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Predictive Policing and Corporate Governance-Reframing Business Judgment Rule as a Preventive Framework for Corruption in Indonesian State-Owned Enterprises

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Abstract

The criminalization of business decisions in Indonesian state-owned enterprises (SOEs) remains a critical challenge in public corporate governance. Enforcement practices dominated by retrospective evaluation frequently blur the boundary between legitimate business risk and corrupt conduct, relegating the Business Judgment Rule (BJR) to an ex post defensive doctrine rather than an effective mechanism for protecting managerial discretion. This condition not only undermines legal certainty but also fosters excessive risk aversion and strategic decision avoidance among SOE directors. This article seeks to reposition the Business Judgment Rule from a defensive liability doctrine to a preventive framework grounded in predictive policing within SOE governance. Employing a qualitative design that combines normative legal analysis with SOE case studies and cross-stakeholder interviews, including SOE management, law enforcement officials, legal scholars, and business actors the study applies thematic analysis to examine relationships between business logic, investigative logic, and corruption prevention mechanisms. The findings yield three principal insights. First, BJR is currently ineffective because it relies on post-event assessment and fails to function as a boundary-setting mechanism between business risk and abuse of discretion. Second, a persistent rationality conflict exists between business logics emphasizing efficiency and innovation and investigative logics oriented toward formal compliance and prosecution. Third, risk-analytics-based early warning systems enable objective verification of directors' good faith and duty of care prior to execution of strategic decisions. The article contributes by advancing the model of Predictive Business Judgment Governance, which integrates BJR principles with predictive policing capacities as an institutional corruption prevention architecture. This model positions policing institutions as preventive governance actors and offers a policy reform pathway for strengthening accountability while preserving SOE effectiveness and innovation.

Keywords: Predictive Policing, Business Judgment Rule, Corporate Governance, State-Owned Enterprises, Corruption Prevention, Police Governance

1. Introduction: Policing Risk in Indonesian State-Owned Enterprises

State-owned enterprises (SOEs) occupy a strategic nexus between development mandates, corporate logics, and public accountability. Governance scholarship consistently associates this hybrid position with elevated integrity risks relative to private corporations, particularly when SOEs operate in high-value sectors such as energy, extractives, transport, and infrastructure, domains characterized by dense licensing regimes, procurement cycles, concessions, and contractor–subcontractor networks (Grossi et al., 2015; Adebayo & Ackers, 2022). Cross-national evidence further indicates that corruption and “irregular practices” in SOEs are not marginal phenomena: a substantial share of SOEs report materialization of such practices in recent years, with acknowledged impacts on profitability and internal control effectiveness (OECD, 2020). Taken together, this literature emphasizes that the core governance challenge lies not merely in formal compliance, but in supervisory designs capable of managing tensions among state control, performance orientation, and the managerial autonomy required for organizational adaptability (Grossi et al., 2015; Adebayo & Ackers, 2022).

In Indonesia, SOE integrity problems entail an additional, critical dimension: the boundary between legitimate business risk and abuse of authority qualifying as corruption often becomes blurred when investment or procurement decisions result in losses (Loren, 2025; Marizal, 2024; Fitriana, 2025). Directors’ liability research identifies this context as especially vulnerable to hindsight and outcome bias, the tendency to assess the reasonableness of decisions based on known outcomes rather than on the information, alternatives, and risks reasonably available at the time of decision-making (Strohmaier et al., 2021). Experimental evidence demonstrates that even professional evaluators are prone to retrospective bias once negative outcomes occur, effectively shifting standards of care toward an *ex post* “should-have-known” benchmark (Strohmaier et al., 2021). In SOE governance practice, such bias contributes to a criminal chilling effect: directors become defensive, avoid strategically valuable risk-taking, and prioritize administrative safety over value optimization, with adverse consequences for innovation and developmental capacity (OECD, 2020; Loren, 2025).

