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Implementation of the GCG Concept Into Risk Management in PT. Indo Sarijaya Lestari

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Abstract:- Implementing good corporate governance for the company is very important. Many problems that occur in the company can be solved by implementing good GCG. This application is related to the basic theories of GCG, namely openness, accountability, responsibility and independence. In this study, the author will conduct research on the implementation of GCG in PT. Indo Sari Jaya Lestari. The theoretical basis of this study is the application of the five aspects contained in GCG into risk management and the data source used is internal data from the company with the addition of questionnaires to several employees of PT Indo Sari Jaya Lestari. Several aspects have indeed been implemented, but there are still changes that need to be made for the progress of the company. This research will prove that the concept of GCG can help mitigate the risks that exist in the company and make the company develop in a better direction.

Keywords:- *Good Corporate Governance, Risk Management.*

I. INTRODUCTION

A. *Background*

The main goal of the company is to make a profit continuously. In achieving and maintaining this goal, of course, requires a different approach. In practice, a good corporate culture will greatly affect the stability of the company, this is because Good Corporate Governance (GCG) is a system used to direct and control the company's business activities. If the company's business activities are directed and employees work in accordance with the company's vision and mission, then the company will be able to survive / have a better chance of survival. An example of a company with good GCG: Toyota.

Understanding risk management allows management to be effectively involved in the face of uncertainty with the associated risks and opportunities and improves the organization's ability to add value to the company. The implementation of Good Corporate Governance in a company organization is inseparable from the overall risk management practices in the company. To achieve good corporate values, companies must be able to manage business risks carefully, systematically and effectively through the application of integrated risk management If understood correctly, good corporate governance is believed to provide more benefits for the company, management, workers, and other parties related to the company's activities.

There are several problems within PT. Indo Sarijaya Lestari will try to be associated with GCG in its countermeasures. Because management also conducts research and approaches on these issues, some of these problems include:

- Relatively high turn over occurrence
- Some stores that work together do not fill out the FDP (Customer Data Form) so the finance department has difficulty when billing
- Lack of discipline in sales reports so that the team finds it difficult to analyze promos to support sales
- Cases of late employees and field teams that are difficult to track

These problems that occur do not occur only in one department but several departments such as turn over or late employees. The approach taken by management will be familiarized with GCG theory to prove whether the concept of risk management with GCG can make the company better and so that in the future it will be easier to classify and mitigate if similar problems arise.

B. *Problem Formulation*

- How to connect a problem in PT. ISL into the concept of GCG?
- How much risk value occurs in PT. ISL?
- What are the preventive measures taken according to GCG and how are the effects?

C. *Research Objectives*

- Identifying unintended events
- Measuring the impact of the risks that occur
- Provide mitigation and advice if the mitigation that has been carried out is not optimal

D. *Usefulness of Research*

- For the author, the author can better understand the application of GCG and its real uses.
- For companies, companies can evaluate with their application so far and can make improvements in aspects where the shortcomings are so that the company can be more advanced.

II. THEORETICAL FOUNDATIONS

A. *Good Corporate Governance*

Good Corporate Governance or GCG is a structure that regulates the pattern of harmonious relations between the roles of the Board of Commissioners, Directors, Shareholders and other stakeholders. Or it can also be concluded as a transparent process of determining the company's goals, achievements, as well as measuring its performance. According to the Forum for Corporate Governance in Indonesia (FCGI, 2001) the purpose of corporate governance is to create added value for all interested parties (stakeholders).

B. *Key Aspects in GCG*

➢ *Transparency.*

Literally *transparency* can be interpreted as "invisibility". In the context of organizational management, it is intended that there is an openness of accurate and quality information available to all stakeholders. Including the communication patterns that are built and carried out must also be a pattern of open, honest and accountable communication. Nothing is covered up and much less "hidden" for the sake of a certain personal and group gain.

