

## Evaluation of Governance Implementation Minahasa Regency Drinking Water Company



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**ABSTRACT:** This study aims to evaluate the implementation of the principles of Good Corporate Governance (GCG) in the Regional Water Company of Minahasa Regency (Perusahaan Daerah Air Minum/PDAM) whether it is following Government Regulation Number 54 of 2017 article 92 concerning Good Corporate Governance by referring to the GCG policy instrument by the National Committee on Governance Policy in 2006. Research method: the researcher uses descriptive qualitative research, data collection techniques: interviews, observation, documentation. In-depth interviews were conducted with logical questions based on guidelines, interviews were conducted with strong intimacy, and the researcher appreciated the value of interviews as a data collection tool. Data analysis techniques: qualitative data analysis with data reduction, presentation, and data verification. Research Results: Transparency, Accountability, Responsibility, and Independence as well as Fairness, have been carried out formally, only Fairness has been implemented optimally. Recommendations from researchers are to provide independence in tariff adjustments, refine policies, cultivate GCG principles, and restructuring.

**KEYWORDS:** Implementation Evaluation, Transparency, Accountability, Responsibility, Independence, Fairness, Recommendation

### INTRODUCTION

Companies that are managed irresponsibly, do not comply with regulations and are full of corruption, collusion, nepotism, which resulted in the 1997 Indonesian economic crisis. Good Corporate Governance (GCG) emerged as a policy instrument from the Government to improve the situation at that time. public body company which the author termed as a hybrid organisation.

Minister of Home Affairs Tjahjo Kumolo (2014-2019) noted that the performance of Regional Companies, which are currently known as Badan Usaha Milik Daerah (BUMD) until the end of 2019, was still poor, this condition was reflected in the financial condition of BUMDs, the Ministry of Home Affairs notes that there are 1,097 BUMDs throughout Indonesia with total assets reached 340.118 trillion rupiahs, but unfortunately from the thousands of BUMD, the total profit generated was only 10.372 trillion rupiahs or the average profit-to-asset ratio of 3.0 per cent. Tjahjo Kumolo said the small amount of profit occurred because many BUMDs were losing money. One of those BUMDs is the Regional Drinking Water Company (PDAM). There are 999 PDAMs in Indonesia and there are 70% of PDAMs are losing money, even though so far the government has disbursed a subsidy of 5 trillion rupiahs for those PDAMs that have lost (CNN-Indonesia, 2019). The low level of return on assets (ROA) shows that the management of BUMD is not optimal, both from the financial and performance aspects.

Likewise, what happened in the Minahasa Regency PDAM, which from 2011 to 2019 was still losing money and was entangled in various problems as seen from the 2018 performance evaluation report by the Badan Peningkatan Penyelenggaraan Sistem Penyediaan Air Minum (BPPSPAM) which was ranked 111 with a performance value of 1.49 in the Sick category. of 115 BUMDs in Region III (Kalimantan and Sulawesi), they are far adrift from their neighbour PDAM Duasudara, Bitung City, at 35th place with a performance score of 3.05 in the Healthy category. Nationally, PDAM Minahasa Regency is in position 372 out of 380 total BUMDs implementing the Drinking Water Supply System (SPAM) (Kementerian-Pekerjaan-Umum-dan-Perumahan-Rakyat, 2019).

Table 1. Minahasa Regency PDAM Performance 2011-2019

Performance	Year								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Finance	0,42	0,36	0,36	0,42	0,47	0,31	0,31	0,31	0,49

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<b>Service Area</b>	0,9	0,48	0,4	0,6	0,4	0,40	0,60	0,40	0,40
<b>Field of Operation</b>	0,76	0,85	0,85	0,8	0,76	0,84	0,69	0,63	0,42
<b>HR field</b>	0,15	0,15	0,15	0,15	0,15	0,15	0,15	0,15	0,36
<b>Total Performance</b>	2,23	1,84	1,76	1,94	1,78	1,7	1,75	1,49	1,67
<b>Category*</b>	<b>Unhealthy</b>	<b>Sick</b>	<b>Sick</b>	<b>Sick</b>	<b>Sick</b>	<b>Sick</b>	<b>Sick</b>	<b>Sick</b>	<b>Sick</b>

Whereas as a BUMD engaged in the clean water supply sector, the Minahasa Regency PDAM is expected to be managed optimally and get a healthy predicate to meet social needs in the form of clean water services to the community and increase dividends for Minahasa Regency's Original Regional Revenue (PAD).