Business Judgment Rule (BJR) emerged within corporate law to shield directors from personal liability for corporate losses provided decisions are taken in good faith, on an informed basis, without conflicts of interest, and within authority (Bainbridge, 2020). Its core purpose is to preserve managerial discretion so that rational risk-taking is not criminalized or reframed as negligence merely because outcomes turn adverse (Bainbridge, 2020). Yet in SOE contexts, BJR often operates *ex post*, contested only after proceedings commence, thereby shifting its function from governance infrastructure to defensive argument. Indonesian legal scholarship following the strengthening of BJR within the SOE regime underscores the urgency of clarifying operational standards to avoid two simultaneous extremes: criminalization of legitimate business policy on the one hand and opportunistic invocation of BJR to shield bad-faith conduct on the other (Loren, 2025; Marizal, 2024; Fitriana, 2025).

The limitations of purely reactive approaches, intervening after losses materialize are especially pronounced in complex corporate crime and corruption that exploit governance gaps across procurement, financing, and vendor relations (OECD, 2020). Consequently, global anti-corruption debates increasingly emphasize risk-based and data-informed integrity systems, including analytics for anomaly detection, collusive network mapping, and early warning across procurement or investment cycles (APEC, 2025; Resimić, 2025). Transparency International’s recent review highlights the potential of artificial intelligence and analytics to support prevention and detection in areas such as procurement integrity and anti–money laundering, while stressing the necessity of ethical governance, accountability, and safeguards against misuse (Resimić, 2025). Similarly, APEC situates anti-corruption technologies within a prevention, detection and enforcement value chain, underscoring that effectiveness depends on institutional integration and appropriate governance design (APEC, 2025).

At this juncture, Police Science contributes a critical conceptual lens through predictive policing and risk-oriented policing capacities. Contemporary literature does not reduce predictive policing to algorithmic tools for forecasting street crime; rather, it frames it as an organizational model leveraging data, intelligence, and analytics to allocate preventive resources with greater precision (Schuilenburg & Soudijn, 2023; Ugwudike, 2022). Recent empirical work evaluates both effectiveness and operational consequences, highlighting the governance requirements needed to avoid bias, discriminatory feedback loops, and overpolicing of specific groups or spaces (Ugwudike, 2022;

Marciniak, 2023). The principal value proposition of predictive policing thus lies in its potential as a prevention architecture grounded in risk indicators adaptable to economic crime domains provided that indicators, data sources, and decision procedures are bound by accountability and transparency (Schuilenburg & Soudijn, 2023; Marciniak, 2023).

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Methodologically, the article combines normative legal analysis of BJR and SOE governance with case studies and cross-stakeholder interviews, followed by qualitative thematic analysis to operationalize BJR as a risk-based preventive device. Its academic contribution spans three domains: (1) SOE governance, by proposing a prevention model compatible with hybrid organizational characteristics (Grossi et al., 2015; Adebayo & Ackers, 2022); (2) corporate law, by extending BJR into a proactive governance infrastructure (Bainbridge, 2020; Loren, 2025); and (3) Police Science, by outlining a conceptual pathway from predictive policing to predictive governance for corruption prevention in public corporations (Schuilenburg & Soudijn, 2023; Ugwudike, 2022; Marciniak, 2023).

2. Conceptual Framework: Linking Corporate Governance and Policing

2.1. Business Judgment Rule in Corporate Governance

The Business Judgment Rule (BJR) is a central doctrine in corporate law designed to protect directors from personal liability for business decisions provided such decisions are made in good faith, with due care, on an informed basis, and without conflicts of interest (Bainbridge, 2020; Velasco, 2021). In the global literature, BJR is understood as an institutional mechanism that balances director accountability with the managerial discretion necessary to navigate market uncertainty (Bainbridge, 2020; Velasco, 2021). By offering a safe harbor for rational risk-taking, BJR aims to prevent over-deterrence that could otherwise suppress innovation and strategic initiative (Bainbridge, 2020).

Conceptually, BJR operates as a boundary-setting mechanism distinguishing legitimate business risk from conduct that departs from fiduciary duty. This boundary is determined not by success or failure *ex post*, but by the quality of the decision-making process: whether directors undertook reasonable risk assessment, accessed relevant information, considered alternatives, and acted in the company's best interests. Contemporary governance scholarship frames BJR as a process-oriented standard rather than an outcome-oriented liability rule (Velasco, 2021; Clarke, 2022). Within this framework, financial loss does not automatically signify legal breach so long as the decision process meets reasonable standards of care (Clarke, 2022).

