

## Board Nomination and Selection Process in Indonesian State-Owned Enterprises

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**Abstract :** The transparent nomination and selection process is the first step to obtaining qualified members of board. It is believed as the representative (agent) of the owners, members of the board must consist of competent and professional people. However, the development of transparent and ideal nomination and selection process in Indonesian State-owned enterprises (SOEs) has been based on relatively little research. Considering the relative importance attached by boards to conduct their roles in their principal's interest in a variety of governance tasks in state-owned enterprises, the primary aim of this paper is to shed light on the extent of nomination and selection process impact performance of the board in implementing good corporate governance in Indonesian SOEs. The exploratory nature of this study led to the adoption of a qualitative research methodology which uses semi-structured interviews and publically available documents to collect a range of data pertaining board nomination and selection and the work of boards. Interviews were conducted with four informants from three Indonesian SOEs and Ministry of SOEs. Findings in this study demonstrate unclear job description and expectations board members as a result of unclear functions of the board in Indonesian SOEs make transparent and accountable nomination and selection process hard to conduct. This situation is vulnerable to the influences from political interest and that even the process itself can degenerate into situations of political interference. In the end, it leads to choosing the wrong person for membership of the board. This study makes a significant contribution to several fields; the human resource management, corporate governance, and Southeast studies by addressing the basic research gaps of board selection process issues in Indonesian SOEs. The gap is addressed by providing a more coherent framework for effective nomination and selection system which reflects more clearly the real experiences of those actually involved at board level.

**Keywords :** board selection and nomination process, Indonesian stated-owned enterprises, good corporate governance, political influence

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