


## Talent Pool on the Appointment of Directors of PLN (Persero) Viewed from Good Corporate Governance



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## Talent Pool on The Appointment of Directors of PLN (Persero) Viewed from Good Corporate Governance

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**ABSTRACT.** Talent Pool on the appointment of BUMN Directors that has been implemented at this time still leaves problems. This research aims to know how the application of the Talent Pool on the appointment of Directors of PLN (Persero) viewed from Good Corporate Governance and the implications for compliance and performance aspects. The research method used in this study is a normative juridical approach which is done analytically descriptive. The results showed there were still mismatches in the application of the Talent Pool on the appointment of the Directors of PLN (Persero) to several GCG principles that are transparency principle related to the need for an information system to appoint Directors of BUMN which is transparent and accountable, accountability principle is relating to the need for the development of a performance appraisal system for Directors, BoC and Shareholders and the accountability arrangements for professional institutions or teams formed by the Minister of BUMN in conducting due diligence and propriety tests for candidates for the BoD and independence principle is relating to the process of appointing BUMN Directors which must be done in stages by involving the final assessment by Tim Penilai Akhir. The implications of the application of the Talent Pool that applies GCG principles have a significant impact on compliance and performance aspects, this is evidenced by increased compliance with applicable laws and regulations through prevention of acts against the law and increased performance through company profitability.

**KEYWORDS.** Talent Pool; Directors; State Owned Enterprises; Good Corporate Governance

# Talent Pool on The Appointment of Directors of PLN (Persero) Viewed from Good Corporate Governance

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## Introduction

State Owned Enterprises (BUMN) have now become one of the economic actors relied upon for the benefit of the national economy in order to realize the welfare of the community by gaining benefits that contribute to state revenue and organizing public benefits in the form of providing high quality and adequate goods and/or services for fulfillment of the lives of many people. As of December 31, 2018, the total assets of BUMN have exceeded Rp 8.092 trillion with total profits continuing to grow to Rp 188 trillion from Rp 150 trillion in 2015.<sup>2</sup>

During the 2014-2018 period, revenues from state assets separated mainly came from BUMN profit sharing. In that period, the performance of BUMN continued to experience positive developments, both in terms of assets, equity, revenue and operating profit.<sup>3</sup> This shows that in general, BUMN are able to cope with the pressures of global economic conditions.

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<sup>2</sup> Herlina Kartika, *Menteri Rini: Aset BUMN mencapai Rp 8.092 triliun hingga akhir Desember 2018*, Kontan.co.id, retrieved from <<https://regional.kontan.co.id/news/menteri-rini-aset-bumn-mencapai-rp-8092-triliun-hingga-akhir-desember-2018>> in 3 December 2019 at 10:40 WIB.

<sup>3</sup> Nota Keuangan dan RUU APBN 2019, Kementerian Keuangan Republik Indonesia, Part IV.3, p. 16.

As a result of the positive development of BUMN performance, BUMN contribution to the State Budget in the 2014-2018 period, particularly from dividend payments, continued to increase.<sup>4</sup>

Based on Law Number 19 of 2003 about Badan Usaha Milik Negara (UU BUMN), BUMN is divided into 2 (two) forms, i.e.:

1. Persero is a BUMN in the form of a Limited Liability Company (PT) whose capital is divided into shares that are all or at least 51% (fifty one percent) of shares owned by the Republic of Indonesia which has the main objective to pursue profits. The establishment of Persero is different from the establishment of legal entities (companies) in general. State-owned business entities which are formed as Persero have the same Company Organs as PT, namely General Meeting of Shareholders (GMS), Board of Directors (BoD), Board of Commissioners (BoC).<sup>5</sup>
2. Perum is a state-owned enterprise whose entire capital is owned by the State and is not divided into shares, the purpose of which is to provide public benefits in the form of providing high-quality goods and/or services while pursuing profits based on company management principles. Basically, the process of establishing Perum is the same as establishing a Persero. Perum Organs are the Minister, Directors and Supervisory Board.<sup>6</sup>

As a shareholder in the Persero, the state cannot act using its public power and authority to regulate and manage the Persero. This is due to the participation of the state in the Persero as a private legal entity, so that the obligations and responsibilities of the Persero also cannot be charged to the state as a public legal entity. The liability of the Company for the losses suffered by other parties, cannot be borne by the state as a public legal entity, but is borne by the Corporation itself.<sup>7</sup>

As is the case with other legal entities (companies), the establishment of BUMN has a purpose and objective, that are:<sup>8</sup>

1. Make a contribution to the national economy in general and state revenue in particular.
2. The pursuit of profit (profit oriented).

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<sup>4</sup> *Ibid.*

<sup>5</sup> Abdulkadir Muhammad, *Hukum Perusahaan Indonesia*, Bandung: Citra Aditya Bakti, 2010, pp. 178-179.

<sup>6</sup> Achmad Ichsan, *Dunia Usaha Indonesia*, Jakarta: PT. Pradnya Paramita, 2000, hlm. 467

<sup>7</sup> Arifin P. Soeria Atmadja, *Keuangan Publik Dalam Perspektif Hukum: Teori, Kritik, dan Praktik*, Ed. 1, Jakarta: Rajawali Pers, 2009, pp. 95-96.

<sup>8</sup> Johannes Ibrahim, *Hukum Organisasi Perusahaan*, Bandung: PT. Refika Aditama, 2006, p. 61.

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3. Provision of high quality and adequate goods and/or services for the fulfillment of people's lives.
4. Pioneering business activities that have not yet been done by the private sector and cooperatives.
5. Active in providing guidance and assistance to economically weak entrepreneurs, cooperatives and the community.

As a legal entity, Persero is an independent legal subject (*persona standi in judicio*). Therefore, Persero has rights and obligations in legal relations, which are the same as natural persons, namely the Company can sue and be sued, has its own wealth, receivables and debts. The characteristics of the Persero as a *standa person in judicio* can also be seen by the existence of Persero's assets separated from the assets of its founders and/or its shareholders.<sup>9</sup>

The Constitutional Court based on Decision Number 62/PUU-XI/2013 gives an interpretation to BUMN by calling it a body that is different from state organs / institutions on one side, and also different from private legal entities on the other side. This interpretation is indeed not very clear, maybe what is meant is a quasi public legal entity and private legal entity. This interpretation has two possible meanings, namely a public legal entity in which there is a private element, or a private legal entity owned by the public.<sup>10</sup>

If we look at the definition of BUMN in Article 1 numbers (1) and (2) of the BUMN Act, it is more appropriate to view BUMN in the form of a Company as a private legal entity owned by the public (the State). This understanding is a logical consequence of the emphasis on the understanding of BUMN in the aspect of majority share ownership by the State. State ownership rights in the context of BUMN ownership in the form of a company is interpreted as control over the majority of the Company's shares. Understanding the emphasis on majority share ownership, does not reduce or change the Company's position as a private legal entity. This is in line with the opinion of the Constitutional Court regarding the understanding of BUMN in Decision Number: 62 / PUU-XI / 2013, number [3.19].<sup>11</sup>

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<sup>9</sup> Gunawan Widjaja, *Resiko Hukum Pemilik, Direktur & Komisaris PT*, Cet. 1, Jakarta: Forum Sahabat, 2008, p. 14.