Hybrid organizations are characterized by a variety of sources of financing; different forms of economic and social control; joint ownership; and the mismatch of goals and different institutional logics within the same organization (Johanson & Vakkuri, 2017). These characteristics are following the characteristics of PDAMs, in their development, the characteristics of PDAMs as hybrid organizations are entities that are expected to become organizational strengths to develop.

To improve the performance of BUMD, one of which is PDAM, the Government made a policy of PP 54 of 2017 concerning Regional Owned Enterprises, article 92 regulates good corporate governance. Good corporate governance consists of five principles, namely: Openness (Transparency), Accountability, Responsibility (Responsibility), Independence (Independence), Fairness (Fairness), among academics in Indonesia is more popular with the term Tariff. Tariff is a policy instrument to create the necessary welfare, integrity, and social cohesiveness of the community, political economy and administrative authority for various levels of state affairs, good governance rests on three pillars, namely the government, the private sector, and the community. In the era of regional autonomy, the government has provided broad opportunities for local governments to improve the welfare of their people. Local governments can regulate several aspects of life in their own areas, including economic, educational, health, social and cultural aspects. In the economic aspect, local governments have the authority to form a Regional Owned Enterprise (BUMD). In essence, BUMD has a strategic role in the current era of regional autonomy in addition to providing benefits for the economic development of a region and to earn profits and or profits, it must also be able to play a role in organizing public benefits in the form of providing quality goods and or services for the fulfilment of people's livelihoods according to conditions, regional characteristics and potential based on good corporate governance (Peraturan Pemerintah No. 54 Tahun 2017 tentang BUMD, 2017). This study aims to evaluate the implementation of the principles of Good Corporate Governance whether it is following Government Regulation Number 54 of 2017 article 92 concerning Good Corporate Governance by referring to the GCG policy instrument by the National Committee on Governance Policy in 2006.

### LITERATURE REVIEW

Management theory is used as a grand theory in this study, grand theory is a term coined by C. Wright Mills in *The Sociological Imagination* (1959) to refer to a highly abstract form of theory in which formal organization and conceptual organization take priority over understanding the social world. Its main target is Parsonsian systems theory (A Dictionary of Sociology, n.d.). The main function of grand theory is as the main source which will then be developed by middle-range theory. (Harun, 2015, p. 16). Management can be viewed as a science as well as an art. As science is because it already has the requirements as a science, namely; systematic methods and formal objects and materials themselves. (Masengi, 2018, p. 1). In the management literature, there are different meanings among experts. The notion of management, further stated by Mary Parker Follet, stated that "management is the art of getting things done through people" in the sense that management is the art of getting work done through other people. This definition implies that managers achieve organizational goals through arranging other people to carry out various required tasks (Handoko, 2014, p. 8), while according to George R. Terry, "Management is a typical process consisting of actions of planning, organizing, moving and controlling to determine and achieve goals through the use of human resources and other resources" (Hasibuan, 2014, p. 2), while according to John D. Millet "Management Is The Process Of Directing And Facilitating The Work Of People In Formal Group To Achieve The Desired End". This means that management is the process of guiding and providing facilities for the work of people who are organized informal groups to achieve the desired goal (Sukarna, 2011, p. 2). Meanwhile, according to Theo Haiman, management is a function to achieve something through the activities of others and oversee individual efforts to achieve common goals (Harbangan, 1993, p. 7). Management can be interpreted as an activity/business process to achieve goals effectively and efficiently through the cooperation of others and has an important role as the main element of the implementation of activities to allow no mismanagement in the implementation of activities to achieve goals.