However, empirical and doctrinal studies indicate that BJR's effectiveness is highly contingent on institutional context. In state-owned enterprises, BJR is frequently distorted by the tension between public mandates and commercial logics, as well as by more intensive criminal oversight compared to the private sector (OECD, 2020; Loren, 2025). In Indonesia, BJR is still predominantly invoked *ex post*, thereby failing to function as a governance infrastructure operating before losses occur. Recent Indonesian legal scholarship highlights that criminalization of SOE business decisions is often driven by outcome-based assessment rather than comprehensive evaluation of directors' processes and good faith (Marizal, 2024; Fitriana, 2025).

These limitations are compounded by hindsight bias, the systemic tendency to judge past decisions based on information that becomes available only after outcomes are known. Experimental evidence demonstrates that retrospective bias significantly affects assessments of directors' liability, even among legal and accounting professionals, increasing error attribution when outcomes are negative (Strohmaier et al., 2021). In SOE ecosystems, this bias contributes to a criminal chilling effect, encouraging ultra-conservative behavior and avoidance of strategically valuable risk-taking. Accordingly, the central challenge of BJR implementation in Indonesia lies not merely in normative formulation, but in the absence of operational mechanisms capable of objectively verifying good faith and duty of care at the planning stage of strategic decisions (Loren, 2025; Marizal, 2024; Fitriana, 2025).

2.2. Predictive Policing as Preventive Institutional Capacity

In contemporary Police Science, predictive policing is conceptualized as a risk-based approach that employs data analytics, statistical modeling, and intelligence integration to anticipate criminal events before they occur. Recent scholarship emphasizes that predictive policing is not simply the adoption of algorithmic tools, but a broader institutional transformation toward evidence-based security management and more precise allocation of preventive resources (Ratcliffe, 2020; Schuilenburg & Soudijn, 2023). This approach positions data as the foundation of operational decision-making while simultaneously requiring robust governance frameworks to mitigate bias, discrimination, and harmful feedback loops (Ugwudike, 2022; Marciniak, 2023).

Predictive policing performs three interrelated functions: early risk detection through identification of anomalies and deviation patterns; network mapping and hotspot analysis of illicit activity; and facilitation of calibrated preventive interventions. Empirical studies indicate that, when implemented with appropriate indicators and ethical oversight, predictive approaches can enhance prevention effectiveness, accelerate response, and strengthen organizational learning within policing institutions (Ugwudike, 2022; Marciniak, 2023). In the domain of economic crime, predictive analytics are increasingly applied to detect suspicious transactions, procurement collusion, and governance deviations through red-flag indicators and risk-scoring models (APEC, 2025; Transparency International, 2025).

The relevance of predictive policing to corporate crime and public-sector corruption has intensified alongside growing transaction complexity and digitalization of business processes. Recent policy analyses argue that integrating artificial intelligence and data analytics enables a shift from reactive, complaint-driven approaches toward early warning systems that continuously monitor procurement, investment, and asset management (Resimić, 2025; APEC, 2025). At the same time, the literature cautions that effectiveness depends on data quality, inter-agency interoperability, and clear institutional mandates; without mature governance design, predictive technologies risk becoming unaccountable surveillance tools or producing risk signals without actionable policy follow-through (Resimić, 2025; Schuilenburg & Soudijn, 2023).

Within this article, predictive policing is therefore positioned not as a new repressive instrument, but as preventive institutional capacity that is, the ability of policing organizations to support corporate crime prevention through early verification of risk indicators and provision of decision intelligence to governance actors. This framing opens space for a functional shift from case processing toward data-enabled facilitation of accountability.

