

This research explores governance implementation in commercial organizations owned by regional governments in Indonesia. This is driven by the shortcomings in governance implementation observed in some regional government-owned enterprises in Indonesia. In addition, it is also rooted in the limited availability of publication on governance practices in such kind of companies. This study aims to identify contextual dimensions or specific characteristics faced by the management of regional government-owned enterprises when implementing governance. This study utilized a qualitative research method, with case studies of two regional companies in South Sulawesi. Four thematic attributes, that consist of commitment, structuring and functioning board, control environment, disclosures and accountability used as a reference. The research employed a two-stage data analysis approach, within case analysis and cross-case analysis. This study concludes that there are nine main critical success factors for implementing governance in regional-owned enterprises, namely a clear legal framework, the existence of a compliance unit, the selection mechanism for selecting the board of directors, the role and function of top management, performance management, professional development programs, control mechanisms, risk management, and information disclosure mechanism. The interplay between these elements is crucial for fostering a culture of good governance and achieving sustainable development within regional government-owned companies. The factors are not isolated but reinforce each other, emphasizing the need for a holistic approach to governance. Various other factors that may emerge in governance implementation practices require further exploration in the future

Keywords: contextual dimension; corporate governance; regional government-owned enterprise, multi-case studies

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IDENTIFYING GOVERNANCE CONTEXTUAL DIMENSIONS IN INDONESIA REGIONAL GOVERNMENT-OWNED ENTERPRISES

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1. Introduction

Research on management in State-owned Enterprises, called SOE, has, has increasingly developed in the last decade. It was triggered by an escalation in the importance of the role of SOE in a country's economy, its contribution to state revenues, social contributions to social and educational institutions, and the creation of social benefit values for society in general. On the other hand, in reality, there are high hopes for the contribution of SOE to the above stakeholders, but there are still problems and challenges, both technical and strategic. For example, many corruption cases still involve SOE management in Indonesia [1] and financial performance shows losses [2]. The problems that have arisen can be traced to a resultant root problem, namely the implementation of governance that has not been effective. Governance issues are closely related to the company's future

performance and sustainability. There is an Indonesia SOE cluster still considered deficient governance implementation, namely, State-owned enterprises owned by regional governments, whether provincial governments or regency/city governments, generally known as regional government-owned enterprises. Data regarding the condition of SOEs in Indonesia is shown in the following Table 1.

The Table 1 above shows that 40 % of SOEs are still experiencing losses, and the return on assets is still very low. In addition, Transparansi Indonesia, a non-governmental organization, gave a poor assessment of the performance of regional government-owned enterprises [3]. Apart from that, Indonesia Corruption Watch also revealed widespread corrupt practices in regional companies [4]. Previous research reveals that the practice of corruption (fraud) and poor financial performance show the ineffectiveness of governance implementation in an organization.

Table 1

Indonesia state-owned enterprise profile

No	Description	Indicator value, 2022
1	The amount of SOE	1.133
2	The amount of active SOE	1.008
3	The amount of profitable SOE	650
4	The amount of losses SOE	358
5	Return on equity	5.50 %
6	Return on asset	1.40 %

Source: Indonesia Central Bureau of Statistics, 2023.

Furthermore, RGOEs in Indonesia are very diverse. BPS classifies companies into 15 types of business groups, where these companies are spread throughout regional governments, and most of them are generally owned by district/city governments. The conditions above show the many different conditions in this industry, including the percentage and pattern of ownership, type of business, local economic conditions, carrying capacity of capital owners and other contextual factors. The large variety of contextual dimensions means that corporate governance patterns are not uniform (universal), but management must still consider the contingency factors faced by each company [5], similar to the development strategy and other managerial dimensions. Therefore, the research problem raised in this study concerns contextual factors that influence the effectiveness of governance implementation in SOEs.

The problem of effective governance implementation in SOE can be solved using many approaches because governance is a multi-dimensional concept. This research proposes a contingency factor analysis approach to governance implementation. This approach identifies success and inhibiting factors in implementation while considering the contingency aspects SOE faced by SOE. Ultimately, this research will likely produce a governance implementation model based on contextual dimensions [6].

The Government of the Republic of Indonesia has given authority to manage regionally owned companies to each regional government, both provincial and local. In terms of financial management development, the Ministry of Home Affairs, through the Directorate General of Financial Development, is tasked with providing regulations and guidance for RGOE financial management. Institutions related to management and development tasks have issued policies, guidelines and management manuals for this company, but no RGOE governance framework accommodates the contextual dimensions of each entity. Based on the explanation above, hence, the research for identifying contextual dimensions on governance implementation is relevant to address the problem faced regional government-owned enterprise.

2. Literature review and problem statement

Paper [7] introduced governance implementation framework based on parameters and matrix tools. Such alternative framework covers parameters as follows commitment, board structure and functioning, control environment, transparency and accountability, minority shareholders, and stakeholder engagement. However, there is still unresolved issue related to the facts that effectiveness of governance implementation on the regional government-owned enterprises.

It focused on state-owned enterprises that quite different with regional government-owned enterprises. The way to overcome such kind of issue is the need effort to identify the contextual dimensions dedicated for regional government-owned enterprise.

The academic paper [8] identified six dimensions of governance that based on perspective that all actors that have stake in the project implementation are part of inter-organizational network. Results were presented according to the three propositions. A discussion of those results follows, outlining their relevance to the governance of public projects. It was about three important things: efficiency, legitimacy, and accountability. The study found that past research has focused too much on efficiency, and that these other two things are also important. However, the framework that introduced by this study focused on inter-organizational scheme, that is usually within temporary time frames. This setting may differ significantly with regional government-owned enterprise.

