

ORGANIZATIONAL CULTURE AND CORPORATE GOVERNANCE AS A PERFORMANCE DRIVER OF INDONESIA STATE-OWNED ENTERPRISES (SOE)

Mochamad Muslih
Prilia Halliawan

ABSTRACT

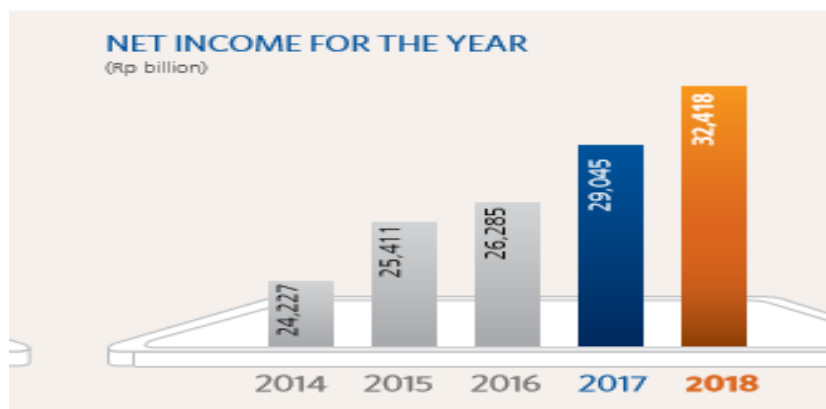
The purpose of this research is to study the influence of corporate culture and corporate governance on the performance of Indonesia state-owned enterprises. The research method used is a quantitative research method. The population in this study were practitioners and academics. The research sample was chosen randomly. The data source is primary data. Data collection was carried out using an on-line questionnaire that was distributed randomly. The questionnaire was filled in by 94 (ninety-four) respondents. The results showed that corporate culture has a positive effect on the performance of Indonesia State-Owned Enterprises, but governance has no effect on the performance of Indonesia State-Owned Enterprises.

Key words: corporate culture, corporate governance, agency theory, firm performance

INTRODUCTION

The performance of State-Owned Enterprises (BUMN) has fluctuated from year to year. Some move up very fast, some move down. PT Bank Rakyat Indonesia (BRI), for example, has shown a very spectacular profit movement from 2014 to 2018 as shown in the figure 1 below.

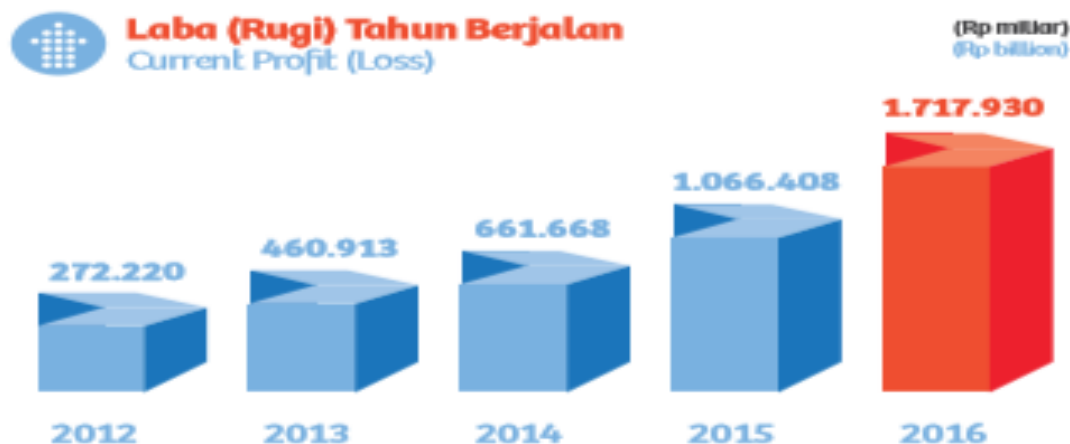
Figure No. 1. PT Bank BRI Annual Net Profit (Rp Billion).



(Source: Annual Report PT Bank BRI 2018).

PT Asuransi Jiwasraya's annual profit also shows a significant movement from year to year, as seen in the figure below.