Agency theory researchers use as middle-range theory, the middle-range theory developed by Robert King Merton, Merton put forward a basic argument that a theory should not be too far from the earth, and as a solution to the difficulties of Parsons'

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functionalism theory, Merton developed a middle theory approach. Middle range theory basically attempts to bridge the gap between theory and empirical evidence. Of course, this is easy to understand, considering that Merton criticizes theorists who do not pay attention to empirical evidence and researchers who only collect data in the form of empirical evidence without understanding the theory. Thus, the middle-range theory is intended as a bridge for practitioners and researchers (Adibah, 2017, pp. 174–175). Jensen & Meckling 1976 argues that agency theory is the basis used to understand corporate governance. Agency theory is a relationship based on contracts that occur between members in the company, namely between the owner and the agent as the main actor (Hamdani, 2016, p. 279) In Jensen & Meckling's research states that the agency relationship arises when one or more principals hires an agent to provide a service and then delegates decision-making authority to the agent. Thus, an agent is obliged to account for the mandate given by the principal to him. In companies, the relationship between principal and agent is manifested in the relationship between shareholders and managers (Schroeder et al, in Hamdani, 2016, p. 281).

James E. Dougherty and Robert L. Pfaltzgraff explained that Applied theory is a micro-level theory that is ready to be applied in conceptualization (Ali, 2014, p. 9). The applied theory used by the researcher is Good Corporate Governance (GCG), GCG is closely related to the principal-agency theory, namely to avoid conflicts between the principal and the agent. Conflicts arise because these differences in interests must be managed so as not to cause harm to the parties (stakeholders). A corporation that is formed and is a separate entity that is separate is a legal subject so that the existence of the corporation and its stakeholders must be protected through the implementation of GCG. In addition to the Agency Theory model approach, academics and practitioners are also based on Stakeholder Theory, Stewardship Theory, and Management Theory (BPKP, 2021). According to the BPKP website, GCG is "Commitment, rules of the game, and healthy and ethical business practices" (BPKP, 2021), based on Government Regulation No. 54 of 2017 concerning Regional Owned Enterprises (BUMD) Good Corporate Governance) is a management system that directs and controls the company to produce sustainable economic benefits and a balanced relationship between stakeholders.

Several institutions put forward the principles of GCG including the Organization for Economic Co-operation and Development, namely the rights of shareholders, fair treatment for all shareholders, the role of stakeholders in corporate governance, disclosure obligations and transparency (OECD, 2004). Warsono put forward 5 principles but known as the Center for Good Corporate Governance at Gadjah Mada University (CGCG UGM) namely Transparency, Accountability and Responsibility, Responsiveness, Independence, and Fairness (Pamungkas & Marsono, 2012, p. 32), and the National Committee on Governance Policy put forward 5 principles that must be applied to every aspect of the business and at all levels of the company, namely transparency, accountability, responsibility, independence as well as fairness and equality needed to achieve business sustainability (sustainability) of the company by taking into account the stakeholders (the Committee) (Komite Nasional Kebijakan Governance, 2006, pp. 5–7).

A public policy cannot be released or left alone after it has been established and implemented, but the policy must be monitored, and one such monitoring mechanism is called policy evaluation. According to Nugroho (Dilapanga, 2015) evaluation is usually aimed at assessing the extent to which the effectiveness of the policy is accountable to the public, the extent to which the objectives have been achieved. Evaluation is needed to see the gap between expectations and reality. The main purpose of an evaluation is not to find faults in its implementation but to see how big the gap is between the achievements and expectations of a public policy. The next task is how to reduce or close the gap. So policy evaluation aims to find deficiencies and cover or correct deficiencies that occur by providing a recommendation.

