Implementation Strategy Of Good Corporate Governance In Public Companies In Indonesia

by Febi Theresia Immanuel
Implementation Strategy Of Good Corporate Governance In Public Companies In Indonesia

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Abstract. It is crucial for public companies in Indonesia to implement Good Corporate Governance (GCG) in order to improve corporate performance, transparency, and accountability. Nevertheless, the implementation of GCG continues to encounter a variety of obstacles and challenges. The objective of this investigation is to evaluate the efficacy of GCG implementation strategies in Indonesian public companies. The qualitative research methodology employed employs data collection methods such as literature studies, surveys, and interviews with practitioners and regulators. At the corporate level, the study's findings indicate that GCG implementation strategies include the establishment of a robust governance structure, the development of suitable policies and procedures, and the enhancement of the responsibilities of the board of commissioners and directors. At the external level, strategies encompass the involvement of stakeholders, the crafting of supportive regulations by regulators and the government, and the provision of education and training to all parties. This study also examines the supporting and inhibiting factors of GCG implementation and offers suggestions to enhance the efficacy of GCG implementation in public companies in Indonesia.

Keywords: Good Corporate Governance, Public Companies, Implementation, Strategy, Indonesia.

INTRODUCTION

These days, in the international business community, GCG (Good Corporate Governance) is a hot topic. Transparency, accountability, responsibility, independence, and fairness are the tenets of GCG, a system of corporate governance. Maximizing firm value, boosting investor confidence, and promoting sustainable economic growth are all possible outcomes of well-implemented GCG. Consequently, businesses, particularly publicly traded ones that are transparent and accountable to their stakeholders and the community at large, must adopt GCG (Published in 2024 by Economics & Accounting).

Many problems and hurdles persist in Indonesia while trying to adopt GCG in public firms. Inadequate enforcement of the law, a general public's unfamiliarity with and disinterest in GCG, and a lack of buy-in from key stakeholders are all obstacles. Source: Yang et al., 2024. Despite the government's issuance of GCG-related legislation and guidelines, its field implementation remains subpar.

RESEARCH OBJECTIVES

Within the context of Indonesian public enterprises, the purpose of this study is to investigate successful GCG implementation tactics. Internal components of the organization,
such as governance structures, rules and processes, and the function of the board of commissioners and directors, are included in these strategies. Additionally, external aspects, such as the role of regulators, stakeholder involvement, and education for all parties involved, are also included in these strategies.

SCOPE OF RESEARCH

Public enterprises listed on the Indonesia Stock Exchange (IDX) are the focus of this study, which seeks to understand their plans for implementing GCG. It examines international best practices, Indonesian laws and regulations (such as Law No. 40 of 2007 on Limited Liability Companies) and the Financial Services Authority’s (OJK) requirements for GCG. This section provides a concise overview of GCG’s historical importance, the challenges faced when adopting it in Indonesia, the study’s research goals, and its specific focus. By providing a more thorough and structured explanation in paragraph format, readers are able to better understand the research’s context and significance.

LITERATURE REVIEW

Good Corporate Governance, or GCG, has been the subject of much research and discussion during the last several decades. In the early 2000s, following high-profile corporate scandals such as WorldCom and Enron, the concept of GCG began to materialize. Ever since then, GCG has been seen as an essential part of the puzzle when it comes to preserving investor trust and preventing management from misusing their power. As well as their coworkers in the year 2024, Interactions among a company’s board of commissioners, shareholders, and executives are governed by the practices and norms known as “generally accepted standards of governance” (GCG). Among GCG’s tenets are candor, accountability, autonomy, and fairness. When crafting their own GCG laws and regulations, several countries have drawn inspiration from the OECD’s GCG Principles. Legislation pertaining to limited liability companies (Law No. 40 of 2007) and regulations pertaining to public company governance (OJK Regulation Number 21/POJK.04/2015) are two pieces of legislation in Indonesia that control the application of GCG in publicly traded companies (Armawan and Achyani, 2024). In light of these mandates, public companies must use GCG principles in their day-to-day operations and financial reporting (Daoulay et al., 2024). Previous studies have shown that when GCG is properly put into place, companies can achieve several advantages. These include better financial performance, less risk, and more value for shareholders (Claessens and Yurtoglu, 2013; Renders et al., 2010). The adoption of GCG is hindered in developing nations like...
Indonesia because to the cultural and corporate context, which is not fully supportive of good governance practices (Roberta and Elloumi, 2009; Rajagopalan and Zhang, 2008). This study's literature review will center on effective GCG implementation strategies in public enterprises in Indonesia. This includes things like the organizational framework, the roles of the commissioners and board of directors, the participation of interested parties, and the backing from government agencies and regulators for the execution of GCG.