Figure No. 2. Profit for the Year PT Jiwasraya (Rp Billion)



(Source: PT Jiwasraya Annual Report 2016).

The question arises about what causes the increase in BUMN profits. There are many factors that trigger an increase in company performance. Factors that affect, for example, the condition of human resources, the state of the company's cash, the condition of information technology, corporate culture, the application of risk management, participatory budgeting, and corporate governance. Two variables that will be studied for their influence on company performance are corporate culture and corporate governance. An innovative and constructive culture will encourage the company's human resources to work more enthusiastically and strive to achieve the highest possible performance. Cultural values can be a strong driver to make HR work more active. However, in this 4.0 millennial era, there is a view that humans tend to be controlled by information technology and become less cultured. Governance is a commitment to the rules of the game and business best practices. Good governance can improve firm performance and image. The better the implementation of governance, the better the firm image.

There have been many previous studies regarding the influence of organizational culture and governance on firm performance.

Yesil and Kaya (2013) showed that the dimensions of organizational culture had no effect on the firm's financial performance. Idris, Wahab and Jaapar (2015) concluded from the results of their research that the integration of organizational culture is a very important activity in a merger and acquisition activity. Organizational culture has an effect on firm performance. Altindag and Kosedagi's (2015) research strengthens the results of previous research that organizational culture and emotional intelligence have an effect on company performance. Imam Syafii et al (2015) showed from their research that there are 3 (three) variables that affect employee satisfaction, namely leadership style, corporate culture, and employee satisfaction. Chen, Podolski, and Veeraraghavan (2017) concluded that the national culture of a nation or country plays an important role in influencing corporate innovation. Furthermore, according to Chen, Podolski, and Veeraraghavan (2017), companies located in countries with high individualism have produced more and higher patents and are more efficient in converting research results into innovative outputs. On the other hand, countries that are full of uncertainty and avoidance produce fewer and less good patents, and are less efficient at using research and development costs. Quy (2018) shows from the results of his research that a supportive culture and innovative culture have a significant and positive influence on job satisfaction and firm performance, but bureaucratic culture does not have a significant effect. There is a positive relationship between job satisfaction and firm performance.

Previous studies on corporate governance also still show varied results. Al Haddad et. al (2011) showed a positive relationship between profitability as measured by using EPS and ROA and Corporate Governance; positive relationship between liquidity, dividends per share, and company size and governance; and the positive relationship between governance and company performance. Todorovic (2013) showed that there is a very clear relationship and the effect of implementing CG principles on firm performance. However, for budgeting, the influence of CG is moderating and strengthening the effect of budgeting on firm performance. Ruparelia et. al. (2016) showed from their research that compensation for commissioners and directors improves firm performance, although not all performance proxies. Bambang, Siregar, Nolita Yeni (2018) showed that the variable size of the board of commissioners and the composition of the independent commissioners had an effect on the disclosure of financial risks, while the variables of the number of board meetings, the composition of the independent audit committee, and the number of audit committee meetings had no effect on disclosure of financial risks. Hapsari (2017) showed from her research that none of the GCG variables had a significant effect on stock returns, which in this case became the firm's risk management variable. Muslih (2018) concluded from the results of his research that compensation for commissioners and directors has no significant effect on firm profits and governance does not moderate the effect of compensation for commissioners and compensation for directors on firm profits. Muslih (2019) concluded from the results of his research on State-Owned Enterprises of Indonesia in the field of non-public finance that corporate governance has a significant effect on firm performance. Muslih (2016) also concluded that corporate governance improves the performance of PT Bank BRI. Furthermore, Muslih (2019) concluded based on the results of his research on SOEs listed on the Indonesia Stock Exchange that the number of members of the audit committee affects firm performance. The Audit Committee is part of corporate governance. So, the implementation of corporate governance in Indonesia is indeed important because it encourages firm performance. Thus, there are still inconsistencies in the results of previous studies regarding the influence of organizational culture and corporate governance on firm performance.

Scope and Formulation of Research Problems

The scope of this research is about the influence of corporate culture and corporate governance on the performance of State-Owned Enterprises. Based on the discussion of the research background above, the research questions are as follows:

1. Does the company culture affect the performance of State-Owned Enterprises?
2. Does corporate governance affect the performance of State-Owned Enterprises?

