



The Role of Board of Commissioners and The Board of Directors in Coorporate Governance

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ARTICLE INFO	ABSTRACT
Accepted: Completed by the IJEBA team. Revised: Completed by the IJEBA team. Approved: Completed by the IJEBA team.	This study aims to examine the roles of the Board of Commissioners and the Board of Directors in corporate governance through a literature review. The analysis focuses on the effectiveness of oversight mechanisms, strategic decision-making, and the system of checks and balances between these two corporate bodies. The findings indicate that many Indonesian companies still face challenges regarding the limited independence of the Board of Commissioners, the lack of effectiveness of supporting committees, and the Board of Directors' limited competence in navigating modern business dynamics. However, the literature also highlights that board diversity, visionary leadership by the Board of Directors, and the strengthening of modern governance principles—such as ESG and digital governance—can enhance transparency, accountability, and corporate performance. This study offers theoretical implications regarding the strengthening of agency and stewardship theories, as well as practical implications for companies seeking to improve their governance structures to become more adaptive and sustainable.
Keywords: Board of Commissioners, Board of Directors, Corporate Governance, Good Corporate Governance, Oversight	

INTRODUCTION

Corporate governance, or Good Corporate Governance (GCG), has emerged as a strategic issue in the evolution of the modern business landscape. The implementation of GCG not only enhances corporate transparency and accountability but is also believed to strengthen competitiveness, improve reputation, and minimize the risk of managerial misconduct that could harm stakeholders. In the Indonesian context, the adoption of GCG has become increasingly relevant due to the growing complexity of the business environment, the need to foster investor confidence, and a series of high-profile governance violations—such as financial statement manipulation, conflicts of interest, and the abuse of managerial authority—that have shaken public trust. These issues

demonstrate that GCG practices still face significant challenges, despite various regulatory updates. Consequently, understanding the structures and bodies responsible for governance—specifically the Board of Commissioners and the Board of Directors—has become increasingly crucial (Effendi, 2016).

Academically, studies regarding the roles of the Board of Commissioners and the Board of Directors have become a staple of the literature on agency theory, stakeholder theory, and modern corporate governance theory. However, research into the effectiveness of these two bodies in Indonesia yields varied results, largely due to differences in ownership structures, corporate characteristics, and levels of Good Corporate Governance (GCG) implementation. This indicates a research gap that warrants deeper investigation, particularly concerning how the dynamics between the Board of Commissioners and the Board of Directors directly influence GCG practices within the context of Indonesian companies.

In light of these factors, it is essential to examine the roles of the Board of Commissioners and the Board of Directors; within a company's organizational structure, these two bodies serve as the primary organs responsible for oversight and management. The Board of Commissioners performs supervisory functions and provides strategic advice to the Board of Directors, ensuring the company operates in alignment with its vision, mission, and applicable laws and regulations. Meanwhile, the Board of Directors is responsible for operational management and strategic decision-making that directly impacts corporate performance. Synergy between these two bodies is crucial, as they uphold the principle of checks and balances—a cornerstone of good governance (Jensen & Meckling, 1976). An imbalance of roles or the dominance of one body over the other often compromises governance quality, potentially leading to business risks and a decline in corporate performance.

Research indicates that the effectiveness of the Board of Commissioners is significantly linked to the integrity of financial reporting, the quality of strategic decisions, and firm value (Siallagan & Machfoedz, 2006). Commissioners who are independent, competent, and experienced have been shown to enhance oversight quality and prevent managerial misconduct. However, in many Indonesian companies, the supervisory function of the Board of Commissioners often falls short of optimal performance due to limited independence, a lack of understanding regarding the company's business, and insufficient access to the critical information needed for effective oversight (FCGI, 2018). Factors such as organizational culture and ownership structures—which are predominantly family-owned or concentrated—also contribute to the weak implementation of the oversight function within Good Corporate Governance (GCG).