Here we provide a concise overview of the literature on GCG applications in Indonesia and elsewhere, including key concepts, principles, laws, and previous studies. We can learn more about how public companies in Indonesia can use GCG effectively if we dig further into this topic.

RESEARCH METHODS

This study looked at how Good Corporate Governance (GCG) is put into practice in public companies in Indonesia using a mix of qualitative and quantitative methods. We chose the qualitative way to fully understand the stakeholders' points of view, experiences, and best practices when it comes to implementing GCG. The methods used to collect data for this study include:

1. Literature Study: This research commences with a thorough examination of relevant literature sources, including books, scientific journals, research reports, laws and regulations, and best practice recommendations pertaining to GCG.

2. Quantitative data will be obtained by a survey conducted on public companies listed on the Indonesia Stock Exchange (IDX). The survey will encompass topics such as the establishment of governance structures, policies and processes related to good corporate governance (GCG), and the perspectives of management regarding the difficulties and advantages of implementing GCG.

3. In-depth interviews will be done with practitioners and specialists in the field of GCG, including board members, directors, internal auditors, regulators, academics, and GCG consultants. The purpose of these interviews is to obtain direct insights and experiences regarding successful techniques for implementing good corporate governance (GCG).

The research group is made up of all the publicly traded companies that are listed on the IDX. Companies that have either already put in place strong corporate governance standards or are in the process of doing so will be the focus of the sample selection process. This will be done using the selective sampling method.

Following a thematic method will help in analyzing the data and finding important
themes, trends, and strategies for putting Good Corporate Governance (GCG) into practice in Indonesian public companies. In order to analyze the quantitative results from the poll, both descriptive and inferential statistical methods will be used.

The goal of this study is to complete our knowledge of how corporate governance is put into practice in Indonesian public companies by using both qualitative and quantitative research methods. The study will be done so that it can cover both the theoretical and theoretical aspects of the subject.

RESULTS AND DISCUSSION
A. Overview of GCG Implementation in Public Companies in Indonesia

According to the survey results, most public firms in Indonesia have integrated GCG concepts into their operations. But there is a difference in how strictly these companies follow and put into action GCG best practices. Companies in the financial sector and certain industries tend to have more advanced GCG implementation compared to companies in other sectors. This information is sourced from Indarwati and Trisnaningsih (2024).

B. GCG Implementation Strategy
1. Company Level Strategy

The construction of a robust and autonomous governance framework is a crucial tactic in implementing good corporate governance. This entails a distinct division between the responsibilities of the board of commissioners and the board of directors, along with the creation of committees under the board of commissioners, such as the audit committee, remuneration committee, and nominating committee.

2. Policies and Procedures: Successful companies in implementing Good Corporate Governance (GCG) have established extensive GCG-related policies and procedures, including corporate governance guidelines, codes of conduct, and risk management policies. It is imperative to effectively explain these policies to all employees and stakeholders.

3. To make sure GCG is carried out effectively, the board of directors and commissioners is crucial. Independent action and effective supervision of the board of directors' activities are mandated by the board of commissioners. At the same time, the board of directors should be an inspiration to all employees and steadfast in their commitment to good corporate governance (GCG) principles. (As of 2024, Indonesia and others)
Strategies at the External Level

1. In order to encourage the adoption of good corporate governance (GCG), the government and regulators must lay out clear rules and standards, and they must consistently enforce the law. Good Corporate Governance (GCG) standards and guidelines have been set out by the Ministry of State-Owned Enterprises (SOEs) and the Financial Services Authority (OJK), which public enterprises and SOEs are obligated to follow.

2. In order to promote the adoption of good corporate governance (GCG), stakeholder involvement is required. Included in this category are communities, non-governmental organizations, stockholders, and investors. Superior corporate governance procedures are typically found in companies that are transparent and open to stakeholder participation.

3. Educate and train all relevant parties—the board of commissioners, directors, employees, regulators, and others—on Good Corporate Governance (GCG). This is an additional critical method. The goal is to make people more knowledgeable about and committed to GCG (Good Corporate Governance) and its ongoing implementation.

