

# Good Corporate Governance Enhancing Employee Performance

I Putu Agus Adnyana<sup>1</sup>, Mertayani Sari Dewi<sup>2</sup>

<sup>1,2</sup> Sekolah Tinggi Ilmu Ekonomi Satya Dharma

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## ABSTRACT

The lack of good governance in government institutions is characterized by inefficient organization and bureaucracy, poor quality of services to the public, difficulty eradicating Corruption, Collusion and Nepotism and lack of community participation in development. This study aims to examine the effect of Good Corporate Governance on the performance of employees of the Agriculture and Animal Husbandry Office of Buleleng Regency. Good Corporate Governance is measured in terms of fairness, transparency, accountability and responsibility. This study uses a quantitative approach. The population in this study were all employees of the Agriculture and Animal Husbandry Office of Buleleng Regency, both permanent, outsourced and contract employees who totaled 64 people. The number of samples used was 64 employees because the sampling technique used the saturated sample technique.

Data was collected using a questionnaire, of the 64 questionnaires distributed, 64 questionnaires were returned with a response rate of 100%. To test the hypothesis, a regression analysis was carried out using SPSS version 17.00 for Windows. Before testing the hypothesis, testing the validity, reliability and classic regression assumptions is tested. This study shows that Good Corporate Governance (fairness, transparency, accountability and responsibility) has a positive influence on employee performance.

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\*Corresponding author.

E-mail addresses: [adnyanaagus977@gmail.com](mailto:adnyanaagus977@gmail.com) (I Putu Agus Adnyana), [saridewi44@gmail.com](mailto:saridewi44@gmail.com) (Mertayani Sari Dewi)

## 1. Introduction

Performance is an achievement that is produced or work results achieved from a business. Understanding performance is a picture of achieving the implementation of an activity, program or policy in realizing the goals, objectives, mission and vision of the organization (Bangun, 2012; Nuswandari, 2009). The performance of employees or employees is an important aspect in human resource management. Human resources (HR) for the company is an invaluable asset. The progress of the company depends on the quality of its human resources. Even the competitiveness of companies is largely determined by the presence of reliable HR. Many companies went bankrupt and eventually closed because they did not pay attention to HR aspects (Sedarmayanti, 2007). The key factor for success in HR management is the exemplary problem of leaders towards subordinates. HR management in the company needs to be evaluated, both internally and externally to find out the existing weaknesses, so that improvements can be made continuously (Wibowo, 2012). One way to manage human resource is by implementing Good Corporate Governance.

Good Governance in the public sector is defined as a process of good governance, involving stakeholders, towards various economic, socio-political activities, and utilization a variety of resources such as natural, financial, and human resources for the interests carried out by adhering to the principles of justice, equity, equality, efficiency, transparency, and accountability (Sedarmayanti, 2007). As a concept, Good Corporate Governance can be used to measure the performance of certain organizations with the principles of directing and controlling the organization so as to achieve a balance between power and authority in providing accountability to stakeholders (Nurwahida et al., 2012). In the context of Economic recovery, the Indonesian government and International Monetary introduced and planned the concept of GCG as a healthy corporate governance procedure. In brief, there are four main components applied in this concept, namely fairness, transparency, accountability and responsibility (Sutedi, 2013). Good governance as part of the reformation agenda is basically an ideal condition that is expected to be realized in every aspect of government that interacts in society. The implementation of Good Governance is intended to create transparency of information, accountability of leaders, fair treatment for each employee in carrying out obligations and accepting their rights as employees and involvement of all employees in organizational development for the better (Pertiwi, 2017).

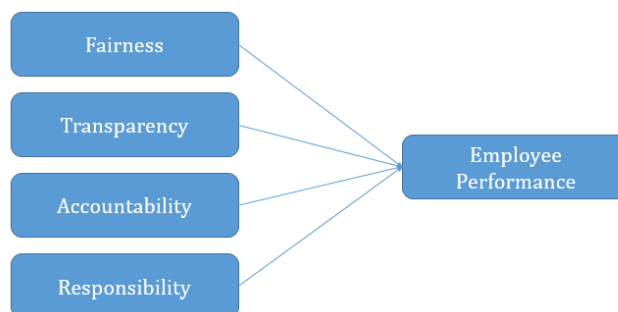
The public service sector is the main target of the Indonesian government to be able to apply the principles of good organizational governance or GCG, because public service is the main actor serving public complaints (Daniri, 2005; Zarkasyi, 2008). Buleleng Regency's Office of Agriculture and Animal Husbandry is engaged in service services in the agriculture and animal husbandry section. The Office of Agriculture and Animal Husbandry of the Regency of Buleleng has quite extensive service coverage such as services on agriculture and community livestock farming. Based on the initial interview with one of the employees of the agriculture and animal husbandry department, it was indeed said to be low in terms of service and coordination of each line between the employees of the livestock and agriculture service, besides that many problems experienced by the community could not be resolved because of the lack of response from each line against public complaints. In this regard, Buleleng Regency's Agriculture and Animal Husbandry Department must improve corporate governance so that it can improve the performance of its employees. If the employee's performance improves, the improvement in service that is the main indicator in returning good servants can also be overcome. As one of the public service companies, the Office of Agriculture and Animal Husbandry of Buleleng Regency is demanded to be more professional in carrying out company management and services to the community, in accordance with the company's vision and mission.