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

The theory tested in this study is agency theory. Agency theory regulates the relationship between owners and managers. The relationship between owner and manager must be structured so that the manager will decide and act in the interests of the owner or shareholders. Jensen and Meckling (1976) stated in their research that shareholders can ensure that managers as agents make optimal decisions only if appropriate incentives are given to managers and proper monitoring of managers is carried out. Scott (2015, p. 358) defines agency theory as a branch of game theory which studies contract design to motivate rational agents to act on behalf of the principal. In this research, it will be studied how the influence of organizational culture and governance in mitigating owner-management relations so as to encourage firm performance.

Firm Performance

Firm performance is the goal of all business entities. Company performance is the result of management activities. Parameters that are often used to assess the performance of a company are carried out using an approach in which financial information is taken from financial reports or other financial reports. There are several definitions of performance. Abu-Jarad, Yusof, and Nikbin (2010) said that the term performance is sometimes confused with productivity. According to Ricardo (2001) in Abu-Jarad, Yusof, and Nikbin (2010) productivity is a ratio that describes the volume of work completed in a certain amount of time. Performance is a broader indicator that can include productivity as well as quality, consistency and other factors. In results-oriented evaluations, the productivity of actions is usually considered.

Organizational Culture

Santoso, Fiernaningsih, and Murtiyanto (2018) said that organizational culture is the habits, norms, rules that are understood and agreed upon by all members of the organization. Organizational culture is more about the right thing that must be obeyed and implemented and bad things that are prohibited and will be sanctioned if someone violates. The main indicators of corporate culture are individual initiative, responsibility, integrity, management support, control, reward systems, tolerance, and communication patterns. Ahmed & Shafiq (2014) say that the only very important thing that leaders do is create and manage culture. Valentina and Ileana (2017) say that organizational culture provides a framework in which managers can apply motivational tools that influence the way employees behave; companies with a strong organizational culture are much more able to improve their performance by involving members of the organization in a very intense way. Organizational culture is a significant predictor of organizational performance as a satisfied employee.

Firm culture is one of the drivers of firm performance. There have been many previous studies regarding the influence of organizational culture on firm performance. Idris, Wahab and Jaapar (2015) conducted research on the effect of the integration of corporate culture in corporate mergers and acquisitions on organizational performance. In their research, Wahab and Jaapar stated that the integration of organizational culture is a very important activity in mergers and acquisitions. Organizational culture has an effect on company performance. But often in a merger and acquisition activity, a good cultural integration is not formed between 2 (two) or more companies because it is not managed properly. Altindag and Kosedagi (2015) showed that there is a significant relationship between emotional intelligence, innovative institutional culture, and employee performance. Thus, it can be said that companies need to create an innovative institutional culture and have managers who have a high level of emotional intelligence to improve employee performance at work. The results of this study clearly reinforce the results of previous studies that organizational culture and emotional intelligence have an effect on firm performance. Imam Syafii et al (2015) concluded that there are 3 (three) variables that affect employee satisfaction, namely leadership style, corporate culture, and employee satisfaction.

Corporate Governance

Corporate governance regulates the relationship between company owners and company managers. The importance of corporate governance is to overcome agency problems. Company owners and company management have different interests. The company owner wants his company to get the highest possible profit. Meanwhile, managers want the compensation they receive as high as possible. Corporate governance regulates the relationship between the two so that goal congruence is achieved. Each author or certain institution provides a different understanding of GCG. The Office of the Superintendent of Financial Institutions Canada in its Guideline for Corporate Governance (2013) defines CG as a series of relationships between company management, the board of directors, shareholders, and other stakeholders. Corporate governance also provides the structure by which to establish company goals, and the means for achieving these goals as well as monitoring performance are determined. Good corporate governance must provide the right incentives for boards and management to pursue goals that are in the interest of the company and its shareholders and must facilitate effective monitoring. The above definition emphasizes that corporate governance is a set of parameters that govern the relationship between company management, the board, shareholders, and other stakeholders. Firm goals are defined, ways to achieve them and monitoring are defined. Lukviarman (2016) concluded that CG problems will always arise if there is a conflict of interest in a company. Meanwhile, conflicts of interest are caused by an imbalance in power between the various parties involved. Wulandari (2018) states that the implementation of Good Corporate Governance can be driven from two sides, namely ethics and regulations.