2.3. Police as Governance Actor

Recent developments in policing and public governance scholarship point to a transformation of police roles from crime processors to guardians of institutional integrity. Under this paradigm, policing is no longer confined to post-violation enforcement but extends to prevention through risk management, cross-sector collaboration, and strengthening compliance mechanisms (Loader & Walker, 2021; Fleming & Rhodes, 2018). This perspective aligns with nodal governance theory, which situates the police as one node within broader public-private networks jointly producing security and institutional integrity.

In the context of administrative and corporate crime, the police's governance role is expressed through preventive policing, risk-oriented regulation, and anticipatory accountability. Preventive policing emphasizes intervention before losses occur; risk-oriented regulation concentrates oversight on areas with the highest probability and impact; and anticipatory accountability shifts responsibility from ex post evaluation to documentation and verification of processes from the planning stage onward (Schuilenburg & Peeters, 2021; Ugwudike, 2022). Together, these concepts provide a theoretical foundation for integrating policing into a more predictive SOE governance system.

Building on this framework, the article advances predictive business judgment governance, whereby BJR principles are translated into continuously monitored risk parameters through analytic systems. In this model, policing institutions supply early detection capacity and risk intelligence, while SOE management retains authority over business decisions. Such synergy enables protection for directors acting in good faith while strengthening the state's ability to identify abuse of discretion at an early stage. Accordingly, the integration of BJR and predictive policing is not intended to expand criminalization of business policy, but to construct a proportional, evidence-based prevention architecture compatible with the hybrid organizational character of SOEs (Bainbridge, 2020; Schuilenburg & Soudijn, 2023; Ugwudike, 2022).

3. Research Method

This study adopts a qualitative research design combining normative legal analysis with case studies and cross-stakeholder interviews. The normative juridical approach is employed to examine the legal framework of the Business Judgment Rule, SOE governance arrangements, and post-legislative regulatory implications, particularly with respect to directors' liability and corruption prevention mechanisms. This approach enables systematic interrogation of legal norms, doctrinal developments, and public policy as the conceptual foundation of the analysis (McCrudden, 2006; Hutchinson & Duncan, 2012).

To mitigate the limitations of purely doctrinal inquiry, the study is enriched through case studies of strategic SOEs and in-depth interviews across multiple stakeholder clusters, including SOE directors and senior executives, law enforcement officials, corporate and criminal law scholars/practitioners, and business actors engaged in SOE procurement and project ecosystems. This mixed design situates the research within the socio-legal tradition, which conceptualizes law as a social practice produced through interaction between formal norms and institutional realities (Banakar & Travers, 2013; Halliday & Schmidt, 2018). Such a design enables empirical capture of how the Business Judgment Rule operates in practice while identifying pathways for its integration with predictive policing within SOE governance.

3.1. Data Collection

Data were collected using two primary techniques. First, document analysis was conducted on statutes and regulations, court decisions, SOE governance policies, and institutional reports on corruption prevention and corporate oversight. Document analysis served to map the normative evolution of the Business Judgment Rule, shifts in directors' liability regimes, and policy frameworks relevant to the deployment of risk analytics. This method allows legal and policy texts to be examined as social artifacts reflecting state institutional preferences and governance priorities (Bowen, 2009; Prior, 2014).

Second, semi-structured in-depth interviews were conducted across four principal informant clusters: (1) SOE management (directors and senior officials), (2) law enforcement authorities, (3) legal academics and practitioners, and (4) business actors directly interacting with SOEs. This cross-cluster strategy was designed to elicit multi-perspective insights into business decision-making practices, enforcement experiences, and perceptions of corruption risk and managerial protection. Interviews were selected for their capacity to capture meaning-making processes, action rationalities, and institutional experiences not accessible through documentary sources alone (Kvale & Brinkmann, 2015; Guest et al., 2014). All interviews were recorded, transcribed, and anonymized to ensure confidentiality.

3.2. *Data Analysis*

The data were analyzed using qualitative thematic analysis. This method was chosen for its flexibility in identifying patterns of meaning across heterogeneous data sources and its capacity to integrate normative and empirical insights within a unified analytical framework (Braun & Clarke, 2021). Analysis proceeded through iterative stages of initial coding, clustering codes into conceptual themes, and interpreting relationships among themes related to the functioning of the Business Judgment Rule, dynamics of law enforcement, and the prospective role of predictive policing.