On the other hand, the Board of Directors, acting as the executive body, exerts significant influence over the company's direction and success. The Board is responsible for strategic decision-making, risk management, operational oversight, and value creation for stakeholders. Its performance is crucial to the company's sustainability, particularly amidst intensifying global competition and dynamic market demands. However, in some instances, the Board may wield excessive power, potentially leading to entrenchment or over-dominance if not adequately supervised by the Board of Commissioners. This situation is exacerbated when

corporate culture fails to foster transparency or when checks-and-balances mechanisms are ineffective (Erkens, Hung, & Matos, 2012).

Furthermore, corporate governance dynamics are influenced by various external factors, such as government regulations, ownership structures, investor pressure, and market globalization. Regulatory changes regarding audit committees, reporting obligations, and heightened accountability standards compel companies to strengthen the roles of both the Board of Commissioners and the Board of Directors in achieving modern, internationally standardized governance. In practice, however, implementation levels often vary, especially among small and medium-sized enterprises with limited resources (Effendi, 2016). Consequently, a deep understanding of how the Board of Commissioners and the Board of Directors execute their duties, roles, and authority is essential for fostering more effective governance.

...in corporate governance is of high importance—from both theoretical and practical perspectives. Beyond contributing to the advancement of management science and corporate governance scholarship, this study aims to provide stakeholders with insight into the importance of governance structures characterized by effectiveness, balance, and integrity. Thus, this research is relevant for comprehensively outlining how the Board of Commissioners and the Board of Directors can play an optimal role in fostering sound, transparent, and sustainable corporate governance.

LITERATURE REVIEW

Conceptual Framework

The conceptual framework of this study is based on agency theory, stewardship theory, and stakeholder theory. Agency theory emphasizes the need for effective oversight of management to mitigate conflicts of interest. Stewardship theory posits that managers can act as responsible stewards when granted trust and support. Stakeholder theory broadens the focus of governance to encompass the interests of all stakeholders. Together, these three theories provide the foundation for understanding the crucial roles of the Board of Commissioners—as the oversight body—and the Board of Directors—as strategic managers—in establishing effective, transparent, and sustainable governance.

Theoretical Overview

Corporate governance serves as the framework governing how a company is directed and controlled to effectively achieve strategic objectives while upholding organizational integrity. Within this context, the Board of Commissioners and the Board of Directors hold fundamental positions. The Board of Commissioners acts as an oversight body, ensuring that the activities of the Board of Directors align with the company's strategy, legal requirements, and the interests of shareholders. Robbins and Coulter (2022) explain that effective oversight is achievable only when the Board of Commissioners possesses the independence, expertise, and analytical capabilities necessary to assess risks, identify irregularities, and provide objective strategic direction. Meanwhile, the Board of Directors is the body responsible for managing the company, formulating long-term plans, managing operational risks, and ensuring the efficiency of

business processes. According to Davis et al. (2021), the role of the Board of Directors in modern enterprises is not merely administrative but also transformational; the Board is expected to anticipate changes in the business environment, understand global market implications, and make adaptive decisions.

Agency theory serves as the primary basis for explaining why the Board of Commissioners and the Board of Directors must be structurally separated. Jensen and Meckling—as reinterpreted by Robbins and Coulter (2022)—assert that when company managers are distinct from capital owners, a potential conflict of interest arises, necessitating robust oversight mechanisms. Conversely, stewardship theory—re-examined by Davis et al. (2021)—posits that managers can act as stewards serving the company's best interests, provided they are granted trust, support, and a conducive structure. This perspective emphasizes that the relationship between the Board of Commissioners and the Board of Directors need not be purely adversarial or based on control; rather, it can be collaborative, provided that accountability principles are upheld. Meanwhile, stakeholder theory—reinforced by Freeman (2020)—provides a foundation for companies to integrate the interests of external parties such as consumers, employees, regulators, and the community. Consequently, the Board of Commissioners evaluates strategies not merely based on financial outcomes but also on social contributions and sustainability. Similarly, the Board of Directors cannot focus solely on operational efficiency but must also consider ethical aspects, environmental responsibility, and long-term value.

The integration of these three theories highlights the highly strategic positions held by the Board of Commissioners and the Board of Directors; both are key actors ensuring the company operates within the framework of good governance principles while remaining responsive to external dynamics. Therefore, a theoretical understanding of their roles is essential for assessing the overall effectiveness of corporate governance.