<sup>10</sup> Merdiansa Papatungan, *Diskursus Kewenangan Audit BPK terhadap Keuangan BUMN (Perseroan) Pasca Putusan MK Nomor 62/PUU-XI/2013*, Jurnal Mimbar Hukum Volume 29, Number 3, October 2017, p. 430-444.

<sup>11</sup> *Ibid.*

According to Article 1 Number 2 of the Company Law (UUPT), BUMN in the form of a PT Persero have Company Organs which consist of the GMS, BoD and BoC. According to Article 1 Number 5 of UUPT, Directors are the Company's Organs who are authorized and are fully responsible for the management of the company for the benefit of the company, in accordance with the aims and objectives of the company and represent the company, both inside and outside the court in accordance with the provisions of the articles of association.

Based on Article 5 Paragraph (3) of the BUMN Law, the BUMN Directors in doing their duties must comply with the BUMN Articles of Association and regulations and must implement the principles of professionalism, efficiency, transparency, independence, accountability, liability, responsibility and fairness.

Elucidation of Article 5 Paragraph (3) of the BUMN Law and BUMN Ministerial Regulation Number PER-09/MBU/2012 (PERMEN 2012) regulates that the BoD as an BUMN organ charged with managing is subject to all regulations that apply to BUMN and adheres to the application of the principles of Good Corporate Governance (GCG) which including:

1. Transparency, namely openness in carrying out the decision making process and openness in disclosing material and relevant information about the company;
2. Independence, which is a condition where the company is managed professionally without conflict of interest and influence/pressure from any party that is not in accordance with the laws and regulations and healthy corporate principles;
3. Accountability, namely clarity of functions, implementation and accountability of organs so that company management is carried out effectively;
4. Responsibility, namely compliance in the management of the company with the laws and regulations and sound corporate principles;
5. Fairness that is compliance in the management of a company with laws and regulations and sound corporate principles.

The theory underlying the birth of Good Corporate Governance can be formulated into 3 (three) theories namely agency theory, stakeholder theory and stewardship theory.<sup>12</sup>

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<sup>12</sup> See in Jensen, Michael C & W.H Meckling, *Theory of The Firm: Managerial Behaviour, Agency Cost and Ownership Structure*, Journal of Financial Economics 3, 1976, p. 5, Sutedi, A, *Good Corporate Governance*, Jakarta: Sinar Grafika, 2011, p. 14., Iqbal Bukhori, *Pengaruh Good*

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There are three aspects that are used in GCG assessment, namely compliance aspects regarding compliance with applicable regulations, conformance regarding compliance with applicable business ethics, and performance regarding the success of improving performance in achieving company profitability.

The fulfillment of those three aspects is closely related to the role of the GCG Committee or the organizational structure formed by the company in the context of monitoring and improving the implementation of GCG.

According to Article 94 paragraph (1) jo. Article 92 paragraphs (1) and (2) of the UUPT, the BoD is appointed by the GMS to be tasked with managing PT for the interests of the Company and in accordance with the aims and objectives of the Company, in accordance with policies deemed appropriate, within the limits specified in this Law and / or Articles of Association.

If we refer to the provisions of Article 1 number 5 of Law Number 13 Year 2003 concerning Labour and the stated provisions of the UUPT, it is clear that the status of the BoD is an entrepreneur because he runs the company either his own or not his own .

Unlike the case with labor / worker relations which are based on work agreements made between employers and workers (Article 50 UUK).

Umar Kasim is of the opinion that if an employee works in a work relationship (based on a work agreement), then of course it is subject to the UUK and its implementing regulations (labor law). Meanwhile, a member of the BoD who works in corporate legal relations (based on articles of association, articles of incorporation) is subject to the UUPT. There are several differences between workers / employees and Directors, one of which is the legal relationship between an employee and company management (referred to as work relations) is a superior-subordinate relationship (*dientsverhouding*) or sub-ordination relations ("superiors" to "subordinates"). Meanwhile, the legal relationship between members of the BoD with the owners or GMS is a relationship of trust (fiduciary duties) and the provision

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*Corporate Governance dan Ukuran Perusahaan terhadap Kinerja Perusahaan (Studi Empiris pada Perusahaan yang terdaftar di BEI 2010)*, Diponegoro Journal Of Accounting, Volume 1 Nomor 2, 2012, p. 3, Freeman, R.E, *A Stakeholder Approach to Strategic Management*, Working Paper No. 1-2, University of Virginia, 1984, p. 2, Donaldson, L., & Davis, J.H, *CEO Governance and Shareholder Return: Agency Theory and Stewardship Theory*, Australian journal of Management, Vol. 16 ISS. 1, 1991, p. 51.

of mandates (legal mandatory), or relationships that are coordinative (partnership), there are no superiors.<sup>13</sup>

Regarding the responsibilities of the BoD can be grouped into 5 (five) types, namely:<sup>14</sup>

1. Joint responsibilities among members of the BoD

For this responsibility, the UUPT adheres to the guilty presumption principle for all members of the BoD. This means that the law considers all members of the BoD to be jointly and severally responsible, that is individually and/or together for all other parties' losses. This norm is found in Article 14 paragraph (1), Article 37 paragraph (3), Article 72 paragraph (6), Article 97 paragraph (4), Article 104 paragraph (2), Article 114 paragraph (4), Article 115 paragraph (1), Article 142 paragraph (5) and Article 148 of UUPT.

2. Responsibility is based on the principle of fiduciary duties (duty to skill and care)

The main issue of fiduciary duty is how to minimize the possibility of a Director using his authority for his personal interests and benefits, but instead the Director should use it as optimal as possible for the interests and profits of the company. Furthermore, at the level of an application, the notion of fiduciary duty is broadened not only to selfish actions, but also includes the possibility of careless or carelessness attitudes. Thus fiduciary duty has an element of loyalty component and care component, so the Director must act with honest consideration based on the interests of the company and not on the basis of the interests of a group of people or entities. This norm is found in Article 97 paragraph (2), Article 97 paragraph (3), and Article 97 paragraph (5) of UUPT.

3. Responsibility based on the principle of piercing the corporate veil

The legal consequences of the principle of piercing the corporate veil on PT liability if violated causes the company's liability which was limited to paid up capital/company assets to become unlimited liability to the personal assets of shareholders. In its development, this unlimited legal responsibility can be borne by Company Organs, such as Commissioners or Directors if the

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<sup>13</sup> Umar Kasim, *Karyawan Diangkat Jadi Direksi*, Hukumonline, retrieved from < <https://www.hukumonline.com/klinik/detail/ulasan/cl4608/karyawan-diangkat-jadi-direksi> > in 14 Juli 2020 at 21:17 WIB.

<sup>14</sup> M. Hadi Shubhan, *Hukum Kepailitan, Prinsip, Norma, dan Praktik di Pengadilan*, Jakarta: Kencana, 2009, p. 227.



