RESEARCH THESIS

THE EFFECT OF GOOD CORPORATE GOVERNANCE (GCG) TOWARDS CORPORATE PERFORMANCE AND ORGANIZATIONAL CULTURE AS A MODERATING VARIABLE

(Case Study on Haji Regional Public Hospital Makassar)

Complied and submitted by

AINUN NAMIRA PUTRI HARISMA

A31116811

Submitted to

ACCOUNTING DEPARTMENT
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS HASANUDDIN
MAKASSAR
2020

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As one of the requirements to obtain
Bachelor of Economics Degree

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is the result of my own scientific work and to the best of my knowledge in this thesis there is no scientific work that has ever been submitted by another person to obtain an academic degree at a tertiary institution, and no work or opinion has ever been written or published by someone else, except written in this text and mentioned in citation sources and references.

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PREFACE

Praise and deep gratitude to Allah SWT for the abundance of grace, and guidance of Him given to the writer that made this thesis can be completed properly. Greetings and salawat may always be devoted to the Prophet Muhammad SAW. For the grace of Allah, the author finally able to complete the thesis entitled "**THE EFFECT OF GOOD CORPORATE GOVERNANCE (GCG) TOWARDS THE CORPORATE PERFORMANCE AND ORGANIZATIONAL CULTURE AS A MODERATING VARIABLE (Case Study on Rumah Sakit Umum Daerah Haji Makassar)".** This thesis is a requirement for achieving a Bachelor of Economics Department of Accounting at the Faculty of Economics and Business, Universitas Hasanuddin.

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May all assistance and guidance from those who have been given to the researcher be rewarded with the kindness and merits of Allah SWT. Finally, the researcher hope this thesis can provide benefits to readers. However, the researcher is aware that this thesis is far from perfect. If there are mistakes in this thesis, it is entirely the responsibility of the researcher. Therefore, critics and suggestions from readers are highly expected by the researcher.

Makassar, 13th August 2020

Ainun Namira Putri Harisma

ABSTRACT

THE EFFECT OF GOOD CORPORATE GOVERNANCE (GCG) TOWARDS CORPORATE PERFORMANCE AND ORGANIZATIONAL CULTURE AS A MODERATING VARIABLE

(Case Study on Haji Regional Public Hospital Makassar)

Ainun Namira Putri Harisma
Kartini
Darwis Said

This study aims to determine the effect of Good Corporate Governance (GCG) on corporate performance of Haji Regional Public Hospital Makassar with organizational culture as moderating variable. The research methodology used is quantitative research with a questionnaire method. The sampling technique used is saturation sampling, when all members of the population are used as samples with a number of 103 respondents. The analytical method used is descriptive analysis and data analysis using moderating regression analysis. The results of this study indicate that Transparency, Accountability, Fairness, Effectiveness and Effeciency as the principles of good corporate governance are partially have positive and significant effect toward company performance, responsibily is the only one principle that have insignificant effect on company performance, and the organizational culture variable is able to moderate the effect of good corporate governance on corporate performance.

Keyword: Good Corporate Governance, Company Performances, Organizational Culture

ABSTRAK

PENGARUH IMPLEMENTASI PRINSIP-PRINSIP *GOOD CORPORATE GOVERNANCE* (GCG) TERHADAP KINERJA PERUSAHAAN DAN BUDAYA ORGANISASI SEBAGAI VARIABEL MODERASI

(Studi Kasus Pada Rumah Sakit Umum Daerah Haji Makassar)

Ainun Namira Putri Harisma
Kartini
Darwis Said

Penelitian ini bertujuan untuk mengetahui pengaruh *Good Corporate Governance* (GCG) terhadap kinerja perusahaan pada RSUD Haji Makassar dengan budaya organisasi sebagai variabel moderasi. Metodologi penelitian menggunakan penelitian kuantitatif dengan metode kuesioner. Teknik pengambilan sampel menggunakan *saturation sampling* saat semua anggota populasi dijadikan sampel dengan jumlah 103 responden. Metode analisis yang digunakan adalah analisis deskriptif dan analisis data menggunakan *moderating regression analysis*. Hasil penelitian ini menunjukkan bahwa Transparansi, Akuntabilitas, Kewajaran, Efektifitas dan Efesiensi sebagai prinsip *Good Corporate Governance* (GCG) secara parsial berpengaruh positif dan signifikan terhadap kinerja perusahaan, Tanggung Jawab merupakan satu-satunya prinsip yang berpengaruh tidak signifikan terhadap kinerja perusahaan, dan variabel budaya organisasi mampu memoderasi pengaruh *Good Corporate Governance* terhadap kinerja perusahaan.

Kata kunci: Good Corporate Governance, Kinerja Perusahaan, Budaya Organisasi

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CHAPTER I

INTRODUCTION

1.1 Background

In the current era of globalization, companies are required to develop corporate strategies to be able to compete in economic developments that are so tight and competent, so that the companies can further develop. Every company in general has certain goals to be achieved, success in achieving the company's goals is considered as a management achievement.