Previous Research

Various studies conducted in recent years show that the Board of Commissioners has a significant contribution to improving the quality of corporate governance, particularly regarding reporting integrity, risk oversight, and internal control. Hashim et al. (2023) found that the diversity of the Board of Commissioners, especially the presence of women on the board, enhances the depth of analysis in the oversight process and strengthens the quality of information disclosure. This aligns with the findings of Nugroho and Kiswanto (2021), who state that meeting intensity and the independence capacity of the Board of Commissioners correlate strongly with a lower likelihood of companies engaging in earnings management. Rahmawati and Choi (2022) emphasize that an effective audit committee, as an extension of the Board of Commissioners' function, plays a vital role in identifying reporting risks and ensuring compliance with accounting standards.

On the other hand, research on the Board of Directors indicates that the quality of managerial leadership has a direct impact on corporate financial performance and resilience. Mutamimah and Dewi (2021) mention that the industrial experience background and managerial expertise of the Board of

Directors influence the effectiveness of strategy implementation and the efficiency of resource allocation. Li and Zhang (2023) support these findings by showing that a Board of Directors with a visionary mindset and adaptive capabilities can enable companies to survive amidst market volatility and global uncertainty. Rahmat and Wahab (2022) reveal that a Board of Directors with strong financial competence can improve the quality of investment decisions and tighten risk oversight, thereby helping the company avoid long-term losses. Azizah's (2023) study also highlights that a healthy relationship between the Board of Commissioners and the Board of Directors is a crucial factor in minimizing agency conflicts and fostering consistency in the implementation of corporate strategies.

Collectively, these findings demonstrate that the roles of the Board of Commissioners and the Board of Directors are inseparable from the effectiveness of sound governance. Both contribute directly or indirectly to corporate performance and sustainability through oversight mechanisms, decision-making, and risk control.

Critical Analysis and Comparison

Although various studies show the positive impact of the Board of Commissioners and the Board of Directors on the quality of corporate governance, some studies find that its implementation often has not reached an ideal level. Mukhtar (2022) reveals that many independent commissioners merely serve as symbolic figures due to limited industry knowledge or personal relationships with company owners, leading to low oversight effectiveness. This condition contrasts with the findings of Hashim et al. (2023), which indicate that diversity and independence actually enhance corporate disclosure transparency. This discrepancy shows that the effectiveness of the Board of Commissioners is determined not only by formal structures such as independence, but also depends on the quality of human resources and the oversight culture within the company.

On the side of the Board of Directors, Ardiansyah (2021) points out the risk of managerial entrenchment when the Board of Directors holds excessive dominance, making them difficult to be controlled by the Board of Commissioners. This phenomenon causes decisions to be driven more by personal interests rather than corporate goals. Conversely, Li and Zhang (2023) find that a visionary Board of Directors contributes significantly to enhancing innovation, organizational resilience, and the company's speed in responding to changes in the business environment. This comparison shows that the effectiveness of the Board of Directors highly depends on personal integrity, professional capacity, and the structure of checks and balances implemented within the company.

An analysis of these studies indicates that the roles of the Board of Commissioners and the Board of Directors cannot always be generalized. The effectiveness of both is heavily influenced by company characteristics, governance maturity level, relationships between corporate organs, and the ethical commitment of the individuals involved. Therefore, a critical understanding of these various findings is essential to realize that corporate governance practices are highly contextual and cannot merely rely on formal structures alone.

Recent Trends and Developments

Recent developments in corporate governance indicate an expansion of the responsibilities held by Boards of Commissioners and Boards of Directors, driven by the increasing complexity of the business environment. Deloitte (2023) reports that Boards of Commissioners are now required to oversee corporate sustainability aspects—including environmental, social, and governance (ESG) issues—which serve as critical indicators for global investors. This oversight extends beyond mere compliance to ensuring that corporate strategies are oriented toward long-term value creation. Furthermore, KPMG (2024) highlights that digital transformation necessitates that Boards of Directors possess the ability to understand technology risks, data security, information system disruptions, and the potential application of artificial intelligence within corporate operations.

