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# Good Corporate Governance Implementation and Performance of Civil Servant

## Penerapan Good Corporate Governance dan Kinerja Pegawai Negeri Sipil

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### Abstract

In order to achieve the vision and mission, every hospital must implement Good Corporate Governance (GCG). Its implementation aims to optimally improve performance of employees that will finally improve organizational performance. This study aimed to analyze the relation between principles of GCG and performance of civil servants of the Natuna Field Hospital in Anambas Islands District. This analytical descriptive study using cross sectional design involved 56 civil servants as samples. Data was collected in 2012 using a structured questionnaire. This study used chi square and logistic regression tests. Multivariate model was simplified by eliminating the confounding variables using backward stepwise method. This study found two variables significantly related to performance of civil servants, namely implementation of fairness and transparency principles. Both were the most related variables to the performance of civil servants.

**Keywords:** Civil servants, fairness, good corporate governance, performance, transparency

### Abstrak

Dalam rangka mencapai visi dan misi, setiap rumah sakit harus menjalankan tata kelola perusahaan yang baik (*Good Corporate Governance/GCG*). Penerapan GCG sendiri bertujuan untuk meningkatkan kinerja pegawai secara optimal, yang akhirnya akan meningkatkan kinerja organisasi. Penelitian ini bertujuan untuk menganalisis hubungan penerapan prinsip-prinsip GCG terhadap kinerja pegawai negeri sipil (PNS) Rumah Sakit Umum Lapangan Natuna Kabupaten Kepulauan Anambas. Jenis penelitian ini adalah deskriptif analitik dengan desain potong lintang pada 56 PNS. Pengumpulan data dilakukan pada tahun 2012 dengan kuesioner terstruktur. Digunakan analisis dengan uji kaidrat dan regresi logistik, dan untuk penyederhanaan model dilakukan eliminasi terhadap faktor perancu dengan menggunakan metode *backward stepwise*. Penelitian ini menemukan dua variabel yang signifikan berhubungan dengan kinerja PNS, yaitu penerapan prinsip *fairness* dan penerapan prinsip *transparency*. Keduanya merupakan variabel yang paling berhubungan dengan kinerja pegawai negeri sipil.

**Kata kunci:** Kinerja, keadilan, *good corporate governance*, transparansi

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## Introduction

To achieve national goals, all Indonesian people particularly the state apparatus such as civil servants that is a key element of a nation's human resources participate in the development. Civil servants are expected to have complete competency and good performance to achieve those goals.<sup>1</sup>

Individual performance is affected by many factors which are then classified into three groups, namely individual, management support and organizational support. One of organization support is the organization governance.<sup>2</sup>

Hospital Act (Act No. 44/2009) Article 33 Paragraph 1 states that every hospital must have an effective, efficient and accountable organization. Explanation of the article is that in order to achieve hospital vision and mission, a hospital must be organized by running a *Good Corporate Governance* (GCG) and good clinical governance. The article 36 of this law also states that every hospital shall render the hospital's GCG and clinical governance.<sup>3</sup>

GCG is a system to regulate and control enterprises in order to create added value to all stakeholders. GCG emphasizes the importance of shareholders' rights to obtain information correctly and timely, and the company's obligation to make disclosure in an accurate, timely, about enterprise performance, ownership and stakeholders. There are four main components needed in the concept of GCG, namely fairness, transparency, accountability, and responsibility. Those four components are essential for the implementation of GCG principles consistently and proven able to improve the quality of financial reports as well as to inhibit engineered performance activity.<sup>4,5</sup>

The implementation of GCG principles aims to achieve optimal performance of employees that will improve organizational performance. The interests of management and employee must be in accordance with their respective capacities that should be equally and properly treated.<sup>6</sup> Similarly stated by Effendi,<sup>7</sup> that human resource as human capital needs to be managed professionally by implementing GCG principles in order to maintain professional, competent and reliable human resources in order to improve hospital's performance.

