

# Implementation of Good Hospital Corporate Governance (GCG) in Makassar, Indonesia

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**Background:** The current increase of hospital growth in Indonesia has not been followed by an increase in hospital performance. The low level of hospital governance is a very significant matter to be questioned related to the performance and application of the principles of Good Corporate Governance. This research aimed to evaluate the application of Good Corporate Governance to the performance of hospitals in South Sulawesi. **Materials and Methods:** This study used qualitative methods. Informants consisted of academics, practitioners and policy makers interviewed in-depth. Instruments used are based on the National Hospital Accreditation Standards with the approach to the concept of Good Corporate Governance, tools using tape recorders, camcorders and field notes. **Results:** This study found that the application of Good Corporate Governance in hospitals involved the concept of transparency and independence. The transparency in the hospital besides the community is also to the internal hospital. The transparency to the community includes the existence of an organisational structure that can be accessed by everyone, but only with a structural board and not with basic tasks and functions (*tupoksi*). The transparency on the internal hospital can be in the form of superior to subordinate or between subordinates. Hospitals do not have an absolute concept of independence, because there are binding rules, especially when the hospital is a government hospital. **Conclusion:** Special policies are needed regarding good corporate governance in hospitals, even though the application has been accommodated in the hospital national accreditation standard survey instrument.

**Key words:** *Good Corporate Governance, Performance, Hospital.*

## Introduction

Hospitals are required to improve performance and competitiveness by not reducing their social mission (Amir & Palutturi, 2018; Nahlah, Palutturi, & Abadi, 2019; Said, Yunus, & Palutturi, 2018). There are six goals that must be achieved in improving the current health service system, those are Safety, Effectiveness, Patient-centered, Timeliness, Efficiency, and Equitability (America, 2001; Wiseman et al., 2018). Effective and efficient organization management shows good governance in the organization. Good corporate governance plays an important role, as a means to measure the performance of a good organization (Freeman, Millar, Mannion, & Davies, 2016; Nur, 2017).

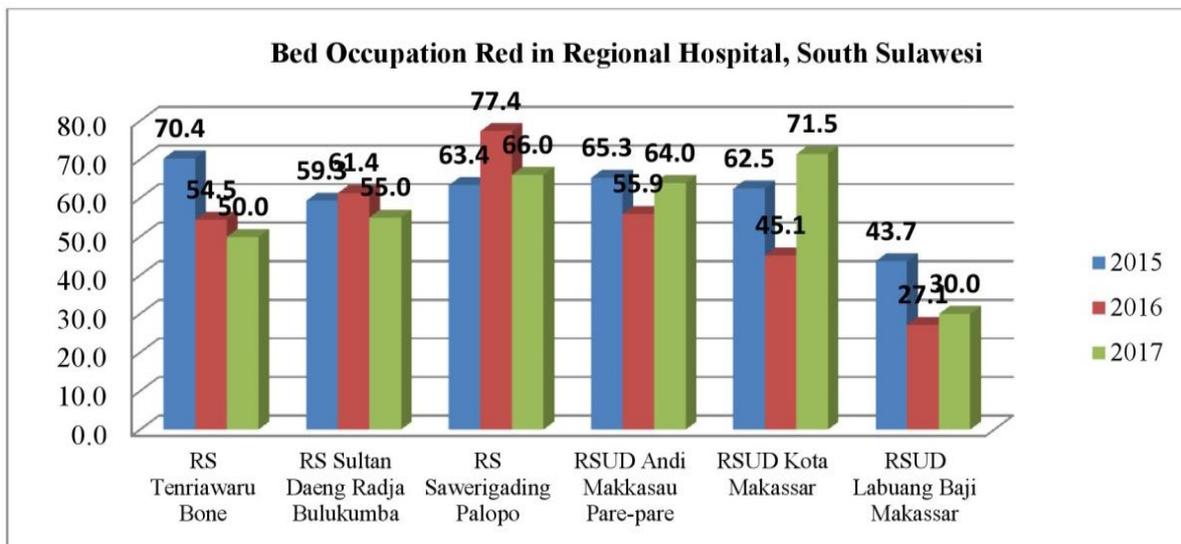
A good hospital governance practice is the operation of a hospital in accordance with the basic principles of hospital governance (Eeckloo, Van Herck, Van Hulle, & Vleugels, 2004; Jha & Epstein, 2010; Sitohang, 2014). This concept is similar to the concept of corporate governance systems in general, but is adapted to its application to this type of health service business (Nur, 2017). The intense demands made by the community to the government to implement GHG are in line with the increasing level of public education knowledge. Over the past few decades, the governance of public organizations has become a concern for the governance system in the world (Bottenberg, Tuschke, & Flickinger, 2017). The concept of good governance is also touched on in the Hospital Law in Indonesia, but in practice until now there has not been a derivative regulation to implement good hospital governance, so that the interpretation of this concept becomes diverse in each hospital industry.

