

The Effect of Good Corporate Governance and Leadership in Applying Operations Readiness

Maya Rezeki Angriani¹, Anis Eliyana^{2*}, Dyah Sri Wulandari³

¹Universitas Airlangga, Indonesia
maya.rezeki.angriani-2018@feb.unair.ac.id

²Universitas Airlangga, Indonesia
anis.eliyana@feb.unair.ac.id

³Universitas Sari Mulia, Indonesia
dyahsriwulandari@gmail.com

Corresponding Author: Anis Eliyana, Universitas Airlangga, Indonesia
Email: anis.eliyana@feb.unair.ac.id

ABSTRACT

The implementation of operations in a company is required to develop through structured management activities in order to ensure that operations can run successfully. Operations Readiness is a process of preparation or a state that is achieved when a brownfield or greenfield development project is planned by moving from the construction stage to the operational / production stage, and operations readiness is a series of activities that a company needs to complete during the project period. This study aims to determine the effect of good corporate governance and the influence of leadership on the process of implementing operations readiness at PT. ADARO South Kalimantan. This research is known to use a quantitative approach using a sample of employees of PT. ADARO South Kalimantan as many as 167 respondents. In addition, this study uses multiple linear regression analysis techniques and statistical software STATA 14.0.

Keywords: Good Corporate Governance, Leadership, Operations Readiness, Development Governance, Sustainable Growth

Correspondence:

Anis Eliyana
Universitas Airlangga, Indonesia
Email: anis.eliyana@feb.unair.ac.id

INTRODUCTION

A project undertaken by a company must be able to progress through all kinds of structured management activities that can ensure the successful start of operations. So, it requires an important step to recognize the need for a special operation stage in the project that is being taken. This means that the framework that is now being used for operational preparation and readiness that has been adopted must ensure that the project is not only delivered, but also after the project is delivered successfully (Al-Mazrouie *et al.*, 2020). That way, knowing what can affect the success of operations readiness is important to know. Readiness is a condition that can cause or create a response and reaction to a situation that will be or is being faced (Fandiano, 2019). Al-Mazrouie *et al.*, (2020) stated that operations readiness is a constituent element of project implementation. The operations readiness factor always adjusts a scan to find concrete risk information in dealing with certain areas of an operation or operational transition. Through readiness will focus on an action to ensure that the system is available (when needed) at the first stage of operations carried out. Apart from that, a reliability will also be affected because it focuses on ensuring things after the system is operational. According to (Khan, (2019) changes in the later stages of a project or during the operation phase, are generally more expensive and may require complex changes. Operations readiness will ensure that production facilities are designed, commissioned, built, and started with take into account the requirements of appropriate life cycle operations, and this will lead to an environmentally responsible, cost-effective, safe, smooth and rapid upgrade to targeted production levels.

In this study, we will refer to things that can affect the success of operations readiness. Because through this operations readiness it will explain and ensure that at the point of delivery of assets that are prepared to be operated, they are able to carry out efficient and safe

operations of these assets in a sustainable manner (Khan, 2019). Good corporate governance has been widely recognized in industry and government today. In general, the implementation of good corporate governance will show the health of the company (Mardiana, 2018). By definition, good corporate governance is a system that can control and supervise companies that will create added value for all stakeholders (Mardiana, 2018). Good corporate governance needs to be considered and embodied in the company's control system, because it can maintain optimal company performance, and the implementation of good corporate governance in a company can be done with several monitoring mechanisms of corporate governance. In addition, it is known that the principles of good corporate governance will affect the achievement of company sustainability (Dasuki & Lestari, 2019). Thus, in the end a company with good corporate governance can produce competitive advantage and sustainable growth for the company. For the success or success of a company in carrying out a project, this study expects good corporate governance to be a supporting factor in realizing operations readiness. Apart from good corporate governance, this study also refers to the influence of leadership. Because operations readiness refers to the ability of organizational members to implement deliberate organizational change (Al-Mazrouie *et al.*, 2020). So that the role of leadership is needed to overcome this. Leadership is a matter of directing followers or subordinates to achieve common goals by creating a more directed, authoritative, effective and controlled influence Al-Mazrouie *et al.*, (2020). In addition, according to Miškolci *et al.*, (2016) leadership is a process of getting other people to do the best they want, and this can be described as the ability to invite others to behave in different ways in achieving company goals. Supported by the statement by Costello & Arghode, (2019) that in developing employee readiness for change, examining the role of leadership is a needed organizational

resource. Given that leadership is very important in achieving organizational goals and very important in successful change efforts (Gaubatz & Ensminger, 2017), and also as a fundamental driving force for organizational success, including operational and business performance results (Flanigan *et al.*, 2017). With this, this study expects that the role of leadership can be an organizational resource that can support the success of operations readiness.