### METHOD

This study uses a descriptive qualitative research design that aims to describe, summarize various conditions, various situations, or various phenomena of social reality that exist in the community that is the object of research, and seeks to draw that reality to the surface as a feature, character, trait, model, signs, or descriptions of certain conditions, situations, or phenomena (Bungin, 2011, p. 68). The qualitative method is based on the philosophy of postpositivism to examine the condition of natural objects, the researcher as the key instrument, uses purposive sampling to take key informants and develops by snowball sampling, in-depth interviews are carried out by gaining strong intimacy by continuously appreciating the value of the interview, then data is collected by triangulation and research results emphasize the specific meaning (substance) rather than generalization (Sugiyono, 2010, p. 15). The location of this research is the Regional Drinking Water Company of the Minahasa Regency because the author observes that there are problems related to the focus of the author's research, the research has been carried out in August 2020 to completion.

The data source is the subject from which the data can be obtained (Arikunto, 2013, p. 172). The data source is an important factor that is considered in determining the data collection method in addition to the type of data that has been created at the beginning (Indrianto & Supomo, 2003, p. 142). From the two definitions, it can be concluded that the data source is an important factor in the data collection method to find out where the data subject is obtained. Consists of:

1. Primary Data: It is data obtained from the first source either from individuals or individuals such as the results of interviews or the results of filling out questionnaires that are usually done by researchers (Husein Umar, 2013, p. 42). Interviews were

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conducted by gaining strong intimacy by continuing to follow what Benny and Hughes said to appreciate the value of interviews as a data collection tool (Pangkey & Sendouw, 2020, p. 2128), researchers during the study tried to establish close emotional relationships and intimacy with all organs and employees of the Minahasa Regency PDAM who were met during the study. And this has been done and received a positive response in the interview where at first the answers given by the informant were too formal but by applying this the researcher got deeper and more accurate information.

2. Secondary Data: Is a source of research data obtained by researchers indirectly through intermediary media (obtained and recorded by other parties) (Indrianto & Supomo, 2003, p. 143). So secondary data sources are data obtained indirectly or through other sources that were already available before the authors conducted research, namely data from the BPPSPAM report.

## RESULTS AND DISCUSSION

PDAM Minahasa Regency is classified as a business entity that is fully owned by Minahasa Regency, and in its management, it must be based on good corporate governance which is defined in PP 54 as a management system that directs and controls the company to produce sustainable economic benefits and balance the relationships between stakeholders (Peraturan Pemerintah No. 54 Tahun 2017 tentang BUMD, 2017). And specifically divided into 5 principles of governance in article 92, namely transparency, accountability, responsibility (responsibility), independence (independence) and also fairness (fairness).

### Transparency

Transparency has an operational definition in PP 54 Article 92 Paragraph (2) Letter a, namely openness in carrying out the decision-making process and openness in disclosing relevant information about the Company. The findings of the researchers there are 4 main things in transparency, namely:

#### 1. Ease and Availability of Information

Article 1 point 3 of the Law on Public Information Disclosure defines: "Public Agency is an executive, legislative, judicial, and other body whose main functions and duties are related to state administration, part or all of whose funds are sourced from the State Revenue and Expenditure Budget and/or Regional Revenue and Expenditure Budget (APBN and/or APBD), or non-governmental organizations as long as the part or all of their funds are sourced from the APBN and/or APBD, public donations, and/or abroad". So PDAM Minahasa Regency is a public body and is obliged to provide public information. Findings in the field PDAM has done by reporting revenues and expenses, as well as profit and loss calculations from the Company to the local government submitted every quarter of the current fiscal year in hardcopy, and it is the obligation of PDAM to report to the local government as the owner of capital.

So the information is already available to stakeholders but it is not easy to get information that is right for the public because the documents available are only in hardcopy and there are no supporting facilities for publication to the public, for example, the official website of the Minahasa Regency PDAM.