Company's performance appraisal is an important indicator that can be used as a basis for decision making for both internal and external parties. Performance measurement can also be the basis for valuing company performance and planning for the future goals. The measure used in performance evaluation is something important that needs to be considered because it will affect employee attitudes, such as the perception of fairness, trust in superiors, and job satisfaction according to Lau and Sholihin (2005) in Oktavia (2017). Initially performance measurements that were used as benchmarks only used financial performance measurements. The measurement is seen from the financial statements that describe how the financial performance in a company and is often a major concern for users of financial statement information (Andira, 2012). Along with the development and information needs needed by a company, company performance can also be seen through the balanced scorecard approach designed by Robert S Kaplan and David P Norton. This approach has features in terms of comprehensive measurement, because it also considers performance in non-financial aspects. In the balanced scorecard, non-financial aspects can be measured by customer satisfaction, productivity in internal business processes, and learning and growth processes. With this approach, it is expected that the management is able to pay attention and carry out businesses that are the real triggers for creating long-term financial value in accordance with company goals that reflect company performance.

According to the Forum for Corporate Governance in Indonesia (FCGI), management and control of companies in the modern economy are increasingly separated from ownership which is expected to create efficiency and effectiveness by hiring professional agents in managing companies. But in its application, this separation causes conflict of interest between the agent and the owner. This problem concerns the difficulty in motivating one party, to act in the best interests of the other party rather than in his own interests. This asymmetrical relationship can be avoided by a system owned by Good Corporate Governance where the relationship between agents and principals is regulated so that the company becomes healthier to enhance company performance.

The concept of Good Corporate Governance, or also known as GCG, has been popular and developed in Asia since the 1990s. Then it was known in the UK in 1992 and practiced by developed countries that are members of the OECD (Organization for Economic Co-operation and Development), a group of developed countries in Western Europe and North America in 1999. Basically, GCG is a system and a set of regulations governing relations between various parties such as shareholders, board of commissioners and board of directors in order to achieve the common goals of the company.

The attention to corporate governance was primarily triggered by spectacular accounting scandals at Worldcom, Enron, Tyco, London & Commonwealth, Poly Peck, Maxwell, and others. Failure of strategies and fraudulent practices by company executives (top management) that went undetected for quite a long time due to weak independent oversight by corporate boards caused the collapse of these public companies.

The concept of GCG in Indonesia was initially introduced by the Indonesian government and the International Monetary Fund (IMF) in the context of post-crisis economic recovery in 1999. The government formed National Governance Policy Committee or in Bahasa called Komite Nasional Kebijakan Governance (KNKG) through the Decree of the Coordinating Minister for the Economy Number: KEP/31/M.EKUIN/08/1999. KNKG then issued General Guidelines for Good Corporate Governance in 2000, the latest of which was revised in 2006. In the general guidelines, every company is required to make a statement about the appropriateness of the implementation of Good Corporate Governance with the guidelines issued by the KNKG in its annual report. With this, every company should have well implemented the principles of Good Corporate Governance.

Although the concept of GCG in Indonesia is relatively new, over the last few years, the term Good Corporate Governance (GCG) is now increasingly popular. The company believes that the basic principles of GCG basically have a goal to provide progress towards the performance of a company which is one of the keys to growing and profitable in the long term (sustainable growth). The strategies in the company that are adapted to current conditions can maintain while increasing the survival and performance of the company that has been achieved.

It is unfortunate, the application of the mechanism of Good Corporate Governance in Indonesia is not as easy as understanding the concept. The emergence of several constraints such as misunderstanding, disobedience, role conflict, financial manipulation and lack of transparency of information, are irregularities that can arise in the application process. The Asian Corporate

Governance Association (ACGA) conducted a survey that are updated every two years with a sample of 11 countries in Asia. Based on the results of the latest survey in 2018, Indonesia has the lowest rank with a value of 34% and Australia, as a non-Asian country, got the highest score of 71%, even that number is still far from international standards that need to be obtained with a minimum of 80%.

Table 1.1 Market Category Scores Good Corporates Governance in Asia Pacific

No	%	2012	2014	2016	2018	Change
1	Australia	-	-	78	71	(-7)
2	Hongkong	66	65	65	60	(-5)
3	Singapore	69	64	67	59	(-8)
4	Malaysia	55	58	56	58	(+2)
5	Taiwan	53	56	60	56	(-4)
6	Thailand	58	58	58	55	(-3)
7	Japan	55	60	63	54	(-9)
8	India	51	54	55	54	(-1)
9	Korea	49	49	52	46	(-6)
10	China	45	45	43	41	(-2)
11	Phillippines	41	40	38	37	(-1)
12	Indonesia	37	39	36	34	(-2)

Source: Asian Corporate Governance Association, 2018

In its survey, the Asian Corporate Governance Association (ACGA) found several problems that hindered the implementation of GCG in Indonesia so that it is predicted that the market score will fall again by 2020 because there is no material increase in regulations and law enforcement activities, continued lethargy and disinterest on the part of stock exchange, there is no progress in revising the rules on RPT or other key areas of shareholder rights, and failure to implement blackout rules for insiders.

There are still many companies that apply GCG principles only because of regulatory encouragement and avoid existing sanctions compared to regard these principles as part of the company culture. Constraints that occur also can not be separated from the culture of corruption that is still a culture in Indonesia. The culture of corruption in Indonesia is very contrary to the principles of Good Corporate Governance. The system needs to be supported by other aspects that can help its application in a company. According to Indah (2013), one internal factor that influences the successful application of the principles of Good Government Governance is organizational culture. The organizational culture values that are adhered to and practiced in the corporate environment are directly proportional to the successful implementation of GCG in the company. This success will have an impact on improving the performance of a company. Organizational culture has an impact on employee performance and causes an increase in productivity and increases organizational performance (Shahzad, 2012).

