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Corporate Governance Practices in Transportation and Logistics Companies during the COVID-19 Pandemic

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ABSTRACT
The purpose of this study is to leverage and strengthen corporate governance during this pandemic, including advocating for best practice COVID disaster recovery plans, developing emergency response checklists, establishing efficient disaster responses, and strengthening monitoring mechanisms for employees, operations, finance, customers, and supply chain. Calculation of data using descriptive exploratory quantitative methods using literature studies, namely analysis of real conditions that occur at this time and secondary data in the form of articles, news, and research results from several national and international research institutions. and regional is very important because while some regions of the world have excellent logistical opportunities that contribute to their success, other regions on the other hand do not have these characteristics.

Keywords: *Corporate Governance; Mechanism Corporate Governance; Transport and Logistic*

1. Introduction

When the novel coronavirus SARS-CoV-2 emerged in Wuhan, China, in December 2019, some epidemiologists were concerned, but the general public in most parts of the world—let alone business leaders—paid little attention or were largely unconcerned. A year after the outbreak, the pandemic has drastically affected all of our lives. Around the world, countries have taken strict measures to combat the disease, including lockdowns that have caused major disruptions to work life and the global economy. Unsurprisingly, corporate governance has also reached a critical point.

As the COVID-19 pandemic raged across the globe, companies struggled to survive the lockdowns, which had a severe impact on the economy. These restrictions led to GDP declines and unemployment rates that rivaled those of the Great Depression. Although the end of COVID-19 now seems to be in sight with the rollout of vaccines and medical innovations, it remains unclear how long the pandemic will last and how severe its final economic impact will be. This paper argues that COVID-19 will have long-term effects on corporate governance worldwide.

Many studies suggest that large corporations will be run and controlled differently, and that the relationships between companies and their shareholders, as well as other stakeholders, will shift as a result of the pandemic. The balance among interest groups that dominate international corporate governance may also change. Globalization, logistics, and supply chain integration—along with the expansion of the shipping industry as a consequence—have refined the functional role of various aspects of the supply chain, such as shipping, ports, and cargo distribution. The dramatic increase in global trade over the past few decades has restructured the global maritime industry, bringing with it new developments, deregulation, liberalization, and heightened competition.

To maintain business competitiveness and sustainable practices, corporate governance (CG) has become one of the most important criteria for leading logistics and transportation

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companies. Especially during the ongoing COVID-19 pandemic, the importance of infrastructure and logistics has become more evident than ever. The sustainability of logistics services plays a crucial role in ensuring the supply of food stocks, medical supplies, and all other consumer goods. Key to easing the burden of the pandemic are the development of strong domestic and cross-border infrastructure, the implementation of optimal corporate governance, and logistics services that can provide much-needed connectivity to external markets—especially during the current crisis (Yuen & Annie, 2018).

Furthermore, businesses have also sought to adapt to shifting customer and supplier paradigms, while at the same time attempting to counter potential operational and financial issues. Companies are also facing challenges in managing cross-border supply chains and facilitating trade and business channels. In this context, the pandemic is again highlighted as a critical issue that has disrupted supply chains and affected supply and demand in various countries. The poor performance of the logistics and transportation sectors has resulted in limited trade opportunities, which in turn impacts economic growth and job creation (Xu et al., 2021). It has also been noted that transport companies have been employing various modes of transportation and logistics—such as freight shipping, warehousing, inventory management, and other multi-modal transportation methods—in an effort to mitigate potential economic risks.

However, there are also many key opportunities for corporate leaders to leverage and strengthen corporate governance during this pandemic period. These include advocating for best-practice COVID-19 recovery plans, developing emergency response checklists, establishing efficient disaster response strategies, and enhancing monitoring mechanisms for employees, operations, finances, customers, and the supply chain.

2. Literature Review

Corporate Governance

As stated in the preamble of the *OECD Principles of Corporate Governance*, *"The extent to which companies observe basic principles of good corporate governance is an increasingly important factor for investment decisions. Of particular relevance is the link between corporate governance practices and the growing international character of investment. International capital flows allow companies to access financing from a much broader pool of investors. If countries wish to reap the full benefits of global capital markets and attract long-term patient capital, corporate governance frameworks must be credible, well-understood across borders, and adhere to internationally accepted principles."*

The term corporate governance broadly describes the processes, customs, policies, laws, and institutions that direct organizations and corporations in how they act, manage, and control their operations. This governance structure functions to achieve organizational goals and manage relationships among stakeholders, including the board of directors and shareholders. It also involves individual accountability through mechanisms designed to reduce principal-agent problems within organizations.