#### 2. Clarity of Information

The results of research related to the Strategic Plan (RENSTRA) and the Company's Budget Work Plan (RKAP) already consist of information on the Company's vision, mission, business strategic objectives, financial condition, management, balance sheet and others related to the operational and administrative fields of the Company, and the information is submitted in the form of reports and stakeholders. After observing and examining further documents, the researcher found that the information provided was incomplete, namely the absence of information regarding the internal control system and corporate governance guidelines.

#### 3. Corporate Disclosure and Confidentiality

Based on the interview results, PDAM has disclosed information to stakeholders according to their respective portions, there is a limit on information disclosure according to the interests and contributions of each stakeholder. Namely, information on reports to local government/internal company officials and non-government/external companies contains confidential matters that cannot be accessed by external parties and can only be accessed by internal parties, such as financial reports and employee data concerning employees' personal rights. However, after further observation, it was found that the informants did not know what secrets were and what could be accessed by the public. Here, PDAM seems afraid to be audited by consumers and external parties due to a lack of understanding of company confidentiality, even though it has been regulated in Article 6 of the Law on Public Information Disclosure regarding information that cannot be provided to the public, namely: a. information that can harm the country; b. Information relating to the interests of protecting the business from the unfair business competition; c. Information relating to personal rights; d. Information relating to job secrets; e. The requested public information has not been mastered or documented.

#### 4. Policy submission

The results of the interview revealed that company policies are always communicated to the Kepala Daerah berkedudukan sebagai Pemilik Modal (KPM) as the owner of capital through the supervisory board. It is clear in Regional Regulation Number 7 of 2011 concerning PDAM Minahasa Regency articles 19-20 related to the duties and authorities of the supervisory board in addition to the functions of supervising, controlling, coaching also assisting at the same time assessing the performance of directors and providing considerations and suggestions to KPM requested or not requested.

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In addition to delivering official written information related to PDAM, communication from the company's leadership, in this case, the supervisory board and directors, went well, the results of the observations of researchers, directors and councils have a high commitment to improving the company by always communicating with KPM, namely the Regent, and this has been going well and according to regulations.

### Accountability

Accountability has an operational definition in PP 54 Article 92 Paragraph (2) Letter b, namely clarity of functions, implementation, and accountability of organs so that the management of the Company is carried out effectively. The findings of the researchers there are 5 main things:

#### 1. Details of duties & responsibilities according to the strategic vision and mission

The results of the interview revealed that in carrying out the work of PDAM organs and employees, they have been given the main tasks and the Standard Operating Procedure (POS) of each section. However, in the implementation, there are still employees who are negligent and do not follow the existing standards. Examples of cases that often occur in employees who are in charge of collecting, the money from the bill are not fully paid because it has been used. As a result, the target of 80% of service connections (SL) in full paid off is not met, resulting in less operating cash and salaries so that employee salary payments are often late.

After the researchers made observations, especially at the head office and in the Minahasa Regency PDAM unit, there were still many employees who did not understand the main duties and authorities in their department and in carrying out the work they still did not understand the procedures and ignored existing procedures and that was acknowledged by the current director, Ir. Randy Rompas said that employees are still used to being pampered by old patterns that are slow and unprofessional and the most crucial thing is on the part of field operators because operators are the gatekeepers for water supply and pump guards, when they are not ready and do not participate in POS it is very fatal because the equipment especially pumps are very expensive and PDAM is not ready when it breaks.

At the top-level PDAM management already understands and works according to POS and their respective duties and authorities, but some employees as the spearhead of PDAM, namely field operators, billing employees, do not understand each other's duties, authorities and POS and carry out work based on habits ( old pattern) even though there is a clear policy in the Decree of the Regent of Minahasa Regency No. 234 of 2011 concerning the determination of the description of the duties and functions of the Minahasa Regency drinking water company (PDAM) and every work activity has details of POS. Billing employees, field operators called Michael Lipsky 1996 as street-level bureaucrats, Lipsky argues that the implementation of policies ultimately boils down to the people (street-level bureaucrats) who actually implement them (Lipsky, 1969, p. 45).