Organizational culture is the foundation for building a company, it is said to be a major contributing factor in determining the success or failure of the company in the coming decade that is expected to maximize the organization's human resources in realizing the company's vision and mission. Weak organizational culture will have an impact on the reasonableness aspects of employee attitudes that are reflected in employee tasks that are not properly completed. This can be seen from the lack of motivation at work, the arising of suspicion, the lack of communication, the erosion of loyalty in its main tasks and employee commitment to the company (Supartha, 2008).

Based on scores from Corruption Perception Index (CPI) released by the organization of Transparency International. Indonesia's CPI score in 2019 increased by 2 points from 2018, which is ranked 40 and ranked 85 out of 180 countries surveyed. The news indicates that there has been progress made by the Government, the Corruption Eradication Commission or in Bahasa called Komisi

Pemberantasan Korupsi (KPK), financial and business institutions and civil society in making efforts to eradicate corruption.

Along with that, the Director of Haji Regional Public Hospital Makassar, through an interview on January 29, 2020, explained that Haji Regional Public Hospital Makassar was examined as a hospital with a title of Corruption Free Area. This is a sign that the joint struggle against the culture of corruption in Haji Regional Public Hospital Makassar shows positive efforts, of course the effort is supported by the organizational culture that has been instilled in this health care institution.

As is the case with companies, hospital organizations are also structured with the aim of achieving the vision and mission. The hospital carries out good corporate governance in order to improve higher quality services. According to the Law of the Republic of Indonesia No. 44 of 2009 concerning about hospitals, Hospitals are health care institutions for the community with their own characteristics that are influenced by the development of health science, technological advancements, and the socio-economic life of the people who must be able to continue to improve quality services and are affordable by the community in order to realize degrees highest health (Pertiwi, 2016).

The company's performance of Haji Regional Public Hospital Makassar can be categorized as a good company performance, it is seen from the financial aspects by the achievement of Break Even Point in the 2019 annual financial report owned by that health care institution. According to the results of the interview on January 29, 2020 with one of the top management, Director of Haji Regional Public Hospital Makassar, Drg. A. Haris Nawawi, MARS., he explained that the achievement was also influenced by good corporate governance.

The implementation of GCG principles in hospitals requires full commitment and consistency from top management. Without high commitment and consistency of attitude, good expectations from the implementation of Good Corporate Governance (GCG) will only end at the level of the concept, and doesn't give value-added to the company. The concept of Good Corporate Governance should make all the stakeholder can feel the fairness, transparency, independency, accountability and responsibility, so that every components of the hospital from down to top can run well, which is then expected to be more able to survive and develop themselves in a long-term.

Companies that have implemented corporate governance should meet the principles of Good Corporate Governance that have provided information that is timely, adequate, clear, accurate and comparable and easily accessible to stakeholders in accordance with their rights. Seeing this reality, improving the quality of GCG in companies must be optimized, because companies that have implemented GCG can create value creation for the public, suppliers, distributors, governments, and investors. Those value-added will have a direct impact on the company's survival. One research that tried to test the effect of the implementation of GCG principles on company performance was a study by Andira (2012). The research was conducted at PT. United Tractors Tbk. Makassar, which is located on Jalan Urip Sumoharjo Km 5 No. 268 Panaikang Makasar. The main results of this research are that partially the implementation of GCG principles has a significant effect on performance.

Another research that examines the effect of implementing GCG principles at PT. Bank Rakyat Indonesia (Persero) Tbk is a research conducted by Ristifani (2009). The object of this research is located at Jalan Jenderal Sudirman Kav 44-46 Central Jakarta. The results of showed that partially and simultaneously, the implementation of the principles of Good Corporate Governance at PT. Bank

Rakyat Indonesia has an effect on performance with a very good percentage of GCG 84.65% while 84% for the company performance.

The implementation of GCG principles and organizational culture that are carried out together will affect the performance of a company. One study that tried to test organizational culture as a moderating variable of the principles of Good Corporate Governance on company performance is research conducted by Puspitha and Sujana (2016). In the study showed that the principles of GCG had a positive effect on company performance and organizational culture strengthened the influence of GCG principles on company performance based on balanced scorecard on BPR in Badung Regency.

Based on the assumptions, considerations and reasons in the background description above, has encouraged the authors to conduct research on the effect of applying the principles of GCG on company performance with additional moderating variable that is organizational culture as a differetiator from previous research. This research emphasizes the result on health service institutions, which may allow differences in the implementation of the principles GCG in the banking and manufacturing sectors. Therefore, the authors are interested in examining this matter and comparing the results obtained from previous studies with the results of this study, with title "**THE EFFECT OF GOOD CORPORATE GOVERNANCE (GCG) TOWARDS CORPORATE PERFORMANCE AND ORGANIZATIONAL CULTURE AS A MODERATING VARIABLE (Case Study on Haji Regional Public Hospital Makassar).**"

1.2 Formulation of Problem

Based on the background of the problem raised above, the problem formulation of this research is as follows:

1. How does the relationship between the implementation of the principles of Good Corporate Governance (GCG) affect the performance of Haji Regional Public Hospital Makassar?
2. How does the organizational culture moderate the implementation of the principles of Good Corporate Governance (GCG) to the performance of Haji Regional Public Hospital Makassar?

1.3 Research Objectives

The objectives of this research include:

1. To determine the effect of the implementation of the principles of Good Corporate Governance (GCG) on the performance of Haji Regional Public Hospital Makassar.
2. To determine the effect of organizational culture as a moderating variable on the implementation of the principles of Good Corporate Governance (GCG) on the performance of Haji Regional Public Hospital Makassar.

