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ROLE OF GOOD CORPORATE GOVERNANCE AS A MANIFESTATION OF ORGANIZATIONAL DEMOCRACY

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Abstract: This research is a form of conceptual idea that examines the impact of dynamic changes on increasingly fierce business competition and company sustainability. The concept of corporate management presented by Good Corporate Governance (GCG) is a wise solution that companies need to consider to answer the challenges of these changes, where the existence of clean and healthy company management and superior human resources are important company assets that need to be improved. The research method uses qualitative research with a descriptive qualitative approach in the form of critical ideas sourced from national literature, international journals, and research libraries. The results of the study conclude that the role of Good Corporate Governance (GCG) as a manifestation of organizational democracy can improve employee morale and work ethic which is the company's competitive advantage. In addition, the existence of a space for the active participation of stakeholders is the most important part of the practice of Good Corporate Governance (GCG).

Keywords: Good Corporate Governance, Change, Work Ethic, Competitive Advantage

INTRODUCTION

Today, building a strong, capable and sustainable organization is the main goal of the organization to realize its vision and mission. The ability to survive change is a competitive advantage and demand that organizations must have to maintain organizational sustainability. Therefore, work strategy is no longer focused on achieving only financial organizational goals, but how to fulfill employee welfare. Boseli (2014) says that employee performance management is very important and is not only focused on achieving organizational goals, but is also directed at improving the welfare of individual employees.

The existence of superior human resources (HR) has been seen as an organizational asset that needs to be developed and their opinions heard so as to produce a competitive advantage that can improve organizational performance. Aguinis (2014) describes performance management as an ongoing process carried out by an organization or company to identify, measure, and develop individual and team performance that is tailored to the organization's strategic goals. This explains that good organizational management practices will always pay attention to the important role of organizational democracy in every planning and decision-making process.

The role of Good Corporate Governance (GCG) as a form of organizational democracy can be a strategy to create a safe and conducive company stability and form a solid and superior work team by accommodating the interests of all parties (stakeholders) and opening up space for participation. Riadi (2019) said that Good Corporate Governance (GCG) is a set of regulations that underlie and regulate the rights and obligations of management stakeholders, creditors, government, employees, and other internal and external stakeholders, or a system that directs and controls to the company (Forum Corporate Governance in Indonesia, 2001).

If observed, many companies are not able to implement organizational democracy as a "process" properly, which results in decreased performance achievement and even failure in the sustainability of their business ventures. This is the main idea behind an important conceptual study, especially the Role of Good Corporate Governance (GCG) as a Form of Organizational Democracy that can moderate the formation of employee morale and work ethic. Therefore, it is very important to understand 1) What is Good Corporate Governance (GCG)?, 2) What are the dimensions and indicators of Good Corporate Governance (GCG)?, and 3) What are the strategies to realize Good Corporate Governance (GCG) on the company?.

Heder (2017) says that the implementation of the Good Corporate Governance system in the company will make management run and be well organized which in turn increases the profitability of the company itself and becomes an attraction for investors so that it will increase the value to the company. In addition, Misutari & Ariyanto (2021) say that based on Hardiningsih's research (2018), corporate governance is proven to be a moderating variable that strengthens the influence of Corporate Environmental Responsibility on financial performance. However, research conducted by Puspitasari (2017), and Karina & Setiadi (2020) states that Good Corporate Governance as a moderating variable weakens the relationship between CSR and financial performance. Inconsistent moderating results cause the GCG variable to be interesting to study its role as a moderating variable. In addition, the GCG assessment with the governance system can provide a signal that the company's performance is running optimally with adequate control.

LITERATURE REVIEW

Good Corporate Governance (GCG) Concept

In general, Good Corporate Governance (GCG) is a clean and healthy company management system that aims to create conducive and enjoyable work stability. Putri & Ulupui (2017) in Wijaya & Wirawati (2019) said that GCG is a system that underlies the processes and mechanisms in managing a company based on laws and regulations and good business ethics with the aim of increasing stakeholder trust in the company and becoming a value added for the company in the long term, namely by creating a healthy business climate. In addition, GCG functions as a form of accountability to stakeholders (stakeholders). Krenn (2016) says that Good Corporate Governance can improve the quality of corporate governance and corporate accountability to shareholders while maximizing shareholder value or other stakeholders.