PT Adaro Energy Tbk is a leading mining company in Indonesia and the second largest coal producer. Adaro Energy has developed into a vertically integrated organization with energy-centric subsidiaries including mining, ship loading, large-scale transportation, dredging, port services, marketing and power generation. The company also operates the largest single coal mine in Indonesia (South Kalimantan) and is committed to becoming the premier mining and energy group in Southeast Asia (<https://www.indonesia-investments.com/id/bisnis/profil-per-company/adaro-energy/item191>). The company PT Adaro Energy Tbk operates a concession in South Kalimantan (Adaro Energy's main mining location) through its subsidiary Adaro Indonesia, which involves three mines: Tutupan, Wara and Paringin. The coal produced by the mines at PT Adaro Energy Tbk is known to be supplied to high-class power plants in Indonesia and the world. Adaro Energy also has mining assets in southern Sumatra, Central Kalimantan and eastern Kalimantan.

In order to operate concessions in South Kalimantan effectively, this study proposes the influence of good corporate governance and leadership in the process of creating successful operations readiness. By doing so, PT Adaro Energy Tbk is expected to achieve a competitive advantage and achieve sustainable growth. So, this research aims to see and measure the influence of good corporate governance and leadership in the process of realizing operations readiness.

LITERATURE REVIEW

Theoretical Basis

Good Corporate Governance

Good corporate governance has been widely recognized in industry and government today. In general, the implementation of good corporate governance will show the health of the company (Mardiana, 2018). By definition, good corporate governance is a system that can control and supervise companies that will create added value for all stakeholders (Mardiana, 2018). Furthermore, through regulatory regulations in business organizations will be used to regulate detailed information and behavior of company management, and also determine responsibilities and authorities for company authorities. In addition, according to Arniati *et al.*, (2019) corporate governance is a relationship between stakeholders that can be used to determine the direction and control of a company's performance. So that if corporate governance is managed effectively, it can lead to harmony between the interests of managers and shareholders in the company. According to the National Committee on Governance (2006), the principles of good corporate governance include accountability, transparency, independence, responsibility, and fairness. Then through the principles of good corporate governance will affect the achievement of corporate sustainability (Dasuki & Lestari, 2019). Thus, in the end a company with good corporate governance can produce competitive advantage and sustainable growth for the company.

Leadership

Leadership is a form of ability needed by a leader in leading a company (Setiawan *et al.*, 2020). Leadership is known to come from the word "lead" which means guidance, while the person who carries out the guidance can be called a leader. Leadership is a matter of directing followers or subordinates in achieving common goals by creating a more directed, authoritative, effective and controlled influence (Abadiyah *et al.*, 2020). Leadership is carried out in circumstances that aim to achieve one or more specific goals through a communication process (Bastari *et al.*, 2020). According to Miškolci *et al.*, (2016) leadership is the process of making other people do the best they want, and this can be described as the ability to invite other people to behave in different ways in achieving company goals. So that leadership will require deliberate social influence from leaders on others to organize activities and have influence in the company. This influence can be in the form of making improvements to employees in achieving the company's goals.

Operations Readiness

Readiness is a condition that can cause or create a response and reaction to a situation that will be or is being faced (Fandiano, 2019). Al-Mazrouie *et al.*, (2020) stated that operations readiness is a constituent element of project implementation. Operations readiness will refer to a list of activities and plans used as supporting factors, and must be implemented by project stakeholders in preparing for a successful transition from a project to the operation stage of a large infrastructure project (Arto *et al.*, 2016; Shokri *et al.*, 2016). This activity will explain and ensure that at the point of delivery of assets that are prepared to operate, they are able to carry out efficient and safe operations of these assets in a sustainable manner (Khan, 2019). So that operations readiness can be defined as the state achieved by the company when a series of activities that the company needs can be completed during the project period.