➢ *Accountability.*

According to Mardiasmo (2009), accountability is an obligation to report and be responsible for the success or failure of the implementation of the organization's mission in achieving predetermined results, through the medium of accountability that is carried out periodically. Accountability can be realized by the clarity of functions, structures, systems and accountability of each element of the company or organization. This accountability is an accountability related to each program that will be carried out. The person authorized in this program must be able to show if the program being built can run well or not and what efforts can be made so that the planned program can run optimally (Adzikra Ibrahim).

➢ *Responsibility.*

Although in terms of understanding it is almost the same, in principle, accountability is different from responsibility. Even so, accountability and resposibility are interconnected as part of an overarching system. *Responsibility* is more internal as a subordinate's accountability to the superior who has given him duties and authorities.

➢ *Independence.*

This principle requires that the company or organization be managed professionally without any conflict of interest and without pressure or intervention from any party that is not in accordance with applicable regulations.

➢ *Fairness (Equality and having Equal Rights and Positions).*

This principle of *fairness* teaches the application of the principle of justice for all stakeholders. Fair treatment is a paradigm that must be possessed by organizers and management implementers in a company or organization. There should be no very preferential treatment of a group of people but look down on others. Discrimination in policies and decisions will result in social inequality in an association. Praising a group of people but punishing another group will be detrimental to all stakeholders. Thus *fairness* is expected to be a driving factor that can monitor and guarantee fair treatment among various interests in the company.

C. *Risk Management*

Risk management is a structured/methodological approach in managing uncertainty related to threats; a series of human activities including: Risk assessment, development of strategies to manage them and risk mitigation using resource empowerment/management. Risk management is aimed at overcoming a problem in accordance with the methods used in carrying out activities in an organization in the past, present and future.

D. *The Effect of Good Corporate Governance and Corporate Social Responsibility on Company Value*

Good corporate governance can be defined as the structure, system, and process used by company organs as an effort to provide added value to the company in a sustainable manner in the long term (IICG, 2009). Agoes and Ardana (2009: 101) define good corporate governance (GCG) as a system that regulates the relationship between the roles of the Board of Commissioners, the roles of the Board of Directors, shareholders, and other stakeholders. Good corporate governance is also referred to as a transparent process of determining the company's goals, achieving them and assessing their performance. The implementation of the Corporate Social Responsibility program is a form of implementation of the concept of Good Corporate Governance. Good Corporate Governance is needed so that the behavior of business people has a direction that can be referred to by regulating the relationship of all stakeholders (stakeholders) that can be fulfilled proportionally, preventing significant errors in the corporate strategy and ensuring that mistakes that occur can be corrected immediately.

E. *Risk Control*

There are several ways that companies can take in dealing with existing risks:

- Ask the leader of each department to make a risk profile report.
- Develop a risk profile in a Risk Profile Report, and use it as a report. By default, it can focus its attention on the types of risks that have a tendency to worsen or exceed the policy of tolerance to certain risks.
- Preparing its professionals in the field of risks.
- Establish a liquidity risk management policy. For example, by maintaining optimal reserves, measuring and determining liquidity risk, designing scenario analysis and contingency plans, determining funding strategies and maintaining sufficient fund capacity in the market (Masyhud Ali, 2006).

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III. RESEARCH METHODS

A. Data Collection Methods

- Analysis based on existing facts (internal findings/data per department)
- Questionnaire to employees of PT Indo Sarijaya Lestari regarding employee satisfaction at work, the results will be compared with attendance, work performance and discipline from internal company data.