1.4 Benefits of Research

This research is expected to provide the following uses:

1. Practical Use

   It is expected that the results of this study can provide information to the management of Haji Regional Public Hospital Makassar so that it is used as material for consideration to pay more attention to the implementation of GCG principles and organizational culture with the aim of improving performance and maintaining company sustainability in the long term.

2. Theoretical Use
    a. It is hoped that the results of this study can contribute to broader knowledge about Good Corporate Governance, organizational culture and company performance so that it can be used as reference material or reference material for other researchers.
    b. As one input for other researchers in the future, especially those related to the influence of Good Corporate Governance and organizational culture on company performance.
    c. Can add to the treasury of insight or knowledge as well as the mindset of researchers in implementing knowledge that has been obtained in college by implementing the actual situation or practice.

1.5 Writing Systematics

To be able to understand it better, this proposed research thesis is compiled in a comprehensive and systematic manner which includes:

CHAPTER I INTRODUCTION

The first chapter introduces the background of the problem, the formulation of the problem, the purpose of the research, the benefits of research as well as the systematic writing.

CHAPTER II LITERATURE REVIEW

The second chapter reviews the literature which contains the theoretical basis on matters that exist in research, empirical research, frameworks, and hypotheses.

CHAPTER III RESEARCH METHOD

The third chapter of the research method which contains the research design, place and time, population and sample, types and sources of data, data collection methods, research variables and research operational definitions, validity tests, and reliability as well as data analysis methods.

CHAPTER IV RESEARCH FINDING AND DISCUSSION

This chapter contains a general description of the research object, respondent's identity, validity and reliability test, multiple linear regression analysis, research instrument test, hypothesis test and discussion

CHAPTER V CONCLUSION AND SUGGESTIONS

This chapter contains the results of drawing conclusions from the discussion of the previous chapter and suggestions given by the author related to the results of the study

CHAPTER II

LITERATURE REVIEW

2.1 Stewardship Theory

This research is based on stewardship theory that was coined in 1991 by Donaldson and Davis. Stewardship theory is an alternative theory of the existence of agency theory that has previously attended to explain the relationship between the owners and managers who appear in a company or organization. Human nature that can be trusted to be the basis for the creation of stewarship theory, where management is expected to be the manager of the company prioritizing the interests of the company or shareholders of their personal interests and has the assumption that if the company's interests are achieved then personal interests can be fulfilled.

Based on the core concept oftheory, stewardship namely trust, managers are expected to behave according to common interests. When the interests of the steward and the owner are not the same, the steward will try to work together rather than oppose it, because the steward feels the common interests and behaves according to the owner's behavior is a rational consideration because the steward looks more at efforts to achieve organizational goals. Steward will protect and maximize the organization's wealth with company performance, so that the utility function will be maximized. This theory considers that trust in management can occur if management acts in accordance with the interests that arise, namely the public interest in general and the interests of shareholders in particular.

Excellent public service can be realized by positioning all elements so that they can become servants and not just to be served. Service is the basis of the theory stewardship that fosters that behavior can be shaped so that it can always be invited to work together in organizations, prioritizing collective or shared interests rather than personal interests and always willing to serve, according to Davis et al., (1997) in Jefri (2018).

This research seeks to determine whether there is still an influence of the implementation of good governance on the performance of a public sector organization, in this case the regional general hospital, which in accordance with the theory of stewardship, the managers of the regional general hospital have been considered and seen working with service motivation and service.

2.2 Goal-Setting Theory

This study also uses the goal-setting theory proposed by Locke (1968) who saaid that there is an inseparable relationship between goal setting and performance of an organizattion. Goal-setting theory is a form of motivational theory that emphasizes the importance of the relationship between the goals set and the resulting performance.

The basic concept of goal-setting theory suggests that if an individual is committed to achieving his goals, then that commitment will affect his actions and affect the consequences of his performance. Achievement of the objectives set can be seen as goals / performance levels to be achieved by individuals. Overall, the intention in relation to the goals set, is a strong motivation in realizing performance. Individuals must have skills, have goals and receive feedback to assess their performance. Achievements on objectives have an influence on employee behavior and performance in the organization. Locke and Latham (2002) in Luneburg (2011) said that the goals have a broad influence on employee behavior and performance in organizational and management practices.

Establishing long-term and short-term organizational goals directly related to the application of the principles of Good Corporate Governance that supported by organizational culture in order to achieve company goals so that they are expected to improve company performance.

2.3 Understanding Good Corporate Governance

In the current global environment, companies face challenges and competition in the global market. Thus, the role of Good Corporate Governance in facing these challenges becomes more important. According to the World Bank in Corporate Governance: A Framework for Implementation, “Good Corporate Governance concerns the relationship between company managers and shareholders, based on the basis that the board of directors is a shareholder agent to ensure that the company is managed in the interests of shareholders. The paradigm is simple: the manager is responsible to the board, and the board is responsible to the shareholders. "

This definition is supported by the Organization for Economic Cooperation and Development (OECD) in Andira (2012), stating that corporate governance is "a system used to direct and control the company's business activities. Corporate governance regulates the distribution of duties, rights and obligations of those who have an interest in the survival of the company, including shareholders, the Board of Directors, managers, and all members of the stakeholders non-shareholders ".

The Forum for Corporate Governance in Indonesia (FCGI) defines Corporate Governance as follows:

> "A set of regulations governing the relationship between shareholders, managers (managers) of the company, creditors, government, employees, as well as other internal and external stakeholders related to rights their rights and obligations or in other words a system that controls the company.

The aim of Corporate Governance is to create added value for all interested parties (stakeholders).