The study [9] developed an alternative framework for evaluating good governance implementation based on governance key principles. However, the paper does not discuss the implications of its findings in the implementation context in detail. It needs more specific recommendation for the framework, in order may implemented in the regional government.

The research paper [10] emphasized on reputation as a key mechanism of build commitment for implementing governance. The context of study is on a single powerful shareholder, uniquely existed in government-owned company, that used payouts to build trust with all shareholders. However, it only discussed one aspect of governance implementation, which is the commitment aspect. Therefore, it needed to be more holistic to study governance implementation from multiple perspectives.

Other relevant study, paper [6] explored the corporate governance model of a state-owned enterprise in an emerging Asian market. Corporate governance has garnered significant attention and remains a prominent topic among shareholders, directors, and regulators. The failures of large corporations in recent decades have impacted not only shareholders and investors but also all stakeholders. Effective corporate governance practices are believed to prevent company failures caused by fraudulent activities, collusion, and mismanagement. It provides insights into the governance structure, ownership and shareholders' rights, roles of the board, regulatory framework and control mechanisms, and disclosure and transparency.

Paper [11] focused on management commitment to governance is about strong sense of management ensuring that organization enhance reputation. It basically represents organization operates effectively, ethically, and in alignment with its goals and stakeholders' expectations. It is a foundation for building trust, achieving long-term success, and creating value for all involved parties within an entity. Moreover, commitment to governance in an organization refers to the dedication and adherence to the principles, processes, and practices that guide how an organization is directed, controlled, and held accountable organizations should have well-defined policies and procedures that align with legal and regulatory requirements, ensuring that these are consistently followed and updated as necessary. Paper [12] identified critical elements of compliance, legal framework and ethics and integrity framework. Effective compliance ensures that SOEs fulfil their public mandate while operating efficiently and

competitively in the market. In other words, the organization preserves public trust and helps SOEs positively affect the economy and society.

Paper [13] explained about structure and functioning board as one of the central themes of effective governance implementation in any organization. The Board is the governing body responsible for oversight, strategic direction, and accountability. Here are some aspects of this theme: composition of board structure, board diversity, executive and non-executive directors, and independent directors. The structure and functioning of the Board are fundamental to good governance. A well-structured board, with a clear understanding of its roles and responsibilities, can provide adequate oversight, strategic guidance and accountability, ensuring the organization achieves its objectives while upholding ethical standards and stakeholder trust.

Paper [9] defined the control environment as a critical component of an organization's internal control system. It encompasses various elements that establish an organization's tone and influence its people's control consciousness. In other words, a control environment is the overall attitude, awareness, and actions of an organization's management and employees regarding internal controls. The environment is as dynamic in the whole industry sector; this requires changing the attitude toward internal control from treating it only financially to managing the control process. A control environment becomes a control framework to manage risk, which also helps the enterprise achieve its goals and perform its tasks. There are various elements of a controlled environment, such as internal control and audit function, help organizations to detect and eliminate misconduct behavior as well as to provide for reasonable security. The study mere concern on behavior, that may be better when it further related to implementation settings.

Paper [14] described transparency and disclosure are essential for effective governance, ensuring that organizations operate in a manner that is accountable, trustworthy, and ethical. Deploying a financial reporting mechanism and public accountability commitment contributes to suitable organizational arrangements that prevent corruption and mismanagement of power. Moreover, this practice allows stakeholders to understand how decisions are made, promoting accountability and trust. It was supported by other paper [15] that depicted that by implementing vital transparency and disclosure practices, organizations can foster cheerful external stakeholder arrangements, favorable external stakeholder arrangements and investor trust. The external governance mechanism covers the activist owner and market corporate control, which is identificatory. External stakeholders attempt to prevent executive misbehavior in the form of financial fraud by increasing their levels of monitoring and control.

The series of literature above reveals various important framework and indicators that influence the success of governance implementation. However, those explained a universal model for business entities, as previously stated, and the number of studies discussing the governance implementation is still very minimal in the context of regional government-owned organizations in Indonesia. Also, it is well understood that governance is a multi-dimensional concept that requires enrichment of contextual aspects. Therefore, emerging issue is the need to identify contextual dimensions of governance implementation in regional government-owned enterprise.

3. The aim and objectives of the study.

The aim of the study is to identify contextual dimensions of governance implementation within regional government-owned enterprises. It will provide an opportunity for an alternative reference for such companies when formulating strategies in implementing governance.

In achieving this aim, the following objectives are accomplished:

- to conduct exploratory investigation into governance implementation practices within government-owned enterprises through case study analysis and to identify best practices that have been effectively implemented by company management;

- to conduct cross-case analysis of relevant practices observed in the enterprises to identify the key factors that contribute to successful governance implementation.

4. Materials and methods of research

The object of the study focuses on governance implementation in commercial organizations owned by regional governments in Indonesia. Specifically, it highlights on the contextual dimensions and specific characteristics faced by the management of these regional government-owned enterprises when implementing governance. Moreover, at least there are some assumptions identify from such kind of phenomenon, they are: Firstly, contextual dimensions and specific characteristics significantly influence governance implementation in these organizations. The study aims to identify contextual dimensions or specific characteristics faced by the management of regional government-owned enterprises when implementing governance. This implies the researchers believe these factors are crucial in understanding governance. Secondly, qualitative case studies can provide valuable insights into governance implementation. The study utilizes a qualitative research method with case studies, indicating an assumption that this approach is appropriate for exploring the complexities of the subject. Thirdly, good governance is essential for sustainable development in regional government-owned companies. It is based on assumption that the interplay between the identified elements is crucial for fostering a culture of good governance and achieving sustainable development. The finally, governance implementation is a complex and multifaceted phenomenon. The focus on a holistic approach and the acknowledgment of various interacting factors implies an assumption that governance is not a simple and isolated issue.