Looking at the case examples of the lack of response to public complaints in agriculture and animal husbandry because coordination between the lines of one with the other is less effective, it is very relevant if a statement is drawn about the effect of implementing GCG is a key element in improving performance efficiency. Research conducted by (Black et al., 2006; Febriyana, 2007; Love & Klapper, 2003; Mitton, 2002) found that corporate governance has a positive relationship with firm performance. Joh (2003) found that poor corporate governance practices lead to poor performance. Darmawati et al., (2004) found that corporate governance affects the company's operating performance. Khomsiyah, (2003) concluded that corporate governance affects the company's operational performance. Febriyana (2007) found that corporate governance has a positive effect on operational performance and market performance of the company. Research conducted by Siallagan & Machfoedz (2006) found that corporate governance mechanisms influence firm value. The corporate governance mechanism which consists of: managerial ownership negatively influences company value; board of commissioners positively influences

company value, and; audit committee positively influences company value. Kusumawati & Riyanto (2005) results show that the level of compliance is positively related to the company's market value. The number of commissioners proved to be positively related to GCG level. The importance of the influence of GCG on companies has been proven by (Hamid & Yunus, 2015) that the principle of GCG has a significant effect on employee performance. Likewise, the application of GCG affects the stakeholders by the application (Martey, 2014) that the principles of GCG affect stakeholders. Because the Buleleng Regency's Agriculture and Animal Husbandry Office is one of the public services in Indonesia that applies the concept of GCG, this study aims to examines the effect of Good Corporate Governance on the performance of employees of the Agriculture and Animal Husbandry Office of Buleleng Regency. Good Corporate Governance is measured in terms of fairness, transparency, accountability and responsibility.

## 2. Methods

The type of this study is explanatory research. This study using a quantitative approach. The independent variable of this study is fairness (X1), transparency (X2), accountability (X3), and responsibility (X4). The dependent variable of this study is employee performance (Y). The research framework of this study can be seen in the Figure 1.



**Figure 1.** Research Framework

The population in this study were all employees of the Agriculture and Animal Husbandry Office of Buleleng Regency, both permanent, outsourced and contract employees who totaled 64 people. The number of samples used was 64 employees because the sampling technique used the saturated sample technique. Data collection techniques through the distribution of questionnaires and taking documentation. Data was collected using a questionnaire, of the 64 questionnaires distributed, 64 questionnaires were returned with a response rate of 100%. To calculate the validity test using the Pearson Moment Correlation Product formula. To calculate the reliability test using the Cronbach Alpha formula  $> 0.60$ . Kolmogorov samples obtained values. equal to 0,900 or greater than 0.05, then  $H_0$  is supported and stated that normal assumptions have been fulfilled, multicollinearity test results show that overall tolerance values  $> 0.1$  then multicollinearity between independent variables does not occur, and heteroskedasticity test is obtained that the display diagram scatterplot spreads and does not form a particular pattern then there is no heteroskedasticity, supported and multiple linear regression analysis.

## 3. Result And Discussion

### Result

#### *Multiple Linear Regression Tests*

**Table 1.** Results of Multiple Linear Regression Tests

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	6,611	4,320	1,530	,131
Fairness (X1)	1.255	,552	2,275	,027

<i>Transparancy (X2)</i>	,468	,230	2,031	,047
<i>Accountability (X3)</i>	1.194	,548	2,179	,033
<i>Responsibility (X4)</i>	1.223	,593	2,063	,044
R		,797		
<i>R Square</i>		,635		
<i>Adjusted R Square</i>		,610		
Sig		,000		