The National Committee for Governance Policy (2006) mentions 5 GCG principles namely transparency, accountability, responsibility, independence, fairness, and equality.

HYPOTHESIS DEVELOPMENT

The Influence of Company Culture on BUMN Performance

As explained above, organizational culture is the shared norms, beliefs, or perceptions shared by all company people. The manifestation or impact of the existence of shared norms or perceptions is that there is a unity of direction, support and goals in the interests of the company. The communication process and management support on the interests of the owner will also be influenced by the culture within the company.

There is previous research on the influence of corporate culture on the performance of BUMN. The results of the research by Yusuff, Busu, and Zulkifli (2008) show that the dimensions of internal work culture affect organizational performance. Shahzad et. al (2012) concluded based on the results of his research that corporate culture can improve the performance of the achievement of all organizational goals. Shahzad et. al (2012) also proposed to use the Balance Scorecard as a tool for measuring performance in a performance measurement system. Chen, Podolski, and Veeraraghavan (2017) concluded from their research that the national culture of a nation or country plays an important role in influencing firm innovation. Furthermore, according to Chen, Podolski, and Veeraraghavan (2017), companies located in countries with high individualism have produced more and higher patents and are more efficient in converting research results into innovative outputs. On the other hand, countries that are full of uncertainty and avoidance produce fewer and less good patents, and are less efficient at using research and development costs. Pathiranage (2019) concluded based on the results of a broad literature analysis that organizational culture has a deep influence on the diversity

of organizational processes, employees, and their performance. Bismantara and Wirakusuma (2019) concluded from their results that Good Government Governance (GGG) have a positive effect on employee performance. Rizal (2018) conducted research on how the influence of organizational culture through 8 (eight) pillars of Total Productive Maintenance (TPM) in improving the practice and application of Total Productive Maintenance (TPM) in manufacturing companies. The results showed that organizational culture affects all pillars of Total Productive Maintenance (TPM). Haqq (2016) showed that organizational culture has a significant effect on employee performance, organizational culture has a positive and significant effect on work motivation, work motivation has a significant effect on employee performance, and work motivation does not mediate the influence of organizational culture on employee performance. Wardani and Mayowan (2016) conducted a study to explain the influence of the variable of the principle of familiarity and the principle of integrity as a variable of organizational culture on employee performance simultaneously and partially. The results of the study partially show that the principle of familiarity has a significant effect on employee performance with a sig t value of 3,235, the integrity principle has a significant effect on employee performance with a sig.t value of 4.989, and the principle of integrity has a dominant effect on employee performance. Wahjudi et. al (2013) asserted based on the results of his research that organizational culture has a significant effect on firm performance. Joseph and Kibera (2019) concluded that organizational culture is the main source of sustainable competitive advantage in the microfinance industry.

Based on the discussion above, the hypothesis is as follows:

H1: Organizational Culture has a positive effect on the performance of State-Owned Enterprises.

The Effect of Corporate Governance on Firm Performance

The office of the Superintendent of Financial Institutions Canada in its Guideline for Corporate Governance (2013) defines corporate governance as a series of relationships between firm management, the board of directors, shareholders, and other stakeholders. This means that governance encourages a harmonious relationship among the company's stakeholders. Corporate governance also provides the structure by which to establish company goals, and the means for achieving these goals as well as monitoring performance are determined. This means that corporate governance renders reasonable assurance in the achievement of the company's goals. Thus, corporate governance encourages increased firm performance.