Hypothesis Development

Good Corporate Governance and Operations Readiness

In a project transition, recognizing the need for a special operation stage in the project that is being undertaken is an important thing that needs to be considered by Shokri *et al.*, (2016). For example in considering the framework for operational preparation as well as readiness that has been adopted to ensure that the projects are not only delivered, but that the projects also after their delivery can operate successfully (Durugbo & Riedel, 2013). Or in short, operations readiness can be said as support for change efforts at the operation and transition stage of a project. In addition, companies also need to manage the company in a measured, good, and in accordance with the interests of shareholders and other stakeholders. Because companies have a responsibility that makes them comply with laws and regulations and must carry out responsibilities to the community and the environment to maintain business continuity in the long term and this can be implemented through good corporate governance (Mardiana, 2018). So that for the success or success of the company in carrying out a project, good corporate governance is a supporting factor in making it happen.

Good corporate governance can provide a structure to facilitate a series of targets as a means of determining work monitoring techniques (Dasuki & Lestari, 2019). That way when the operations readiness applied early enough in the project is being carried out, there are many important features that can be referred to in the design such as inherent safety, better operation, inherent

reliability and better maintenance (Khan, 2019). So that when work monitoring techniques are carried out properly, the operations readiness in the early stages of carrying out a project can be carried out effectively. According to Al-Mazrouie *et al.*, (2020) the project must develop through any kind of structured management activity that can ensure the successful start of operations. With good corporate governance, it is known that it can determine the direction and performance control of a company, and it is manifested in the company's control system to maintain optimal company performance (Mardiana, 2018). Thus, it will refer to operations readiness which focus on when the project is assigned, it is required to operate with correct and precise control and performance.

Leadership Influences and Operations Readiness

Operations Readiness is a form of support for change efforts and a form of readiness as a construction that refers to the motivation and ability of organizational members to implement deliberate organizational change in an operational process (Al-Mazrouie *et al.*, 2020). Success in implementing change is known to require knowledge of environmental conditions or conditions, understanding the interactions and potential impacts of various related variables, and companies need to adapt to changes that occur in the industrial environment and then choose a change model that is in line with the company's structure and strategy (CEIHK & OZSOY, 2016). According to Mosadeghrad & Ansarian (2014), there are still many companies that experience difficulties in implementing organizational changes, and one of the failures of change management is due to leadership factors. Therefore, the role of leadership in carrying out operations readiness in this study needs to be considered in order to achieve the success of company goals.

Leadership is a matter of directing followers or subordinates in achieving common goals by creating a more directed, authoritative, effective and controlled influence (Abadiyah *et al.*, 2020). In addition, according to Miškolci *et al.*, (2016) leadership is a process of getting other people to do the best they want, and this can be described as the ability to invite others to behave in different ways in achieving company goals. A change is such a complex thing and becomes a miracle if it happens

successfully (Katsaros *et al.*, 2020). The success of the company or even the survival of the company is very dependent on the adaptive ability of their employees, which makes them have to embrace and be flexible in openness to change to achieve a sustainable competitive advantage (Lin *et al.*, 2018). In this study, this is needed because successful changes will characterize the success of operations readiness. Supported by the statement by Costello & Arghode, (2019) that in developing employee readiness for change, examining the role of leadership is a needed organizational resource. Given that leadership is very important in achieving organizational goals and very important in successful change efforts (Gaubatz & Ensminger, 2017), and also as a fundamental driving force for organizational success, including operational and business performance results (Flanigan *et al.*, 2017).

RESEARCH METHODS

Research Approach

This research is known to use a quantitative approach. This is because this study aims to test or to determine the effect of the good corporate governance variable and the leadership variable on the operations readiness variable. Good corporate governance and leadership are used in this study as independent variables. While operations readiness is used in this study as the dependent variable.

Data and Sample Collection Techniques

The data used in this research is through primary data and secondary data. Primary data were obtained directly by researchers from the field and obtained through questionnaires distributed to all samples and interviews with company leaders. Meanwhile, secondary data is provided by the company as an object and is related to the data contained in the company and literature (books). The population in this study were employees of PT. ADARO South Kalimantan. While the samples of this study were employees of PT. ADARO South Kalimantan as many as 167 respondents.