The new concept of GCG is popular in Asia and has been developing since the 1990s. The concept of Good Corporate Governance was only known in the UK in 1992 and developed countries that were members of the OECD group (groups of developed countries in Western Europe and North America) practiced in 1993. The concept of corporate governance is defined as a system in which the company is controlled and monitored through effective corporate governance mechanisms and understood as board responsibilities, shareholder rights and transparency (Purwoko, 2018; Ramos, 2011). GCG is not only a regulator and controller, but also an added value for a company (Amaliah, 2017; Sari & Nurwahyuni, 2017). The Cadbury Report defines corporate governance as follows: "GCG is the principle that directs and controls the company in order to achieve a balance between the strength and authority of the company in providing accountability to its shareholders, and stakeholders in general (Noor, 2017; Nugraheni, 2015).

Based on the pattern of development of management of the local government, the hospital experienced several changes in the pattern of the work unit model, self-financing. These changes led to changes in authority orientation in hospital financial governance (Koerniawan, 2015). Based on the increase in hospital growth in Indonesia today, it has not been followed

by an increase in hospital performance. In general, South Sulawesi Province is one of the provinces with a BOR achievement in the red category or under the ideal BOR, the BOR recorded for all hospitals in South Sulawesi Province has only reached 39.8% with a standard BOR distribution (MENTERI HUKUM DAN HAM RI, 2009). The organization of referral regionalization must be guided by the basic principles which include scientific; structured and tiered service; fair and equitable; obedience; and partnership (Pergub Sulsel, 2008). Government hospitals, in this case type B hospitals that change their status to BLU and are accredited, can certainly carry out Good Corporate Governance (Figure 1).

**Figure 1.** Data on Utilization of Number of Beds in the Hospital of the Provincial Government of South Sulawesi



**Source:** Profile of the 2015 and 2016 Provincial Health Service, Ministry of Health Online RS Data (<http://sirs.yankes.kemkes.go.id/rsonline/report>).

Based on the data on the utilization of the number of beds in a government hospital in South Sulawesi Province, it is known that there are still hospitals with achievement of BOR below the standard value and tending to fluctuate within the past three years. This illustrates that hospital performance still needs to be well organized so that it can improve the quality of health services received by the community. Good Corporate Governance is one of the most decisive factors in improving performance (Hamid, Yunus, & Sulaiman, 2015). Good Corporate Governance can be used to measure the performance of certain organizations with the principles of directing and controlling the organization in order to achieve a balance between strength and authority in providing accountability to stakeholders (AW, Hamzah, & Arifin, 2012; Hamid et al., 2015; Mutamimah, 2014).

The low level of hospital governance, which is a very significant thing to be questioned, is related to employee performance and the application of the GCC principles applied in the

hospital administration. GCG implementation itself aims to improve employee performance optimally, which will ultimately improve organizational performance (Hasan, Ayuningtyas, & Misnaniarti, 2016).

In Indonesia, in the Law of the Republic of Indonesia, number 44 of 2009 concerning hospitals, Article 36 states that each hospital must maintain good hospital governance and clinical governance. This shows the urgency of the application of the hospital governance system in each hospital to serve the most important community needs for health services (Hasan et al., 2016; MENTERI HUKUM DAN HAM RI, 2009; Pribadi, Santosa, & Rusep, 2012; Sitohang, 2014). This study aims to evaluate the application of good corporate governance to the performance of hospitals in South Sulawesi.