Previous studies have shown the benefits of CG to improve firm performance. Al Haddad et. al (2011) conducted research on the relationship between corporate governance and the performance indicators of industrial companies in Jordan which are listed on the Amman Stock Exchange (ASE). The sample is 44 (forty-four) companies chosen randomly. The results showed that there was a positive relationship between profitability as measured by using EPS and ROA and Corporate Governance; positive relationship between liquidity, dividends per share, and company size with CG; and a positive relationship between CG and company performance. Todorovic (2013) concluded that there is a very clear relationship and the effect of implementing CG principles on firm performance. Suharto, AKM. Bambang, Siregar, Nolitia Yeni (2018) conducted a study to examine the effect of good corporate governance on financial risk disclosure. The results revealed that the variable size of the board of commissioners and composition of the independent commissioners had an effect on financial risk disclosure. Ekadjaja and Ekadjaja (2020) conducted a study to assess banking performance, by considering the process of corporate governance (GCG) and bank financial risks. The results of the study found that banking corporate governance and financial risk have implications for banking performance. Muslih (2019) concluded from the results of his research on BUMN (State-Owned Enterprises) in the field of non-public finance that corporate governance has a significant effect on company performance. Muslih (2016) also concluded that corporate governance improves the performance of PT Bank BRI. Furthermore, Muslih (2019) concluded based on the results of his research on SOEs listed on the Indonesia Stock Exchange that the number of members of the audit committee affects firm performance. Prastantio and Endang N. (2015) showed that the implementation of corporate governance at PT Pelabuhan Indonesia II was good enough to help improve firm performance. Faisal, Novi, and Diah (2019) concluded from the results of their research that the extent of governance disclosure has an effect on bank performance, both accounting performance and market performance.

Based on the above discussion, the hypothesis is as follows:

H2: Corporate governance has a positive effect on the performance of State-Owned Enterprises.

RESEARCH METHODS

Research Design

This research used quantitative research method. Data processing was done using the Eviews 9 program. The quantitative research model is formulated as follows:

$Y = a + b_1X_1 + b_2X_2 + \mu$, where: y = firm performance, x_1 = corporate culture; x_2 = corporate governance.

Population, Sample, and Data Collection Method

The population is State Owned Enterprises. The unit of analysis is the individual. Sample selection is done randomly to company practitioners and academics. The data to be collected and used are primary data. Data will be collected from respondents by purposive sampling, using an online questionnaire produced by google forms.

Measurement of Variables

The variables of this study and their measurements are as follows. The proxy of firm performance is the company's sales level. Sales are the sales value in one period. The level of sales is according to the perceptions of company officials and employees. The measurements are made using a Likert scale of 1 to 4, in the order of the scale consists of strongly disagree, disagree, agree, strongly agree. The measurement of organizational culture uses a Likert scale of 1 to 4, in the order of the scale consists of not innovative, less innovative, innovative, and very innovative. Measurement of corporate governance is carried out using a Likert scale of 1 to 4, in the order of not good enough, good, very good.

Validity and Reliability Test

The questionnaire used was tested for validity and reliability. The reliability test was done by calculating the Cronbach Alpha from the questionnaire. Validity test was done by calculating the Pearson correlation. The Cronbach alpha was 0,9 (>0,7). It means that the questioner is reliable. Pearson correlation was significant. It means that the questionnaire is valid.

Data Analysis

The data analysis carried out consisted of normality test, multicollinearity test, heteroscedasticity test, regression test, F test, and t test. All of the tests were done using eviews 9 software.

RESEARCH RESULTS AND DISCUSSION

Research Results

The population of this research is State Owned Enterprises. Samples are academics, management, and auditors of State-Owned Enterprises.

Samples were selected randomly by using an on-line questionnaire on Google Drive. A total of 94 (ninety-four) respondents filled out a questionnaire consisting of academics, BUMN management, and BUMN auditors.

Reliability statistics showed that Cronbach Alpha is 0.92 (> 0.7). This means that the questions in the questionnaire list used are reliable as a whole. The results of the validity test show that the Pearson Correlation is significant, meaning that each question in the questionnaire is relevant and related to the main objective of the research. Means the questionnaire is valid.

Descriptive Statistics

The results of the descriptive statistics test are as presented on table 1 below.