Data Analysis Technique

In this study using data analysis techniques with multiple linear regression analysis with the help of STATA 14 software.

Data Analysis

Table 1. Results of Variable Validity Test for Good Corporate Governance

Relationship	Correlation Coefficient (R Count)	R Tabel	Sig.	Info
X1.1_X1	0,875	0,152	0,000	VALID
X1.2_X1	0,906	0,152	0,000	VALID
X1.3_X1	0,896	0,152	0,000	VALID

It is known that based on table 1, the results of the validity test on the good corporate governance variable indicate that all statement items used by the good corporate governance variable in the questionnaire are declared

valid. This can be seen through the calculated R value greater than the significance level > 0.05 and using the formula $r = n-2$ ($167-2 = 165$) when determining the R table value.

Table 2. Test Results for Validity of Leadership Variables

Relationship	Correlation Coefficient (R Count)	R Tabel	Sig.	Info
X2.1_X2	0,865	0,152	0,000	VALID

X2.2_X2	0,811	0,152	0,000	VALID
X2.3_X2	0,813	0,152	0,000	VALID
X2.4_X2	0,825	0,152	0,000	VALID

It is known that based on table 2, the results of the validity test on the leadership variable show that all statement items used by the leadership variable in the questionnaire are declared valid. This can be seen through the calculated

R value greater than the significance level > 0.05 and using the formula $r = n-2$ ($167-2 = 165$) when determining the R table value.

Table 3. Test Results for Validity of Operation Readiness Variables

Relationship	Correlation Coefficient (R Count)	R Tabel	Sig.	Info
Y1.1_Y1	0,882	0,152	0,000	VALID
Y1.2_Y1	0,876	0,152	0,000	VALID

It is known that based on table 3, the results of the validity test on the operations readiness variable show that all statement items used by the operations readiness variable in the questionnaire are declared valid. This can be seen

through the calculated R value greater than the significance level > 0.05 and using the formula $r = n-2$ ($167-2 = 165$) when determining the R table value.

Table 4. Reliability Test Results

Variables	Coefficient Alpha	Info
<i>Good Corporate Governance</i>	0,871	Reliabel
<i>Leadership</i>	0,846	Reliabel
<i>Operations Readiness</i>	0,707	Reliabel

It is known that based on table 4, the reliability test used in this study was Alpha Cronbach and if $\alpha \geq 0.6$ then the variable used was declared reliable. The results of this

study explain that the Cronbach Alpha coefficient value is ≥ 0.6 . So that it can be concluded that the items of each variable are declared reliable.

Table 5. Results of Multiple Linear Regression Tests with STATA

Source	SS	df	MS	Number of obs	=	167
Model	328.292698	2	164.146349	F(2, 164)	=	57.04
Residual	471.946823	164	2.87772453	Prob > F	=	0.0000
Total	800.239521	166	4.82072001	R-squared	=	0.4102
				Adj R-squared	=	0.4031
				Root MSE	=	1.6964

y	Coef.	Std. Err.	t	P> t	Beta
x1	.1041005	.0735868	1.41	0.159	.1409848
x2	.2935193	.0560111	5.24	0.000	.5222539
_cons	2.366896	.806376	2.94	0.004	.

It is known that this research uses the value of F 0,000. If the value obtained is <0.05, the F test accepts H1 at the 5% significance level, meaning that all independent variables used in this study have a significant effect on the dependent variable simultaneously. Based on Table 5, it can be seen that the value of F <0.05 (0.0000 <0.05), so it can be concluded that all independent variables (good corporate governance and leadership) have a significant influence on the dependent variable (operations readiness).

It is known that this research uses R-Squared with the value of the Multiple Determination Coefficient. This means that how much all the independent variables can explain the dependent variable simultaneously. Based on Table 5, it can be seen that the value is 0.4102, which means that all independent variables can explain the dependent variable by 41.02%. Then there is the remaining 58.98% which is influenced by other variables outside the regression model.

It is known that what this research uses is if the value of the partial t test is said to be significant if the level is 5% if the right hand column is $P > [t]$ or it can be called the p value / significance < 0.05 . Based on Table 5, it can be seen that the t-test value of the good corporate governance variable does not significantly affect it, because the P value $< [t]$. Thus, it can be said that hypothesis 1 rejects H_a and accepts H_o . Meanwhile, it is known that the leadership variable shows $P > [t]$. Thus, it shows that hypothesis 2 accepts H_a and rejects H_o .

