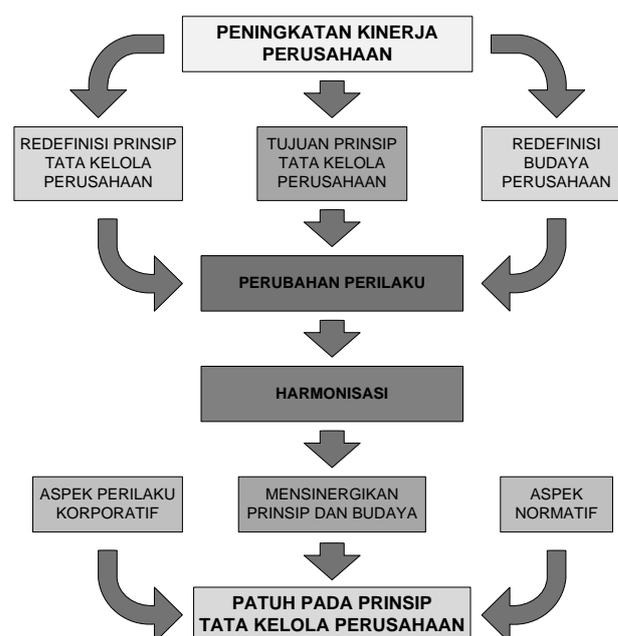
Concept of Harmonization of Principal for Good Corporate Governance and Company Culture

Benny S. Tabalujan quoted by Herris B. Simandjuntak has a notion that Indonesia has had legal instrument and institution that support the corporate governance which amounts exceeds more than the needs.¹⁶ The needs nowadays is the basic changing towards legal culture. Lawrence M. Friedman, a sociologist from Stanford University Law School stated that there are three important components in the legal system, which are structure, substance and culture. Legal structure refers to the institution and process inside the law system, that includes court system, legalization, banking system and corporation. Legal substance refers to the laws-the condition and substantive norm that is used by institution. Legal culture that give “life” toward a legal system.

The implementation of legal certainty changing and institution by inputting legal culture as variable factor on corporate governance. Thus, it is stated that in the implementation of legal instrument and institution that is needed is *legal culture*. It is necessary to change the behavior of the main party or create and implement strategy, so that the behavior changing can be changed permanently to be better.

The implementation of corporate governance is less optimally towards the company. It is because the system of corporate governance in the legal such as Law No. 19 year of 2003 that talks about State-owned Enterprises (Badan Usaha Milik Negara) and Law No. 4 year of 2007 that talks about Limited (Ltd.) Corporation (Perseroan Terbatas) is *soft law* (hukum lunak), so that there is no sanction for the companies that don't do the principal for corporate governance indicates that principal for corporate governance is only *code of conduct*, the existence of dualism by the government is as regulator as well as an operator on state-owned enterprises.

The concept that is formulated to harmonize among the principal for corporate governance and company culture is the concept of synergy that produces a conformance on implementing the principal for good corporate governance and company culture. The concept of synergy is done on every stage of implementing of principal for good corporate governance.



Picture : Harmonization of Principal for Good Corporate Governance concept and company culture

The concept of harmonization of principal and company culture put the mindset that in the composing company's policy include legal substance, legal structure, and legal culture. With that mindset, the step of harmonization of principal for good corporate governance and company culture can be done by adjustment of three factors. Those are started from the Pancasila Paradigm as general legal norm and The 1945 State Statue of Republic Indonesia (UUD 1945) that there is constitutional government principal. This harmonization can be done by stabling the principal for good corporate governance and company culture with the Pancasila Paradigm and THE 1945 State Statue of Republic Indonesia (UUD 1945) for all stakeholders in the company. The aims from redefi-

¹⁶ Herris B. Simandjuntak, 20 October 2010, "Legal Culture: Kendala Penerapan GCG di Indonesia", <http://www.infobanknews.com/2010/10/legal-culture-kendala-penerapan-gcg-di-indonesia/> accessed at April 5th 2015.

nition is for putting behavior changing that is before less obedient to the principal for good corporate governance and company culture to be obedient.

This serious process can be done in the first stage which is preparation stage that is done by creating team work and formulating the plans by the party that has power include formulating guidances. Then, the second stage is implementation and governance, is the implementation stage or plans and guidance that is formulated on the stage I. That guidance is include guidance for good corporate governance for the government (good corporate governance-code); the guidance for good corporate governance for the company's owner or the company leader (*Board manual*); and code of conduct include the regulation about conflicts of interests. Those policies that are related to the implementation of good corporate governance and prudential regulation, which are Disclosure and Transparency policy as well as Compliance Policy.

After the guidance for good corporate governance has been arranged so the next activity in the stage of good corporate governance is socialize and early implementation. Socialization is done using top down approach method, started from the company leader and division chief.

The stage III is the stage that is possibly done regularly to measure how far the effectiveness of implementation for corporate governance. This evaluation is done by independent party to audit implementation and scoring on the practice of corporate governance that is implemented. This evaluation is form of assessment, audit or scoring that aims re-mapping the situation and condition and the company's accomplishment in the implementing for corporate governance so can create the betterment based on the recommendation that is given.

The last stage is the good corporate governance where the government had made those principals for good corporate governance become the part of company culture. From these activities, company gets predicate as Good Corporate Citizen. Harmonization of prin-

icipal for good corporate governance and company culture will yield the essence of the policy that is valuable for the stakeholders, this is called as the core values. The core values on a corporation is a result of synergy from principals for good corporate governance and company culture with involving optimally the behavior aspect of the corporation and normative aspect and also optimize the principal for good corporate governance and the company culture (tinkering harmonization).

Conclusion

Based on the discussion before so that we can conclude: **First**, For overcoming several drawbacks when there is implementation of principal for good cooperative governance, it is needed obedience of the stakeholders. That obedience can be optimized with the harmonization concept of principal for good cooperative governance and company culture that can be oriented on Pancasila Paradigm as general legal form and The 1945 State Statue of Republic Indonesia (UUD 1945) as the basic principal of constitutional. **Second**, Harmonization of principal for good cooperative governance and the company culture can produce a main policy which is valuable for the stakeholder, this thing can be called as core values. The core values in a corporation is a result of synergizing the principal for good corporate governance and company culture dealing with optimally the behavior aspect, normative aspect and optimize principal for good corporate governance and company culture that is exist now (Tinkering harmonization).

Recommendation

Harmonization concept can be initialled by the attitude changing toward the country, businessman, and citizens to obey all the values and those rules can be changed into a culture, and not only as a compulsion but also optimize the good corporate governance principal and the existing company culture (Tinkering harmonization). Some efforts that are recommended for the country is creating statutory law that support good business, efficient, transparent,

and also implement statutory law, maintenance the consistent law enforcement, the corporate world should obey toward the principal for corporate governance as the basic orientation to run the business, showing the attention and doing the social control objectively and responsibly.

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