Computer-assisted qualitative data analysis software was employed to support data organization, facilitate tracking of thematic co-occurrence, and enhance analytical transparency, without substituting the interpretive role of the researcher. This approach aligns with established practices in qualitative research emphasizing software as analytic support rather than as a producer of meaning (Jackson & Bazeley, 2019). To strengthen credibility, triangulation was undertaken between documentary and interview data, alongside cross-cluster consistency checks of emergent themes.

3.3. *Analytical Orientation*

The study adopts a policy-oriented qualitative analytical orientation, integrating empirical exploration with the formulation of actionable governance implications. Rather than limiting analysis to descriptive accounts, this approach seeks to identify realistic institutional intervention points—particularly in aligning Business Judgment Rule principles with predictive policing capacities as a framework for SOE corruption prevention. This orientation follows the tradition of applied qualitative policy research, which treats qualitative findings as a basis for normative and operational recommendations (Ritchie & Spencer, 2002; Yin, 2018).

Accordingly, analysis focuses on how mechanisms for verifying good faith, mapping decision-related risks, and operationalizing early warning systems can be institutionalized without expanding criminalization of business policy. This methodological stance enables development of the predictive business judgment governance framework, balancing public accountability with protection of managerial discretion while clarifying the role of policing institutions as preventive governance actors.

4. Results

4.1. *Ineffectiveness of Ex Post Business Judgment Rule*

The thematic analysis reveals that, within Indonesian SOEs, the Business Judgment Rule (BJR) continues to operate primarily as an ex post defensive mechanism rather than as an ex ante preventive instrument. Coding patterns show recurrent co-occurrence of terms such as pressure, fear, politics, and criminal liability in interview segments discussing strategic business decisions, indicating that managerial choices are routinely made under structural pressure and perceived criminalization risk. This pattern suggests that managerial rationality is rarely assessed at the moment decisions are taken; instead, it is reconstructed retrospectively after losses materialize.

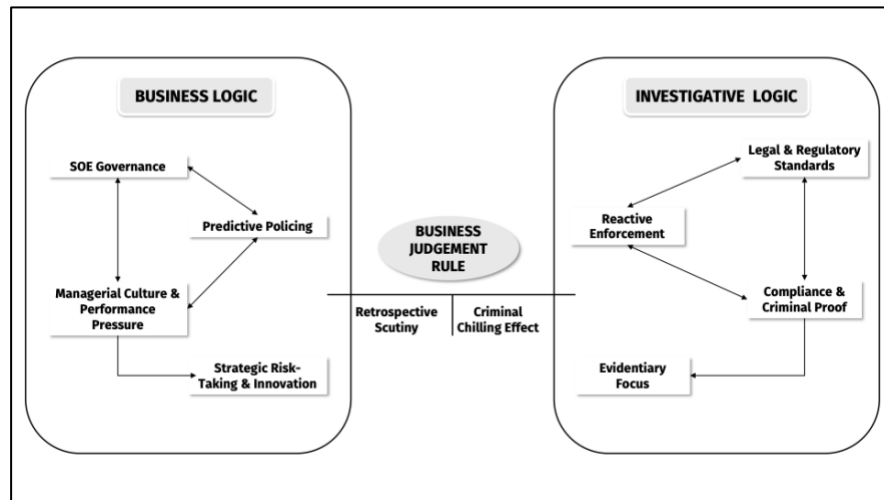


Figure 1: Nvivo Thematic Structure Showing Organizational-Set Conflict Between Business Logic And Investigative Logic

As illustrated in Figure 1 (NVivo thematic structure showing organizational-set conflict between business logic and investigative logic), BJR occupies a central yet contested position between SOE governance and a legal regime dominated by retrospective evaluation. Business losses are frequently reclassified as state losses, while the quality of decision-making processes becomes secondary. This configuration produces a pronounced *criminal chilling effect*: directors consistently report a tendency to avoid strategically significant but risky decisions and to select administratively safest options, even when such choices undermine innovation and operational effectiveness. These findings demonstrate that a post hoc BJR fails to perform its core function of protecting rational managerial discretion.