B. Data Analysis Techniques

Determine the opportunities and impacts of unexpected events, and measure the opportunities and impacts of those events by identifying:

- Unintended events
- Chances of an event occurring
- Causes of occurrence
- Impact

- *Impact Measurement Framework*

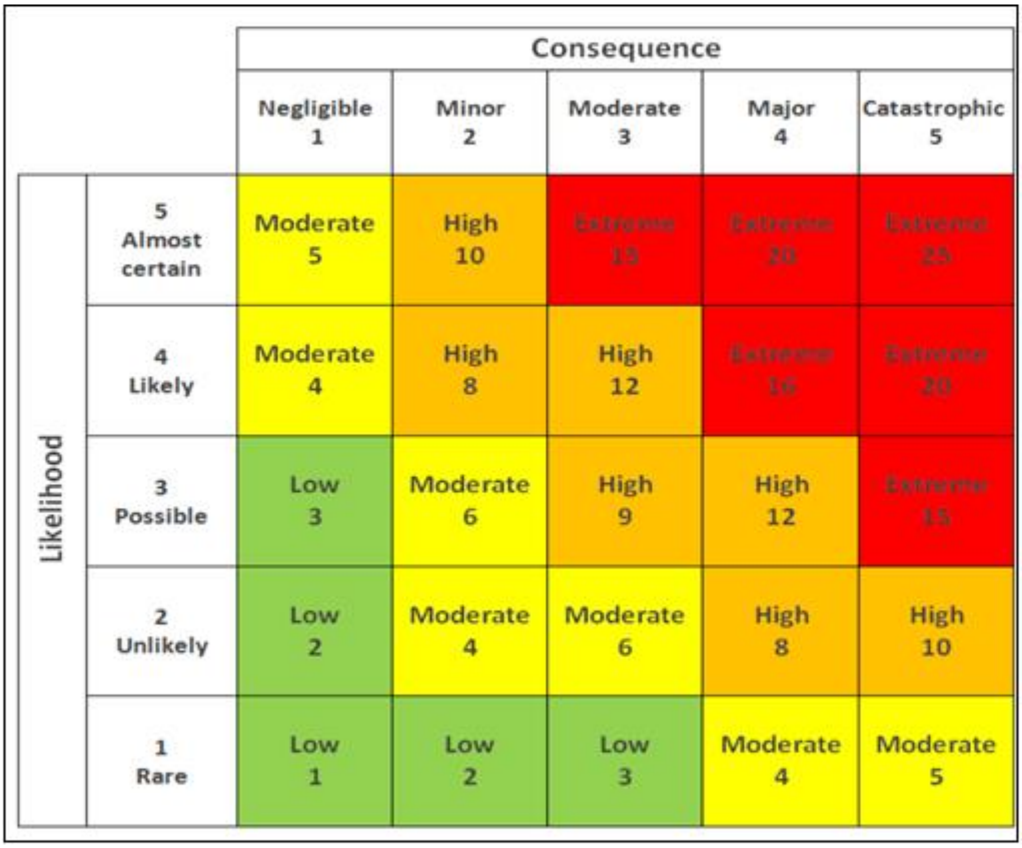
Table 1 Impact Measurement Framework

Score	Financial Impact	Impact Of Corporate Image
1-4	Small Financial Losses	Bad Image In The Environment Of The Marketing Area Concerned
5-8	Moderate Financial Losses	Bad Image In Local Media
9-12	Major Financial Losses	Bad Image In An Area
15-25	Financial Losses are huge	Large-Scale Bad Image

- *The Impact has to be Measured based on the Risk Score that can be Calculated using the Formula below:*

- ✓ ***L x C = R***
- ✓ **L** = Likelihood
- ✓ **C** = Consequence
- ✓ **R** = Risk

- *The Measurement Score can be Seen in the Likelihood Table as it is Shown in Figure 1.*



Likelihood		Consequence: Negligible 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
	5 Almost certain	Moderate 5	High 10	Extreme 15	Extreme 20	Extreme 25
	4 Likely	Moderate 4	High 8	High 12	Extreme 16	Extreme 20
	3 Possible	Low 3	Moderate 6	High 9	High 12	Extreme 15
	2 Unlikely	Low 2	Moderate 4	Moderate 6	High 8	High 10
	1 Rare	Low 1	Low 2	Low 3	Moderate 4	Moderate 5

Fig 1 Likelihood Table

IV. RESULTS OF RESEARCH AND DISCUSSION

➢ *About Company*

PT Indo Sarijaya Lestari is a company engaged in the field of food distributors and was established in 2019. The food distributed by this company is dry food that falls into the category of breakfast and snack, spices and complementary foods, and sweet foods such as chocolate and locally made sweet.