### Materials and Methods

This research is a qualitative study carried out in a regional hospital in the southern Sulawesi region. Informants consisted of academics, practitioners and government/policy makers. The data collection techniques were in the form of in-depth interviews using interview guidelines and equipped with other tools in the form of tape recorder, camcorders and stationery. The documentation in this study was in the form of notes on the results of interviews, photos and videos during the research. The ethical clearance was obtained from the University of Hasanuddin Research Ethics Committee (Reference Number: 3602/UN4.14.8/TP.02.02/2019).

### Results

The characteristics of informants are presented in Table 1.

**Table 1:** Characteristics of Informants

Initials name	Age	Role
Is	46	Practitioner
Hr	52	Academic
Ar	48	Practitioner
Th	45	Academic
Ms	50	Academic
Ih	39	Policy maker

Table 1 shows that the informants in this study were mostly from the academicians, others were from practitioners and policy makers.

Table 2 shows the transparency in the hospital besides the community also to the internal hospital. The transparency to the community includes the existence of an organizational structure that can be accessed by everyone, but only with a structural board and not with basic tasks and functions (*tupoksi*). The transparency on the internal hospital can be in the form of superior to subordinate or between subordinates.

**Table 2:** The Meaning of Transparency and Independency

Informants	Transparency	Independency
Practitioners	Transparency in a hospital can be visible, accessible (easy to access), and understandable (easy to understand)	Government hospitals do not have full independence; there must be rules that bind them, for example in financial management, employee recruitment. The hospital can make a strategy in organizing the hospital but still has to refer to the prevailing regulatory rules.
Academics	Openness in providing services to the community and openness in the hospital management process	Government hospitals have strong interventions from the government so that independence in hospitals cannot be carried out optimally
Policy makers	Suitability of the implementation of the process in the hospital with the applicable rules and reported activities	We still have authority over hospitals both in terms of implementation and in the reporting process and we have rules about that. Hospitals cannot freely carry out the service process and management must keep abiding by the applicable rules

In short, the hospitals do not have an absolute concept of independence, because there are binding rules, especially when the hospital is a government hospital.

**Table 3:** Transparency and Independency of Hospital Good Corporate Governance

Variables	Good Corporate Governance In The Hospital
Transparency	The element of transparency has been applied in hospitals, both transparency to the community and within the hospital. At the hospital transparency is not only vertically (subordinates to superiors) but also horizontally (between work partners).
Independency	Independence in the process of organizing hospitals, especially government hospitals, both in terms of the service process and in the management process, has not been implemented optimally. There must be government intervention, even in some hospitals; these interventions tend to be larger.

## **Discussion**

This study found that the application of Good Corporate Governance in hospitals involved the concept of transparency and independence. The governance structure and organisational structure of a hospital must be such that services and performance can run effectively. Hospital management focuses more on aspects of transparency and independence. The service process received by patients should be in accordance with the expectations of patients supported by a management system held in the hospital. Hospital governance can be reviewed based on five aspects; those are transparency, accountability, responsibility, independence and fairness (Brandão, Rego, Duarte, & Nunes, 2013; Koerniawan, 2017; Maluka, 2011). This study only addresses two aspects related to hospital governance, namely aspects of transparency and independence.

In this study it was found that transparency in hospital management can be divided into two, those are, and transparency is more about how the hospital provides services to the community based on openness in the service process and easy access to service information. In addition, transparency can also be reviewed based on the internal management aspects of the hospital, such as openness in the process of hiring hospital employees, preparing job descriptions or in the financial reporting process of the hospital.

Based on the findings in this study, independence in hospitals cannot be carried out thoroughly, especially at government hospitals. Government intervention in hospitals is on the basis that hospitals cannot carry out overall independence, both in terms of service delivery and in the management system held at the hospital. The role of the government is also proven by regulations related to hospital governance, for example in Law Number 44 of 2009 concerning hospitals.

## **Conclusion and Recommendations**

Good Corporate Governance based on transparency has been applied in hospitals, although the application is still within certain limits. Independence in the process of organizing hospitals, especially government hospitals, both in terms of the service process and in the management process, has not been implemented optimally. There must be government intervention, even in some hospitals; these interventions tend to be larger.

Special policies are needed regarding good corporate governance in hospitals even though the application has been accommodated in the hospital national accreditation standard survey instrument.



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