To understand how governance is put into practice, the study made its investigation simpler by using the key aspects of good governance as defined by the World Bank [7]. This means the researchers made their study easier to manage and understand. Instead of trying to look at every possible aspect of governance, they focused on a specific, pre-defined set of criteria. The framework relevant with the established standards for good corporate governance. It posits six overarching parameters that serve as the foundational themes for investigating the observed companies. These core themes, namely commitment, board structure and function, control environment, disclosure and transparency and disclosure, minority shareholder treatment, and stakeholder engagement. Those were selected for their inherent relevance and applicability to the unique context of regional government-owned enterprises. Due to the common characteristic of regional government-owned company is

fully-ownership by the government, the minority shareholder treatment parameter is excluded. Qualitative methods were utilized to explore the complexities and contextual nuances of the four identified themes. Given this emphasis on in-depth understanding rather than statistical generalization, the use of hypotheses is not appropriate.

The research was designed as an intrinsic multi-case study [16]. The case study method is carried out simultaneously to understand the cases in depth, which is not intended to generalize the findings of other cases. This method is used for researchers who want to gain an in-depth understanding of a specific case and not to discover new theories or concepts. The researcher examined informants' answers (top and middle management) to dig out the influencing contextual factors regarding governance implementation in state-owned companies based on actual perceptions and experiences. As the researcher hoped to gain insights for praxis, utilizing a case study as a design was deemed necessary. Case study research makes it possible to gain an in-depth understanding of behaviors, processes, practices, and relationships in context by asking why, how and what questions about the issue under study via collecting in-depth and detailed data [17].

This research focuses on two enterprises in South Sulawesi, Indonesia, representing the banking and drinking water industries. Both industries are chosen simply because almost every province in Indonesia has a share portion in a regional bank, and most cities/districts have a water supply company. Both companies experienced positive financial performance for the last three years.

Data analysis was conducted in two stages: within-case analysis and cross-case analysis. The first stage likely involved an in-depth examination of each individual case to identify patterns and unique characteristics within that specific case. While cross-case analysis involved comparing the findings from multiple cases to identify commonalities and broader patterns across the cases. A cross-case analysis was conducted using a replication logic approach in which emergent practices are confirmed across cases [18]. The researchers then triangulated between emergent practices and relevant theories in order to clarify critical success factors. We also referred the practices to prior studies to enhance research robustness.

5. Results of exploratory investigation and cross case analysis

5.1. Exploratory investigation through multiple case studies

5.1.1. Characteristics of case studies

This study explored two regional government-owned enterprises. Companies are selected for observing in this study represent distinct sectors with different characteristics and challenges. The banking sector is characterized by financial risk, competition, and regulatory oversight, while the water supply sector focuses on service delivery, infrastructure maintenance, and addressing social equity issues. Table 2 depicted characteristics of case studies.

Table 2 presents a brief overview of two case studies, contrasting a limited company owned by a local government in South Sulawesi operating in the banking industry with a municipally owned company in Makassar providing local water supply services. Both entities have a quite similar number of employees, with the banking company having a slightly larger workforce.

Table 2

Case studies characteristics

Description	Case study 1	Case study 2
Entity	Limited Company. Owned by local government in South Sulawesi region	Municipally owned company. Owned by Makassar City Government
Kind of industry	Banking industry	Local water supply utility
Number of employee (2023)	1.370 employee	1.324 employee

5.1.2. Case study 1

Based on the interview results, the implementation of corporate governance in the studied company is categorized into four main themes.

One of the prominent themes is the company's commitment to good governance. This is reflected in the existence of comprehensive company rules, clear governance guidelines, and a code of ethics that is adhered to by all employees. Furthermore, interviews indicate that this commitment is not merely a statement but is realized in the company's day-to-day operations. The company's managerial and operational activities depend highly on established rules. This is in line with the characteristics of the banking industry, which has stringent regulations. As a financial institution supervised by the Indonesia's Financial Services Authority, this company must comply with all applicable regulations. Thus, clear rules form the foundation for all company operations management functions. The informant (NS-1) commented:

"As is known,is a regional company that is, of course, regulated by Local Government Regulation and Indonesia Financial Services Authority. We also follow the company's SOP, which named the BPP (Company Guidance Book)."

In addition, the company has designated a function responsible for overseeing compliance with regulations. The compliance division is most responsible for ensuring that the company adheres to the company's code of conduct. The company has a separate division to ensure that the company complies with the company's governance policies, namely the compliance division. This division is headed by a director oriented towards prevention to ensure that policies, regulations, systems, procedures, and business activities comply with applicable regulations. In carrying out compliance procedures, the company first conducts monitoring through timely reporting in each period, which must be reported to the Authority. In addition, the company has another procedure known as a commitment to compliance. The company conducts periodic monitoring to reveal the extent to which the company has complied with the company's policies and procedures.

Regarding structure and the function of the board of directors, the company has referred to the Financial Authority regulations. This includes the composition of the board and management team, audit and other committees, evaluation mechanism, and development program. Based on the interviews conducted with informants, it was concluded that all matters related to the assignment of the Board of Directors and the Board of Commissioners are regulated in the regulations. Based on the results of the document analysis, it was obtained that the board's composition is determined based on the decree of the Financial Authority. The company has five directors: the President, the Director, the Director of Credit and SME, the Di-

rector of Operations and information Technology, the Director of Marketing and Syariah, and the Director of Compliance. The working mechanism of the board of directors is a crucial item regulated in the company's articles of association and bylaws, which have been adjusted to the relevant regulations.