- *Company Vision: To be a competitive (able to compete) and long-term company*
- *Mission*

- *Problem 1: Relatively high turnover occurrence*

- *Risk Categories*

✓ *Human Risk*

- *GCG concept used to overcome risks*

✓ *Fairness*

- *Mitigation:*

Employee rights granted in accordance with the existing regulations in the employment contract also provide employees with the opportunity to move up positions based on their achievements not due to other external factors.

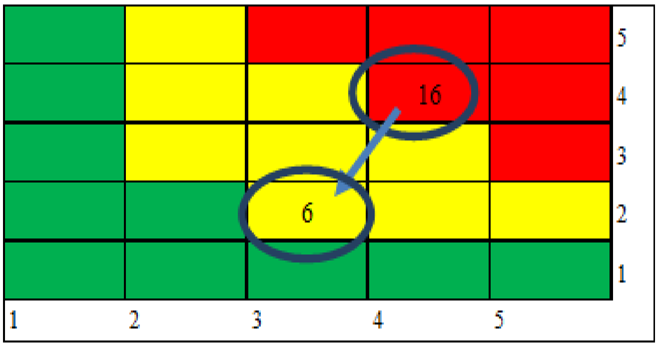


Fig 2 KTD 1 Relatively High Turnover Occurrence

- Risk Score
- 4(Frequency) x 4(Impact) = 16
- Risk Score after mitigation
- 2(Frequency) x 3(Impact) = 6
- Condition after mitigation
- Turn overs are reduced and employees are more comfortable working

The score changed from 16 to 6 indicating there is still an effort to be made to make the change better, but this is a good start because it can reduce the risk quite significantly.

- *Problem 2: Some cooperating stores do not fill out the FDP (Customer Data Form)*

- *Categories*

✓ *Financial Risk*

- *GCG concept used to overcome risks*

✓ *Transparency*

- *Mitigation*:

The sales team must coordinate with the accounting and finance team by making agreements with new customers. This agreement is made with the customer filling out the FGD form created by the accounting team manager (containing customer data, NPWP, and payment terms (tempo / cash))

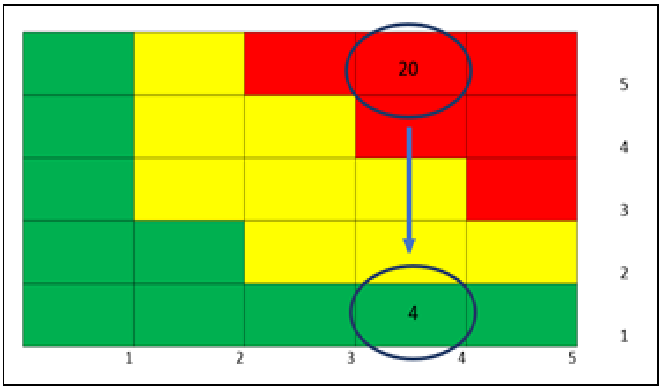


Fig 3 KTD 2: Some Cooperating Stores do not Fill Out the FDP (Customer Data Form)

- Risk Score
- 4(Frequency) x 5(Impact) = 20
- Risk Score after mitigation
- 1(Frequency) x 4(Impact) = 4
- Condition after mitigation
- Easier billing so that the company's cash flow is smooth

The score changed from 20 to 4 indicating that mitigation has been done well and it is expected that this policy will continue to be implemented in the future.

➢ *Problem 3: Difficulty to Analyze Promotions to Support Sales because of Data Gather Problem*

- *Categories*

✓ *Strategic Risk*

- *GCG Concept used to Overcome Risks*

✓ *Accountability*

- *Mitigation:*

Give understanding to employees (soft apporach) and make Reward and Punishment to the team responsible for this reporting (hard approach).