Good Corporate Governance emphasizes the importance of responsibility and accountability for all organizational operations, especially external and internal accountability (Bohen; Taylor, 2000; Badawi, 2018). This explains that the concept of Good Corporate Governance (GCG) plays a very important role in increasing the trust of interested parties (stakeholders), especially investors. In addition, proper GCG practices can protect shareholders and improve the decision-making process. On the other hand, stated by Solomon and Solomon (2004:14) that Good Corporate Governance is a function of checks and balances in the company's internal and external environment to ensure that the company carries out accountability and responsibility for its business activities properly and correctly according to standard operating procedures has been established

Relevant Views and Theories

Signaling theory holds that companies that have good quality will intentionally give signals to the market with the aim that there are things that distinguish good and bad quality companies (Misutari & Ariyanto, 2021). This shows the role of GCG as a competitive advantage that can improve the company's performance and become the company's added value in strengthening bargaining position in the arena of business competition.

Agency theory holds that agency relationships occur when one or more people (principals) employ other people (agency) to delegate service and authority tasks and make decisions to agents (Wahyuningsih, 2020). This explains that in a cooperative relationship between related parties, it must be regulated by a clear procedure mechanism based on a mutual understanding, meaning that the principal and agent must understand their role and function within the company.

Resource Based View (RBV) theory states that important aspects of a company's competitive advantage based on ownership of good resources and capabilities, such as finance, human, physical facilities, and intangible assets or knowledge will last longer and play an important role in ensuring sustainability company, when compared to only based on product/market positioning (Dani, 2017). This explains the importance of ownership of superior and potential resources as the main strength factor that distinguishes it from other competitors.

Resources Based View (RBV) Theory Approach in Building Good Corporate Governance (GCG)

Dani (2017) explains that a company in general will have the ability above the performance of its competitors if it is able to apply the RBV concept well. This is because the company will focus more on optimizing the utilization and management of heterogeneous potential resources (tangible and intangible) to create long-term competitive advantages that ensure sustainability. t is also stated that in the dynamic RBV theory there is a Capability Lifecycle (CLC) concept which comprehensively explains the general pattern of organizational capability development based on a dynamic resource-based theoretical approach, over time (Peteraf, 1993; Hoopes, Madsen, and Walker, 2003).

CLC includes the stages of establishment (founding), development (development), and maturity (maturity). Once the ability reaches the maturity stage, or even before that, various events can affect the ability to develop in the future. Furthermore, these capabilities can include one of at least six additional CLC categories, such as: retirement, savings (efficiency), renewal (innovation), replication (doubling), reassignment, and recombination which can simultaneously be executed in different ways time to time Several branching stages can also occur simultaneously. In each branch of CLC, the evolution of the previous ability greatly affects the evolution of the next ability.

On the other hand, Hariyanto (2018) states that the RBV views that the organization is basically a collection of resources and capabilities that determine the formation of strategies and achievement of performance (Too and Tay, 2010). In the planning and strategy-setting process, RBV distinguishes between endogenous organizational sources and key determinants of competitiveness such as location, regulatory factors and technical compatibility (Wernerfelt, 1995). In addition, RBV can be used to improve organizational (company) performance by paying attention to changes and challenges that may occur which focus on organizational heterogeneity, namely unique, difficult to imitate and special company resources that generate competitive advantage (Barney, 2001).

RESEARCH METHODS

The research uses qualitative methods with a qualitative descriptive approach in the form of conceptual ideas sourced from national literatures, international journals, and research libraries. The analytical framework of logical thinking that is built is a constructive analysis of positivism related to the role of Good Corporate Governance (GCG) as a form of organizational democracy that can improve employee morale and work ethic which to be the company's competitive advantage.