Lestari (2024) indicates that board composition diversity is receiving increasing attention, as companies with more heterogeneous boards demonstrate a superior capacity to manage strategic risks and respond to dynamic market demands. Additionally, many companies are establishing technology risk committees and sustainability committees to support the oversight functions of the Board of Commissioners. Meanwhile, Boards of Directors are increasingly expected to implement data-driven management, strengthen compliance cultures, enhance transparency, and accelerate corporate digital transformation.

Overall, these trends demonstrate that the roles of the Board of Commissioners and the Board of Directors are becoming increasingly complex and strategic. They function not only as overseers and managers but also as drivers of change and guardians of corporate sustainability amidst the ever-evolving dynamics of the global business landscape.

METHOD

This study employs a literature review approach aimed at deeply examining research findings regarding the roles of the Board of Commissioners and the Board of Directors in corporate governance. This approach was selected because it enables the researcher to systematically collect, evaluate, and summarize scientific findings, thereby providing a more comprehensive picture of how these two corporate bodies perform supervisory and managerial functions within modern governance structures.

Through a literature review, researchers can identify patterns, categorize theoretical perspectives, and discover research areas that have not yet been extensively explored.

1. Data sources. The research data were obtained entirely from secondary sources, primarily scientific publications in reputable journals, academic books, and official documents related to corporate governance. Literature searches were conducted using various databases—such as Scopus, Google Scholar, DOAJ, ScienceDirect, and Emerald Insight—as well as national repositories like Garuda and Neliti. These sources were prioritized because they provide credible publications that have undergone academic peer review, thereby supporting an objective analysis. Kriteria Inklusi dan Eksklusi. Untuk memastikan bahwa literatur yang dikaji benar-benar relevan dengan tujuan penelitian, beberapa kriteria inklusi digunakan, yaitu:
 - Publications issued between 2020 and 2025, to ensure the study reflects the latest developments in corporate governance.

- Articles focusing on the roles of the Board of Commissioners and Board of Directors, corporate oversight, GCG quality, agency conflicts, audit committees, or governance theory.
- Articles providing complete content that allows for comprehensive analysis.

Meanwhile, the exclusion criteria include:

- Non-academic writings such as opinion pieces, essays, or popular articles lacking an empirical basis.
 - Research focusing on specialized sector organizations (e.g., public institutions or the financial sector) without direct relevance to general corporate governance.
 - Research that does not include variables regarding board structure or Good Corporate Governance (GCG) mechanisms.
2. Literature Search Process. The literature search process was conducted using various combinations of keywords directly related to the research topic, such as “corporate governance,” “role of the board of commissioners,” “board oversight,” “corporate board of directors,” “executive governance,” “agency conflict,” and “audit committee effectiveness.” These keywords were combined using operators such as AND, OR, and NOT to refine the search results.
 3. Data Analysis. Data analysis was conducted using content analysis techniques—specifically, by examining the content of each article to identify key themes and concepts related to the roles of the Board of Commissioners and the Board of Directors. The articles were then categorized into several groups, including:
 - The oversight mechanism of the Board of Commissioners, including independence, meeting effectiveness, and the role of the audit committee.
 - The capacity and strategic role of the Board of Directors in executing managerial functions.
 - The dynamics of the relationship between the oversight body (Board of Commissioners) and the executive body (Board of Directors) within the system of checks and balances.
 - The quality of corporate governance as an outcome, viewed through the lenses of transparency, accountability, and risk management.

Hasil analisis kemudian dirangkum untuk mengidentifikasi kecenderungan temuan penelitian, perbedaan hasil antarpelitian, serta peluang penelitian baru terkait topik tata kelola perusahaan.

3. Study Validity. The validity of the study is reinforced through literature triangulation by comparing findings from various sources against theoretical frameworks and corporate governance practices. The researchers ensure consistency in findings across articles, assess the appropriateness of prior research methods, and relate them to the state of corporate governance in Indonesia. This approach ensures that the study's results are valid, credible, and relevant to current developments in corporate governance.