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Commissioner or Directors are involved in violating the piercing principle of the corporate veil. With the application of personal responsibility based on the principle of piercing the corporate veil, it will be seen that there is a legal obligation on the part of the Company's Organs who abuse the authority to take personal responsibility up to personal assets and provide legal certainty and protection for stakeholders who are disadvantaged from the business activities done the Company's Organs. The principle of piercing the corporate veil is contained in Article 3 paragraph (2) and Article 97 paragraph (3) of the UUPT.

#### 4. Responsibility based on the ultra vires principle

What is meant by the principle of ultra vires is a violation of the company's authority. The consequences of this violation will cause the act to be invalid and null and void, and if there are parties who feel disadvantaged, then the BoD must be personally responsible. According to this doctrine, Directors who sign contracts with third parties that are not within the framework of the company's aims and objectives, then the contract becomes invalid or null and void. Furthermore, even if it turns out the signed contract is detrimental to the company, the company may sue the Directors on the basis that the BoD carries out negligence or mistakes in carrying out its duties, obligations and authorities, so that the consequences of the contract become the personal responsibility of the Directors.<sup>15</sup> Norms in this principle relate to Article 97 paragraphs (2) and (3) of the UUPT.

#### 5. Responsibility based on indoor management rule

Indoor management rule is a contemporary doctrine that teaches that if the party carrying out the duties of the company in carrying out its duties is consistent with the contents of the company's articles of association, then the company is bound to a third party for all actions taken by the company, even though in carrying out their duties, the company does not meet the company's internal requirements, and even though external parties doing business with the company are assumed to have known and studied company documents that have been publicly announced, such as the company's

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<sup>15</sup> Agus Riyanto, *Ultra Vires dan Kewenangan Direksi*, retrieved from <<https://business-law.binus.ac.id/2016/12/28/ultra-vires-dan-pecurity-direksi/>> on 18 December 2019 at 20:34 WIB.

articles of association.<sup>16</sup> The philosophy of the existence of this doctrine is that external parties in good faith are not burdened with responsibility for the internal legitimacy of the party representing the company, but instead the company Directors are responsible for the validity of their actions. Norms in this principle relate to Article 4 and Article 92 paragraph (2) of the UUPT.

Thus the BoD as an organ of a company has an important role in making full arrangements related to the interests of the company in accordance with the aims and objectives of establishing the company so that the company can be sustainable and perform well.

One effort to improve the performance of BUMN is to improve the quality of Directors as corporate organs that have full authority over the management of matters related to the interests of the company in accordance with the aims and objectives of the company and represent the company to take legal actions both inside and outside the court in accordance with UUPT.

The implementation of the BoD duties in a corporate organ refers to the guidelines established both by law and by the company's Articles of Association. The implementation of the duties of the BoD is closely related to the implementation of fiduciary duty in a company (corporate), which is defined as someone who holds the highest degree of duty, which bases good faith, trust, honesty, loyalty, has certainty to be trusted, has the ability and knowledge, which is given by other parties.<sup>17</sup> In accordance with the UUPT fiduciary duty given by the company's legal entity to the Company's Organs including the BoD, BoC, and shareholders through the General Meeting of Shareholders (GMS).

In producing Directors who are professional, have integrity, are dedicated and have the competence to carry out their duties and responsibilities in achieving the objectives of BUMN establishment, it requires a mechanism of appointment (recruitment system) of Directors that supports to realize this.

On 17 February 2015, PER-03/MBU/02/2015 was issued by Minister of BUMN concerning about Requirements for the Appointment and Dismissal of the Members of the Directors of BUMN (PERMEN 2015) which is adopting the Talent Pool concept, which refers to a group of individuals who are identified as employees/candidates with high talent for

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<sup>16</sup> Munir Fuady, *Hukum Pailit dalam Teori dan Praktik (Edisi Revisi Disesuaikan dengan UU Nomor 37 Tahun 2004)*, Bandung: Citra Aditya Bakti, 2005, p. 82.

<sup>17</sup> Mas Achmad Daniri, *Good Corporate Governance: Konsep dan Penerapannya Dalam Konteks Indonesia*, Jakarta: Ray Indonesia, 2005, pp. 29-30.

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an organization/company on the basis of considerations that need to be adjusted to the development of the needs of Human Resources of BUMN, by increasing transparency and a faster and more effective & efficient appointment system.

Talent Pool is a part of talent management that is needed to make talent decisions. Talent management includes all the functions of human resource management with the focus on attracting, deploying, developing, retaining and succession planning and it emphasizes on talented people. Talent management is important for organizations for Certifies Attracting and Retaining Talents, Employees Engagement, Long-Term Strategy, Knowledge Management Enhancement and Intangible Source of Competitive Tools. There are factors determining successful talent management includes; Attracting Talents, Deploying Talents, Recruiting Talents, Retaining Talents, Succession Planning.<sup>18</sup>

Talent Pool provides valuable data and updates to decide which office holders in the organization receive promotions, need training, development, counseling, or even demotion. According to Pella and Inayati Talent Pool is the process of placing the position of each individual in the company in accordance with expertise, competence, and capabilities in a map with the human asset value matrix method.<sup>19</sup> Human asset value matrix can be seen in Figure 1.

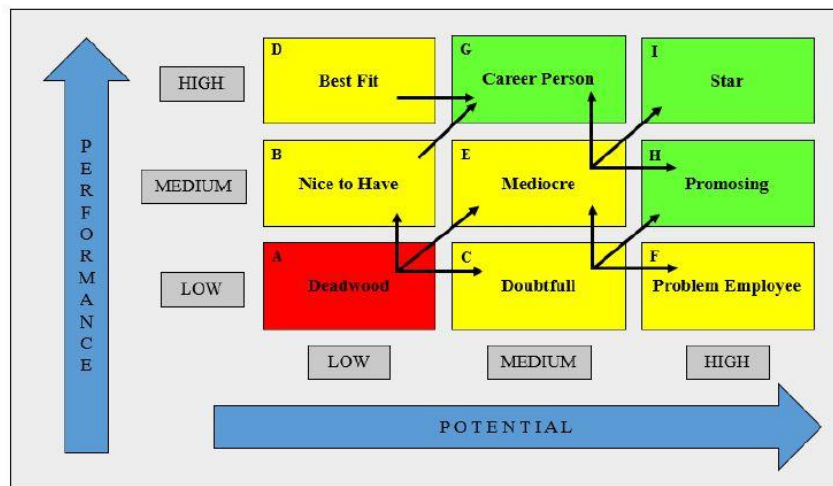


Figure 1. Human asset value matrix

<sup>18</sup> Mahan Poorhosseinzadeh and Indra Devi Subramaniam, *Talent Management Literature Review*, Australian Journal of Basic and Applied Sciences, 2013, p. 330-338.

<sup>19</sup> Darmin Ahmad Pella dan Afifah Inayati, *Talent Management Mengembangkan SDM untuk Mencapai Pertumbuhan dan Kinerja Prima*, Jakarta: Gramedia, 2011, p. 213.