According to Effendi (2009: 2) in Pertiwi (2016), GCG is a set of systems that regulate and control companies to create added value for stakeholders. This is because GCG encourages the formation of clean, transparent and professional management work patterns.

Furthermore, Suprayitno et al (2005) firmly stated that the internalization of the principles of good corporate governance is very necessary, because good corporate governance is able to encourage the management of companies in a professional, transparent, accountable, effective and efficient manner.

According to the Cadbury Committee in Dewi and Widagdo (2012), Good Corporate Governance is a principle that directs and controls a company in order to achieve a balance between the strength and authority of the company in providing accountability to shareholders in particular, and stakeholders in general.

Based on the definitions above it can be concluded that Good Corporate Governance is a set of systems that regulate the division of tasks, rights and obligations in a company so that it can provide added value to all stakeholders. This encourages companies to grow and be profitable in the long run for the achievement of the company's shared goals.

2.3.1 Principles of Good Corporate Governance

The Organization for Economic Cooperation and Development (OECD) issues principles regarding corporate governance and has been developed universally. The universal principle will become a guideline for all countries or companies with harmony in the legal system, values, or applicable rules. The basic principles of GCG in Pertiwi (2016) namely transparency, accountability, responsibility, independence, and fairness established by the National Committee on Governance Policy (KNKG):

1. Transparency;

   Openness in disclosing material information about the company and openness in the decision making process that is relevant to the interests of the organization.

2. Accountability;

   Implementation of organizational management can be accounted for correctly, measured, and in accordance with the interests of the organization, without ignoring the interests of all its stakeholders.

3. Responsibility;

   The implementation of the management of the company complies with applicable laws and regulations and carries out responsibilities to the community and the environment, to maintain the sustainability of the company.

4. Independency;

   Implementation of organizational management in a professional, independent manner without conflict of interest and influence / pressure from any party, which is not in accordance with the laws and regulations, without any domination and intervention from any party.

5. Fairness;

   Equality in fulfilling the rights of all stakeholders arising under agreements and applicable laws and regulations.

The United Nations Development Program (UNDP) as quoted by the State Administration Agency (LAN) proposes the characteristics of good governance in Rahmanurrasjid (2008) as follows:

1. Participation: every citizen has a voice in decision-making, either directly or through the intermediary institution representing the legitimacy of his interest. This participation is built on the basis of freedom of association and speaking and participating constructively.
2. The Rule of law: the legal framework should be fair and carried out indiscriminately, especially human rights law.
3. Transparency: Transparency is built on the basis of freedom of information flow. Processes, institutions and information are directly acceptable to those in need. Information must be understood and can be monitored.
4. Responsiveness: Institutions and processes must try to serve every stakeholder.
5. Consensus Orientation: Good governance mediates differing interests utki obtain the best choices for the wider interest both in terms of policies and procedures.
6. Fairness: All citizens, both men and women have opportunities to improve or maintain their well-being.
7. Effectiveness and efficiency: the processes in the institutions are the best possible result in accordance with what is outlined by using all the sources that are available.
8. Accountability: The decision-makers in government, the private and the public sector and civil society in charge to the public and institutions. This accountability depends on the organization and the

nature of the decisions made, whether the decisions are for the internal or external interests of the organization.

9. Strategic Vision: Leaders and communities have a broad good governance perspective and human development in line with what is needed for this kind of development

2.3.2 Benefits of Good Corporate Governance

Full commitment and consistency from top management is needed in the application of GCG principles at every level of the company. According to Effendi (2009) in Pertiwi (2016), there are four benefits obtained by the Company from managing human resources based on GCG principles, as follows:

1. The working atmosphere becomes conducive and calm because it fosters harmonious relations between fellow employees, as well as between employees and management.
2. The company's performance has improved, because employees are more creative and innovative, so as to provide optimal results for the Company.
3. Avoid the practice of corruption, collusion, and nepotism (KKN) because all policies or decisions are determined transparently, and can be accounted for, and meet the principles of justice.
4. The competitiveness of the Company will increase, because it has reliable and professional employees.

2.3.3 Factors in Implementing The Principles of Good Corporate Governance

Quoted from (www.madani-ri.com) in Ristifani (2009), the requirements for successful implementation of GCG have two factors that play the following roles:

1. External Factors

External factors are a number of factors originating from outside the company that greatly affect the successful implementation of GCG, such as the existence of a good legal system, the existence of GCG implementation support from the public sector / government institutions, there are examples of proper GCG implementation, and the development of a social value system that supports the implementation of GCG in the community.

2. Internal Factors

The purpose of internal factors is the driver of successful implementation of GCG practices that originate within the company. Some of the factors referred to included the existence of a corporate culture that supports the implementation of GCG in the mechanism and work management system in the company, regulations and policies issued by the company referring to the application of GCG values, the management of corporate risk control is also based on the rules GCG standards, there is an effective audit system (inspection) in the company, there is information disclosure for the public to be able to understand every move and management step in the company so that the public can understand and follow every step of the company's development and dynamics from time to time.

2.4 Organizational Culture

Peter F. Druicker published by Pabundu (2006) explains the understanding of organizational culture as follows:

> "Organizational Culture is the body of solutions to external and internal problems that has worked consistently for a group and that is therefore taught to new members as the correct way to perceive, think about and feel in relation to those problems".