RESULTS AND DISCUSSION

Discussion

Good Corporate Governance and Operations Readiness

After data processing is done, the results of data analysis are obtained. This study shows that good corporate governance as an independent variable has no effect on operations readiness. This can be seen in Table 5 which states that the t-test value of the good corporate governance variable does not significantly affect it, because the P value $< [t]$. Thus, it can be said that hypothesis 1 rejects H_a and accepts H_o . So that in this study good corporate governance cannot be a supporting factor in realizing operations readiness at PT. ADARO South Kalimantan. In addition, PT. ADARO Kalimantan Selatan is known to have achieved the operations readiness that was implemented in the beginning of the project, which already refers to designs such as inherent safety, better operation, inherent reliability, and better maintenance without any element of influence from work monitoring techniques through good corporate governance. . But through the influence of other variables.

Leadership Influences and Operations Readiness

After data processing is done, the results of data analysis are obtained. This study shows that leadership as an independent variable can affect operations readiness. This can be seen in Table 5 on the leadership variable shown as $P > [t]$. Thus, it shows that hypothesis 2 accepts H_a and rejects H_o . So that in this study leadership can be a supporting factor in realizing operations readiness at PT. ADARO South Kalimantan. The results of this study also show that the role of leadership is an organizational resource that is needed in realizing the success of the company or even the survival of the company which is very dependent on the adaptive ability of the employees of PT. ADARO Kalimantan Selatan, which makes them have to embrace openness and flexibility to change to achieve a sustainable competitive advantage. Through a successful change will characterize the successful operations readiness of PT. ADARO South Kalimantan.

CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the results of the analysis and discussion that has been obtained through data analysis techniques with multiple linear regression analysis with the help of STATA 14 software, the conclusion that can be drawn is the f test, it can be concluded that the variables of good corporate governance (X1) and variable leadership (X2) have a significant effect. against the operations readiness variable (Y). The probability value is 0.000, < 0.05 . Based on the t-value significance test, the first hypothesis shows that good corporate governance has no effect on operations readiness ($0.159 > 0.05$). The second hypothesis testing based on the significance t value shows that leadership has an effect on operations readiness ($0.000 < 0.05$). Supported by a statement from Khan, (2019) that through operations readiness will explain and ensure that at the point of

delivery of assets that are prepared to operate, they are able to carry out efficient and safe operations of these assets in a sustainable manner. So that the influence of leadership can make this happen as it should.

Suggestions

The results of this study can be used as recommendations by the company's management in measuring how much impact the good corporate governance (X1) and leadership (X2) variables have on the operations readiness variable (Y). To create company success and success in the operational process of the project, it is advisable to be able to examine more deeply the implementation of operations readiness through reviewing company policies properly and appropriately. It is necessary to organize detailed information and behavior from company management properly, and it is also advisable to better define responsibilities and authorities for company authorities. Furthermore, it is suggested that the role of the leader be more directing followers or subordinates in achieving common goals by creating a more focused, authoritative, effective, and controlled influence. In addition, facing the possibility that might occur, it is hoped that several measurement variables or indicators need to be added or even further explored, so that operations readiness can have a better effect.

