

Does the Good Corporate Governance Culture Good for Workers?

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Abstract: *Maintaining employees in the courier industry is not an easy thing, especially when the business has been disrupted by advanced technologies and substituted by other similar companies, as experienced by Indonesia state owned enterprise, PT Pos Indonesia (Persero). This study aims to analyze the effect of Good Corporate Government (GCG) that has been implemented as an organizational culture on job satisfaction and employee performance at PT Pos Indonesia (Persero). The analytical method used in this study is the multiple linear regressions. The study population was 200 employees of PT Pos Indonesia. Data analysis is quantitative, the research design is descriptive verification analysis method using multiple linear regression, using Nonprobability Sampling with Random Sampling technique, and using Smart PLS 3 measurement tools. The results of this study indicate a positive influence between organizational culture and job satisfaction.*

Keywords: *Job satisfaction, employee performance, organizational culture, good corporate government, courier industry.*

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I. Introduction

The government as a SOEs owner is very interested in knowing the conditions for implementing Good Corporate Governance in this company. Before implementing GCG, a company should first apply the values of corporate culture. This was revealed by Jaap (2011), GCG implementation will be effective if the company internally has a value system that encourages each individual to receive, support and implement GCG. A clean, transparent and professional moral movement (BTP morale) is one of the steps applied by the GCG Company and one of them is PT Pos Indonesia (Persero). One of the objectives of the BTP moral movement is to establish a corporate culture that supports the improvement of overall company performance. According to Bruno and Claessens (2004) that good corporate governance will have a positive effect on company performance. Claessens (2006) argues that the application of GCG will reduce the cost of capital, increase ROE, efficiency, and equal treatment of all stakeholders, although the direction of the relationship is not obvious.

The choice of the courier service industry in this study is that today the courier industry in Indonesia with a population of more than 267 million people with more than 17,000 islands is a very competitive industry, due to the many e-commerce market demands in the context of B2C, B2B and C2C that utilize delivery services specifically through postal services. Based on various research conducted by previous researchers, the high competition in the industry will be trigger employee satisfaction and then can reduce employee performance. Professional means that each individual has the determination to work earnestly to provide the best work results (Effendi, A.M, 2016). Intellectual capital in a company can improve the company's financial performance. Increasing profitability can be done through investment in human resources (Kurniasih and Heliantono, 2016). Brown and Caylor (2006) created a Gov-Score that maps governance measures by province representing internal and external governance, and the results are only one of seven provinces that support the relationship between Gov-Score and Firm value.

Table 1. Periods and Discourses of corporate governance

Period of event	1973 - 1976	1991 - 1992	2001 - 2003	2007 - 2010
Field-configuring events	Rise of mutual funds; stagflation; corporate underperformance esp. US	Corporate failure, esp. UK: Maxwell, BCCI, Colorall, Polly Peck	Corporate failures, worldwide: e.g. World com, Tyco; Parmalat; HIH; dot-com bubble	Global financial crisis: Lehman, Merrill Lynch, AIG; RBS, HBOS, Northern Rock; Fortis
Discourse	Market mechanisms of corporate and managerial control	Board structure	Board independence and professionalism	Board, investor relationship
Key Documents	Jensen and Meckling (1976); Rappaport (1981)	Cadbury (1992)	Library of congress (2002); Breeden (2003); Higgs(2003)	FRC (2010b); European Commission (2014)

Sources: Nordberg (2018)

On table.1, show the Periods and Discourses of corporate governance. Jensen and Meckling (1976) led to voluminous scholarly and commercial research to identified correlations between various variables of ‘good’ governance (Agrawal and Knoeber, 1996; Boyd, 1995; Carpenter and Golden, 1997; Dalton et al., 1998; Fama, 1980; Gomez-Mejia et al., 1987). Rappaport (1981, 1986) discussion alike invoke market mechanism, price, incentive and other aspects that evoke neo-classical economics and suggests a mentality of governance stepped normatively in property rights and shareholders value maximization, empirically in emerging measurements of total shareholder return. Nordberg and McNulty (2013) identify in Cadbury (1992) an emphasis on language concerning structure: Good corporate governance now seen as involving, a) rationally minded division of labor through specialized committees and, b) the separation in boardroom, provided a ‘buttress’ against the agency problem. By the time dot-com crisis and then the Enron, skepticism about shareholder value was growing. The collapse of Enron brought a shift that created another layer in the discourse. A professional state of mind that policy mechanism sought to embody through identifiable characteristic of directors, such as policy landscapes in the US (Breedon, 2003) and the UK (Higgs, 2003). Scholarship in corporate governance than added another layer of concern called ‘behavior governance’. This literature studies the actions of directors and boards, cognizant of the limitations of a rationalist approach and drawing upon the concept of bounded rationality that informs behavioural economics (Gabrielsson and Huse, 2004; Pye, 2004; Charreaux, 2005; Marnet, 2005; van Ees et al., 2008). The financial crisis of 2007–09 and the resulting economic malaise came another turn in policy prescriptions and the search for good governance. The concurrent initiative of UK Stewardship Code (FRC 2010b) urged investors to become active owners, engaging in dialogue to develop mutual understanding (McNulty and Nordberg, 2016)