The regression equations obtained based on table 3 are as follows:

$$Y = 6,611 + 1,255X1 + 0,468X2 + 1,194X3 + 1,223X4$$

This constant value of 6.611 shows that if the fairness (X1), transparency (X2), accountability (X3), and responsibility (X4) variables are ignored or assumed to be 0, then employee performance (Y) is 6.611, meaning before or without the fairness variable (X1), transparency (X2), accountability (X3), and responsibility (X4) in the company, the amount of employee performance will be 6,611. The value of the fairness coefficient (X1) of + 1.255 so that it can be interpreted that the increase in the variable fairness (X1) by one unit, it will be followed by an increase in employee performance (Y) + 1,255. The value of the transparent coefficient (X2) is + 0.468 so that it can be interpreted that the increase in the transparent variable (X2) is one-unit, it will be followed by an increase in employee performance (Y) + 0.468. The coefficient of accountability (X3) value is + 1,194 so it can be interpreted that the increase in accountability variable (X3) is one unit, it will be followed by an increase in employee performance (Y) + 1,194. The coefficient of responsibility (X4) of + 1,233 so that it can be interpreted that the increase in responsibility variable (X4) by one unit, it will be followed by an increase in employee performance (Y) + 1,233. Adjusted R Squares of 0.61 or 61%. This shows that the contribution of the variable fairness (X1), transparency (X2), accountability (X3), and responsibility (X4) to Employee Performance (Y) of 61%. So, it can be seen that the variables of fairness (X1), transparency (X2), accountability (X3), and responsibility (X4) used in this linear regression equation are able to contribute to Employee Performance (Y) by 61% while the remaining 39% influenced by other variables outside the four independent or independent variables in this study.

#### **The Effect of Fairness Variables (X1) on Employee Performance (Y)**

The results of testing the regression coefficient of the fairness variable (X1) has a regression coefficient of 1.255. Obtained tcount of 2.275 and obtained a significance value of 0.027. The t-test statistic value is greater than ttable (2.275> 1.671) and the significance value is smaller than  $\alpha = 0.05$ . This test shows that fairness variables has a significant influence on employee performance.

#### **The Effect of Transparent Variables (X2) on Employee Performance (Y)**

The results of testing the transparent variable regression coefficient hypothesis (X2) can be written variable X2 has a regression coefficient value of 0.468. Obtained a t-value of 2,031 and a significant value of 0.047 was obtained. The t-test statistic value is greater than ttable (2.031> 1.671) and the significance value is smaller than  $\alpha = 0.05$ . This test shows that transparent variables has a significant influence on employee performance.

#### **The Effect of Accountability Variable (X3) on Employee Performance (Y)**

The results of testing the hypothesis of the variable regression coefficient of accountability (X3) can be written variable X3 has a regression coefficient value of 1.194. Obtained t value of 2,179 and obtained a significance value of 0.033. The value of the t-test variable is greater than the table (2.179> 1.671) and the significance value is smaller than  $\alpha = 0.05$ . This test shows that accountability variables has a significant influence on employee performance.

#### **The Effect of Responsibility Variable (X4) on Employee Performance (Y)**

The results of testing the hypothesis of the regression coefficient of responsibility variable (X4) can be written that the variable X4 has a regression coefficient value of 1.223. Obtained t value of 2.063 and obtained a significance value of 0.044. The t-test statistic value is greater than the table (2.063> 1.671) and the significance value is smaller than  $\alpha = 0.05$ . This test shows that responsibility variables has a significant influence on employee performance.

## **Discussion**

### **The Effect of Fairness Variables on Employee Performance**

Based on the results of this study concluded that the principle of fairness has a significant positive effect on employee performance, which means that if the principle of fairness is done well, the higher the performance of employees, or vice versa if the principle of fairness cannot be done well the performance of employees is also getting worse. In the fairness variable in the Department of Agriculture and Animal Husbandry of the Regency of Buleleng, such as providing promotion opportunities to all employees without differentiating gender (gender) and the company has clear regulations for work violations, it has been done very well and precisely. This is also reinforced by Ministerial Decree Number 117 / M-MBU / 2002 article 4 which states that the benefits of applying the principle of fairness are so that companies can be trusted, responsible and fair and have strong competitive data, both nationally and internationally.

The results of variable testing stated that fairness had a positive and significant effect on employee performance. Fairness (justice) is the driving force to perform well for the achievement of a conducive work atmosphere. This is because most employees feel they have been treated fairly and will positively impact their performance level. Based on the results of this study concluded that the principle of fairness has a significant positive effect on employee performance, which means that if the principle of fairness is done well, the higher the performance of employees, or vice versa if the principle of fairness cannot be done well, employee performance is also getting worse .

### **The Effect of Transparency Variables on Employee Performance**

Based on the results of this study concluded that the principle of transparency has a significant positive effect on employee performance, which means that if the transparency principle is done well, the higher the employee's performance, or vice versa if the transparency principle cannot be done well, the employee's performance will also be increasingly bad.