Table 1. Descriptive Statistics

	KIN	C	CG	CC
Mean	3.063830	1.000000	21.88298	25.40426
Median	3.000000	1.000000	21.00000	24.00000
Maximum	4.000000	1.000000	28.00000	32.00000
Minimum	1.000000	1.000000	14.00000	19.00000
Std. Dev.	0.618853	0.000000	2.581391	3.240600
Skewness	-0.585872	NA	0.167616	0.371458
Kurtosis	4.624320	NA	3.553701	2.601840
Jarque-Bera	15.71130	NA	1.640950	2.782623
Probability	0.000388	NA	0.440223	0.248749
Sum	288.0000	94.00000	2057.000	2388.000
Sum Sq. Dev.	35.61702	0.000000	619.7128	976.6383
Observations	94	94	94	94

Source: Data Processed

In Table 1 above, you can see the results of the descriptive statistical test. The number of observations was 94 respondents. Skewness is between 3 and -3. Means the slope of the normal data distribution. Kurtosis for cc (corporate culture) is below 3, while for the KIN (performance) variable above 3. The distribution of organizational culture data is normal, while the distribution of performance data is slightly above 3. In order to make the research data closer to normal, outlier test was done. After the outlier test was done, 67 (sixty seven) respondents were left and ready to be regressed.

Classic Assumption Test Results

The research data has passed the classic assumption test.

Regression Test

Hypothesis Test Results

The regression test results after outlier test are presented on table 2 below.

Table 2. Regression Test Results

Dependent Variable: KIN
Method: Least Squares
Date: 01/13/21 Time: 04:42
Sample: 1 67
Included observations: 67

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.830014	0.607878	1.365429	0.1769
CC	0.063247	0.026520	2.384894	0.0201
CG	0.030232	0.027129	1.114379	0.2693
R-squared	0.170240	Mean dependent var		3.014925
Adjusted R-squared	0.144310	S.D. dependent var		0.368968
S.E. of regression	0.341309	Akaike info criterion		0.731683
Sum squared resid	7.455456	Schwarz criterion		0.830400
Log likelihood	-21.51137	Hannan-Quinn criter.		0.770746
F-statistic	6.565368	Durbin-Watson stat		2.394522
Prob(F-statistic)	0.002550			

(Source: Data Processed)

Goodness of Fit

In table 2 above it can be seen that the adjusted R-squared is 14%. This means that 14% of changes in BUMN performance variables can be explained by changes in corporate culture and corporate governance variables. In accounting research, a research model with an adjusted R squared of that size is considered fit.

F Test Results

In table 2 above, it can be seen that Prob (F-statistic) is 0.0025 (<0.05). Significant. This means that all independent variables have a significant effect on the dependent variable.

Test Results t

In table 2 above it can be seen that the probability of the governance variable is 0.08 (> 0.05). Not significant. This means that the governance variable does not have a significant effect on BUMN performance. The probability of the corporate culture variable is 0.01 (<0.05). Significant. This means that BUMN cultural variables have a significant effect on BUMN performance.

DISCUSSION

Below will be discussed the results of the above research.

Corporate culture has a positive effect on firm performance

The results showed that SOE culture had an effect on BUMN performance. This means that the SOE culture that has been built for a long time in SOE has been able to provide positive motivation for improving SOE performance. According to Santoso, Fiernaningsih, and Murtiyanto (2018) organizational culture is the habits, norms, rules that are understood and agreed upon by all members of the organization. This means that the customs, norms and rules of SOE have been understood together and become joint property and habits of SOE. These common norms have become collective property and are implemented together consequently.

The Ministry of SOE has built, developed and disseminated the BUMN culture to all BUMN through circulars and regulations from the Ministry of BUMN and through the BUMN website. The core value of "BUMN for the Country", for example, has long been socialized and internalized to all SOEs. The meaning of this core value is that BUMN will always improve BUMN performance for the sake of the Indonesian state. Each BUMN then makes guidelines for its own corporate culture that supports this. PT Bank BRI, for example, has made core values and work culture guidelines as below.

Figure No. 3. Core Values of PT Bank Rakyat Indonesia.



(Source: Annual Report 2016 PT Bank BRI)

PT Bank Rakyat Indonesia's core values consist of integrity, professionalism, leadership, customer satisfaction, and respect for individuals.

