

The Role of Supervision of the Board of Commissioners in the Company PT. XYZ

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Abstract: The importance of implementing good governance principles that do not just focus on formality, but on substance for public companies is important. This research aims to pay more attention to corporate governance in the context of the ASEAN Corporate Governance Scorecard. The method used in this research uses a qualitative approach. The research results found that a focus on board diversification, meeting minutes, appointment of a corporate secretary, and evaluation of board performance can provide a strong foundation for increasing transparency, accountability, and corporate resilience amidst ever-evolving business dynamics. Emphasis on the inclusion of independent commissioners, the formation of special board committees, and the introduction of best governance practices are also important in facing regulatory changes and industry dynamics.

Keywords: Corporate Secretary, Governance, Independent Commissioners

A. Introduction

Business is an activity that is able to support economic activity. Generally, the form of a business is a company. Growth and development in a company really requires funding support from investors. In line with the thoughts of (Fahmi et al., 2021), who state that the business world has a high level of dependence on funding issues. This is because company funding will be able to help the company achieve its goal of maximizing company value. The formation of quality governance can be achieved if the company has a quality management system (Widnyana & Widyawati, 2022). Because, the more effective the governance established by the company, the lower the financial problems will be. This condition certainly triggers higher levels of company investment (Bimo et al., 2021) (Qi & Bimo, 2022). According to (Mufidah, 2019) research results investment activities and governance influence the formation of company value (Prasetyo & Dewayanto, 2019). Stated that governance has a very important role for companies, especially in its influence on overall company performance and shareholder value (Junaedi & Digidowiseiso, 2023).

In fact, until now there are still many companies in Indonesia that have not implemented a good and effective governance system (Puspitasari & Djakman, 2019).

This is proven by research results from (Khasanah & Sucipto, 2020) which found that there is an insignificant and positive correlation between the implementation of corporate governance and company value (Tjia, 2020). This is because the company already has corporate governance, but its implementation is still not implemented optimally by the company in accordance with the principles of Good Corporate Governance (GCG). In implementing governance in the company, a very important role is held by the board of commissioners (Shanti, 2020). In accordance with the Republic of Indonesia Law (2007) concerning Limited Liability Companies Article 1 Paragraph 6, the board of commissioners is a company organ tasked with carrying out general or specific supervision in accordance with the articles of association as well as providing advice to the board of directors and ensuring that the company carries out good governance. This role is said to be very difficult in the company (Faisal et al., 2023). This is none other than because the board of commissioners carries diverse and challenging responsibilities (Uripto & Lestari, 2023). The role of commissioners is not only to prevent negative practices in management that are closely related to failures or scandals within the company, but also to ensure that the company provides increased value for all stakeholders (Wulandari et al., 2021).

Supervision of the board of commissioners is very important, because in their position the board of commissioners has the task of ensuring that the company's management performance is very good according to the strategy that has been determined and safeguarding the wishes and interests of stakeholders, namely to improve the company's performance and economic value (Hasibuan & Sushanty, 2018). According to (Riant & Krisnandi, 2023) the supervisory mechanism of the board of commissioners is able to provide control to management in providing risk disclosure. This is in line with agency theory which states that a board of commissioners is the right solution to obtain a governance structure that is able to monitor and assess agent behavior (Handayani, Bahit, & Najman, 2023).

The object of this research is the company PT. XYZ plans to have three boards of commissioners in the 6th year, when the company will carry out an Initial Public Offering (IPO) since its founding and has not yet evaluated the role of the board of commissioners. This company was founded in 2017 and focuses on the water transportation sector. PT. XYZ has succeeded in becoming a company in the form of a legal entity (PT) and has collaborated with docks in several regions in Indonesia. According to (Hasanudin & Amalia, 2023) loading and unloading companies are required to have permits according to the provisions stipulated in the loading and unloading company's business license. The conditions for a loading and unloading business include: the company has the form of an Indonesian legal entity, namely a Limited Liability Company (PT), State-Owned Enterprise, and cooperative in accordance with applicable laws and regulations; have basic capital and working capital to ensure the continuity of the business; own or control loading and unloading equipment; have a Taxpayer Tax Number (NPWP); and has expert staff. This is in

accordance with the criteria of the company PT. XYZ is a legal entity, has capital, has unloading equipment and a NPWP.

PT. XYZ plans to conduct an IPO, therefore, the supervisory function of the board of commissioners is important, especially to safeguard the interests of minority ownership. The task of the board of commissioners is very important to safeguard the best interests of the company, and not to prevent any conflicts of interest that exist within the company. The function of the board of commissioners in supervising the company will increase potential investors' trust in the company, so that it can provide added value to the company.