Almost all of the organizations cluster their talents to talent pools. In some organizations, these talent pools are classified into senior and junior groups for different positions. The others describe a specific group of people as a talented group.<sup>20</sup>

The existence of this Talent Pool is very beneficial for the company, especially to identify employees who have great potential to become a general manager or leader in a company. Not only is a leadership capacity that a general manager or leader must have but many other skills and abilities that are very important for a general manager to have.<sup>21</sup>

Talent pool is a group of individuals with a range of capabilities at a certain level. They are considered to have the things needed to move into the range of positions at the next level. Generally, companies need to develop three different talent groups. First, the talent group consisting of executive candidates who will be placed as part of the top group in the company. The second talent group consists of candidates for senior executive positions in important positions (Head of Divisions that are smaller in scope, business units of CEOs, heads of functional units under divisions, etc.). The third talent group is more a long-term investment.<sup>22</sup>

The recruitment system for the appointment of Directors is closely related to GCG. This is because the recruitment system in the appointment of Directors is part of corporate governance that must be carried out properly in a professional, efficient, and effective manner, as well as empowering functions and increasing the independence of the Persero's Organs in order to produce competent, integrity and reliable company Directors.

In the PERMEN 2012 provisions there are at least 12 (twelve) important points that regulates Good Corporate Governance covering Principles and Objectives, Shareholders/Capital Owners, BoC/Supervisory Board, Directors, External Auditors, Information, Safety and Employment Opportunities and Environmental Preservation, Relationship with Stakeholders Interests, Business Ethics, Anti-Corruption and Donations, BUMN Introduction Program, and Measurement of GCG Implementation.

But in practice the recruitment system that has been implemented based on the PERMEN 2015 still leaves a problem with the presence of 8 BUMN Directors who have been named as suspects in corruption cases from 2015 to

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<sup>20</sup> C.Tansley, *What do we mean by the term "talent" talent management?*, Industrial Commercial Training, 2011, 43(5), p. 266-274.

<sup>21</sup> R. F. Silzer and Dowell, B., *Strategy Driven-Talent Management: a Leadership Imperative*, New York: John Wiley & Sons, Inc., 2009, p. 733.

<sup>22</sup> Jonathan Smilansky, *Developing Executive Talent*, England: John Wiley & Sons Ltd, 2006, p. 60-61.

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October 2019 including the Directors of PT. PAL Indonesia, President Director of PT. Jasindo, Director of PT. Krakatau Steel, Financial Director of PT. Angkasa Pura II (Persero), President Director of Perum Perindo, President Director PT. Industri Telekomunikasi Indonesia, President Director Perum Jasa Tirta II and includes the President Director of PT. PLN (Persero).<sup>23</sup>

In addition, the incident of Suprajarto rejection as the President Director of PT Bank Rakyat Indonesia (Persero) Tbk. (BBRI) who was appointed without discussion by the Ministry of BUMN to replace Maryono as President Director of PT Bank Tabungan Negara (Persero) Tbk (BBTN) on 29 August 2019 raises questions about the Talent Pool recruitment system that has been implemented by the Ministry of BUMN because it is carried out in close, the public cannot access the BUMN Directors appointment process, including employees within the BUMN itself.<sup>24</sup> While the Talent Pool concept aims to fulfill the principles of justice, adaptability, independence, competence, and public accountability in the selection process of BUMN Directors. So that if this continues to be ignored without a process of improvement it will produce Directors who cannot be guaranteed their competence and integrity in managing a BUMN and will lead to the potential for greater abuse of power and unhealthy business practices.

One of the BUMN companies that has applied the Talent Pool concept to the recruitment and GCG system is PT. PLN (Persero) (PLN). PLN has committed to apply the Talent Pool concept in the field of career development and competence to capture and accelerate the career of potential employees. Beside that, PLN has also committed to implement GCG through the Declaration of Commitment of the BoC and BoD in Jakarta on 10 October 2016 by compile the GCG Handbook, Book 1: Board Manual (Directors and Board of Commissioners), Book 2: Board Manual (Directors), and Book 3: Board Manual (BoD), so that it can be a work guide for the BoD and BoC in a structured, systematic, easy to understand and consistent manner so as to create a GCG-based company management.<sup>25</sup>

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<sup>23</sup> Anisatul Umah, *KPK & Sederet Bos BUMN yang Dicidaduk di Era Rini Soemarno*, CNBC Indonesia, retrieved from <<https://www.cnbcindonesia.com/market/20191007094015-17-104846/kpk-sederet-bos-bumn-yang-dicidaduk-di-era-rini-soemarno>> on 29 October 2019 at 10:42 WIB.

<sup>24</sup> Syahrizal Sidik, *Pernyataan Lengkap Penolakan Suprajarto Sebagai Dirut BTN*, CNBC Indonesia, retrieved from <<https://www.cnbcindonesia.com/market/20190829194639-17-95812/pernyataan-lengkap-penolakan-suprajarto-sebagai-dirut-btn>> on 03 December 2019 at 11:03 WIB.

<sup>25</sup> GCG Guidelines PT. PLN (Persero).

PLN is a state-owned company engaged in the electricity sector in bundling including electricity generation, electricity transmission, electricity distribution and sales of electricity with the scope of business operations covering all regions in Indonesia. With large business operations and assets, of course PLN needs to handle large (extra) corporate governance to prevent unhealthy business practices that affect the company's business sustainability.

A recent bribery incident involving the PLN Director was a suspect in the Riau-1 PLTU Project case and a series of previous cases that also involved the PLN BoD in a project of corruption in the management of a PLN East Java distribution customer management project, an outsourcing project Costumer Information System-Rencana Induk Sistem Informasi (CIS-RISI) at PLN Jakarta Raya Distribution (Disjaya) Tangerang, the construction of 21 electricity substations in Java, Bali & NTB and the procurement of High Speed Diesel (HSD) fuels<sup>26</sup> raise the question of the effectiveness of the implementation of instruments and corporate governance initiatives PLN in preventing unhealthy business practices, especially through the application of the Talent Pool recruitment system.

Based on the description above, the author feels need to find out more about the suitability of the application of the Talent Pool recruitment system in the appointment of BUMN Directors, in this case PLN to the GCG principles and their implications for compliance and performance aspects of PLN in terms of GCG.

## Method

The method of approach used in this study is the normative juridical approach, which is an approach carried out by examining library material or secondary data.<sup>27</sup> Normative legal research or literature includes research on the principles of law, systematic of law, synchronized law, legal history and legal comparison of research objects<sup>28</sup>, namely the mechanism of appointment of the Directors of PT. PLN (Persero) through the Talent Pool recruitment system in terms of GCG principles. The specification of this

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<sup>26</sup> Ringkang Gumiwang, *Membuka Luka Lama Petinggi PLN di Lingkaran Kasus Hukum*, retrieved from <<https://tirto.id/membuka-luka-lama-petinggi-pln-di-lingkaran-kasus-hukum-cPjX>> on 06 March 2020 at 08:13 WIB.

<sup>27</sup> Soerjono Soekanto & Sri Mamudji, *Penelitian Hukum Normatif (Suatu Tinjauan Singkat)*, Jakarta: Rajawali Pers, 2001, p. 13-14.

<sup>28</sup> Soerjono Soekanto, *Pengantar Penelitian Hukum*, Jakarta: UI Press, 1986, p. 34.