Good corporate governance is a critical standard for building a compelling investment environment, one that competitive companies need in order to secure a strong position in efficient financial markets. It plays a vital role in economic systems with broad business frameworks and also supports the success of entrepreneurship (Khan, 2011).

The primary goal of corporate governance is to create added value for all stakeholders. Theoretically, the implementation of corporate governance can enhance company value by improving financial performance, reducing risks of self-serving decisions by boards of commissioners, and generally increasing investor confidence.

According to the Forum for Corporate Governance in Indonesia (FCGI, 2001), the benefits of corporate governance include:

- Improving company performance by enabling better decision-making processes, enhancing operational efficiency, and increasing stakeholder service.
- Building investor trust to encourage capital investment in Indonesia.
- Increasing shareholder satisfaction with company performance.

Mechanisms of Corporate Governance

Corporate governance mechanisms are divided into two categories: internal and external mechanisms.

- Internal governance mechanisms involve decision-making processes conducted by the board of commissioners and its committees, the board of directors, the corporate secretary, and company management. It also includes managerial ownership, and the number and characteristics of board members.
- External governance mechanisms relate to oversight and control activities from external parties such as capital markets, banking institutions, consumers, suppliers, labor, government as a regulator, and other stakeholders.

Principles of Corporate Governance

Corporate governance is built on several key principles that should be applied across all aspects of business and throughout all levels of a company. These principles are:

1. Transparency
   To maintain objectivity in business operations, companies must disclose material and relevant information in a way that is accessible and understandable to stakeholders. Companies should proactively disclose not only what is legally required but also other important matters that support decision-making by shareholders, creditors, and other stakeholders.
2. Accountability
   Companies must be accountable for their performance in a transparent and independent manner. This requires that companies be properly managed, measurable in their actions, and aligned with the interests of shareholders while also considering the needs of other stakeholders. Accountability is essential for achieving sustainable performance.
3. Responsibility
   Companies have a responsibility to society and the environment, and must comply with applicable laws and regulations to ensure the long-term sustainability of their operations.
4. Independency
   To effectively apply the other principles of corporate governance—transparency, accountability, responsibility, fairness, and equality—companies must be managed independently. Each part of the company should function without domination or interference from others.
5. Fairness (Equity)
   Companies must always consider the interests of all stakeholders, based on the principles of equal treatment and fair benefit for all parties.

Transport and Logistics

Transport and logistics have become effective tools for managing corporate commercial activities. In practice, the use of inter-organizational systems is growing, particularly through the implementation of Electronic Data Interchange (EDI)to support strategic supply chains by sending and processing business products. Integrated services using these systems include customer service, logistics centers, information systems, logistics organization, strategic planning, and overall integrated operations.

Recently, with increasing mobility demands, many logistics and transportation companies have begun outsourcing their business functions. This trend is growing rapidly and positively impacts service quality and efficiency, meeting consumer demands. These systems enable logistics providers to better serve manufacturing companies, significantly improving the performance of transportation and logistics businesses by enhancing the competitiveness of their supply chains (Yuan et al., 2020).

During the pandemic, with the enforcement of Public Activity Restrictions (PPKM), supply chain managers have been able to assess key success factors for the logistics sector—particularly in e-commerce. Amidst uncertainty, strategies can be improved through optimal corporate governance. By applying its principles, information systems can be enhanced to develop superior capabilities and improve operational activities (Tsai et al., 2021).

3. Methodology

This article is written using a descriptive exploratory quantitative method with a literature study approach. The literature study is conducted through a data collection process to analyze the current real situation. The secondary data consists of articles, news, and research findings from several national and international research institutions, allowing connections to be drawn between different sources, along with results from direct observations as users of electronic and print media. The focus of the literature study is based on the activities of companies in their efforts towards corporate governance impacted during the implementation of the Public Activity Restrictions (PPKM) regulations during the COVID-19 pandemic. The aim of this exploratory research is to produce generalizations derived from an inductive process about the groups, processes, activities, or situations under study.

4. Results and Discussion

Corporate Governance in the Transport and Logistics Sector

The development of logistics depends on the opportunities and logistical capabilities of a country. Evaluating logistics on a national and regional basis is crucial because, while some regions of the world have excellent logistical opportunities contributing to their success, other regions do not possess these characteristics. In the logistics sector, regional assessments are made based on geographic, physical, and institutional infrastructure. Such evaluations explain the investments and regulations required for the development of logistics (Meral, 2013). At this point, the development of information technology has become one of the contributing factors to the growth of the transportation and logistics business. Specifically, the increase in the Internet and e-trade has had a major impact on promoting cooperation between trading companies and logistics and transportation companies. In this context, the websites of transportation and logistics business companies serve as valuable sources of information and, at the same time, provide advantages related to cost and competitiveness.