Schein (2010) presents three levels of culture in organization; first, artifact are behaviors that are seen by members of the group for the purpose of cultural analysis, organizational processes where the behavior routinely carried out by its structural elements, formally how the organizational structure works; second, the beliefs held and their values, often some of the existing beliefs and value are so abstract and can be mutually contradictory, and if the beliefs and values are in line with the assumptions that are the basis, the articulation of values makes the operating philosophy that can bring togetherness organizations, serve as a source of core identity and a mission; third, the assumption that forms the basis is a hypothesis supported by a hunch or value, gradually coming to be treated as reality. In the view of Ehtesham (2011) that the values, beliefs, and principles of an organization's management system, as well as a set of management practices and good behaviors can serve as examples and strengthen basic principles. Balachandran and sundar (2013) state governance practices of organizations are impacted and influenced by the behaviour of other entities in the ecosystem. The organizations themselves influence the ecosystem by their culture and behaviour, a mutually reinforcing factor in good times and a destabilizing force in a crisis.

According to Robbins and Coulter (2016), job satisfaction refers more to attitudes than behaviour, such as attendance and performance, and loyalty. Attitudes are evaluative statements related to objects, people or events. Attitudes consist of three components (cognition, affect and behavior). The cognitive component consists of beliefs, opinions, knowledge or information that a person has, while the affective component consists of emotions or feelings. The behavior component refers to the intention to behave in a certain way towards someone or something.

Table2.Employee Regional IV Data

Year	2012	2013	2014	2015	2016
Number of employee	20,17	19,502	19,392	18,842	23,825

Source: PT. Pos Indonesia (Persero)

On table.2, show the reduction employees every year. This is what encourages researchers to find the effect of the implementation of Good Corporate Governance on job satisfaction and employee performance. A company needs to provide direction, convenience, and training to employees in order to improve performance (Magito, 2018).

Herminingsih (2014) state that Denison Circumplex Model is an organizational culture, has an influence on performance; has four characteristics, namely involvement, consistency, adaptability, and mission. According to Robbins (2015), employee performance is a function of the interaction between ability and motivation, if it is not adequate, performance will be negatively affected. Besides motivation, intelligence and skills must also be considered. The theory can be used to measure employee performance with five main criteria, namely; work quality, work quantity, timeliness, work independence, and individual relationships.

Table 3.PT. Pos Indonesia (Persero)

Year	Implementing GCG Score	Organization performance (on Billion rupiah)	KPI Score
2012	78,07	214	122,90
2013	-	246	112,21
2014	80,07	159	78,80
2015	81,79	29	78,50
2016	97,23	151	77,73

Sources : Annual report PT.Pos Indonesia (Persero) 2012-2016

Table 3. show improvement in scores on GCG implementation in the organization, instability in organizational performance, and decrease in KPI scores (Key Performance Indicators) per year. Large profit-oriented organizations need more togetherness between management and employees (Lukertina, 2018).

II. Literature review

a. Organization Culture and Job Satisfaction

According to Robbins and Coulter (2016), job satisfaction refers more to attitudes than behavior, such as attendance, performance and loyalty. Attitudes are evaluative statements related to objects, people or events. Attitudes consist of three components (cognition, affect and behavior). The cognitive component consists of beliefs, opinions, knowledge or information that a person has, while the affective component consists of emotions or feelings. The behavior component refers to the intention to behave in a certain way towards someone or something. The research conducted by Setyo (2017) also shows that there is a very strong relationship between a conducive work culture and employee performance.

b. Organization Culture and Employee performance

Herminingsih (2014) states that Denison Circumplex Model is an organizational culture, has an influence on performance; has four characteristics, namely involvement, consistency, adaptability, and mission. According to Robbins (2015), employee performance is a function of the interaction between ability and motivation, if it is not adequate, performance will be negatively affected. Besides motivation, intelligence and skills must also be considered. The theory can be used to measure employee performance with five main criteria, namely; work quality, work quantity, timeliness, work independence, and individual relationships (Shahzad;2013).

Based on the description above, the scheme of the framework can be described in Figure 1 below.