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research was conducted analytically descriptive by describing, reviewing and analyzing the provisions of applicable laws and relating to legal theories in the practice of their implementation. In this study, to obtain data, the author goes through several stages of research, as follows:

### **1. Literature Research**

Research conducted in an effort to find secondary data in the form of legal materials that are binding on the problem to be examined in this study, which consists of:

- a. Primary legal materials<sup>29</sup>, namely binding legal materials as follows: The 1945 Constitution of the Republic of Indonesia, Law Number 19 of 2003 about Badan Usaha Milik Negara, Law Number 40 of 2007 about Perseroan Terbatas, Law Number 14 of 2008 about Keterbukaan Informasi Publik, BUMN Ministerial Regulation Number PER-09/MBU/2012 BUMN Ministerial Regulation Number: PER-09/MBU/2012 about Amendments to BUMN Ministerial Regulation Number: PER-01/MBU/2011 about the Implementation of Good Corporate Governance, BUMN Ministerial Regulation Number: PER-03/MBU/02/2015 concerning about Requirements for the Appointment and Dismissal of the Members of the Directors of BUMN, President Instruction Number 8 of 2005 concerning the Appointment of Members of the BoD and/or Commissioners/Board of Trustees BUMN.
- b. Secondary legal materials<sup>30</sup> are legal materials that are closely related to primary legal materials and can help analyze primary legal materials. The secondary legal materials in this study are in the form of scholarly works, research results, legal journals and legal dictionaries related to the talent pool recruitment system, Directors, and Good Corporate Governance.
- c. Tertiary legal materials<sup>31</sup> are research materials that provide instructions and explanations for primary and secondary legal materials, in the form of articles, magazines, journals, newspapers, or electronic references including company documents related to Talent Pool and GCG.

### **2. Field Research**

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<sup>29</sup> Ronny Hanitijo Soemitro, *Metodologi Penelitian Hukum dan Jurimetri*, Jakarta: Ghalia Indonesia, 1990, p. 53.

<sup>30</sup> *Ibid.*

<sup>31</sup> Peter Mahmud Marzuki, *Penelitian Hukum*, Jakarta: Kencana, 2005, p. 169.

Field research is the activity of collecting, researching and reflecting primary data obtained directly from the field to support and support secondary data obtained from library studies. This research is intended to fill the gaps / complete secondary data, so that this primary data is supporting secondary data that has been obtained and at the same time strengthening secondary data.

In obtaining the data needed in this study, the authors conducted a literature study that examines secondary data consisting of legal materials relating to both the concept and regulation of GCG and Talent Pool on the appointment of Directors of BUMN. Literature research is conducted both to obtain primary legal materials such as laws and regulations, as well as tertiary legal materials such as books, articles in newspapers, magazines, or the internet. The author also conducted a field study to obtain primary data to support secondary data, by conducting interviews with several related parties in providing information and explanations regarding the object of this study. Data analysis method used in this study is a qualitative normative method that is all primary and secondary data obtained, collected and then compiled comprehensively about solving the problem to be discussed.

## **Analysis of the Application of the Talent Pool Concept at PLN (Persero) with the Principles of Good Corporate Governance**

GCG is one of the important indicators in an effort to maintain the trust of stakeholders. The application of GCG principles is expected to be able to produce superior performance, integrity and sustainability, which will provide benefits and added value to all stakeholders, both shareholders, investors, customers, regulators, employees, business partners and others.

### **1. Transparency Principle**

Disclosure of relevant company material information is very important especially in terms of supervision both internally and externally in order to prevent unhealthy business practices. Supervision will be effective because all decision making processes are carried out openly without any matter being covered up so that company management can be identified, analyzed and then objectively evaluated based on facts and valid data and can be



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accounted for. This output then makes the company's operations more effective, efficient and professional.

In corporate governance, PLN applies the principle of transparency through the use of information technology (IT). PLN prepares an IT governance system contained in the IT Master Plan to ensure that the development and utilization of IT can be utilized optimally, measured, directed and meets the principles of GCG.<sup>32</sup>

PLN has various facilities that function as information disclosure channels, including GMS, Website, Email and other Communication Media including; PLN Internal Media, Mobile Application Media, Social Media and Media Call Centers.<sup>33</sup>

However, when the Author tries to access information data related to the 2019 PLN Annual Report, the report is not available until the Author compiles this scientific paper. The delay in the publication of the report also occurred before in 2018 which caused PLN to receive a third written warning sanction from the Indonesia Stock Exchange.<sup>34</sup> This is an important note for PLN to be able to publish performance reports on time, especially PLN listed Sukuk and Bonds on the Indonesia Stock Exchange so that the report becomes the main information on which to base business decisions for investors.

Relation to the application of talent pool recruitment system in the appointment of Directors of PT. PLN (Persero) The author considers that there are still inconsistencies with the principle of transparency. The discrepancy is the decision making process in the nomination to the appointment of the PLN BoD which tends to be closed even though there are internal mechanisms within the company and the provisions stipulated through the PERMEN 2015.

Without an adequate information disclosure system, it is unlikely to be able to guarantee a series of processes carried out in accordance with the mechanisms and provisions of the applicable legislation.

The disclosure of information on the election of the Directors is indeed carried out by PLN to the stakeholders in this case the

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<sup>32</sup> Annual Report of PT. PLN (Persero) 2018, p. 421.

<sup>33</sup> *Ibid.*

<sup>34</sup> Hafiyyan, Belum Serahkan Laporan Keuangan, PLN Dapat Peringatan Ketiga, Bisnis.com, retrieved from <<https://market.bisnis.com/read/20190528/192/928214/belum-serahkan-laporan-keuangan-pln-dapat-peringatan-ketiga>> on 18 April 2020 at 10:30 WIB.

Shareholders namely the Ministry of BUMN. However, according to the author, there are those who escaped attention as part of stakeholders that cannot be ruled out, namely the community (public). The public participates in having the right or interest to know the transparent decision-making process of the nomination up to the appointment of the PLN BoD, it's remembering that PLN is a state-owned enterprise as a private legal entity owned by the public (the State) in which there is state capital participation from a separate APBN that involves community contributions through payment of tax and non-tax state income. PLN is also listed as an issuer on the Indonesia Stock Exchange so that it is appropriate for the nomination until the process of determining the PLN BoD is carried out openly and known to the public through the use of IT or a system that is easily accessed by the community. This is in line with Law Number 14 of 2008 concerning Public Information Openness (UU KIP) Article 14 which is regulating that Public Information that must be provided by BUMN, BUMD and/or other business entities owned by the state includes but is not limited to the mechanism for appointment Directors and Commissioners/Supervisors.

This is also in line with the Talent Pool concept that implements the Good HR Information System through the presence of infrastructure, investments and an accurate HR information system.<sup>35</sup>

But to make the information system for the election of the Directors must be preceded by a fundamental change in CHAPTER V letter B about Confidentiality in the PERMEN 2015. In the author's opinion, the Ministry of BUMN reason to keep secret the process and results of the assessment in the context of BUMN supervision and guidance considered irrelevant. In fact, with the disclosure of information on the process and results of the assessment, supervision and guidance can be carried out effectively by involving the participation of the public, at least the public knows clearly the basis of each decision-making. The author considers information about the mechanism of electing the BoD does not conflict with the law and the principle of transparency because it is not included in the company information which is kept confidential or will not adversely affect the company's performance if published. Except in this case the selection of BUMN Directors which involves state confidential information.