According to a study by Lelu and Thamrin (2021), which analyzes the impact of corporate governance on the potential financial distress of transportation companies in Indonesia from the pre-pandemic period (2013-2017), several variables influencing the financial distress of companies include managerial ownership, institutional ownership, the board of commissioners, independent commissioners, directors, and audit committees. All of these variables were found to significantly influence the financial distress of the transportation companies studied (Lelu and Thamrin, 2021).

Financial distress is known to be a state in which a company's financial condition continues to decline each year. When a company is approaching financial distress, management usually decides to shut down all operations, including production and other operational activities, before going bankrupt, which is often referred to as liquidation (Widyasaputri, 2012). According to Parker et al. (2002), if a company implements corporate governance practices, it can protect itself from the risks of financial distress.

Impact of the COVID-19 Pandemic on the Transport and Logistics Sector

The pandemic spread worldwide, leading to lockdowns and border closures that restricted the movement of goods. Additional protocols (such as social distancing in warehouses) introduced to ensure worker safety contributed to delivery bottlenecks. Agility Logistics reported significant constraints in global sea transport, impacting major exporters and importers such as the European Union. Unlike sea and air transportation, land transport generally remained somewhat available globally, as roads continued to operate, except in countries under strict lockdowns. Truck capacity became strained due to the increased demand for their services—particularly food and medical supplies—combined with reduced employee availability due to COVID-19 restrictions, leading to higher rates. Other sectors relying on land transport, such as manufacturing, were generally not at full capacity due to lockdowns. As a result, road transport rates dropped in some markets. Demand for rail services grew due to higher air cargo rates, empty sailings, and longer truck transit times. As shippers and governments turned to air cargo for essential goods, air freight rates increased, and some operators faced delays due to increasing congestion at airports (IFC, 2020).

The initial response to contain the spread of the COVID-19 pandemic negatively impacted all transportation operations, causing severe disruptions to supply chains and trade flows worldwide. It is estimated that, due to containment measures, the volume of freight transportation could be reduced by up to half by the end of 2020 in most of Asia. Medyakova et al. (2020), in their study analyzing the use of digital technology in transportation before and after the pandemic, stated that digital innovations were gradually integrated into real processes due to cost and time constraints in the pre-pandemic period. The study analyzed the use of digital technology before and after the pandemic in Russia, one of the largest transportation systems in the world, and found that the use of digital technology and digital transformation in the transportation sector gained momentum after the start of the COVID-19 pandemic.

Queiroz et al. (2020) stated that the COVID-19 pandemic revealed how epidemics and pandemics can seriously disrupt global supply chains. They argued that commercial supply chains remained vulnerable during the epidemic, despite numerous studies on humanitarian logistics. Many logistics and transportation companies created models to manage supply chain structures more efficiently during the COVID-19 pandemic, categorized into six stages: adaptation, digitization, preparedness, enhancement, ripple effects, and sustainability during the epidemic and pandemic period. This study also highlighted that scientific research on pandemics in supply chain management literature is insufficient. Another study by Nandi et al. (2020) analyzed the impact of the COVID-19 pandemic on supply chains, arguing that it is easier to identify weaknesses in traditional supply chains during the pandemic process. Nandi et al. (2020) argued that necessary actions must be taken to view this process as an opportunity and make supply chains more resilient, transparent, and sustainable.

6. Conclusion

From the discussion outlined above, it can be concluded that evaluating logistics on a national and regional basis is very important because, while some regions in the world have excellent logistical opportunities that contribute to their success, other regions, on the other hand, lack these characteristics. At this point, the development of information technology has become one of the factors contributing to the growth of the transportation and logistics business.

The pandemic spread worldwide, causing lockdowns and border closures that restricted the movement of goods. Additional protocols introduced to ensure worker safety contributed to delivery congestion. The initial response to contain the spread of the COVID-19 pandemic negatively impacted all transportation operations, leading to severe disruptions in supply chains and trade flows globally. It is argued that commercial supply chains remain vulnerable during an epidemic, despite the fact that there are many studies on humanitarian logistics. Some of the necessary actions that should be taken to evaluate the logistics and transportation processes and activities as opportunities and to make the supply chains more resilient, transparent, and sustainable are outlined by the principles of corporate governance.

A company with good corporate governance should be able to recognize and manage risks. For instance, a company should establish a good risk management framework and sometimes review the effectiveness of that framework. All companies should have a board with the appropriate size, composition, skills, and commitment to allow it to perform its duties effectively.

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