The working mechanism starts from the rules regarding the board of directors' selection, nomination, and appointment, which is decided in a general meeting of shareholders. It is supported by the results of an interview with NS-1, who stated that:

"To appoint an official, registration is opened, and all the provisions are included in a provision on the procedure for appointing and dismissing officials. So here, the Board of Commissioners still implements it. The Board of Commissioners here acts as a representative of shareholders to oversee the bank. That is why in this case, the appointment or dismissal of officials is discussed through the Annual Meeting, but the Board of Commissioners conveys it to the shareholders."

Moreover, the working mechanism of the board of directors also regulates board meetings, which are held annually. This is supported by the results of an interview with NS-1, who stated that "to hold a meeting at least 4 times a year." This is also supported by the document analysis results, which showed that all board members had held 13 meetings. Typically, the duration of the meeting depends on the topics discussed. Additionally, the Board of Directors is responsible for selecting, appointing, and dismissing executive officers.

Based on the document analysis, it was obtained that the company has 16 divisions, each of which has an executive leader. In selecting, appointing, and dismissing a leader, the board of directors conducts a periodic performance evaluation of the leader. This is supported by the results of an interview with NS-1, who stated that:

"Based on the document analysis and observation, it was obtained that in 2023, the Board of Directors did not participate in any competency improvement programs, such as training, workshops, conferences, or seminars. This is because competency improvement programs are more intended for employees. The Board of Directors has the duties and responsibilities to appoint and dismiss committees based on proposals from the Board of Commissioners."

The third dimension is the control environment, which includes internal control systems, internal audit functions, external auditors, and risk management. Based on the interviews conducted with informants, it was obtained that internal control at the company involves three divisions to oversee internal aspects of the company. This is supported by the results of an interview with NS-2, who stated that:

"First, there is direct supervision, second, there is the function of the Internal Audit Unit, and third, the implementation of risk management and compliance. These three divisions function to oversee the implementation of internal control, but the most important is the unit, which conducts assessments, supervision, control, audits, and examinations of each performance at least once a year."

The results of the control environment assessment are documented in the Company Handbook, Standard Operating Procedures, annual reports, and other internal codes. This is supported by the results of an interview with NS-3, who stated that:

"As I explained earlier, all company policies have been documented, whether in the BPP, SOP, regulations, reports, etc."

Based on the document analysis, it was obtained that the results of the assessment of the control environment can also be reviewed periodically through the annual report, which can be accessed on the company website.

In conducting internal audits, the company has used national and international standards. Based on the document analysis, it was obtained that the internal control system refers to COSO. In addition, the control environment also refers to applicable regulations.

In the control environment, the company has a special division responsible for developing and implementing risk management, namely the Risk Management Division. Based on the document analysis, it was obtained that the company applies risk assessment procedures in identifying and controlling risks according to Basel Accord III. The Risk Management Division conducts risk analysis in the form of measurement through quarterly risk profile reports. The response to this risk analysis is by implementing key risk indicators (KRIs) as early warning signals and a loss event database (LED) to calculate and monitor the number of activities that potentially cause risk.

The last dimension explored was transparency and disclosure, which includes financial reports, disclosure of public services or policy objectives, and financial statement reviews. Based on the results of interviews with sources, it was found that it transparently discloses information about the bank's performance to the public promptly.

The financial reports are those that have been audited, usually published on the website. The standard applied by the company in conducting financial reporting is based on the national standard. In addition, the company openly discloses and reports public services. This is supported by the results of an interview with NS 2, who stated:

"Of course, the company definitely discloses and reports its public services. And that is also one of the company's responsibilities to provide information to the public as it should".

Costs to meet public policy are not disclosed separately. Based on the results of document analysis, it was found that costs to meet public policy are reported in the annual financial statements in the income statement and are detailed in the sustainability report. One form of public policy is the existence of a CSR program. The CSR program has been budgeted and programmed each year for implementation in the current fiscal year.

5.1.3. Case study 2

Similar to the previous case study, the interviews with informants yielded four descriptive themes that illustrate the implementation phenomenon in the company.

Based on the interviews with relevant stakeholders, governance implementation in the Commitment to Good Governance dimension shows that most indicators, such as the RGOE legal framework and the RGOE Mandate and Objectives, have been implemented well. However, some dimensions still require improvement:

1. The Work Procedure Guidelines, a tool to ensure the company operates according to standards, still need to be adjusted to the new directorate positions and functions.

2. The increasing number of code of ethics violations can hurt the company's performance. One informant (NS-2) stated the following:

"Yes, we must comply. When we do not comply and obey the rules, that is when problems arise. Our (the) company, ... has the Makassar City Regional Company Regulations of 2022. There are provisions for employees. (this company) is under the auspices of Perpamsi, so we have our employee regulations, We still have other rules that we follow as standards in carrying out our work (SOP)."

All activities at the company have complete SOPs as a guide for work and are regularly inspected by institutions such as the city government audit unit and the Audit Board. Structurally, several functions are primary in ensuring compliance with company governance policies, namely, the Board of Directors and its staff.

The company's objectives are documented, published, and reported to the City Mayor as the company's owner and strategic partners. The objectives can be seen in public publications and reports on work results submitted to the Internal Control Unit and the Mayor. It is acknowledged that the objectives are a combination of commercial and public/social aspects. The company has a commercial aspect of maintaining profitability but also has a social commitment to provide good service to the public and meet public needs. As for non-commercial activities, funding for social programs can come from CSR funds allocated from company revenue, water payments from customers, revenue generated from water management, and cooperation with third parties.