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<sup>35</sup> Darmin Ahmad Pella dan Afifah Inayati, *Op.Cit*, p. 90.

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The information system for selecting Directors can be made as in the procurement of electronic goods and services through the use of IT where all decision making processes starting from the selection of prospective candidates, fit and proper test and the determination of the Directors are informed through the system. In technically the system can be built in an integrated manner by the Ministry of BUMN so that the public can participate in monitoring in order to avoid irregularities because all processes are carried out transparently and can be accounted for.

## **2. Accountability Principle**

Accountability is one of the important principles of GCG in encouraging the implementation of the duties, principles and functions of each party involved in the organization's activities from the basic, middle to upper levels of management based on individual units, work units and corporations as a whole.

In measuring company accountability, PLN has implemented indicators, measures or criteria of work in the form of preparation of Work Plans and Corporate Budgets (RKAP) and Management Contracts/Key Performance Indicators (KPI) which are then designed through the SIMKP which is a strategic management system and integrated to align employee performance achievements with corporate performance goals.

In addition to implement SIMKP to align employee performance achievements with corporate performance targets, PLN also needs and must be able to provide a similar performance appraisal system to the main organs of the company including Directors, BoC and GMS in achieving agreed corporate performance targets. This is due to the position of the BoD, the BoC and the GMS who are at the top management level as managers, supervisors and company owners so that it tends to be difficult to supervise.

So far, PLN has conducted shareholders' assessments in the performance of the BoC by referring to the KPI of the BoC that has been approved by the Shareholders. The BoC KPI is prepared by taking into account the duties and responsibilities of the BoC based on the Articles of Association and regulations of the Ministry of BUMN.<sup>36</sup>

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<sup>36</sup> Annual Report of PT. PLN (Persero) 2018, p. 324.

Then for the performance appraisal mechanism of the PLN BoD carried out by the BoC assisted by the BoC Committee. The basis for evaluating the performance of the Directors is the KPI of the Directors/Corporate KPIs that have been established together with the BoC at the beginning of the management period.<sup>37</sup>

An evaluation of the Company's performance achievements is done by the Corporate Performance Control Unit. The results of the Directors' KPI achievements are submitted to the GMS where the Directors and the BoC are responsible for the achievement of the Corporate KPI in the operational year. In this responsibility, the BoD must be able to explain the relationship between the achievement of KPI with the field conditions and operational responses done by the Directors. While the BoC provides an explanation and responsible for the supervision and advisory aspects that have been carried out during the operational year.<sup>38</sup>

The performance evaluation of the BoD and the BoC is also done vertically by the position below him by evaluating the strengths, weaknesses and suggestions to leaders through print media to the administration of each office.<sup>39</sup>

The author considers that the assesment method applied by PLN at this time on the main organs of the company Directors, BoC and Shareholders is good where the BoD is assessed by the BoC and the BoC is assessed by Shareholders based on KPIs that have been prepared and agreed together. But for the development of the application of the principle of accountability, there is no harm in the assessment method being developed and improved where the assessment of the performance of the Directors and BoC carried out vertically by the the position below them can be done by using a more specific and systematic evaluation format based on correlated, intersected and relevant corporate KPIs. So that the resulting assessment can be more holistic or comprehensive by involving relevant parties. PLN also needs to prepare a method of evaluating shareholder performance in order to build strong solidity and be included in a performance-based system to contribute to the achievement of company goals and targets.

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<sup>37</sup> *Ibid.*, p. 376.

<sup>38</sup> *Ibid.*, p. 377.

<sup>39</sup> Interview result.

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Linkages to the talent pool recruitment system at the appointment of the PLN BoD. The author assesses the parties involved in the process of nominating, selecting, evaluating and determining the BoD must be ensured to have clarity on the functions, responsibilities and organizational structure.

The organizational structure of PLN directly involved in the internal mechanism in nominating the Directors is the Nomination and Remuneration Committee. Furthermore, prospective candidates will undergo the selection process, fit and proper test and the appointment process based on PERMEN 2015.

The author considers that the dimensions of the fit and proper test assessment at the PERMEN 2015 are sufficient to support the accountability of a company BoD. However, the author highlights that it needs to be regulated regarding the accountability of the results of the assessment given to candidates for the BoD by professional institutions or a team formed by the Minister of BUMN to conduct fit and proper test so that scientific accountability can be held. This is to prevent the practice of arbitrary or deviant assessment without being based on scientific (academic) rules.

This is in line with the Talent Pool concept that implements Performance Culture. Companies that successfully manage talent management programs, they have, live and implement a high performance culture.<sup>40</sup>

### **3. Responsibility Principle**

The principle of responsibility is a GCG principle that encourages company compliance with applicable laws and regulations then carries out responsibility for the community and the environment so that it can be maintained for the long-term sustainability of the business.

PLN already has a corporate organizational structure and system that ensures company compliance with applicable laws and regulations including; Directorate of Corporate Planning, Corporate Secretary; Internal Control System, Risk Management Division and Internal Control Unit (SPI).

PLN has implemented a policy regarding Submission of LHKPN Forms regulated in Directors' Regulation Number:

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<sup>40</sup> Darmin Ahmad Pella dan Afifah Inayati, *Op.Cit.*, p. 89.

0074.P/DIR/2017, audit by an Independent Accountant, policies regarding gratification and conflict of interest as stipulated in the BoD' Regulation Number: 0076.P/DIR/2017 and policies regarding the Company's financial transactions as stipulated in the BoD' Regulation Number: 0054.K/DIR/2014.

In relation to the Talent Pool recruitment process on the appointment of the BoD, the Author considers that PLN has complied with the provisions of the applicable law. PLN has provided a means of a policy of succession to the BoD or an adequate mechanism for nominating the Directors internally.

This is in accordance with the concept of Talent Pool which has a Development Mindset where companies that successfully manage talent management programs, develop a development mindset which is a mindset that prioritizes the personal development of employees within the company.<sup>41</sup>This personal development leads to the formation of a person who is responsible and compliant with the applicable provisions.

But in addition to compliance with applicable laws and regulations, it is also necessary to review whether the applicable regulations are in conformity or not in conflict with other laws and regulations based on the principles of the law. In this case active involvement is needed not only from the Government through the Ministry of BUMN as Shareholders but also the initiative of PLN to provide input and conduct Legal Review is also needed.

#### **4. Independence Principle**

The principle of independence is a GCG principle that aims to realize professional management of the company without conflict of interest and/or influence/pressure from any party that is not in accordance with applicable laws and sound corporate principles.

In maintaining independence in the management of the company, PLN has implemented several policies including the existence of an Independent Commissioner who is a member of the BoC who has no financial relationship, management, share ownership and/or family relations with other members of the BoC, members of the BoD and/or Shareholders Controller or relationship with the Company, which can affect its ability to act independently.