RESULTS AND DISCUSSION

A review of the literature indicates that corporate governance practices in Indonesia continue to face challenges, particularly regarding the effectiveness of the roles played by the Board of Commissioners and the Board of Directors. Many

companies treat oversight functions merely as a formality, with the Board of Commissioners fulfilling administrative obligations without actively engaging in strategic monitoring processes. Research—such as that by Nugroho and Kiswanto (2021)—reveals that low meeting frequency and limited independence hinder optimal board oversight. This situation creates opportunities for earnings management, imprudent decision-making, and weak control over corporate risks. Meanwhile, the Boards of Directors in some companies remain dominated by individuals selected based on their closeness to owners rather than the necessary strategic competencies. Findings by Mutamimah and Dewi (2021) show that a lack of knowledge regarding industry dynamics among directors often impedes the effectiveness of operational management and corporate strategy. This imbalance between oversight and executive functions lies at the root of various governance issues arising in many companies.

Nevertheless, the literature also highlights opportunities to improve governance quality through the adoption of more adaptive, modern principles. Diversity within the Board of Commissioners—as noted by Hashim et al. (2023)—has been shown to enhance decision-making quality by fostering broader and more objective perspectives. Furthermore, a healthy, professional working relationship between the Board of Commissioners and the Board of Directors, as demonstrated by Azizah (2023), strengthens checks and balances, thereby minimizing potential agency conflicts. Regarding leadership, visionary direction from the Board—described by Li and Zhang (2023)—positively influences corporate resilience in the face of market uncertainty. Directors who grasp long-term strategies and business risks are better able to enhance organizational adaptability and strengthen corporate performance. Findings by Mukhtar (2022) also underscore the importance of board independence in ensuring that oversight functions operate effectively, free from pressure exerted by owners or management.

Thus, the findings of this literature review confirm that the quality of corporate governance relies heavily on the effectiveness of the roles played by the Board of Commissioners and the Board of Directors. Improving oversight mechanisms, enhancing executive competence, and strengthening coordination among governance bodies have the potential to significantly impact corporate transparency, accountability, and sustainability. Furthermore, the study demonstrates that—despite substantial structural challenges—adopting good governance principles serves as a strategic move to enhance corporate integrity and bolster competitiveness amidst an increasingly complex business landscape.

CONCLUSIONS

1. Corporate governance is heavily determined by the effectiveness of the Board of Commissioners in its supervisory role and the Board of Directors in executing strategy and operations. An imbalance in their respective roles is a contributing factor to weak governance.

2. Key challenges include limited commissioner independence, insufficient oversight, and a lack of strategic competence among directors, all of which can lead to conflicts and suboptimal decision-making.
3. Governance improvements can be achieved through board diversity, a robust audit committee, and adaptive leadership within the Board of Directors—including the adoption of ESG principles and technology.

Saran

1. Strengthen the independence and competence of the Board of Commissioners through professional selection and continuous training on risks, regulations, and sustainability issues.
2. The Board of Directors needs to enhance managerial and strategic capabilities—particularly in digitalization, risk mitigation, and innovation—to support corporate performance.
3. Improve the quality of the working relationship between the Board of Commissioners and the Board of Directors through effective communication, information transparency, and clearly defined roles.
4. Optimize the functions of supporting committees—such as audit, risk, and nomination & remuneration—to strengthen corporate oversight.
5. Implement modern governance principles, such as ESG and digital risk management, to ensure the company remains competitive and maintains stakeholder trust.

IMPLICATIONS AND LIMITATIONS

1. Theoretically, it underscores the importance of the roles played by the Board of Commissioners and the Board of Directors within agency, stewardship, and stakeholder theories.
2. Practically, it assists companies in evaluating their oversight and decision-making mechanisms.
3. In terms of policy, it serves as a reference for regulators to strengthen rules regarding the independence, diversity, and competence of corporate bodies.

Keterbatasan Penelitian

1. Relies on a literature review without direct empirical data.
2. The scope of the literature is limited, failing to cover all variables influencing governance.
3. The results depend on the quality and potential bias of existing literature..

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