Responding to inquiries regarding the Board of Directors' structure and functions, informants generally reported that most of these aspects had been well-implemented based on critical indicators functioning as intended, per the company's prevailing principles. These indicators include:

1. Board composition.
2. Board procedures.
3. Audit committee and other standing committees.
4. Board evaluation. Informant (NS-3) responses:

"...(There) is an audit committee related to the supervisory board. This committee primarily oversees the audit and internal control aspects related to the company's activities."

In addition, the control environment theme encompasses control mechanisms and risk management. The governance implementation in the control environment dimension has not been fully implemented within the scope of the state auditor and risk management, as evidenced by declining performance evaluation: the company's performance evaluation by the Ministry of Public Works and Public Housing has decreased for three consecutive years. Also, the absence of a chief risk officer (CRO) dedicated to managing risk.

The responsibility for developing and implementing a risk management system can be shared across various levels of the organization, from specific divisions to positions like the chief financial officer. The emphasis lies on collective responsibility for understanding and managing risks. The company lacks a dedicated chief risk officer (CRO) to manage risk centrally. Nevertheless, efforts to manage risk have been implemented in various areas, and in some cases, the company is building risk management structures and initiatives. The board should periodically fulfil its duty to review and

evaluate the implemented risk management system within the organization as informant (NS-3) explained:

"While there is no specific function for managing risks, risk controls are already in place in each field. However, no dedicated person or team is responsible for managing risks."

Based on our findings, this company still needs to optimally implement the principles of disclosure and transparency. This is evident from several indicators:

- limited information on the website: the features available on the website are inadequate to provide detailed and easily accessible information to customers, especially regarding bill checking;
- limited accessibility of annual reports: the general public still finds it difficult to access the company's annual reports, which should be a means of knowing its performance and financial condition;
- inconsistent CSR reporting standards: uncertainty in the use of sustainability reporting standards (SRS) in CSR policies can pose risks in terms of accountability and reporting credibility.

The interview results also explain that the company publishes financial reports on time to avoid violating regulations. This is also intended for financial reports to be used to prepare the City Government's Work Plan. The company can ensure that the financial statements are audited according to ISA standards.

Other good practice is the company's disclosure in preparing annual reports with management comments, SOE policies and commercial objectives, ownership and control, risks, and the composition and profile of board members. All public disclosures are available online on the official website.

5. 2. Cross case analysis

The conclusion of both case studies is depicted in Table 3. The table reveals several representative quotes from all themes from both case studies. The author then conducted a cross-case analysis, resulting in contextual dimensions that lead to critical success factors for the context of state-owned companies. This analysis resulted in at least nine contextual dimensions. The table presents a comparative analysis of governance implementation practices across two case studies. The analysis focuses on four key governance themes: commitment to governance, structure and function of the board, control environment, and transparency and accountability.

Both companies demonstrate a commitment to adhering to relevant regulations and internal policies. Case study 1 has a more structured approach with a dedicated compliance team and a comprehensive set of policies. Overall, both case studies demonstrate a varying degree of commitment to good governance practices. Case study 1 appears to have a more formalized and structured approach with dedicated departments and processes for compliance, risk management, and board oversight. The analysis of the management system in this banking case study reveals a strong emphasis on good corporate governance to maintain public confidence. This translates into rigorous financial oversight, including close monitoring of key indicators like non-performing loans. The company also prioritizes operational efficiency, excellent customer service, and the integration of advanced technologies to enhance its competitive edge. Crucially, recognizing the importance of its workforce, the company invests in human resource development, understanding that skilled and capable employees are essential for success in the banking sector.