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<sup>41</sup> *Ibid.*, p. 89.

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The Independent Commissioner is committed to uphold independence, objectivity and fairness in carrying out his duties and responsibilities, by avoiding decisions and policies that have the potential to cause conflicts of interest or preferences towards the interests of one of the parties. The Independent Commissioners also maintain the Company's reputation by implementing the right GCG principles in accordance with applicable guidelines and regulations, which are reflected in the attitudes, actions and all policies taken, both individually and by consensus.<sup>42</sup>

Those rules are adhered to by all members of the BoD and the BoC so that between the current members of the BoC and Directors who have no financial relationship or family relations up to the third degree with other members of the BoC and Directors both in a straight line or sideways line including relationship arising from marriage.<sup>43</sup>

All members of the BoC and Directors do not have share ownership in the Company either personally or family members, and do not have share ownership in other companies either personally or their families.<sup>44</sup>

In addition to the policies of the Independent Commissioners and the Independence of the Directors, PLN also implements an independence policy on committees formed by the BoC including the Audit Committee which assists in carrying out the duties and functions of the BoC by providing professional and independent opinion to the BoC.<sup>45</sup>

In 2018, all members of the BoD have signed an Integrity Pact that contains commitment items covering aspects of fiduciary duty, GCG, duty of care, responsibility, duty of loyalty, conflict of interest rules, and accountability.<sup>46</sup>

In connection with the talent pool recruitment system, the election of Directors is one of the company's activities that is vulnerable to politicization or intervention because the position of Directors has strategic authority in managing the company. Therefore a transparent and accountable information system is needed to prevent

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<sup>42</sup> Annual Report of PT. PLN (Persero) 2018, p. 302.

<sup>43</sup> *Ibid.*, pp. 308-365.

<sup>44</sup> *Ibid.*, p. 307.

<sup>45</sup> *Ibid.*, p. 335.

<sup>46</sup> *Ibid.*

the election and replacement of Directors who do not have a clear legal basis and judgment.

The author supports the selection process of the BoD which is currently being implemented in stages starting from the selection of prospective candidates, including those sourced from the company's internal mechanism, then netting, fit and proper test, proposal to appointment. This is considered effective in suppressing political interventions with notes if accompanied by a transparent and accountable information system.

In the practice of appointing BUMN Directors there is even INPRES 2005 which instructs that the assessment process for candidates for Directors be ended with an assessment by the TPA. This mechanism was previously used as a reference in the appointment process of BUMN Directors, but since January 2012 the TPA mechanism is no longer a necessity in the process of appointing BUMN Directors and only applies to certain BUMN. From then on, the Minister of BUMN could make a direct appointment. This change is based on the reasons for simplification of the bureaucracy.<sup>47</sup>

The author considers that the final assessment of the candidates for BUMN Directors by TPA can be re-obliged and becomes part of a series of binding appointments of BUMN Directors. The basis for implementing the TPA also needs to be changed from a Presidential Instruction to become part of the provisions of the Ministerial Regulation relating to the appointment of the Directors of BUMN or a separate Ministerial Regulation or being part of the provisions of the BUMN Law. Because the Presidential Instruction is a "policy rules" or "beleidsregels", which is a form of policy regulations that cannot be categorized as a form of legislation that is usually limited to giving direction, guiding, guiding in the implementation of a task and work.<sup>48</sup>

By setting an assessment mechanism by the TPA on the appointment of BUMN Directors in the form of legislation accompanied by creating a transparent and accountable information system, it will encourage the realization of independence in the appointment of BUMN Directors including PLN.

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<sup>47</sup> Safrezi Fitra, *Tidak Semua Pemilihan Dirut BUMN Melalui TPA*, retrieved from <<https://katadata.co.id/berita/2014/11/21/tidak-semua-pemilihan-dirut-bumn-melalui-tpa>> on 3 December 2019 at 11:00 WIB.

<sup>48</sup> Jimly Asshiddiqie, *Perihal Undang-Undang*, Depok: Rajawali Pers, 2010, p. 20.



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This is in line with the Talent Pool concept which uses talent mapping proactively using a long-term approach in providing the needed talent for every key position in the organization.<sup>49</sup>

### **5. Fairness Principle**

The author considers that PLN has applied the principle of fairness, equality and fairness without distinguishing ethnicity, religion, race, class and gender in all business processes in the Company. Anti-discrimination practices in human capital management (Human Capital) are applied from the employee recruitment process, performance appraisal, remuneration, to competency development and career paths.<sup>50</sup>

In 2018, there were 54,124 PLN employees consisting of 45,497 holding employees and 8,627 subsidiary employees. The number of employees (holding) consists of 37,335 male employees (82%) and 8,272 female employees (18%).<sup>51</sup>

The company applies the principle of gender equality as part of its non-discrimination policy. The composition of male employees is more than female employees solely because the majority of the work fields in the Company take place in the field which makes the needs of male employees become more dominant.

This is in accordance with the Talent Pool concept that designs programs that are unique, each employee has a set and different development goals. This makes the assignment of positions, assignments in the talent management program very different between individuals depending on the needs of the existing key positions at the time and the personal development needs of those concerned.<sup>52</sup>

Based on the description above there are still mismatches in the application of the Talent Pool recruitment system in the appointment of the PLN BoD to several GCG principles are concerning the principles of transparency, accountability and independence. It is expected that with the availability of a transparent and accountable appointment information system for Directors, the development of performance appraisal methods for Directors, BoC and Shareholders, the regulation of accountability for

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<sup>49</sup> Darmin Ahmad Pella dan Afifah Inayati, *Op.Cit.*, p. 93.

<sup>50</sup> Annual Report of PT. PLN (Persero) 2018, p. 131.

<sup>51</sup> *Ibid.*

<sup>52</sup> Darmin Ahmad Pella dan Afifah Inayati, *Op.Cit.*, p. 94.

professional institutions or teams formed by the Minister of BUMN to conduct fit and proper test, and the setting of a final assessment mechanism by TPA will produce Directors quality and integrity and realize GCG principles.

## **Implications of the Application of Talent Pool to the Compliance and Performance aspects of PLN (Persero) in terms of Good Corporate Governance**

The compliance aspect in question is compliance with applicable regulations, and performance is the success of improving performance in achieving company profitability. Logically, human resource management that is planned and implemented properly based on an objective assessment and development in accordance with industry needs will produce quality human resources and integrity that complies with applicable regulations and at the same time contributes to PLN's performance improvement.

In analyzing the compliance aspect, the author will review how the implications of the talent pool recruitment system that has been applied by PLN to the provisions of the prevailing laws and regulations, including the harmony of legislation, includes; PERMEN 2012, PERMEN 2015, UU BUMN, UU KIP, and UUPT.

Based on the previous author's explanation, there are 3 (three) GCG principles that have not been fulfilled in the Talent Pool recruitment system that has been applied by PLN, namely the principles of transparency, accountability and independence, including indications of disharmony or regulatory conflicts. The consequence arising from non-compliance with the three principles is non-compliance with applicable laws and regulations which will have an adverse effect on corporate governance.