FINDINGS AND DISCUSSION

Good Corporate Governance (GCG)

Facing increasingly fierce and dynamic competition, every company is required to have a competitive advantage that is an added value for the company in the face of change, such as superior human resources who have high enthusiasm and work ethic so that company management practices can run well. The concept of Good Corporate Governance (GCG) emphasizes the need for a clear mechanism in managing the company based on regulations, laws and ethics trying to increase trust by creating a healthy business climate and at the same time becoming an added value for an accountable company in the long term (Putri & Ulupui, 2017 ; Wijaya & Wirawati, 2019).

Dwi (2020) explains the concept of good corporate governance as an agency working relationship that occurs when one or more people (principals) hire another person (agent) to provide services and then delegate decision-making authority to agents (Hendriksen, Eldon S., & Van Breda, 2000). Therefore, it can be said that the role of GCG in company management is a moderating factor in working relationships based on a democratic process in every decision-making process and other strategic planning and there is an understanding and alignment of interests mutually agreed upon by all interested parties.

In addition, GCG is also a form of company adaptation to changes that occur in order to maintain existence in business competition. Sobirin (2020) says that change has the meaning of being different or different from the original and can also mean changing or turning into something else to deal with the dynamics of change. The implications of GCG can be a sustainable pattern that is built on a common consensus. Heraclitus a Greek philosopher (544-483 BC) defines change as follows, "Nothing changes except the change itself, everything changes except change, everything that flows changes or dies".

Sobirin (2020) divides change in two aspects, namely changes on a micro scale which are closely related to organizational change as part of human life and changes on a macro scale which are closely related to changes that occur in the order of social life where in this case humans as social beings. Those who have reason will always make changes to advance or encourage their lives for the better. Signaling Theory (Signalling Theory) asserts that good quality companies will deliberately give signals to the market so that the market is expected to be able to distinguish between good and bad quality companies.

Individual behavior change is the focus of the micro change approach. that is, the company is seen as the main entity of change that facilitates reciprocal relationships between individuals and society. While the change approach on a macro scale is more directed at positive responses to social developments that occur in the social life system. Alvin Toffler, a sociologist and futurologist in his trilogy of books, Future Shock (1970), The Third Wave (1980) and Power Shift (1991) explains the causes of structural shifts in human life that often cause cultural shock) for anyone who isn't ready for it.

OECD (Organization for Economic Cooperation and Development) says that Good Corporate Governance (GCG) is a system that directs and controls the company's business activities by regulating the division of tasks, rights and obligations of all interested elements

(Sutojo, 2008; Dwi, 2020). This implies the company's ability, especially the existence of human resources in responding to changes by utilizing existing resources.

Sobirin (2020) mentions the factors that drive change are as follows: a. Organizational environment, which is heavily influenced by the organization's internal and external environment, such as the political climate, technological developments and the global economy. b. Goals and values, which are heavily influenced by the adjustment of market needs and demands as well as the changing patterns of organizational culture itself. c. Engineering, which is much influenced by the rapid development of technology and innovation. d. The structure, which is heavily influenced by the process of adapting to changes that occur and usually leads to a more SMART pattern of change in order to increase the effectiveness and efficiency of the organization. e. Managerial, strongly influenced by changes in the structure that occur and become part of the change in the structure itself. f. Consultants, often consultants are the driving factor for organizational change where new things related to technology and innovation become a strong impetus for organizational change. It is sometimes described as "an answer seeking a question' or a solution seeking a problem". Things that encourage change, but the prominent factors are the presence of computer technology, competition at local and global levels and demographic conditions (Sopiah, 2008: 69-70; Rifai, 2017).