Table 3

Cross-case analysis

Governance implementation theme	Case study 1	Case study 2	Results
	Representative quote	Representative quote	Critical success factor
Commitment to governance	«We are fully compliant with all applicable laws and regulations. To ensure this, we have created a comprehensive policy that incorporates all legal requirements. This means that all the rules and procedures of the Bank are documented in our policies»	«We must follow all the rules. Breaking the rules will lead to consequences. All employees must follow company policies. Our company specifically follows the latest Makassar city regulations from 2022. We have our own set of employee rules, in addition to the general ones. We always follow our standard operating procedures (SOPs) in our work»	Clearly defined regulatory framework
	«... most responsible for the governance regulations coincidentally the name of its division is compliance, the department is governance, so it's not the person, but the organization that is responsible, namely the governance department of the compliance division»	«There is a dedicated department known as the Internal Audit Unit (SPI), which reports directly to the CEO. The SPI's primary responsibility is to conduct monthly internal audits to ensure that all company operations comply with established procedures»	Well-established compliance function or unit
Structure and function the board	The composition of the board and the selection mechanism of the directors are regulated in SEOJK and have complied with its provisions	«The job description clearly outlines the responsibilities of a director, as mandated by government regulations. Becoming a PDAM director is not a simple process. Candidates must meet specific requirements, undergo various tests, and demonstrate their suitability for the position. There are certain standards that must be met.» (NS-3)	Board selection mechanism
	«The appointment or removal of directors takes place during the Shareholders meeting. Candidates for the position of director can either nominate themselves or be nominated by others. All candidates must meet the specified qualifications. The shareholders will discuss and decide which candidate is the most suitable based on the established criteria»	«The director's performance is evaluated every quarter. The results of this evaluation are then presented to the city mayor. In other words, the city government is responsible for conducting these evaluations and reporting the results to the mayor»	Role of management function
	«One of the ways the board of directors evaluates executive officers is by assessing their Key Performance Indicators (KPIs) annually. Based on this evaluation, it is determined whether the executive will have their contract renewed, be transferred to a different position, or be terminated		Performance management
	«Yes, training is definitely conducted. There's a specialized institution that provides training specifically for directors and commissioners»	–	Professional development
Control environment	«There are three main ways to oversee internal operations in an organization. First, there's direct supervision from managers. Second, there's the Internal Audit Unit that conducts independent audits. And third, there are risk management and compliance systems. They do this at least once a year for every department. So, there are two main types of oversight: direct supervision and audits»	«... we are strictly committed to adhering to all regulations. Any employee found violating these rules must face strict penalties. Therefore, all our work must be carried out according to our SOP. Effective communication between departments is also essential. In essence, every task we undertake must align with our SOPs, serve as our guiding principles in our work. Deviating from these procedures would lead us bias»	Control mechanism
	«When there's a potential risk, there's a specific team called the risk management division that handles it. Whenever there's a report about a possible risk, this division will take care of it directly. Their job is to figure out how to manage this risk, so that it can be solved and doesn't happen again.»	«Although there isn't a dedicated department to manage risks overall, each individual department within this organization has been taking steps to control risks within their respective areas. However, there's currently no specific person or team assigned to oversee all these risk control efforts»	Risk management
Transparency and accountability	«Yes, all reports should be published on time, and the reports that have been audited are usually posted on the company's website»	«Everything is done on time. Our work is well-structured and clear. We don't postpone any work. As soon as a request is made, it's ready. We already know the deadline for this program, so we can't be passive. We need to be proactive»	Information disclosure mechanism
	«Of course, it's clear that a company must disclose and report on its public services. It's also part of a company's responsibility to provide information to the public as it should be»	«We communicate with all relevant parties about our upcoming activities to prevent any issues	–

Case study 2, while emphasizing adherence to regulations and internal procedures, might benefit from further strengthening its internal control mechanisms and formalizing its

board selection and evaluation processes. Moreover, the company management analysis shows a focus on improving customer service through satisfaction surveys and feedback

evaluation. Ease of access to services is pursued through the digitalization of registration and payment processes, as well as the provision of easily accessible information. Complaint handling is evaluated based on the speed and effectiveness of resolution, with the target of reducing response time and increasing customer satisfaction. Regarding leak anticipation, PDAM conducts risk mapping and routine infrastructure inspections, as well as developing a technology-based monitoring system for early detection and preventive action. Periodic evaluation of asset management and allocation of maintenance budgets is also an important part to ensure service continuity.

The findings of this study are graphically represented in Fig. 1.

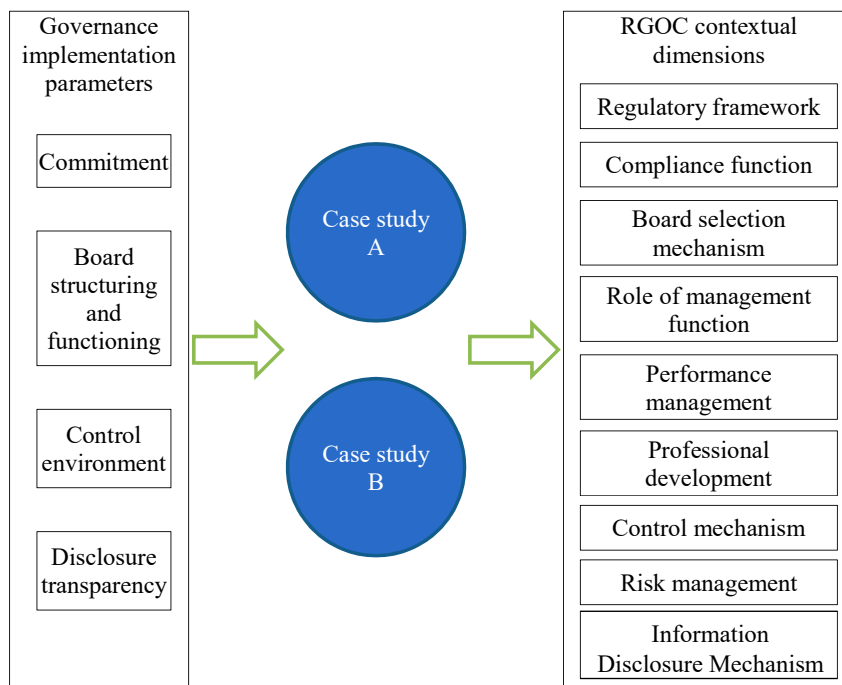


Fig. 1. Contextual dimension

The above figure explains the interconnectedness of various parameter that contribute in identifying the contextual dimension based on case studies conducted in two observed companies.