The unavailability of an information system for the appointment of BUMN Directors including PLN that is transparent and accountable and easily accessible to the public will cause suspicion and potential irregularities such as corruption, collusion and nepotism (KKN) which will also have an impact on the integrity of the elected Directors.

The absence of accountability arrangements for professional institutions or teams formed by the Minister of BUMN in conducting fit and proper test for candidates for Directors at PERMEN 2015 will lead to the

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potential for misuse of giving assessments which is not objective and not scientific that cannot be accounted for.

The process of appointing BUMN Directors that is done without a gradual or tiered process involving TPA will provide centralization of power to Minister of BUMN who are prone to be misused and allow intervention by other parties so that they will harm the principle of independence.

As for the Talent Pool recruitment system implemented by PLN at this time, it has been quite helpful in compliance. Interviewees who interviewed confirmed that the talent management that has been built by PLN, including the Talent Pool recruitment system and knowledge management, really helped PLN employees to know and understand what things had to be done, improved and prohibited in carrying out their duties and responsibilities, one of the instrument is through KOMANDO application.<sup>53</sup>

At the beginning of each year employees are asked to fill in commitments to do positive things that can benefit the company and not harm the customer and the environment. Furthermore there are other instruments, such as the whistleblower system, which are still running well, and even acknowledged by the informants to be running stricter.<sup>54</sup>

PLN has implemented a system of reporting violations or the Whistleblowing System (WBS) since 2012 which was refined in 2016 through the Directors Circular Number: 008.E/DIR/2016. WBS aims to strengthen preventive efforts and protect whistleblowers so as to encourage reporting on KKN practices, bribes, and other fraudulent practices that can harm the Company both financially and in reputation.

During 2018 the WBS team received 56 complaints reports. From these reports, 42 reports have been investigated and Audit Reports (LHA) have been prepared. From 42 LHA, 20 reports were proven. The BoC considers the implementation of WBS to be quite effective as a preventive and proactive management measure for the best GCG implementation.

On the performance aspect, interviewees confirmed that the SIMKP made by PLN was very helpful in the realization of performance improvement because in the system there was clearly a performance target that had to be achieved during 1 semester that had been lowered from the center to the Customer Service Unit level. Besides that competency development and employee placement in suitable positions also have an impact on improving company performance.<sup>55</sup>

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<sup>53</sup> Interview results.

<sup>54</sup> *Ibid.*

<sup>55</sup> *Ibid.*

Research conducted by Arianis Chan and Agina Claudia with the title Analysis of Talent Management at PT. PLN (Persero)<sup>56</sup> and Ridha Choirun Nisa, Endang Siti Astuti and Arik Prasetya with the title Effect of Talent Management and Knowledge Management on Employee Performance (Study of PT. PLN (Persero) Distribution employees in East Java, Surabaya)<sup>57</sup> illustrates that there is an influence or implication for success talent management including the Talent Pool recruitment system and knowledge management together on company performance that has a significant impact.

In terms of financial performance, PLN Business revenue growth in 2018 increased 6.8% from Rp255.29 trillion in 2017 to Rp272.90 trillion. Electricity sales revenue growth increased 6.9% from Rp246.59 trillion in 2017 to Rp263.48 trillion in 2018. Company assets as of December 31, 2017 amounted to Rp1,334.76 increased by 11.8% to Rp1,492.49 trillion in the same period in 2018. The Company's equity in 2018 rose 6.7% to Rp 927.41 trillion from Rp 869.42 trillion in 2017 and net profit was recorded at Rp 11.58 trillion in 2018.<sup>58</sup>

In 2018 the GCG assessment at PLN was carried out by Badan Pengawasan Keuangan dan Pembangunan. The score for the commitment aspect is 6.39; for the shareholder aspect of 7.93; for the aspects of the BoC 32.95; for aspects of the BoD 31.89; for the disclosure aspect 8.17; and for other aspects 0.63; so the total GCG assessment score is 87.96.<sup>59</sup>

In addition to conducting an assessment based on Ministry of BUMN regulations, the Company also participates in evaluating the Corporate Governance Perception Index (CGPI). The assessment was conducted by the Indonesian Institute for Corporate Governance (IICG). External assessment by IICG is an effort by the Company to improve GCG performance by using GCG standard practices in addition to laws and regulations. In the CGPI assessment, PLN won the RELIABLE predicate with an increase in score from 84.35 in 2017 to 84.53 in 2018.<sup>60</sup>

The improved performance is inseparable from the influence of the talent pool recruitment system in building a talent management system that

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<sup>56</sup> Arianis Chan dan Agina Claudia, *Analisis Manajemen Talenta Pada PT. PLN (Persero)*, Jurnal Bisnis dan Kewirausahaan, Vol. 14 No.3 November 2018, pp. 125-132.

<sup>57</sup> Ridha Choirun Nisa, Endang Siti Astuti dan Arik Prasetya, *Pengaruh Manajemen Talenta dan Manajemen Pengetahuan terhadap Kinerja Karyawan (Studi pada Karyawan PT. PLN (Persero) Distribusi Jawa Timur, Surabaya)*, Fakultas Ilmu Administrasi Universitas Brawijaya, Jurnal Administrasi Bisnis (JAB) Vol. 39 No.2 October 2016, pp. 125-132.

<sup>58</sup> Annual Report of PT. PLN (Persero) 2018, pp. 20-21.

<sup>59</sup> *Ibid.*, p.289.

<sup>60</sup> *Ibid.*

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supports the birth of quality human resources. But the Talent Pool recruitment system is not the only mechanism for realizing qualified and integrity Directors but rather a mechanism that must be supported and accompanied by other governance mechanisms that are based on the principles of Good Corporate Governance.

Thus the Talent Pool recruitment system has implications that have a significant impact on compliance and performance aspects of PLN in terms of GCG. The implementation of a good Talent Pool recruitment system in accordance with the Talent Pool concept that supports and meets the GCG principles will have an impact on increasing compliance with applicable laws and regulations and increasing performance through company profitability because the recruitment and supervision process is carried out in a structured, systematic and sustainable so as to produce a professional, integrated, dedicated and competent company organization to carry out its duties and responsibilities.

### **Conclusion**

Based on the author's explanation, it can be concluded that there is still a mismatch in the application of the Talent Pool on the appointment of the PLN BoD to several GCG principles are concerning: principle of transparency related to the appointment of BUMN Directors including PLN and PLN's compliance with the accuracy of the prospectus publication on the company information media, principle of accountability relates to the need to develop a performance appraisal system for BoD, BoC and Shareholders (GMS) and making regulation of accountability for professional institutions or teams formed by the Minister of BUMN in conducting fit and proper test to candidates for Directors and principle of independence related to the process of appointing BUMN Directors including PLN which must be done in stages by involving the final assessment by the Tim Penilai Akhir. The implication of the application of the Talent Pool recruitment system that applies the principles of GCG has a significant impact on compliance and performance aspects. This is evidenced by the increase in compliance with applicable laws and regulations through the prevention of acts against the law and increased performance through corporate profitability because the recruitment and supervision process is done in a structured, systematic and

sustainable manner so as to produce a professional, integrated, dedicated and competent company organization to carry out its duties and responsibilities.

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