PT Bank BRI's culture consists of 10 codes of ethics, 20 ethical indicators, and 20 corporate cultures. The 10 company cultures consist of honesty, trustworthiness, and compliance with regulations; always maintain honor and reputation, personally and for the company as a whole; reliable, intelligent, disciplined and responsible; oriented to the future, not a selfish role model; be steadfast in the face of any deviation; providing the best service while still paying attention to the interests of the company; expert, friendly, and helpful; treating colleagues openly, fairly and with respect; and developing a cooperative attitude in creating synergies for the benefit of the company. With its culture, PT Bank BRI has proven to show operational performance and financial performance that continues to increase from year to year. At that time, BRI had become a leading national bank that played a major role in the development of the national economy (Muslih, 2016). BRI changed its name to Farmers and Fishermen Cooperative Bank in 1960. However, based on Banking Law Number 7 of 1992 the name was changed back to PT Bank Rakyat Indonesia, with a business focus on MSMEs (Micro, Small and Medium Enterprises). On November 10, 2003, PT BRI has become a public company, listed on the Jakarta Stock Exchange (BEJ) under the code BBRI.

PT Waskita Karya as one of Indonesia state-owned enterprises also has its own culture. According to PT Waskita Karya (Annual Report 2016) corporate culture is a work culture that is understood and practiced by all employees of PT Waskita Karya (Persero) Tbk in carrying out their duties and profession. The cultural value according to PT Waskita Karya (Annual Report 2016) is something that is shared, embraced and trusted by all company employees, which is reflected in the norms of behavior and daily interactions. PT Waskita Karya's culture is reflected in the values adopted by pt waskita karya, namely iptex which consists of integrity, professionalism, team work, excellence, integrity, professionalism, team work, and excellence.

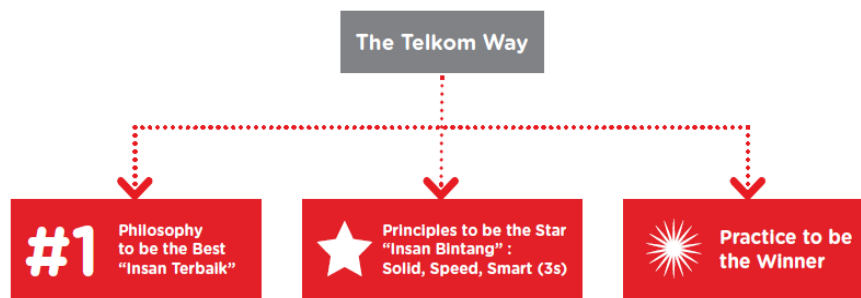
PT Telkom is also one of Indonesia state-owned enterprises. It has a corporate culture called "Telkom Way" according to annual report 2016 PT Telkom. The Telkom Way has become PT Telkom's culture or value since June 10, 2013. The determination of the corporate culture above refers to the management concept of the Telkom Group, which is based on the 8S Elements, namely Spirituality, Style, Shared Values, Strategy, Staff, Skill, System, and Structure. The corporate culture is formulated in detail as follows: main behavior (imagine, focus, action) practice to be the winner of the core values (solid, speed, smart) power play to become a star basic aid: always the best (integrity, enthusiasm, totally) power play.

Starting early July 2020 according to Lestari (2020) the Ministry of BUMN has changed the slogan of BUMN, from "BUMN for the State" to "BUMN for Indonesia". BUMN Minister Erick Thohir has launched the AKHLAK culture as the core value of BUMN since the beginning of July 2020. This designation coincided with the change in the logo and slogan of the Ministry of BUMN. AKHLAK stands for Amanah, Competent, Harmonious, Loyal, Adaptive, and Collaborative.

According to the Annual Report of PT Telkom (2016), PT Telkom has also translated the slogan of SOE for the Nation into PT Telkom's corporate culture called "The Telkom Way". The determination of the corporate culture above refers to the management concept of the Telkom Group, which is based on the 8S Elements, namely Spirituality, Style, Shared Values, Strategy, Staff, Skill, System, and Structure. The corporate culture is formulated in detail as follows: Main Behavior (imagine, focus, action) Practice to be a Winner Core Values (solid, speed, smart) power play to become a star of basic assistance: always the best (integrity, enthusiasm, totally) power play. The Telkom Way is presented in the image below.

Philosophy to be the best: always the best. Always the best is a basic belief to always give the best in every job. The core of The Telkom Way is presented in the following figure.

Figure No. 4. The Telkom Way.