#### 2. Placement according to Competency

The results of observations and placement interviews by PDAM organs are following applicable regulations but not according to competence because decisions are the prerogative of top management, performance appraisal is only a formality. Observations made by researchers found that employees who had experience and expertise were not placed according to their expertise. As a result, employees did not work optimally, the right people were not given the right jobs.

#### 3. Internal Control System

The results of the research PDAM have an Internal Supervisory Unit (SPI) which assists the director's work in the field of supervision and internal control in achieving company goals. There is an integrity pact or performance agreement with employees to create a control system for all employees. The control system already exists and is implemented by the PDAM Internal Supervisory Unit.

#### 4. Performance Measures (Rewards and Sanctions)

The results of the company's research already have and know the rules contained in the District Regulation. Minahasa Number 7 of 2011 concerning PDAM Minahasa Regency to impose sanctions if there are naughty employees who do something outside the existing provisions let alone take actions that harm the Company such as installing illegal connections by unscrupulous employees, of course, the toughest punishment is being dishonourably fired because it has harmed the Company In measuring performance in July 2020, there has been a director's decision letter regarding the implementation of Key Performance Indicators (KPI) from the results of management KPIs that can measure employees' work abilities and one way to improve GCG, from these KPIs will determine employee career paths according to the employee's education and work skills From these KPIs, it can also be seen that employee productivity can be rewarded.

#### 5. Execution of duties following business ethics/behaviour guidelines

The Company does not yet have business ethics or a code of conduct for the Company's organs and employees.

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### Responsibility

Responsibility (Accountability) has an operational definition in PP 54 Article 92 Paragraph (2) Letter c, namely conformity in the management of the Company to the laws and regulations and sound corporate principles. In Responsibility, 2 indicators are more specific as a reference. The findings of the researcher are 2 main things:

#### 1. The principle of prudence, legal compliance

The results of PDAM research have ensured that every organ and employee must comply with existing regulations. PDAM always emphasizes compliance with applicable policies and laws. However, there are no guidelines related to good corporate governance, even though in the management of PDAM as BUMD there must be guidelines so that employees and KPM as owners of capital together with the community and other stakeholders know their respective rights and responsibilities.

#### 2. Corporate social responsibility (CSR)

The results of PDAM research have socialized to users (customers) to preserve water sources but have not been effective, it is indicated that there is still a lot of forest destruction, land conversion, disposal of household waste and animal waste in the Watershed (DAS), especially in Kawangkoan which causes The clean water supplied by the Minahasa Regency PDAM in the Kawangkoan unit does not meet the clean water requirements (Anes et al., 2017).

After further observations and interviews, the researchers found that PDAM was unable to carry out its responsibilities for the community and the environment, as a result, PDAM handed over full responsibility to the Minahasa Regency Government as the owner of capital.

### Independence

Independence (Independence) has an operational definition in PP 54 Article 92 Paragraph (2) Letter d, namely justice and equality in fulfilling the rights of stakeholders that arise based on agreements and laws and regulations. The findings of the researchers there are 2 main things in independence, namely:

#### 1. Free of pressure (Intervention) or interest and influence

The results of the research of the Minahasa Regency PDAM organ do not deny that there is intervention and pressure in terms of tariff adjustments. When compared to PDAMs in North Sulawesi, which has healthy performance, the rates of PDAMs in Minahasa Regency are far below the average water rates of PDAMs in North Sulawesi.