PT. XYZ has been operating for six years and has not carried out an evaluation of the supervisory role of the board of commissioners. This certainly triggers the board of commissioners to carry out detailed, detailed and regular monitoring. The goal is to minimize problems. Obstacles or challenges that the board of commissioners may face in carrying out its supervisory function include conflicts of interest, lack of independence, or pressure from shareholders. Conflict of interest, there is concern about earnings management because management is morally responsible for improving principals' profits by obtaining compensation in accordance with the contract, but managers also have their own interests in maximizing personal wealth (Handayani et al., 2022). Lack of independence, employees/crew are limited in taking initiative so they are dependent on other parties, so that their ability to make decisions that are objective and based on the best interests of the company can be disrupted.

The relevant theory in the context of supervision by the board of commissioners is agency theory. From an agency theory perspective, a board of commissioners is the right solution to obtain a governance structure that is able to monitor and assess agent behavior (Lukman & Cahyadi, 2023). Agency theory also explains that agency costs can be reduced by having appropriate monitoring mechanisms by the company through governance, one of which is supervision carried out by the board of commissioners (Andira & Ratnadi, 2022). Therefore, it is very important to apply the principle of accuracy or prudence in selecting members of the board of commissioners. Because, this can influence the decisions made by the company and the survival of the company.

The importance of implementing good governance principles that do not just focus on formality, but on substance for public companies is important (Junaedi & Digidowiseiso, 2023). The cost of implementing a board of commissioner's supervision mechanism is one of the main reasons why many companies only fulfill the formalities, but do not fully implement board supervision (Handayani, Bahit, & Lutfita, 2023). Companies must implement good governance within the company, not

only through a code of conduct, but also make it happen through real actions (Amalia & Evrilianingsih, 2023).

From the background of the problem above, the problem can be formulated as follows: (1) What is the supervisory function carried out by the board of commissioners of PT. XYZ. (2) What are the efforts made by PT. XYZ to improve the monitoring process?

Based on the background and problem formulation above, the objectives to be achieved in this research are: (1) Evaluating the implementation of the supervisory function by the board of commissioners of PT. XYZ. (2) Provide recommendations to improve the supervisory process better in implementing Good Corporate Governance practices.

It is hoped that the research carried out can provide input to companies as follows: (1) For companies, it is hoped that this research can be used to improve corporate governance, and can contribute more to improving company performance. The findings in this research can also be used by companies to increase company compliance with laws and regulations, especially related to the role of the board of commissioners. (2) For the academic world, it is hoped that the results of this research will provide a deeper understanding regarding the supervisory role of the board of commissioners, and can serve as a reference for further research.

B. Methods

This research uses a qualitative approach. The qualitative approach triggers researchers to conduct in-depth research on the specified object. In this research, the information obtained was through interviews and examining documents. Interviews are a method of collecting data by asking sources for certain information (Kotler & Lane Keller, 2016) (Azizah & Nr, 2020). Apart from conducting interviews, this research was also carried out by observing, examining and analyzing internal documents at PT. XYZ.

The research was conducted in PT. XYZ. Time the research was carried out for approximately one (1) month, both data collection and data management. In this qualitative research, comprehensive data collection and analysis is carried out, such as interviews, observations, and analysis of existing documents at the company, to understand the complex information and patterns of the object of this research. The qualitative approach in this research also aims to obtain comprehensive knowledge related to the experiences and perspectives of the informants involved in this research.

C. Results and Discussion

By collecting data simultaneously through interviews, observation and documentation of this research, the data collected was then analyzed using qualitative

descriptive analysis methods, content analysis, and data validity using the triangulation method. The results of this analysis revealed the following findings.

Effectiveness of Supervision of the Board of Commissioners According to the ASEAN Corporate Governance Scorecard

Regarding the duties and responsibilities of the board of commissioners in the company, the board of commissioners has a role as supervisor of the company in achieving its performance and future business plans. Apart from that, the board of commissioners also provides direction to the directors if there are deviations in business management that are not in accordance with the direction the company wants to aim, as well as supervising the implementation and effectiveness of GCG practices.

The structure of the Board of Commissioners, which only consists of one person, can present challenges related to comprehensive representation and collective decision making. Therefore, strategic steps need to be considered to strengthen the board structure, such as increasing the number of commissioners, collaborating with independent commissioners, or forming board committees that support special functions. The importance of diversification in the board of commissioners not only creates diversity, but also provides a broader perspective in facing challenges and making strategic decisions that have a long-term impact. Periodic evaluation of the board structure needs to be carried out in order to ensure compliance with good corporate governance practices and increase the company's resilience to continuously developing business dynamics. The Board of Commissioners is currently also providing its response regarding the possibility of increasing the number of Board of Commissioners, in line with the company's intention to list on the Stock Exchange and go public.