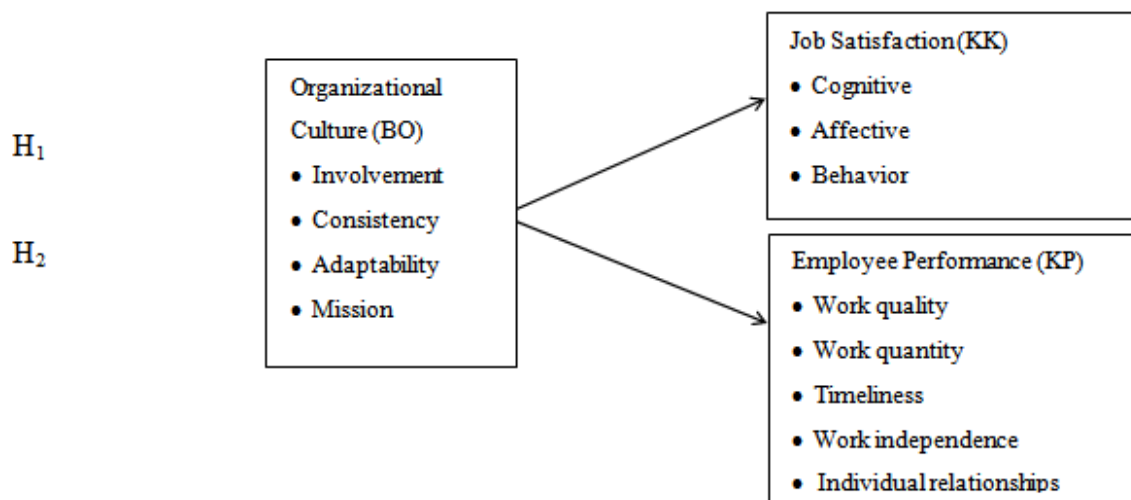


Figure 1. Research framework

III. Method

The design of this study uses descriptive verification methods with linear analysis techniques. The sampling method uses the nonprobability sampling method to 200 respondents.

IV. Results and Discussions

4.1. Convergent Validity

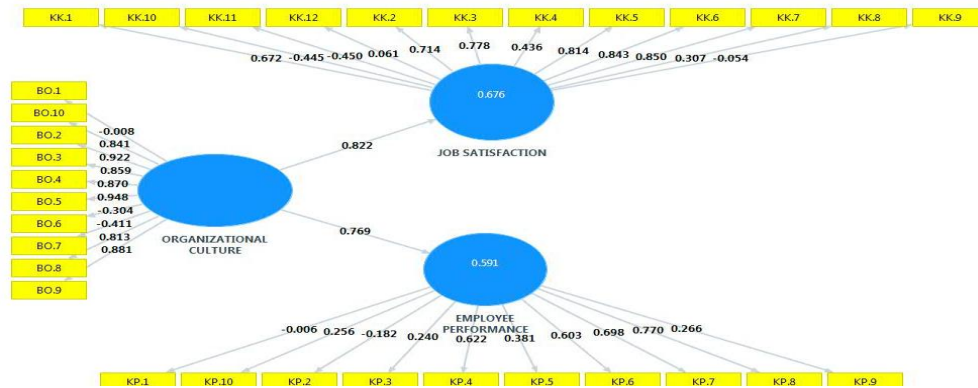


Figure 2. Convergent validity

Convergent Validity Test of each construct indicator. According to Chin in Ghozali (2014), an indicator is said to be "valid" if the value is > 0.70, while the loading factors from 0.50 to 0.60 are moderate. Based on these criteria, loading factors below 0.50 will be removed from the model. The results of the modification of the convergent validity test in Figure 3 show that all indicators meet convergent validity because they have a loading factor of more than 0.50. The factor loadings, composite reliability and average variance extracted were indicator used to assess the convergent validity. As shown in Table 3.