6. Discussion of contextual dimensions of governance implementation

This research presents several key success factors derived from a repetitive logic analysis of the implementation practices conducted in two observed companies. The informants revealed many different things about how governance was put into practice, resulting in various events and facts related to the implementation. Refer to Table 3 and Fig. 1, there are nine key success factors identified, as follows:

- regulatory framework. It is the most fundamental aspect of implementing good governance in a company. This includes companies owned by local governments. This framework must be comprehensive for companies affiliated with the government, encompassing a combination of laws, government regulations, regional regulations, company regulations, and company policies (aligned with other

relevant laws and regulations). Company management must constantly update the law and regulatory framework with all relevant new regulations, including those related to the company's industry. Generally, the above rules are constantly updated to match the dynamics of the business environment and competition. A clear and well-defined framework is essential for implementing rules effectively [19]. This clarity should be reflected in transparent guidelines for creating and enforcing those rules. Stakeholders, including businesses and the public, must clearly understand their rights, obligations, and responsibilities within the framework. This clarity serves several vital purposes, such as fostering a fair, building public trust, and competitive environment [20]. It is important to remember that the legal landscape for state-owned enterprises (SOEs) in Indonesia is constantly changing, with new laws and regulations potentially emerging. Moreover, the regulations that make up the framework should be easy to interpret and follow with minimum ambiguity and contradiction. Promulgating standards and regulations do not necessarily attain the framework but can also be clarified through frequent monitoring activities, inspections and consultation. Previous studies confirmed that clarity of regular framework could bring positive impacts on promoting public trust and enhancing fairness in competition [20]. A well-defined regulatory framework can only stand with a party that monitors management's compliance with regulations. Therefore, a firmly established compliance function/unit becomes indispensable. The principle point of commitment above requires organizations to comply with laws and continuously determine the adequacy of remaining with the rules. Hence, it requires overseeing and maintaining adherence to a level of compliance;

– compliance function. This function becomes very strategic in implementing governance and can be a compliance section or an internal audit unit. In implementing the company's code of conduct/governance, the functions most responsible for ensuring that the company complies with the company's governance policy are the compliance division and the internal audit unit. Generally, in large-scale companies, management has established a compliance division. Compliance function is a department or unit within an organization, typically a company or institution, responsible for ensuring that the organization adheres to laws, regulations, and internal policies. This division is crucial in maintaining the organization's integrity and preventing legal issues. The compliance function should have a preventive, advisory, and supervisory role, emphasizing. Facilitating the effective identification of the Risk of violation of relevant external requirements, such as compliance with laws and regulations, and providing advice on risk reduction measures. The unit is generally charged with specific tasks and roles, such as Ensuring that the organization complies with all applicable laws and regulations, implementing risk management, promoting ethical behavior among employees, and conducting internal audits. The importance of the compliance division strength-

ens the implementation of governance, which leads to legal protection, reputation management, and investor confidence;

- board selection mechanism. It encompasses the procedures or rules related to selecting directors and commissioners. This is based on the unique environment of State-owned regional enterprises, which are influenced by local political dynamics. Furthermore, the process of selecting company directors still has many areas for improvement, such as the selection of the board of directors needing to be based on a merit-based system. Therefore, selecting the board of directors should be crucial in regulating management. Recruitment and selection are indispensable functions of human resource management. It is the process of searching for and obtaining potential candidates. Organizations are increasingly adopting modern recruitment and selection methods to enter multinational companies. The success of an organization depends on an effective recruitment and selection system [21];

- role of management function. The company must clarify the role of management function as a significant part of the work mechanism that leads to effective governance. The board of directors in a State-owned enterprise (SOE) plays a crucial role in corporate governance and performance. Some challenging practices unique in government-owned entities include balancing political and commercial interests; appointing qualified, independent board members with relevant expertise is essential for effective governance; strengthening board independence: enhancing board effectiveness; and promoting transparency and accountability;

- performance management. It is a critical aspect of corporate governance, aimed at ensuring the effectiveness and accountability of board members. A robust performance management system can drive management to improve organizational performance continuously. Even though this control approach is successfully implemented in private companies, government-owned entities face some challenging issues. For example, political interference from related shareholders is common practice in Indonesia, leading to subjective evaluation based on a non-merit-based system. Moreover, ambiguous performance measurement may be caused by a lack of clarity or difficulty in measurement. Some aspects of performance, such as strategic thinking or innovation, can be challenging to quantify and measure objectively. Weak accountability mechanisms and cultural barriers sometimes appear to be other issues. By implementing a robust performance management system, SOE boards can enhance their effectiveness, improve decision-making, and contribute to the organization's long-term success [14];

- professional development program. It is a structured development program tailored to enhance directors' managerial, leadership, and strategic skills. The role of a board member is constantly evolving, influenced by regulatory changes, technological advancements, and shifting societal expectations. Board members must continually update their knowledge and skills to remain effective and fulfil their fiduciary duties. It facilitates directors in enhancing their strategic decision quality, which may lead to a better reputation for the organization and demonstrate commitment to governance. Asian Development Bank [22] stated that it is highly relevant for top management of government-owned companies to develop professionalism norms and knowledge, especially within uncertain conditions. The management above systems are interdependent in supporting the optimal functioning of directors in corporate governance;

- control mechanisms. It concerns with the systems and processes designed to ensure that organizations, especially

public institutions and corporations, operate ethically, efficiently, and effectively. They are essential for maintaining good governance, preventing corruption, and safeguarding stakeholders' interests. It is common practice in many companies to use an internal control unit, or if it is more complex, it can be an audit committee. Such a mechanism is expected to function as a strengthening of compliance with the rules. The focus area of control mechanisms can be within the internal and external business environment. Internal control is also referred to as operational control that supports the function of financial control. Another source of control comes from the external side, which is a sort of influence from outside organizations that affects how it operates. External controls specifically focus on regulating governance policies. External controls are essential because they ensure that organizations are accountable for their actions and fulfil a certain standard of behavior. Such kind of control can be sourced from external stakeholders. In the context of regional companies related to an uncertain business environment, disturbances face many challenges and require robust control mechanisms. A robust control mechanism is when the system performs well despite many uncertain situations. Especially when dealing with the dynamics of community services and pressure from shareholder activism. Shareholder activism is a type of control mechanism. It is an external mechanism that shareholders use to influence corporate governance and management decisions. Activists can hold companies accountable and push for changes that align with shareholder interests by taking actions like proxy fights, public campaigns, or shareholder resolutions;