Robbins (1998; 248) in Soedjono (2005) defines organizational culture as a system of shared meanings shared by members that distinguishes the organization from other organizations. Furthermore, Robbins in Soedjono (2005) provides the following characteristics of organizational culture:

1. Innovation and risk taking, is the extent to which the organization encourages employees to be innovative and dare to take risks. In addition, how organizations value employee risk-taking actions and generate employee ideas;
2. Attention to detail, is the extent to which the organization expects employees to show accuracy, analysis and attention to details. Implementation in the organization of public passenger terminals includes: recording the number of vehicles and passengers flowing in and out of the terminal, checking the administrative requirements and the vehicle's roadworthiness;
3. Outcome orientation, is the extent to which management focuses on results rather than attention to the techniques and processes used to achieve these results. Implementation in the organization of public

passenger terminals includes: carrying out base TPR sales, collecting fees, analyzing and evaluating the performance of tasks;

4. People orientation, is the extent to which management decisions take into account the effects of results on people in the organization. Applications in public passenger terminal organizations include: encouraging employees who carry out their ideas, giving rewards to employees who have successfully implemented ideas;
5. Team orientation, is the extent to which work activities are organized around teams not only to individuals to support collaboration. Implementations in public passenger terminal organizations include: management support for employees to work together in a team, management support for maintaining relationships with colleagues in other team members;
6. Aggressiveness, is the extent to which people in the organization are aggressive and competitive to run the culture of the organization as well as possible. The applications in public passenger terminal organizations include: healthy competition among employees at work; employees are encouraged to achieve optimal productivity;
7. Stability, is the extent to which organizational activities emphasize the status quo as a contrast to growth. Implementations in public passenger terminal organizations include: management retaining potential employees, evaluations of rewards and performance by management are emphasized on individual efforts, although seniority tends to be a major factor in determining salary or promotion.

Deal and Kennedy published in Pabundu (2006) argued that the characteristics of organizations that have weak organizational culture are organizations in which groups are easily formed which conflict with each other, loyalty to groups exceeds loyalty to organizations, and members of the organization do not hesitate - reluctant to sacrifice the interests of the organization for the benefit of groups or self-interests.

Organizational cultural values that held simultaneously will positively influence the behavior and performance of leaders and members of the organization so that they can be strengthen in facing external and internal organizational challenges. Business philosophy, basic assumptions, company / organization slogans / motto, general objectives of the organization and / or principles that describe business can be translated as cultural values in a company. According to Pertiwi (2016), these values if shared and implemented jointly by leaders and members of the organization can strengthen organizational culture.

2.5 Company Performances

According to Mulyadi (2001) in Dewi and Widagdo (2012) performance is a general term used to indicate part or all of the actions or activities of an organization in a period. According to Helfert, 1996 (quoted by Dwi Ermayanti in 2009 in Oktarina, 2013) Company performance is the result of many individual decisions made continuously by management. Based on this opinion it can be seen that performance is an indicator of the good and bad management decisions in decision making.

Understanding performance according to Kamus Besar Bahasa Indonesia is something that is achieved, the achievements shown, and work ability. Performance can be divided into two, namely individual performance and organizational performance. Individual performance is the work of employees assessed in terms of quality and quantity based on predetermined work standards.

Organizational performance is a combination of individual performance with group performance.

Approaches and indicators of performance measurement according to Bastian (2006: 267) in Pertiwi (2016) performance indicators are quantitative and qualitative measures that describe the level of achievement of a predetermined goal or goal, taking into account indicators input, outputs, outcomes, benefits, and impacts.

The balanced scorecard is a popular method of performance measurement today. Utama and Breliastiti (2013) in their research define the balanced scorecard as a method that has been integrated with various business strategy methods that are expected to significantly improve company performance. Balanced scorecard is a measurement method to measure the company's performance in the future by considering four perspectives to measure company performance, namely: financial perspective, customer perspective, internal business process perspective, and learning-growth perspective. From the four perspectives, it can be seen that the balanced scorecard measures its performance by taking into account the balance between the financial and non-financial aspects, short term and long term and also involves internal and external factors.

Based on non-financial aspects refer to the performance measurement system designed by Robert S Kaplan and David P Norton, known as the balanced scorecard. The balanced scorecard has features in terms of comprehensive measurement, because it also considers performance in non-financial aspects. By using a balanced scorecard, a company can carry out its life in the long run because the balanced scorecard not only measures its performance from the financial side but also from the non-financial side as well.

According to Sinambola (2012: 196) in Pertiwi (2016), there are 4 indicators to measure organizational performance, namely:

1. Productivity

   The concept of productivity measures the level of service efficiency and effectiveness, which is generally understood as the ratio between input and output. Productivity is the level of organizational achievement in achieving goals, which means the extent to which goals have been set can be achieved.

2. Responsiveness

   Responsiveness is the ability of organizations to recognize the needs of the community in compiling agenda and service priorities and developing public service programs in accordance with the needs and aspirations of the community. An indicator of responsiveness is the ability of the organization to carry out its mission and objectives to meet the needs of the community.

3. Responsibility

   Responsibility measures the appropriateness of the implementation of public organization activities carried out in accordance with the principles of administration that are correct in accordance with organizational policies.

4. Accountability

   Measuring how big the service provider is by measuring the values or external norms that exist in the community or that are owned by the stakeholders.

2.6 Benefits of The implementation of GCG on Corporate Performance

GCG implementation is believed to improve company performance. According to Dey Report (1994) in Kusumawati, Dwi Novi and Bambang Riyanto (2005) and quoted again by Dewi and Widagdo (2012) suggesting that corporate governance effectivein the long run can improve company performance and benefit shareholders. Etty (2009) in Dewi and Widagdo (2012) which stated that Good Corporate Governance, namely managerial and institutional ownership has an influence on company performance.