From the initial data, the Natuna Field Hospital is known from the management that this hospital has implemented the principles of GCG since its establishment. In contrast, the management claimed that they have not obtained civil servants' performance as expected. It is seen from frequent complaints from the management, civil servants themselves and the public. Some civil servants assumed that GCG principles in the Natuna Field Hospital has not been completely implemented, although they have done their job as well as possible during the

work.

This study aimed to investigate the implementation of GCG principles and its relation to the performance of civil servants in the Natuna Field Hospital in 2012, based on the principle of fairness (reasonableness), transparency, accountability, and responsibility.

## Method

This was a non-experimental survey study design in which data were collected cross-sectionally. This study was conducted in the Natuna Field Hospital, Anambas Island, Riau Islands Province, Indonesia and carried out in 2012. The study population were 56 civil servants working in the Natuna Field Hospital who were totally taken as sample.<sup>3</sup>

Data were collected by using a structured questionnaire, measuring implementation of GCG principle as the independent variable, and civil servants' performance as the dependent variable. Questionnaire for the independent variables composed of 34 positive and negative questions/statements about principles of fairness, transparency, accountability and responsibility. Questionnaire for the dependent variable direct supervisor evaluation towards the performance consisted of 24 positive and negative questions/statements about the fidelity, performance, responsibility, obedience, honesty, cooperation, initiative and leadership. A sort of Likert scale was applied, where 4 to 1 scale was used for positive question/statement and a 1 to 4 scale for negative question/statement.

Score of performance variable measurement were then concluded, the total score were then categorized into 'good enough' if the score were less or equal than median value and 'good' performance if the scores were higher than median.

Questionnaire validity and reliability test was conducted by distributing the questionnaires to 30 respondents in Lapangan Lingga Hospital, Lingga District. Validity was determined by comparing the *r* calculated value with *r* table value. In this study, the *r* table value used for those 30 responders was 0.361 within significance level of 5%. The calculated *r* value could be seen in the column *corrected item - total correlation*. If the calculated *r* in the column is higher than 0.361, then the question is valid.

Data collected from the questionnaire, were then processed for further analysis. Univariate analysis provided the frequency distribution, mean, median, standard deviation, and inter quartile range, minimum and maximum. Bivariate analysis was carried out by applying chi-square test, using confidence level of 95% at  $\alpha = 0.05$ , then multivariate analysis used was multiple logistic regression prediction model. Logistic regression is one approach to mathematical models to analyze one or more

independent variables with some dependent variable categories that have two dichotomized values.<sup>8,9</sup> Variables included in the model are variables with p value less than 0.25.

## Results

This study found that slightly more than a half of the respondents (51.8%) had good enough performance (Table 1). While in the fairness, transparency, accountability and responsibility principles rating the 'good enough' value is higher than 'good'. When viewed from proportions of 'good enough' and 'good' values, the difference was found not more than 20% or there was no

difference in performance, fairness, transparency and responsibility variables. The difference was only found in the accountability variable.

Furthermore, the relationship between implementation of the GCG principles on the respondents' performance showed p value = 0.034 (Table 2). It means that within the 5% alpha, significant relation existed between the principle of fairness and transparency and civil servants' performance. It is known that the employees who were mostly 'good' in their principle of fairness, would likely to have a good performance (65.4%). Likewise, if they were 'good' in principle of transparency, then the majority would also be likely to have a good performance (65.4%).

OR value was 3.778, means that civil servants who gave 'good' in evaluation of application of fairness or transparency principles were 3.778 times more likely to have good performance than those who gave 'good enough' evaluation to the implementation of fairness or transparency principles.

At the following stage, the only variable that had p value less than 0.25 were included in the multivariate modeling. At the end of the analysis model (Table 3), the dominant variables related to the performance of civil servants were fairness and transparency principles' variables. Previously the model was processed by issuing responsibility principle's variable (p value = 0.147).