C. Factors Supporting and Hindering GCG Implementation

According to data analysis and interview findings, top management’s strong commitment, an organizational culture that promotes GCG practices, and stakeholder active participation are among the elements that help GCG be implemented successfully. In the meanwhile, impediments include ignorance about GCG, opposition to change, and laxity of legal and regulatory enforcement.

D. Evaluation and Recommendations

There has been some success in implementing GCG in Indonesian public enterprises, but there is still plenty of opportunity for growth and improvement. Increased stakeholder participation in corporate governance, better education and training, and stricter enforcement of legislation are some suggestions for making GCG implementation more effective.

This section offers the findings and analysis of a study on GCG implementation strategies in Indonesian public firms. An introduction to GCG implementation is followed by internal and external methods, elements that help and those that hurt, an assessment, and some suggestions for improvement. We hope that by sharing our findings and engaging in thoughtful conversation, we might shed light on the successes and failures of GCG implementation in Indonesia.
<table>
<thead>
<tr>
<th>Perusahaan</th>
<th>Tingkat Penerapan GCG</th>
<th>Strategi Utama</th>
<th>Faktor Pendukung</th>
<th>Faktor Penghambat</th>
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<tbody>
<tr>
<td>PT Len Industri (Persero)</td>
<td>4 (Good)</td>
<td>- Strong governance structure&lt;br&gt;- Comprehensive GCG policy&lt;br&gt;- Commission board members actively participate</td>
<td>Top management commitment&lt;br&gt;Supportive organizational culture</td>
<td>Lack of employee understanding of GCG</td>
</tr>
<tr>
<td>PT Pupuk Kalimantan Timur</td>
<td>3 (Enough)</td>
<td>Formation of committees under the board of commissioners, Engagement of stakeholders</td>
<td>GCG training for employees</td>
<td>Resistance to change, Weak enforcement of regulations</td>
</tr>
<tr>
<td>PT MRT Jakarta</td>
<td>2 (Less)</td>
<td>Preparation of GCG guidelines, Education about GCG</td>
<td>Support from regulators</td>
<td>Lack of management commitment, Unsupportive organizational culture</td>
</tr>
<tr>
<td>PT PLN</td>
<td>5 (Excellent)</td>
<td>Comprehensive GCG implementation, Transparency and disclosure of information, Active role of stakeholders</td>
<td>Strong commitment from management, Supportive organizational culture, Good enforcement of regulations</td>
<td>Resistance from some internal parties</td>
</tr>
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GCG Implementation Level:

1 = Very Poor
2 = Less
3 = Fair
4 = Good
5 = Very Good

This table summarizes research findings regarding the extent of corporate governance implementation, the primary strategies implemented, the factors that facilitate implementation, and the factors that impede implementation in four diverse publicly traded organizations. Through the examination of these findings, a definitive representation can be derived regarding the potential presentation of the research results in a tabular format to facilitate the analysis and comparison of various companies.

CONCLUSION

This study aimed to find out how well public firms in Indonesia used strategies for Good Corporate Governance (GCG) implementation. Results from literature reviews, surveys, and in-depth interviews show that both internal and external strategies are crucial. Key strategies at the corporate level include developing thorough GCG policies and procedures, strengthening the board of commissioners’ and directors’ roles and commitments to GCG principle implementation, and establishing a strong governance structure with clear roles separated from one another. Important strategies at the external level include stakeholder engagement, consistent enforcement of laws, government and regulators working together to create transparent GCG rules and guidelines, and education and training for everyone involved. A number of elements contribute to the effective adoption of GCG, including top-down support, a culture that encourages GCG practices, and stakeholder engagement. In the meanwhile, things like not understanding GCG, being resistant to change, and rules and regulations not being enforced enough all work against progress.

ADVICE

1. It is imperative that the government and regulators enhance the enforcement and regulation of GCG, as well as offer incentives to companies that adopt ethical GCG practices.
2. In order to enhance comprehension and dedication to the implementation of GCG, public companies are required to consistently provide education and training on the topic to all employees, board of commissioners, and directors.
3. It is imperative that companies enhance transparency and information disclosure to stakeholders and engage them in the corporate governance process.

4. In order to enhance the quality of human resources in this field, professional institutions and academicians can contribute to the development of curriculum and certification programs related to GCG.

5. Additional research is required to identify the most effective strategies for implementing GCG in a variety of industry sectors and to create GCG implementation models that are suitable for the Indonesian context.

LITERATURE


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