Transparent variables such as the Department of Agriculture and Animal Husbandry of the Regency of Buleleng are open about information related to determining salary / wages, using meetings for decision making in each issue, the company also has clear organizational goals and structure, provides information related to the structure of share ownership and always conducts audits in every information disclosed has been carried out properly by the Department of Agriculture and Animal Husbandry of Buleleng Regency. This is reinforced by research (Marniati, 2010) which states that transparency in carrying out the decision making process and disclosing material and relevant information about the company is able to influence employee performance at the company. Based on the results of this study concluded that the transparency principle has a significant positive effect on employee performance, which means that if the transparency principle is done well, the higher the employee's performance, or vice versa if the transparency principle cannot be done well, the employee's performance will also be increasingly bad. This is reinforced by research (Marniati, 2010) which states that the existence of transparency in carrying out the decision making process and disclose material and relevant information about the company is able to influence employee performance at the company.

### **The Effect of Accountability Variables on Employee Performance**

Based on the results of this study concluded that the principle of accountability has a significant positive effect on employee performance, which means that if the principle of fairness is done well, the higher the performance of employees, or vice versa if the principle of accountability cannot be done well, then employee performance is also worse. In the accountability variable, the Department of Agriculture and Animal Husbandry of the Regency of Buleleng, such as the company has a report of the duties of each of its employees and the company carries out a clear division of labor for each employee that has been carried out properly and appropriately. This is in line with the expected benefits in applying the principles of good corporate governance, one of which is the principle of accountability, which is to encourage the management of public services in a professional and efficient manner, as well as empowering functions and increasing organ independence. This is also reinforced through research conducted by (Darmawansyah, 2013) that the existence of accountability principles in the company enables effective supervision of each company's activities and is more controlled so that employee performance is more coordinated and more efficient. If employee performance is facilitated by the coordination created by the principle of accountability, the employee's performance can also be improved.

Based on the results of this study it was concluded that the principle of accountability has a significant positive effect on employee performance, which means that if the fairness principle is carried out well the higher the employee's performance will be, or vice versa if the principle of accountability cannot be done well then employee performance is also increasingly bad. This is also reinforced through research conducted by (Darmawansyah, 2013) that the existence of accountability principles in the

company enables effective supervision of each company's activities and is more controlled so that employee performance is more coordinated and more efficient. If employee performance is facilitated by the coordination created by the principle of accountability, the employee's performance can also be improved.

### **The Effect of Responsibility Variables on Employee Performance**

Based on the results of this study concluded that the principle of responsibility has a significant positive effect on employee performance, which means that if the principle of responsibility is done well, the employee's performance will also be higher, or vice versa if the principle of responsibility cannot be done well, employee performance will also get worse. On the responsibility variable in the Department of Agriculture and Animal Husbandry of the Regency of Buleleng such as companies maintaining a healthy business environment and the company has a code of ethics that is applied to all of its employees has been implemented properly and appropriately. This is in line with research conducted by (Marniati, 2010) through the value obtained between the principle of responsibility and employee performance is  $p = 0.015$ . And strengthened by the purpose of the application of the principles of good corporate governance, one of the principles is responsibility or responsibility based on Ministerial Decree Number 117 / M-MBU / 2002 article 4, namely in carrying out actions based on high moral values and compliance with applicable laws and awareness and awareness there will be SOE social responsibility towards stakeholders.

Based on the results of this study concluded that the principle of responsibility has a significant positive effect on employee performance, which means that if the principle of responsibility is done well, the higher the performance of employees, or vice versa if the principle of responsibility cannot be done well, the employee's performance is also increasingly bad. This is in line with research conducted by (Marniati, 2010) through the value obtained between the principle of responsibility and employee performance is  $p = 0.015$ . And strengthened by the purpose of the application of the principles of good corporate governance, one of the principles is responsibility or responsibility based on Ministerial Decree Number 117 / MMBU / 2002 article 4, namely in carrying out actions based on high moral values and compliance with applicable laws and regulations and awareness of responsibility BUMN social responsibility towards stakeholders.

### **The Effect of Fairness, Transparency, Accountability and Responsibility Variables on Employee Performance**

From the results of this study it was concluded that simultaneously (together) that Good Corporate Governance (GCG) consisting of variables of fairness, transparency, accountability and responsibility had a significant positive effect on employee performance. This means that the better in implementing GCG, the employee performance will also increase. Employee performance or the performance of Human Resources (HR) is the level of achievement or achievement of someone from the goals that must be achieved or tasks that must be carried out within a certain period of time. The work can be improved with the support of the implementation of GCG which consists of the principles of fairness, transparency, accountability and responsibility that have been determined.

## **4. Conclusion**

From the results of this study it was concluded that simultaneously (together) that Good Corporate Governance (GCG) consisting of variables fairness, transparency, accountability and responsibility had a significantly positive effect on employee performance. This means that the better in implementing GCG, the employee performance will also increase. Employee performance or the performance of Human Resources (HR) is the level of achievement or achievement of someone from the goals that must be achieved or tasks that must be carried out within a certain period of time. The work can be improved with the support of the implementation of GCG which consists of the principles of fairness, transparency, accountability and responsibility that have been determined.

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