**Table 1. Distribution of Respondents' Performance Evaluation by Good Corporate Governance Principles**

Principles	Category	Respondents	
		n = 56	%
Performance	Good enough	29	51.8
	Good	27	48.1
Fairness	Good enough	30	53.6
	Good	26	46.4
Transparency	Good enough	30	53.6
	Good	26	46.4
Accountability	Good enough	34	60.7
	Good	22	39.3
Responsibility	Good enough	30	53.6
	Good	26	46.4

**Table 2. Relation between Respondents' Performance and Evaluation towards Implementation of Good Corporate Governance Principles**

Principles of Good Corporate Governance	Category	Performance						OR (95 % CI)	p Value
		Good Enough		Good		Total			
		n	%	n	%	n	%		
Fairness	Good enough	20	66.7	10	33.3	30	100	3.778 (1.247-11.447)	0.054*
	Good	9	34.6	17	65.4	26	100		
Transparency	Good enough	20	66.7	10	33.3	30	100	3.778 (1.247-11.44)	0.054*
	Good	9	34.6	17	65.4	26	100		
Accountability	Good enough	17	50	17	50	34	100	0.853 (0.284-2.442)	0.953
	Good	12	54.5	10	45.5	22	100		
Responsibility	Good enough	12	40	18	60	30	100	0.353 (0.119-1.049)	0.104
	Good	17	65.4	9	34.6	26	100		

Note: \*associated

**Table 3. The Dominant Good Corporate Governance Principles Related to the Civil Servants' Performance**

Variable	B	Wald	Sig	OR (95 % CI)
Model I Principle of fairness	1.367	4.941	0.026	3.922 (1.175 – 13.087)
Principle of transparency	1.055	2.913	0.088	2.872 ( 0.855 – 9.649 )
Principle of responsibility	-0.907	2.098	0.147	0.404 ( 0.118 – 1.377)
Constanta	-2.287			
Model II Principle of fairness	1.274	4.626	0.031	3.576 (1.120 – 11.425)
Principle of transparency	1.274	4.626	0.031	3.576 (1.120 – 11.425)
Constanta	-3.812			

p value = 0.005    r<sup>2</sup> = 23.1%

The OR 3.576 (Table 3) showed that the implementation of fairness and transparency principles would improve performance of civil servants by 3.576 times. The  $r^2$  value of 0.231 (23.1%), means that fairness and transparency principle variables were able to explain 23.1% variation of civil servants performance in the Natuna Field Hospital.

### Discussion

The results of this study showed that civil servants' performance in the Natuna Field Hospital, 2012 were in the 'good enough' category. This finding was contrary to the facts in the field, where the performance of 56 civil servants were 'good' category using The List of Work Implementation Assessment (*Daftar Penilaian Pelaksanaan Pekerjaan/DP5*). The *DP5* instruments measure performance based on the following indicators, namely performance, responsibility, obedience, honesty, cooperation, initiative and leadership.

This difference may be caused by performance appraisal of civil servants with *DP5* instrument is still a formality to meet the requirements for the promotion. Performance appraisal process using confidential *DP5* instruments, has fairly good educational value when applied, because of the direct superior civil servants as assessors will merely provide an assessment and does not perform follow-up of the assessment. Fears towards supervisor management for the adverse result will impact on civil servants' career.

This study found that the variables significantly related to the civil servants' performance are fairness and transparency principle variables. This is in line with several studies on the relationship between implementation of GCG principles and civil servants' performance. Study in Banda Aceh,<sup>6</sup> showed there was a significant relation between implementation of GCG principles and performance of the administrative staff.

Study in Pangkep Department of Health,<sup>10</sup> showed GCG principles that influence the civil servants' performance were accountability, professionalism, efficiency and effectiveness, while the transparency variable had no effect. Another study in Luwu Timur District Health Agency,<sup>11</sup> showed that the GCG principles such as transparency, fairness, accountability and participation were related to the civil servants' performance.

Other factors affecting the implementation of good governance among others are the political will of the central government and regional government heads, the ability of the government, the minimum budget, infrastructure and cultural factors, organizational culture, internal controls, leadership styles and organizational commitment.<sup>12-14</sup> These factors can be considered as a proxy for the implementation of the GCG principles in an organization.