An intensive communication process between directors and board of commissioners is a positive factor in monitoring company risk. Ongoing monthly meetings provide an effective forum for sharing the latest information regarding operational, financial and strategic risks. However, it is important to formally record the results of discussions and decisions regarding these risks. Such records not only improve accountability and decision-making footprint, but also provide a strong basis for long-term risk evaluation and more effective mitigation planning.

In the context of risk monitoring, the lack of a corporate secretary is an additional concern. The corporate secretary can play a strategic role in supporting risk monitoring by compiling and keeping risk policy records, assisting in the risk identification process, and facilitating efficient communication between the board of directors and the board of commissioners. The presence of a corporate secretary can strengthen the risk monitoring process, ensure that relevant information reaches the authorized parties in a timely manner, and assist in the development of mitigation

strategies that are responsive to changes in business conditions or the external environment. Thus, the addition of a corporate secretary can be a crucial aspect in strengthening the company's resilience to risk.

The board of commissioners, which has only consisted of one person since the company's inception, reflects a unique leadership structure. The decision to start with one commissioner may be influenced by strategic considerations or business dynamics specific to the company's founding. Even though the number of commissioners is limited, this provides an opportunity for faster decision making and intensive focus on the company's vision and strategic goals. However, it should be noted that in the long term, diversification and broader representation on boards may be important considerations to support a company's sustainability and growth.

The presence of commissioners with experience in the shipping sector brings significant added value. This experience creates a foundation of knowledge and in-depth understanding of industry dynamics, maritime regulations, and opportunities and challenges that shipping companies may face. With a background of experience in previous shipping companies, this commissioner has the relevant expertise to provide strategic insight and guide the company through a successful shipping journey.

Until now, there has been no performance evaluation process carried out on the Board of Commissioners. Evaluation of board performance is a critical step to identify strengths, potential for improvement, and development opportunities. By carrying out a regular evaluation process, companies can ensure that the board operates optimally, makes maximum contributions to the company's strategic goals, and maintains the quality of corporate governance. Evaluation of Commissioners' performance can also be an effective tool to increase transparency and accountability. Therefore, the implementation of the board performance evaluation process should be a deep consideration to strengthen the company's effectiveness and competitiveness in the future.

Company Compliance In accordance with POJK No. 33 of 2014

PT. XYZ still does not fully comply with the provisions specified in POJK Number 33 of 2014. Of the three main criteria that have been determined, only one aspect has been complied with, namely regarding the duties and responsibilities of the board of commissioners. However, there is non-compliance in two other important aspects.

First, the company has not met the requirements regarding the number of members of the board of commissioners in accordance with the provisions stipulated in the regulations. Even though the regulations require the presence of two commissioners, in reality there is only one member of the board of commissioners. This shows that

there is a discrepancy with the provisions governing the membership structure of the board of commissioners.

Second, related to meeting procedures, the company has not formally implemented meeting minutes either at board of commissioner's meetings or meetings with directors. This means that official documentation regarding the decisions and discussions made at the meeting has not been created. The existence of meeting minutes is an obligation to ensure transparency, accountability and complete documentation related to decision making within the company.

It is important for companies to immediately adjust this non-conformity with OJK Regulation Number 33 of 2014. Corrective actions and compliance with the provisions of these regulations are expected to improve corporate governance and support company compliance with applicable regulations.

D. Conclusion

Conclusions from this research in particular, a focus on board diversification, meeting minutes, appointment of a corporate secretary, and evaluation of board performance can provide a strong foundation for increasing transparency, accountability, and corporate resilience amidst ever-evolving business dynamics. Despite challenges such as the absence of meeting minutes and the absence of a corporate secretary, these potential improvements can be considered as opportunities to increase company efficiency and compliance. In facing the future, these proactive steps are expected to provide a solid foundation for companies to remain relevant, competitive and support sustainable growth amidst the complexity of the ASEAN business ecosystem. This research also provides recommendations the board of commissioners plays a very important role in supervising and providing direction to the company's operational activities to achieve the company's main goals. Therefore, it is highly recommended to increase the number of members of the board of commissioners so that they can provide broader representation, and will be better able to carry out supervision and provide more comprehensive direction to the company's directors. Apart from increasing the supervisory role carried out by the board of commissioners, increasing the number of commissioners will also make PT. XYZ which plans to list on the stock exchange will comply with POJK No. 33 of 2014, related to the number of commissioners. Apart from increasing the number of board of commissioners, it is important for companies to hold meeting minutes or minutes after the meeting, so that at the next meeting it can also be discussed regarding matters of improvement that were noted at the previous meeting.

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