Further analysis identifies strong co-occurrence between BJR-related concepts (*rationality, technical assessment, information, good faith*) and decision–risk clusters across all informant groups. Discursively, BJR is widely understood as a standard of decision-making quality. However, this understanding is not institutionalized in enforcement practice because no objective mechanism exists to verify informed decision-making and good faith prior to outcome realization. Consequently, business losses are readily translated into state losses, while process quality is relegated to a secondary concern. Empirically, this reinforces the criminal chilling effect and entrenches risk-avoidant managerial behavior.

Overall, these findings indicate that BJR ineffectiveness is not merely a doctrinal issue but stems from the dominance of retrospective evaluation unsupported by real-time process verification. Under such conditions, BJR loses its preventive function and is reduced to a defensive argument deployed only after losses occur.

4.2. Organizational-Set Conflict between Business Logic and Investigative Logic

Matrix coding and primary node structures reveal a persistent rationality conflict between SOE business logic and law enforcement investigative logic. Five dominant thematic domains legal and regulatory frameworks, SOE governance, managerial culture and business ethics, Business Judgment Rule, and predictive policing, capture the fragmentation of institutional perspectives.

From the managerial standpoint, decisions are framed as technical processes shaped by incomplete information, policy pressures, and performance imperatives. By contrast, investigative perspectives reconstruct the same decisions through lenses of formal compliance and criminal proof. This divergence generates what emerges empirically as a difference in “language”; a term of efficiency, innovation, and risk on one side, and a vocabulary of legality, procedure, and prosecution on the other. This misalignment prevents BJR from functioning as a

boundary-setting mechanism because no shared medium exists to translate business standards of care into legally verifiable indicators.

Cluster comparison further shows that terms related to *data, predictive, analytics, systems, and early warning* appear far more prominently in international benchmark materials than in domestic data, which remain dominated by evidentiary and enforcement terminology. This contrast indicates that while international practices increasingly emphasize data-driven risk management, the domestic context continues to rely on reactive, post-event enforcement. Empirically, this orientation gap weakens BJR implementation and deepens organizational conflict between business actors and law enforcement authorities.

4.3. Early Warning Systems and Objective Verification of Good Faith

The most significant empirical contribution of this study lies in identifying the potential of predictive policing to function as a decision-support system capable of bridging legal and business rationalities through data-driven risk indicators. Thematic integration across legal frameworks, SOE governance, BJR, and predictive policing highlights the demand for mechanisms that translate managerial discretion into auditable accountability parameters. Operationally, risk analytics are projected to perform three core functions such as; (1) documenting decision rationales through *decision audit trails*, enabling directors to demonstrate that choices were informed; (2) tracking deviation indicators such as conflicts of interest, weaknesses in transactional legality, or procedural anomalies; and (3) verifying good faith prior to execution of strategic decisions.

With such predictive support, the BJR principles of informed decision-making and good faith no longer rest on normative claims alone but become grounded in documented process evidence. Moreover, the analysis indicates that integrating predictive policing directly strengthens the accountability component within Following Klitgaard's corruption formula ($C = M + D - A$), corruption tends to escalate in contexts where monopoly power and discretionary authority are high, while accountability mechanisms remain weak. Strengthening accountability particularly through auditable decision processes and early risk detection thus becomes a critical lever for corruption prevention. Increasing auditable accountability without diminishing managerial discretion. Sentiment patterns dominated by neutral and negative perceptions of existing legal protection reflect limited confidence in the current BJR regime. However, predictive approaches are perceived as capable of shifting this orientation by establishing *process certainty*: when decisions are supported by explicit risk mapping and mitigation records, directors gain objective grounds for BJR protection.

Taken together, these findings demonstrate that predictive policing is not antagonistic to the Business Judgment Rule but complementary. By reinforcing accountability while preserving discretion, predictive approaches enable BJR to operate as a genuine institutional prevention mechanism, embedded in governance design and decision systems rather than as a purely punitive, ex post legal safeguard.