Dimensions and indicators of Good Corporate Governance (GCG)

Fitriyani, et al (2016) say that the function of corporate governance is to reduce agency problems between owners and managers, namely 1) helping to overcome conflicts of interest between principals and agents, 2) increasing company value, and 3) improving company performance.This view describes the dimensions of Good Corporate Governance which includes a clear division of roles and responsibilities between principals and agents, adds value to the company by having a solid and strong work team, and becomes a moderating factor in improving company performance.

Good Corporate Governance (GCG) indicators will be reflected in the 5 basic principles put forward by Daniri (2005:9), namely: 1. Transparency, which describes the existence of information disclosure, starting from the planning process, decision making and company existence, 2. Independence. namely the freedom to be creative and innovate without any interest and influence or pressure from any party that is not in accordance with the applicable laws and regulations, 3. Accountability, namely the clarity of the company's functions, structures, systems, and responsibilities so that the company's management runs effectively, 4. Responsibility, namely compliance in managing the company with the principles of a healthy company and applicable laws and regulations, and 5. Fairness, namely the form of company treatment of the fulfillment of the rights of stakeholders based on mutual consensus

The dimensions and indicators of Good Corporate Governance (GCG) are manifestations of organizational democracy in the practice of clean and healthy corporate management. The basic principles of democracy which contain the meaning of deliberation and consensus based on the principle of, by and for the benefit of all interested parties (stakeholders) become the company's basic guidelines in building awareness and high work ethic of employees and the company. Ningtyas (2014) also said that the practice of Good Corporate Governance can control and regulate differences in interests between principals and agents.

Strategy for the Implementation of Good Corporate Governance (GCG) in the Company

The results of the constructive analysis of positivism above state the things that companies need to do to encourage organizational democratic processes in order to improve employee morale and work ethic, namely:

Establish a clear company management mechanism based on regulations, legislation and business ethics. This strategy is carried out to increase the stability of companies that have attractiveness and competitive advantages in competing which reflect a company of good quality and can be trusted.

Building a network of cooperation and partnerships that are healthy and mutually beneficial. This aims to minimize the risk of conflicts of interest among stakeholders, where agency relationships arise when one or more people (principals) employ other people (agency) to provide services and delegate decision-making authority to agents.

Building a common consensus in the process of strategic planning, evaluation and monitoring. This is so that every element with an interest in the company gets a space for active participation in developing the company, starting from setting goals (plans), observing performance (monitoring), providing guidance and counseling (appraise), identifying development needs (reviews) and providing feedback. feedback which is an ongoing activity.

Optimizing the management of company resources and capabilities in a wise and effective manner. This is intended to maintain the existence and sustainability of the company by creating a competitive advantage based on resources and capabilities. The RBV theory says that this strategy will make the company last longer in running its business, compared to only based on product/market positioning.

Build a work culture of employees and companies that have high morale and work ethic. This is the goal of implementing GCG which can be realized by the company management through transparent, independent, accountable, responsive and fairness.

CONCLUSION AND RECOMMENDATION

The implementation of Good Corporate Governance (GCG) as a manifestation of organizational democracy can open up space for participation for all interested parties to jointly advance the company. The GCG concept prioritizes managerial quality, enthusiasm and work ethic as competitive advantages that have high competitiveness and are ready to face the dynamics of change. In addition, the GCG concept will always direct and control the company's business activities by regulating the division of tasks, rights and obligations.

The dimensions and indicators of the practice of Good Corporate Governance (GCG) in the company can be seen from the management system that is transparent, independent, accountable, responsive, and fair. This aims to create a stable, accountable, and conducive company condition in order to increase market and stakeholder trust. In addition, the GCG function can be a moderating factor in the interests of all interested parties in an effort to maintain the company's sustainability.

Strategies to realize Good Corporate Governance (GCG) in the company are as follows: a) Establish a clear company management mechanism based on regulations, legislation and business ethics, b) Building a network of cooperation and partnerships that are healthy and mutually beneficial, c) Building a common consensus in the process of strategic planning, evaluation and monitoring, d) Optimizing the management of company resources and capabilities in a wise and effective manner, and e) Build a work culture of employees and companies that have high morale and work ethic.

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