- risk management. It is a systematic process of identifying, assessing, and controlling risks. It involves analyzing potential threats or uncertainties that could negatively impact an organization's goals and objectives. Organizations can minimize potential losses and maximize opportunities by proactively addressing these risks. Organizations can reduce the likelihood and impact of adverse events by identifying and addressing potential risks. Effective risk management can help protect an organization's reputation by preventing crises and scandals. Therefore, by proactively identifying, assessing, and managing risks, organizations can build resilience, improve performance, and ensure sustainability. Risk management and governance are deeply intertwined. Effective governance requires robust risk management to ensure long-term sustainability and success. Proactive risk management demonstrates a proactive approach to risk management that builds trust with stakeholders, including investors, customers, and employees;

- information disclosure mechanism. It communicates a company's performance to various stakeholders, including investors, creditors, and management. It involves preparing and presenting financial statements that provide a clear and accurate picture of the company's financial health. The main objective of financial reporting is to provide information on the entity's financial statements, which helps make economic decisions. Providing quality financial reporting information is crucial because it will positively affect capital providers and other stakeholders in making investment and financing decisions and resource allocation decisions to improve the efficiency of the overall market. This accountability aims to inform about the financial year's end and the budget's formation for the following year. Understanding the fundamental concepts and principles of financial reporting is essential for making informed decisions in business and investment. Rel-

evant information is the right of every citizen to obtain information about anything that concerns public interest, which is available, accessible, and obtainable through public bodies.

Connecting the whole dimensions, the study unveiled the importance of a company's control environment in supporting high transparency and accountability. The appropriate control mechanism will highly depend on the support from relevant parties in the form of shareholder and stakeholder activism. In other words, stakeholder activism is viewed as a positive force driving the creation of an effective control environment, especially in government-owned companies.

The strategy has become common in promoting management's accountability as long as it indicates value-increasing activity. Studies examined the impact of shareholder activism on organizational practices toward a broad range of governance dimensions, such as financial and social performance [23]. Shareholder activism is concerned with maximizing shareholder values, usually formed through proxy fights, public campaigns, and shareholder resolutions. Risk management is another successful factor in a controlled environment; such a mechanism facilitates management in recognizing, assessing, and managing events that are potent to the organization's objective. It also involves a series of steps to minimize the unwanted effects of the risk and, therefore, can lead to maximizing opportunities. Previous research revealed that risk management leads to a positive contribution to governance in terms of social performance; risk management effectively brings organization resilience toward economic and financial crisis [24] and providing a new way for long term sustainability [25].

In addition, the study reveals the importance of effective financial reporting mechanisms in terms of transparency and accountability. Empirical evidence revealed the positive impact of sound financial reporting practices on increasing public trust, company sustainability and other performance. Another study also revealed the existence of a changing arrangement trend of service delivery governance in public service organizations that implied better governance implementation [26, 27].

It needs to explain in this analysis the role of government in the such kind of companies. The government plays a crucial role in regional government-owned enterprises that may acted as a shareholder and as a regulator. Here some concrete supporting activities that originated from local government. Firstly, local government can be as an initiator in establishment of the company, that typically in response to an identified regional need or opportunity. Therefore, local government should establish sufficient resources, such as initial capital in the beginning or additional capital when the company need to be expanded. In this context, the government is seen as the main shareholder who determines the course of the company. Secondly, local government establish the legal framework that defining company's purposes, scope of activities, and organizational structure. In this context, it usually has a right to appoint key management position that can control over company performance, and compliance with regulations. Finally, the local government can contribute to the company through setting the overall policies and strategic direction for the company, that ensuring alignment with regional development goals.

The main advantage of the research is that the results may be used as an alternative framework for formulating strategy in governance. It offers apparent and understandable solution framework, in which each element is contingent upon the fulfilment of specific prerequisite conditions. Moreover, these findings are contextual, rather than universal, and adopt the unique characteristics of the local government-owned enterprise.

This research has some limitations as it used small number of specific case-studies. It may pose a generalizability problem and might be hard to make sure that the results would be applied to all kinds of organizations.

A disadvantage of this study is that it did not consider all the factors or parameters that could affect how well governance is working. For example, this study did not look closely the company treat minority shareholder within the observed companies.

Therefore, this study motivates future researchers to expand the number of observed companies with a variety of regional governments within an economy. Similarly. Parameters that were not covered in this study yet and it can be considered for inclusion in the future research.

7. Conclusions

1. This study used multiple case studies to investigate the governance practices of two companies. The findings revealed four key themes that are essential for effective governance implementation. Additionally, the study identified several good governance practices that are unique to government-owned companies and may not be applicable to other types of companies. Such best practices experienced in observed companies may become as a reference for similar enterprises facing similar environments.

2. The study identified nine contextual dimensions that significantly impact governance effectiveness. These dimensions include the regulatory framework, compliance function, board selection mechanism, role of management function, performance management, professional development, control mechanisms, risk management, and information disclosure mechanism. The study emphasizes the interconnectedness of these nine dimensions, highlighting their collective influence on overall governance outcomes. The interplay of these elements is vital for fostering a culture of good governance and achieving sustainable development within these companies.

Conflict of interest

The authors clarify that they have no conflict of interest, including but not limited to financial interest, personal relationships, authorship disputes, or any other factors that could have potentially biased the study or its findings.

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Data availability

Manuscript has no associated data.

Use of artificial intelligence

The authors have used artificial intelligence technologies within acceptable limits to provide their own verified data, which is described in the research methodology section.

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