5. Discussion

5.1. From Reactive Enforcement to Predictive Policing

The findings indicate that the prevailing enforcement regime governing Indonesian SOEs remains largely reactive: interventions are triggered after losses materialize, and business decisions are reconstructed through post hoc criminal evidentiary logics. This configuration places the Business Judgment Rule in a defensive position and generates a form of structural deterrence that encourages excessive managerial risk aversion. As a result, the discretionary space necessary for strategic decision-making contracts, constraining SOEs' adaptive capacity under economic uncertainty (OECD, 2020; Loren, 2025).

Against this backdrop, predictive policing offers a paradigmatic shift from passive enforcement toward prospective institutional risk management. Rather than operating solely as post-event case processors, policing institutions are repositioned as governance actors contributing to systemic stability through pattern mapping, anomaly detection, and data-driven preventive interventions (Ratcliffe, 2020; Schuilenburg & Soudijn, 2023). This shift yields two

principal implications. First, enforcement efficiency increases as resources can be concentrated on high-risk nodes rather than dispersed across retrospective investigations. Second, corruption prevention becomes more effective because interventions move upstream into decision-making processes, rather than remaining confined to downstream stages after losses have accumulated (Ugwudike, 2022; Marciniak, 2023).

Within this framework, the organizational-set conflict between business logic and investigative logic identified in the Results section can be mitigated through standardized risk indicators that provide a shared evaluative medium. Such indicators enable both domains to assess decisions more proportionally and contextually, reducing reliance on outcome-based judgments while strengthening process-based accountability (Schuilenburg & Soudijn, 2023; APEC, 2025).

5.2. Reframing Business Judgment Rule as Preventive Infrastructure

This discussion reframes the Business Judgment Rule from a liability shield into a form of preventive governance infrastructure. Conceptually, BJR is designed to protect directors acting in good faith, with due care, and on an informed basis (Bainbridge, 2020; Velasco, 2021). In practice, however, BJR continues to function primarily as an ex post defense because no objective mechanisms exist to demonstrate these standards prior to outcome realization (Marizal, 2024; Fitriana, 2025).

Through integration with risk analytics and predictive policing capacities, BJR can be reconstructed as an ex ante prevention architecture. In this model, the principles of good faith and informed decision-making are translated into documented process evidence from the outset rather than asserted normatively after losses occur. Risk analytics enable early differentiation between legitimate business risk, an inherent feature of corporate activity and signals of discretionary abuse marked by conflicts of interest, procedural deviations, or anomalous transaction patterns (APEC, 2025; Resimić, 2025).

Such reframing operationalizes BJR as a boundary-setting mechanism. The line between lawful business judgment and corrupt conduct is no longer determined primarily by outcomes but by verifiable process quality: documented decision rationales (*decision audit trails*), strategic transaction risk mapping, and early verification of substantive compliance. Consequently, BJR evolves from a passive shield into an active governance architecture that strengthens accountability while preserving the discretionary space required for SOE effectiveness (Bainbridge, 2020; Clarke, 2022).

This approach also addresses the classic tension between corruption prevention and managerial courage. By rendering decision processes prospectively transparent and auditable, the system protects directors acting in good faith without weakening oversight of potential deviations. In doing so, it rebalances Klitgaard's corruption equation ($C = M + D - A$) by increasing accountability through auditable predictive systems while avoiding suppression of discretion essential to business performance (Resimić, 2025; APEC, 2025).

5.3. Policy Implications for Police and SOE Governance

Building on the Predictive Business Judgment Governance framework, the study derives several concrete policy implications for policing institutions and SOE governance.

First, law enforcement agencies require strengthened analytical units dedicated to corporate crime and SOE governance risks. These units should function as *risk intelligence hubs*, integrating procurement, investment, ownership structure, and vendor relationship data to generate early warning indicators. Their orientation should be preventive, with a primary mandate to provide risk mitigation recommendations before strategic decisions are executed (Schuilenburg & Soudijn, 2023; Transparency International, 2025).