(Source: Annual Report 2016 PT Telkom)

The results of this study are in line with the research results of Yusuff, Busu, and Zulkifli (2008), Shahzad et. al (2012), Chen, Podolski, and Veeraraghavan (2017), Pathiranage (2019), Bismantara and Wirakusuma (2019), Rizal (2018), Wardani and Mayowan (2016), Wahjudi et. al (2013), and Joseph and Kibera (2019).

Corporate Governance has no effect on firm performance.

The results showed that corporate governance had no significant effect on the performance of BUMN. Governance is a commitment, rules of the game, and the practice of conducting business in a healthy and ethical manner. Commitment will encourage the mindset and activities of all company people to achieve company goals. The rules of the game standardize all existing governance processes in the company so that uniformity and uniformity are achieved in carrying out activities. Practical practices carried out by all company personnel will refer to the established commitments and standardized procedures in the form of SOPs, manuals, charters and guidelines. With such a framework, corporate governance should be able to boost BUMN performance. However, it turns out that the implementation of governance does not have a significant effect on BUMN performance. The influence of governance is positive, meaning that it encourages BUMN performance, but the driving force is not significant.

Actually the Ministry of SOE has stipulated in article 2 paragraph (1) the Regulation of the State Minister for State-Owned Enterprises Number: PER - 01 / MBU / 2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises. So that SOEs make governance as their operational basis and SOEs are obliged to implement GCG consistently and sustainably based on this Ministerial Regulation while still paying attention to the provisions and norms that apply as well as the articles of association of SOE. Furthermore, in paragraph (2) it is stated that in the context of implementing GCG as referred to in paragraph (1), the Board of Directors compiles a manual GCG which includes a board manual, manual risk management, an internal control system, an internal control system, a reporting mechanism for suspected irregularities at the SOE concerned, information technology governance, and code of conduct. However, it turns out that the provisions in the SOE Ministry regulation have not worked as expected. In general, SOE have developed their respective governance using aspects of governance and parameters that have been set by the Ministry of BUMN in the Decree of the Secretary of the Ministry of State-Owned Enterprises Number: SK - 16 /S.MBU/2012 regarding indicators / parameters and evaluation of the implementation of good corporate governance in State Owned Enterprises. There are 160 parameters in the Decree of the Secretary of the Ministry of State-Owned Enterprises.

The results of this study are in line with the results of research by Todorovic (2013), Hapsari (2017), Muslih (2018), Ruparelia et. al. (2016), and Muslih (2016).

CONCLUSIONS AND SUGGESTIONS

CONCLUSION

The performance of Indonesia State-Owned Enterprises has experienced an increasing trend from year to year. In order to continue to encourage the performance of Indonesian State-Owned Enterprises, the Ministry of State-Owned Enterprises, among others, has encouraged State-Owned Enterprises to continue to improve organizational culture and corporate governance through various circulars and regulations.

The purpose of this research is to study the influence of corporate culture and corporate governance on the performance of SOE.

This study used a quantitative method. Research data processing using eviews 9 software, but the reliability test and validity test using SPSS. The population is practitioners and academics. The data used are primary data. Sample selection is done randomly. The data were collected using an on line questionnaire distributed randomly.

A total of 94 respondents filled out the questionnaire. The results showed that corporate culture had positive effect on SOE performance. However, corporate governance has no effect on SOE performance.

SUGGESTION

Based on the results of the research above, it is suggested as follows:

1. The Ministry of Indonesia State-Owned Enterprises should provide more intensive guidance to SOE for corporate governance.
2. The Ministry of SOE itself should carry out an assessment process on the implementation of corporate governance.
3. An assessment of the SOE culture should be carried out.
4. The Ministry of Indonesia SOE prepare cultural assessment parameters.

5. Making sanctions clauses on governance regulations enacted by The Indonesia Ministry of SOE.
6. The Indonesia SOE and The Ministry of Indonesia SOE should create slogans about SOE culture to increase the quality of employee culture.

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Mochamad Muslih
STIE Tri Bhakti
Email: Mochamadmuslih@stietribhakti.ac.id

Prilia Halliawan
STIE Tri Bhakti
Email: hpriva@yahoo.com