The implementation of GCG can improve company performance, especially financial performance and reduce the risk that may be carried out by the Board of Directors to make decisions that benefit themselves, and generally Corporate Governance can increase investor confidence. While the low implementation of Corporate Governance can reduce the level of investor confidence and can be a factor that prolongs the economic crisis in Indonesia. (Carningsih, 2009) published in Masitoh and Hidayah (2018).

There are several advantages or benefits that companies can reap by implementing Good Corporate Governance in Dewi and Widagdo (2012) that is; 1. Improving company performance through the creation of a good decision making process and improving the company's operational efficiency better; 2. The acquisition of cheaper financing funds (due to trust factors) which will ultimately increase corporate value; 3. Return of investor confidence to mean capital in Indonesia; 4. Shareholders will feel satisfied with the company's performance because at the same time it will increase shareholders value and dividends.

With the various benefits and benefits that can be provided by the implementation of Good Corporate Governance as mentioned above, it is reasonable for all stakeholders, especially business actors in Indonesia, to realize how important this concept is to restore business conditions and at the same time to restore our national economic conditions.

2.7 Previous Research Thesis

Research on the influence of mechanisms Good Corporate Governance on company performance has been carried out many times, including research conducted by Andira (2012) at PT. United Tractors Tbk. Makassar, which is located on Jalan Urip Sumoharjo KM 5 No. 268 Panaikang Makassar. The main results of this research are that partially the implementation of GCG principles has a significant effect on performance.

The research was supported by research conducted by Pertiwi (2016) which examined the effect of Good Corporate Governance (GCG) and Organizational Culture on Organizational Performance. Based on the results of research conducted at the Yogyakarta Panti Rini Hospital, GCG and organizational culture affect organizational performance.

Another research that examines the effect of implementing GCG principles of research at PT. Bank Rakyat Indonesia (Persero) Tbk conducted by Ristifani (2009). This research is located at Jalan Jenderal Sudirman Kav 44-46 Central Jakarta. The results of his research showed that partially and simultaneously, the implementation of the principles of Good Corporate Governance at PT. Bank Rakyat Indonesia has an effect on performance with a very good percentage of GCG 84.65% while 84% of company performance.

The implementation of GCG principles and organizational culture that are carried out together will affect the performance of a company. One study that tried to test organizational culture as a moderating influence of the principles of Good Corporate Governance on company performance was also conducted by Puspitha and Sujana (2016). In the study showed that the principles of GCG had a positive effect on company performance and organizational culture strengthened the influence of GCG principles on company performance based on balanced scorecard on BPR in Badung Regency.

Then Bismantara and Wirakusuma (2019) also examined the Effect of Organizational Culture on the Relationship Between the Implementation of Good Government Governance and Employee Performance on DPMPTSP in Denpasar City. This study provides results that the principles of GGG have a positive effect on employee performance in DPMPTSP in Denpasar City and organizational culture strengthens the influence of the principles of GGG on employee performance on DPMPTSP in Denpasar City.

2.8 Research Framework

Based on the theoretical studies that have been put forward, a research framework can be drawn up and illustrated as follows:

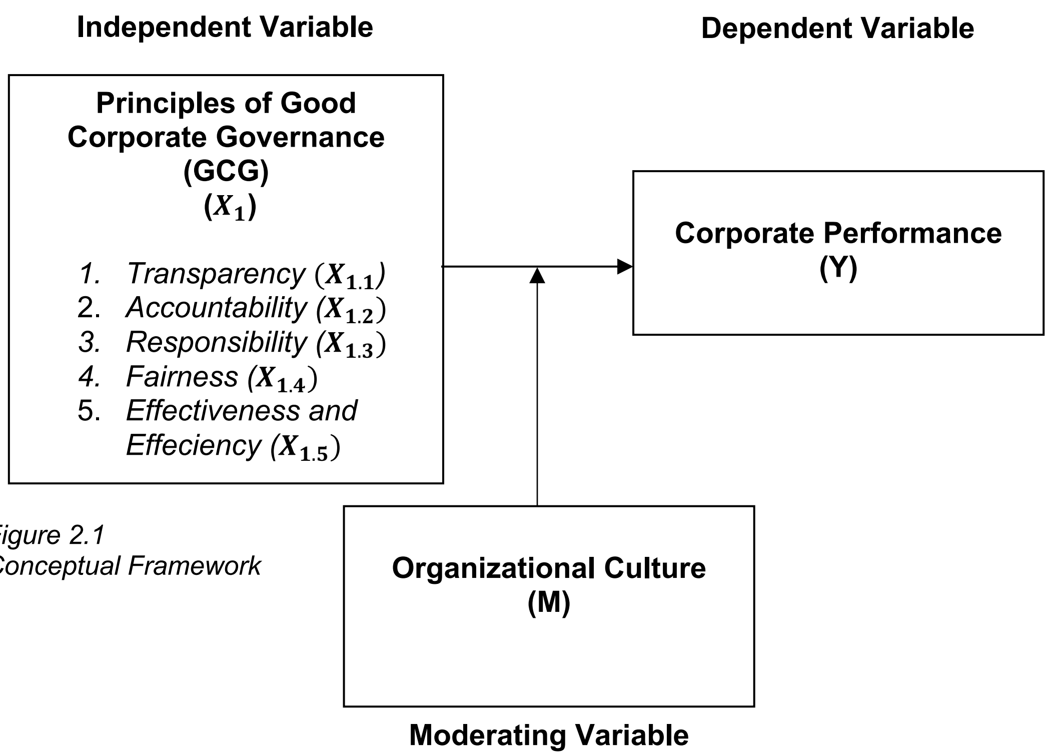

Figure 2.1
Conceptual Framework

2.9 Hyphothesis Formulation

2.9.1 The Effect of Implementataion of Good Corporate Governance's Principles on Corporate Performance

Good Corporate Governance is one of the keys to a company's success to grow and be profitable in the long run which has an impact on company performance. Research sources that analyzed the effect of good corporate governance on company performance were conducted by Widagdo and Chariri (2014) on non-financial companies listed on the Indonesia Stock Exchange (BEI) in 2012. Based on the analysis of data that has been submitted and tested, it was stated that the influence of good corporate governance is positively related to company performance.

Dewi and Widagdo (2012) also examined the effect of Good Corporate Governance on company performance in manufacturing companies listed on the Indonesia Stock Exchange in 2010. The results of the study explained that Corporate Social Responsibility significantly influenced Company Performance through Good Corporate Governance as an intervening variable.

Gozali (2012) in his research entitled The Impact of the Application of Good Corporate Governance on Company Performance also explained that with the principles of good corporate governance, the parties involved in the company have clear responsibilities in accordance with applicable regulations. This can encourage organizational management which is more democratic (because it involves the participation of many interests), is more accountable (because there is a system that will hold responsibility for every action), more transparent, more responsible (because it has the responsibility to comply with applicable laws and regulations), and fairer in fulfilling stakeholder rights. In this case, company performance will improve, so that the principles of good corporate governance are expected to improve the quality of financial statements, which in turn increases the confidence of users of financial statements, including investors.

In this research thesis the implementation of Good Corporate Governance proxied by 5 principles, such as Transparency, Accountability, Responsibility, Fairness and also Effectiveness and Effeciency. Based on the description of the framework above, then formulated the following hypothesis:

H_1: Applying the principles of Good Corporate Governance has a positive effect on corporate performance.

H_{1a}: Applying transparency as one of the principles of Good Corporate Governance has a positive effect on corporate performance.

H_{1b}: Applying accountability as one of the principles of Good Corporate Governance has a positive effect on corporate performance.

H_{1c}: Applying responsibility as one of the principles of Good Corporate Governance has a positive effect on corporate performance.

H_{1d}: Applying fairness as one of the principles of Good Corporate Governance has a positive effect on corporate performance.

H_{1e}: Applying effectiveness and effeciency as one of the principles of Good Corporate Governance has a positive effect on corporate performance.

2.9.2 The Effect of Organizational Culture on Corporate Performance

A good organizational culture can support the creation of a work environment that supports employees work better in order to have a positive impact on overall company performance. In Arifin's research (2014) showed that organizational culture simultaneously had a significant effect on Company Performance variables in PDAM Bone Bolango Regency by 79%.

The results of the study were supported by Ariningsih (2007) who examined the influence of organizational culture on company performance. The results of this study conclude that organizational culture as a value that is believed by members of the organization must be built in accordance with the strategy to be implemented by the company, because a good organizational culture can be used as a competitive advantage for companies that will be more difficult to emulate by competitors compared to competitive advantages that are physical.

The source of research analyzing the influence of Organizational Culture on Public Organizational Performance was also conducted by Kurniawan (2013) in the Kerinci Regency Government SKPD. Based on the analysis of data that has been submitted and tested, it is stated that organizational culture has a significant positive effect on the performance of the Kerinci Regency government. Where the better the organizational culture, the better the performance of public organizations.

Based on the description of the framework above, then formulated the following hypothesis:

H_2: Organizational culture has positive effect on the corporate performance

2.9.3 The Effect of Good Corporate Governance on Corporate Performance and Organizational Culture as Moderating Variable

The concept of good corporate governance has not been implemented optimally in Indonesia, therefore GCG needs to be supported by other aspects that can help its application in a company. Based on research conducted by Putri (2012) on the Role of Good Corporate Governance and Culture on Organizational Performance, it can be concluded that good corporate governance (GCG) and good corporate culture (GCC) will be supporting factors for achieving good company performance. The implementation of GCG in the company will be able to minimize the opportunistic nature of the management so that it has an impact on improving the company's performance. Likewise, the role of organizational culture is very important in anticipating opportunistic behavior of managers in the company so that it needs to develop organizational culture towards good corporate culture (GCC) because it will have a good impact on company performance.

One other research that tried to examine organizational culture as a moderating influence of the principles of Good Corporate Governance on company performance is research conducted by Puspitha and Sujana (2016). In the study showed that the principles of GCG had a positive effect on company performance and organizational culture strengthened the influence of GCG principles on company performance based on balanced scorecard on BPR in Badung Regency.

Other research that examined the principles of GCG and organizational culture on company performance is a study conducted by Bismantara and Wirakusuma (2019) with theanalysis technique Moderated Regression Analysis, the results of the study indicate that the principles of GGG have a positive effect on employee performance in DPMPTSP in the City Denpasar and organizational culture reinforce the influence of GGG principles on employee performance at DPMPTSP in Denpasar City.

In this research thesis the implementation of Good Corporate Governance proxied by 5 principles, such as Transparency, Accountability, Responsibility, Fairness and also Effectiveness and Effeciency. Based on the description of the framework above, then formulated the following hypothesis:

H_3: Organizational culture has a positive effect on the relationship between Good Corporate Governance and corporate performance.