Second, SOE internal risk management systems should be integrated with policing prevention frameworks through standardized data-sharing protocols. Such integration promotes consistency of risk indicators across business and

enforcement perspectives while reducing informational fragmentation that currently exacerbates organizational conflict (APEC, 2025; Ugwudike, 2022).

Third, institutionalization of strategic decision verification through *decision audit trails* is essential. Material decisions such as major investments, strategic procurement, or asset restructuring should be accompanied by documented rationales encompassing considered alternatives, informational bases, risk assessments, and designed mitigations. This protocol serves a dual function: it provides BJR protection for directors acting in good faith and offers law enforcement an early basis for assessing process quality without waiting for losses to occur (Bainbridge, 2020; Marizal, 2024).

Fourth, the study proposes development of a *joint governance dashboard* linking SOEs and law enforcement agencies. Such dashboards would display real-time risk indicators including procurement red flags, vendor concentration, and procedural deviations enabling anticipatory collaborative oversight. This mechanism is not intended to intrude upon business autonomy, but to create data-driven dialogue spaces between SOE management and enforcement institutions (APEC, 2025; Resimić, 2025).

Taken together, Predictive Business Judgment Governance offers a new governance architecture integrating corporate law and Police Science within a unified prevention framework. The model shifts emphasis from post-event criminalization toward strengthening decision-making processes, positions policing institutions as preventive governance actors, and reconstitutes the Business Judgment Rule as institutional infrastructure for early differentiation between legitimate business risk and abuse of authority. Through this approach, SOEs can operate more adaptively and innovatively, while the state gains oversight mechanisms that are more precise, proportional, and equitable.

6. Conclusion

This article advances the model of Predictive Business Judgment Governance as a synthesis of corporate law, Police Science, and public policy within the context of SOE governance. Building on empirical evidence that the Business Judgment Rule has largely operated retrospectively and that enforcement remains dominated by post-event intervention, the study demonstrates the need for a fundamental shift toward predictive governance centered on prevention. In the proposed model, the Business Judgment Rule is repositioned from a liability shield into an *ex ante* preventive governance infrastructure, while predictive policing functions as an institutional enabler through the provision of risk intelligence, deviation indicators, and early verification of decision-making process quality.

The article offers multidimensional contributions. First, within Police Science, it extends predictive policing beyond conventional crime domains into public corporate governance, positioning policing institutions as institutional risk managers responsible for safeguarding the integrity of strategic SOE decision-making. Second, in policy studies, it proposes a risk-based prevention architecture that reorients governance away from post hoc criminalization toward anticipatory governance through integration of risk analytics, decision audit trails, and cross-institutional collaborative oversight. Third, in corporate law, the study transforms prevailing understandings of the Business Judgment Rule from a defensive liability doctrine into a proactive preventive instrument capable of distinguishing legitimate business risk from early signals of discretionary abuse.

Practically, these findings underscore the importance of developing institutional frameworks that place policing institutions at the center of SOE anticipatory governance. Such frameworks include strengthening analytical capacities for corporate crime, integrating SOE risk management systems with policing prevention mechanisms, institutionalizing decision audit trail protocols for strategic decisions, and developing joint governance dashboards as data-driven oversight platforms. Through this approach, protection for directors acting in good faith can coexist with strengthened public accountability, enabling SOEs to operate more adaptively and innovatively without compromising governance integrity.

Ultimately, Predictive Business Judgment Governance offers not only a novel conceptual framework but also an operational policy pathway for building a more precise, proportional, and equitable corruption prevention system in state-owned enterprises. By relocating accountability to the decision-making process itself and positioning policing institutions as strategic partners in institutional risk management, the model redefines the foundations of SOE governance toward a forward-looking, evidence-based, and prevention-centered paradigm.

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Ethics / Informed Consent: All participants involved in the were informed about the objectives of the study, the nature of their participation, and their right to withdraw at any time without any consequences. Participation was voluntary, and informed consent was obtained before data collection commenced. All data were analyzed and reported anonymously to ensure the confidentiality and privacy of participants.

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Declaration of Generative AI and AI-assisted Technologies: This study has not used any generative AI tools or technologies in the preparation of this manuscript.

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