REFERENCE

1. Abadiyah, R., Eliyana, A., & Sridadi, A. R. (2020). Motivation, leadership, supply chain management toward employee green behavior with organizational culture as a mediator variable. *International Journal of Supply Chain Management*, 9(3), 981–989.
2. Al-Mazrouie, J. R., Ojiako, U., Williams, T., Chipulu, M., & Marshall, A. (2020). An operations readiness typology for mitigating against transitional 'disastrous openings' of airport infrastructure projects. *Production Planning and Control*, 0(0), 1–20. <https://doi.org/10.1080/09537287.2020.1730997>
3. Arniati, T., Puspita, D. A., Amin, A., & Pirzada, K. (2019). The implementation of good corporate governance model and auditor independence in earnings' quality improvement. *Entrepreneurship and Sustainability Issues*. [https://doi.org/10.9770/jesi.2019.7.1\(15\)](https://doi.org/10.9770/jesi.2019.7.1(15))
4. Artto, K., Ahola, T., & Vartiainen, V. (2016). From the front end of projects to the back end of operations: Managing projects for value creation throughout the system lifecycle. *International Journal of Project Management*. <https://doi.org/10.1016/j.ijproman.2015.05.003>
5. Bastari, A., Eliyana, A., & Wijayanti, T. W. (2020). Effects of transformational leadership styles on job performance with job motivation as mediation: A study in a state-owned enterprise. *Management Science Letters*, 10(12), 2883–2888. <https://doi.org/10.5267/j.msl.2020.4.019>
6. CEIHK, A., & OZSOY, N. (2016). Organizational Change: Where Have We Come From and Where Are We Going? *International Journal of Academic Research in Accounting, Finance and Management Sciences*. <https://doi.org/10.6007/ijarafms/v6-i1/2004>
7. Costello, J. E., & Arghode, V. (2019). Exploring member readiness for change in manufacturing industries using phenomenology. *Management Research Review*. <https://doi.org/10.1108/MRR-05-2019-0214>
8. Dasuki, R. E., & Lestari, A. (2019). Implementation of

- Good Corporate Governance To the Value of Cooperative Company. *Journal of Economic Empowerment Strategy (JEES)*, 2(1), 24. <https://doi.org/10.30740/jees.v2i1.33>
9. Durugbo, C., & Riedel, J. C. K. H. (2013). Readiness assessment of collaborative networked organisations for integrated product and service delivery. *International Journal of Production Research*. <https://doi.org/10.1080/00207543.2012.658529>
 10. Fandiano, A. (2019). *THE EFFECT OF SUPPLY AUTOMATION SYSTEMS TECHNICAL (CASE STUDY: DOPUSBEKTIM)*. 10(03), 160–166.
 11. Flanigan, R., Bishop, J., Brachle, B., & Winn, B. (2017). Leadership and Small Firm Financial Performance: The Moderating Effects of Demographic Characteristics. *Creighton Journal of Interdisciplinary Leadership*. <https://doi.org/10.17062/cjil.v3i1.54>
 12. Gaubatz, J. A., & Ensminger, D. C. (2017). Department chairs as change agents: Leading change in resistant environments. *Educational Management Administration and Leadership*. <https://doi.org/10.1177/1741143215587307>
 13. Katsaros, K. K., Tsirikas, A. N., & Kosta, G. C. (2020). The impact of leadership on firm financial performance: the mediating role of employees' readiness to change. *Leadership and Organization Development Journal*, 41(3), 333–347. <https://doi.org/10.1108/LODJ-02-2019-0088>
 14. Khan, U. A. (2019). Operations readiness and assurance - A practical example. *Society of Petroleum Engineers - Abu Dhabi International Petroleum Exhibition and Conference 2019, ADIP 2019, November*, 11–14. <https://doi.org/10.2118/197288-ms>
 15. Lin, W., Ma, J., Zhang, Q., Li, J. C., & Jiang, F. (2018). How is Benevolent Leadership Linked to Employee Creativity? The Mediating Role of Leader–Member Exchange and the Moderating Role of Power Distance Orientation. *Journal of Business Ethics*. <https://doi.org/10.1007/s10551-016-3314-4>
 16. Mardiana, M. (2018). The effect of risk management on financial performance with good corporate governance as a moderation variable. *Management and Economics Journal (MEC-J)*, 2(3), 308. <https://doi.org/10.18860/mec-j.v0i0.5223>
 17. Miškolci, J., Armstrong, D., & Spandagou, I. (2016). Teachers' perceptions of the relationship between inclusive education and distributed leadership in two primary schools in Slovakia and New South Wales (Australia). *Journal of Teacher Education for Sustainability*. <https://doi.org/10.1515/jtes-2016-0014>
 18. Setiawan, R., Eliyana, A., Suryani, T., & OSITO, L. (2020). World-Class Hospitality Management in Tourism Strategy: The Implementation of Servant Leadership. *Talent Development and Excellence*, 12(3s), 3122–3128.
 19. Shokri, A., Waring, T. S., & Nabhani, F. (2016). Investigating the readiness of people in manufacturing SMEs to embark on Lean Six Sigma projects: An empirical study in the German manufacturing sector. *International Journal of Operations and Production Management*. <https://doi.org/10.1108/IJOPM-11-2014-0530>