**Tabel 2. Comparison of PDAM Tariffs in North Sulawesi**

Customer Class	Minahasa (2013)	Minahasa Utara (2017)	Bolaang Mongondow (2018)	Bitung (2018)
	0-10 m3	0-10 m3	0-10 m3	0-10 m3
Group I				
General Social	2.900	4.500	3.000	3.600
Special Social	2.900	4.500	3.000	3.600
Group II				
Home Stay I	3.800	5.500	3.300	4.500
Residence II	3.800	6.000	3.300	4.800
Residence III	3.800	6.500	3.300	7.000
Residential IV	3.800	7.000	3.300	7.400
Group III				
Government agencies	5.000	8.500	8.500	7.800
Commerce	6.500	10.000	8.500	9.200
Commerce II	6.500	10.500	9.000	9.200
Commerce III	7.500	12.000	9.000	9.200
Special Group	12.000	17.000	Agreement	16.500

When confirmed and further observed, PDAM researchers have annually reported to KPM about the cost of producing water which is higher than the water tariff, so that it has not fulfilled Full Cost Recovery (FCR). However, it has never been approved by KPM. To cover the difference in tariffs, the Regional Government makes capital investments every year, but for 2020 there is a vacancy.

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### 2. Implementation of functions and duties according to their respective responsibilities based on regulations.

The results of PDAM research have socialized to employees about the importance of carrying out duties and authorities according to Standard Operating Procedures (POS), but in carrying out their duties there are still employees who maintain the old pattern. Even though the POS provided is a working guideline to minimize the chance of errors.

#### Fairness

Fairness has an operational definition in PP 54 Article 92 Paragraph (2) Letter e, namely justice and equality in fulfilling the rights of stakeholders arising from agreements and laws and regulations. The researcher's findings have 3 main things:

##### 1. Opportunity to have an opinion

The results of the PDAM research are open if there are inputs and complaints from stakeholders, they can come directly to the office or can contact the telephone service provided, especially now the Minahasa Regency PDAM already has a Quick Reaction Unit that is always ready when the community calls when a disturbance occurs. The company has taken the opportunity to express opinions by providing an open communication channel to stakeholders.

##### 2. Equal Treatment of Stakeholders

Public companies in terms of reporting to capital owners and other stakeholders, for equality of honorariums, must be open to local governments as capital owners and to other stakeholders by following the company's financial capabilities. Equal treatment of stakeholders has been carried out based on the portion of each stakeholder.

##### 3. Employee Equality

Has implemented equality for the income of stakeholders following financial conditions and implemented equality in careers for the Company's employees. Employee equality in career has been carried out professionally without discriminating against ethnicity, religion, race, class, and gender as well as equality in compensation.

## CONCLUSION

The results of interviews, observations, document studies by researchers concluded in the implementation of good corporate governance as follows:

#### Transparency

In general, the implementation of the Transparency Principle has been carried out according to existing regulations, but there are still obstacles in the absence of supporting facilities, namely the PDAM's official website, incomplete information, lack of understanding of the Minahasa Regency PDAM organs regarding the rules.

#### Accountability

Broadly speaking Accountability has been implemented as a guideline and following existing regulations, but several obstacles need to be considered: what Lipsky calls street-level bureaucrats, implementing employees have not followed the Standard Operating Procedures that have been prepared by the PDAM organ, in work placements are not following competence and expertise of employees, for the control system already exists and is run by the Internal Supervisory Unit, PDAM already has a system of rewards, sanctions, and internal performance measurement using Key Performance Indicators, PDAM does not yet have business ethics/behaviour guidelines.

#### Responsibility

Social responsibility for the environment and the community is delegated to KPM, what PDAM does is only socialization related to environmental sustainability for the community.

#### Independence

KPM intervention is the biggest challenge for PDAM in Minahasa Regency, namely in tariff adjustment to get Full Cost Recovery, KPM as the owner of capital is a factor inhibiting PDAM independence in implementing the principles of good corporate governance.

#### Fairness

Justice and equality in fulfilling the rights of stakeholders have been carried out optimally by PDAM. And become a supporting factor for the realization of good corporate governance (GCG).

All thoughts researchers: the suitability between the guidelines and implementation can be concluded from these five principles which have all been implemented based on regulations, but what has optimally carried out only the principle of Fairness

## SUGGESTION

The researcher draws a suggestion in the form of short-term recommendations to KPM, namely providing independence in tariff adjustments, improving policies, cultivating the five principles of good corporate governance, corporate restructuring.

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