The results of the bivariate analysis showed no significant relation between employee assessment towards the application of the principle of accountability ( $p$  value = 0.953) and the principle of responsibility ( $p$  value = 0.104) with the civil servants' performance. This is in line with Nurwahida's,<sup>15</sup> study that found the responsibility, fairness and accountability variables were not related to the performance of Wajo District Health Office employees.

There was no significant relation statistically between implementation of the principle of accountability and civil servants performance due to the possibility of the most respondents are civil servants who have main duties and functions have been arranged in accordance with the responsibilities of their position. For example, collaboration between doctors and nurses as both knew their duties and functions or authority without an assignment letter. Doctors discuss with the nurses about care plans, nursing performance nursing care according to their professional authority on doctors' orders. Doctors to supervise the work of nurses. Meanwhile, nurses report their duties performance to the doctors and doctors give feedback on the work of nurses.

Similar to the implementation of the responsibility principle which was not significant, it was probably because most of them were health workers (87.5%). Health workers are bound by the professional rules and professional ethics, which serve as guide in carrying out everyday tasks, so that the hospital existing regulation whether or not made with involvement of employees will not affect their performance.

Based on the results of this study, GCG principle variables that ominantly related to the performance of civil servants were fairness and transparency principle variables. The analysis result was found through the backward stepwise method until the second step. These results were in line with Ningsih' study,<sup>11</sup> that fairness variable was the most dominant variable affecting the performance of employees. Similarly studied by Marniati,<sup>6</sup> that found transparency variable as the most dominant variable affecting employees' performance.

There are other factors that have significant effect on the employees' performance within the healthcare organization that include organizational development, leadership, career development, and job satisfaction ( $p$  value < 0.05).<sup>16</sup> If there are other variables that are not strongly affect the employees' performance, then the hospital management requires intervention to other factors beyond the present observed variables.<sup>17</sup>

By definition, good administration looks easy to implement but is not always the same in reality.<sup>18</sup> In the government agencies, it is known that the competence of personnel and supervision officers professionally influence the implementation of good governance positive-

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Good governance is an important factor for sustainable development at all levels and sectors.<sup>20</sup> Being a strategic framework for a long-term commitment to the strategic objectives, policy integration mechanisms with in vertical and horizontal coordination, and transparent public participation and consultations process.<sup>21</sup> According to an independent research institute, implementation of GCG in Indonesia is still very low. This is mainly because of no corporate culture as the core of a corporate owned by the organizations.<sup>4</sup>

The GCG rules are often overlooked in Indonesia. Barriers that frequently arise in the GCG implementation are among others because of their conflict of interest with other parties and ineffective law enforcement against violation.<sup>22</sup>

In the medical field, good governance refers to the formulation and implementation of appropriate policies and procedures to ensure pharmaceutical systems effectiveness and efficiency, especially in the transparent treatment regulation and procurement system that are transparent, accountable and in accordance with regulation.<sup>20,23</sup> Similar to corporate governance, that can simply be defined as a system built to direct and control an organization so as to create a good relationship management, fair and transparent among the various interrelated parties.<sup>24</sup>

By having GCG implemented benefits to all stakeholders, such as public in general, customers, suppliers, employees, investors, shareholders and the management. Similar results with others, this study concluded that GCG implementation affect satisfaction towards the excellent services provided to the patients in the government hospitals.<sup>25</sup>

## Conclusion

The performance of civil servants in the Natuna Field Hospital can be categorized as good enough (51.8%). The implementation of GCG principles from the civil servants' side brought about the fairness is still good enough (53.6%), transparency is good enough (53.6%), accountability is also good enough (60.7%), and responsibility is still good enough (53.6%). The dominant variables related to the civil servants' performance in this hospital are transparency and fairness variables, that likely can improve the performance of the civil servants to 3.576 times.

## Recommendation

Management of Natuna Field Hospital should improve the fairness and transparency principles in the management of civil servants' performance through the communication of information as well as transparency in appraising the subordinates' performance. It is recom-

mended that the supervisory management has the courage to assess *DP3* fairly and transparently.

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