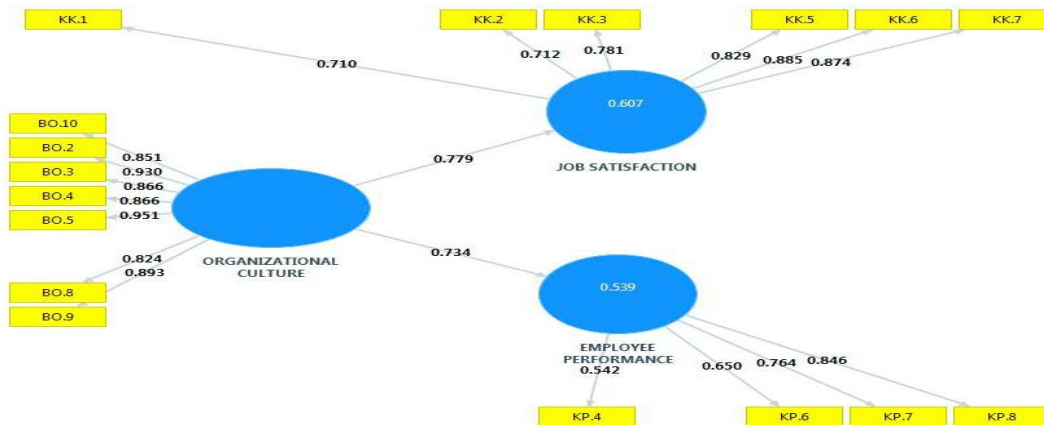


Figure 3. Convergent validity modification

Table 3. Factor loadings and reliability

	Loading ^α	CR	AVE	Cronbach α
BO.2	0,93	0,962	0,781	0,953
BO.3	0,866			
BO.4	0,866			
BO.5	0,951			
BO.8	0,824			
BO.9	0,893			
BO.10	0,851	0,915	0,642	0,89
KK.1	0,71			
KK.2	0,712			
KK.3	0,781			
KK.5	0,829			
KK.6	0,885			
KK.7	0,874	0,798	0,504	0,953
KP.4	0,542			
KP.6	0,65			
KP.7	0,764			
KP.8	0,846			

4.2. Discriminant validity

Discriminant validity, reflective indicators can be seen in cross-loading between indicators and their constructs. An indicator can be declared valid if it has the highest loading factor in the intended construct compared to loading factors to other constructs. Thus, latent constructs predict indicators on their blocks better

than indicators in other blocks. Discriminant validity can be examined by comparing the square correlations between the constructs and the variance extracted for construct. As shown in Table 4.

Table 4. Discriminant Validity (Fornell-Lacker Criterion)

	EMPLOYEE PERFORMANCE	JOB SATISFACTION	ORGANIZATIONAL CULTURE
EMPLOYEE PERFORMANCE	0,710		
JOB SATISFACTION	0,789	0,802	
ORGANIZATIONAL CULTURE	0,734	0,779	0,884

4.3. Structural Model

Based on Table 3, it can be concluded that Adjusted R-square value is 0.534, which means that the variability of employee satisfaction can be explained by discipline and motivation variables is 53.4%, while the remaining 46.6% is explained by other variables not examined in this model. The estimated value for track relationships in the structural model must be significant. Significance values can be obtained through bootstrapping procedures. Hypothesis significance can be known from the value of the parameter coefficient and T-statistic significance value on the algorithm bootstrapping report. Significance can be seen from the T-table at alpha 0.05 (5%) = 1.96 and T-table compared to T-count (T-statistic).

Table 5. R-square Adjusted

Variabel Endogen	R-square Adjusted
Employee performance	0,539
Job Satisfaction	0,607

Table 4. Summary of the Structural Model

	Original Sample	T- Statistics	Results
Organizational culture → Employee performance	0,734	19,287	Support
Organizational culture → Job satisfaction	0,779	35,318	Support

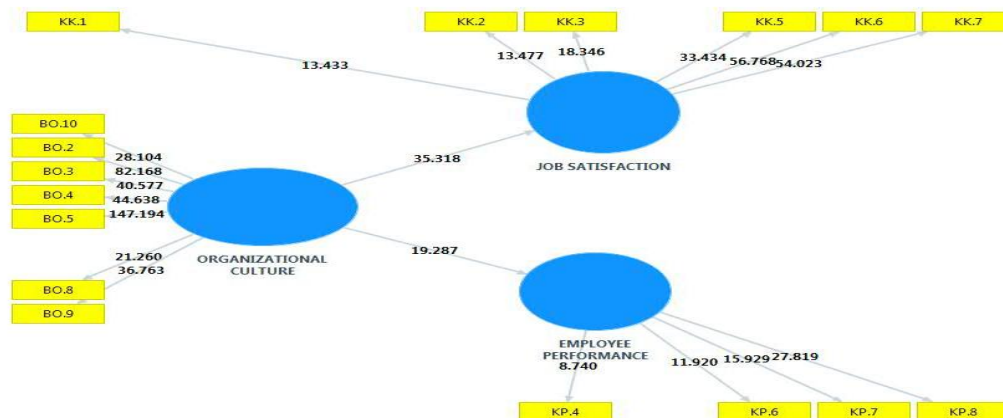


Figure 4. The structural model

V. Conclusion

1. Organizational culture based on the values of Good Corporate Government (GCG) is able to create a conducive work environment and is able to trigger employee job satisfaction and improve employee performance.
2. From organizational culture aspect, the most influential dimension is the consistency of employees, especially in the cultural factors that give recognition to the ability of employees as the main source of the company's competitive advantage.
3. Aspect that is closely related to Employee Job Satisfaction is supervision, especially in the personal relationship that exists both between subordinates and their leaders.
4. From the aspect of employee performance, the presence of employees in the workplace in a timely and never late manner is an important thing that really determines employee performance.

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