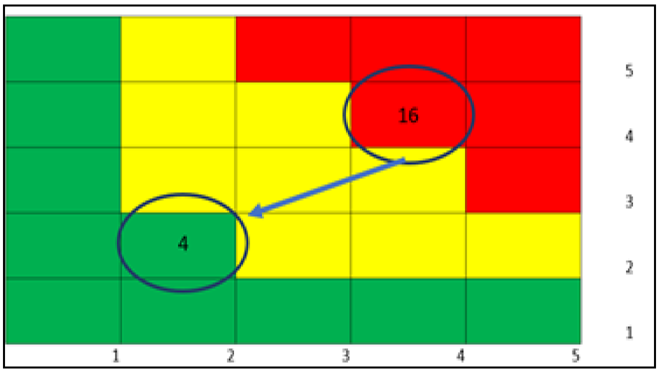


Fig 4 KTD 3: Difficulty to Analyze Promotions to Support Sales

- Risk Score
- 4(Frequency) x 4(Impact) = 16
- Risk Score after mitigation
- 2(Frequency) x 2(Impact) = 4
- Condition after mitigation

The analyst team can gather data more easily so team can make mitigations from mistakes that have been made before and can create programs that match market movements.

The score changes from 16 to 4 for frequency and the impact of each can be reduced by its problem score making this policy good enough to do.

➢ *Problem 4: Cases of Late Employees and Field Teams that are Difficult to Track*

- *Risk Categories*

✓ Compliance Risk

- *GCG Concept used to Overcome Risks*

✓ Responsibilit

- *Mitigation:*

Give punishment if the employee is late / permission without information and for the field team can share the location with google map, 3 times a day when arriving at the store.

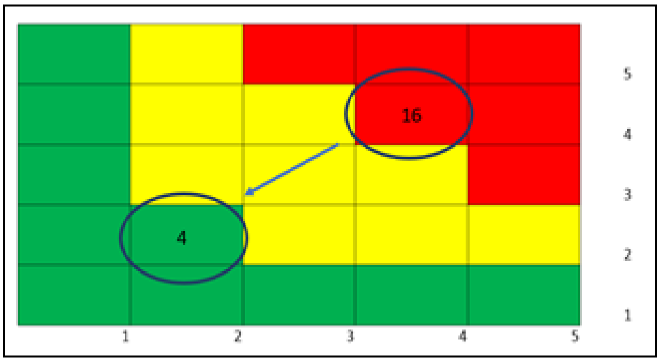


Fig 5 KTD 4: Cases of Late Employees and Field Teams that are Difficult to Track

- Risk Score
- 4(Frequency) x 4(Impact) = 16
- Risk Score after mitigation
- 2(Frequency) x 2(Impact) = 4
- Condition after mitigation

Turn overs are reduced and employees are more comfortable working.

Employees are more disciplined in obeying regulations in the organization so that they can carry out functions optimally

V. CONCLUSIONS

GCG or activities related to the implementation of a good corporate culture can not only mitigate problem from Human Risk, but also from Financial and Strategic. From the application carried out by PT. Indo Sarijaya Lestari, the author can learn a lot and maybe other aspects such as Independence in the HRD department because sometimes this company still uses the third service in recruiting employees.

As has been seen in the study, the existing Problems in the company can be mitigated with the right GCG implementation, because with the right implementation of GCG we have created a new system, replacing the old system that is not good. This improvement process is continuous.

SUGGESTION

There are 4 problem mitigations, there is 1 problem that has not been fully addressed properly, namely problem which is related to turn over, indeed problem occurs a lot in private companies and is quite complex to complete, it would also be good to include the concept of transparency in addition to fairness because employees also need trust to work for a long time in a companies.

What this company has done has been good in implementing GCG in mitigating risks and to improve it, it is better to also learn from other larger companies, especially in the field of distribution.

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