



The Evaluation of The Impact of Improving GCG Quality on PT Holding X's Performance

Azariah Oktavida¹, Yuliani Dwi Lestari²

^{1,2} School of Business Management, Institut Teknologi Bandung

ABSTRACT: Based on the Decree of the Minister of SOE No Kep-117/M-MBU/2002 concerning the Implementation of Good Corporate Governance Practices in State-Owned Enterprises it is stated that SOEs are required to implement GCG consistently and sustainably. PT Holding X as a subsidiary of the leading SOE in the field of information, technology, and telecommunications in Indonesia are aware of the importance of implementing GCG. They believe that by implementing GCG, the overall performance of the company will grow positively. Thus, the company decided to improve its GCG quality in period 2021, yet the company has not conducted a full assessment on the impact of improving GCG quality on company performance. The goal of this research is to analyse the impact of increasing good corporate governance practices on performance at PT Holding X. This study will look at good corporate governance practices based on Ministerial Regulation Number Per-01/MBU/ 2011 concerning the Implementation of GCG in SOEs which links the results of the GCG assessment and the company's achievements to the KPIs previously determined by the company. This study will use performance measurements based on the 4 perspectives of the balanced scorecard. There was an increase in the quality of GCG at PT Holding X by 26.32% and an increase in the performance of PT Holding X by 14.72%. This score indicates that there is a positive impact from improving the quality of GCG on improving company performance, this result is in line with the expectation of the company based on previous research results.

KEYWORDS: Balance scorecard, Good corporate governance, key performance indicator (KPI), Performance measurement, state-owned enterprise (SOE).

INTRODUCTION

This According to Ministerial Regulation Number Per-01/MBU/2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises, GCG is the principles that underlie a process and mechanism for managing a company that is based on laws and ethical regulations. Companies with good GCG practices will be able to increase corporate value for shareholders because the company's vision, mission and strategy are clearly stated, company values and a code of ethics are developed to ensure compliance with all levels of the company, there are policies to avoid conflicts of interest and transactions with inappropriate third parties, company risks are well managed and there is a good control and monitoring system. It's found that the GCG Assessment score for PT Holding X had increased from the previous 60,558% (moderate, period 2020) to 86,879% (very good, period 2021), yet the company has not conducted a full assessment on the effect of improving GCG quality on company performance.

Previous studies have examined on the relationship between corporate governance and company performance [1]. Furthermore, Klapper and Love discovered a beneficial relationship between corporate governance and company performance as evaluated by ROA and Tobin's Q [2]. In Indonesia, Darmawati can prove there is a relationship between corporate governance as measured by corporate governance [3] Next, Nuswandari found that there was an effect of corporate governance proxied by CGPI on operational performance as measured by ROE, but there was no effect on market performance as measured by Tobin's Q [4]. There was still a lack of studies on good corporate governance for SOEs with regard to company performance. as a whole encourages this research to measure the performance of PT Holding X based on a balanced scorecard.

This study will analyze the impact of increasing good corporate governance practices on performance at PT Holding X, on whether or not there is a positive impact on PT Holding X's performance by improving the quality of GCG. Unlike previous studies that measured good corporate governance practices based on indexes, this study will look at good corporate governance practices based on Ministerial Regulation Number Per-01/MBU/ 2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises which links the results of the GCG assessment and the company's achievements to the KPIs previously determined by the company.



LITERATURE REVIEW

According to PT Holding X's GCG Management Guidelines, GCG is a process and structure used by companies to increase business success and corporate accountability in order to create added value for shareholders in the long term while taking into account the interests of other stakeholders, based on laws and ethical values. GCG is the duty of every company to improve the performance of management in controlling the practice of fraud in the corporation, as well as determining the direction and control of company performance [5]. The principles for GCG based on the Minister of BUMN Regulation Number Per-01/MBU/2011 are: transparency, accountability, responsibility, independence, and fairness. By implementing and increasing the quality of GCG, the stakeholder's trust in the company's performance will increase [6]

Performance is the outcome of work completed by an individual or group of individuals within an organization or in accordance with their respective authorities and responsibilities in order to achieve the goals of the organization in question legally, without breaking the law, and in line with morals and ethics [7]. The Balanced Scorecard (BSC), which Kaplan and Norton introduced, is a performance measuring tool that provides top management with a quick and comprehensive perspective of the firm. The balanced scorecard assesses a company's performance from four perspectives: financial, customer, internal business processes, and learning and growth [8]. The four perspectives of financial, customer, internal business processes, and learning and growth are used by BSC to transform mission and strategy into a variety of objectives and indicators. The four BSC perspectives offer a balance between immediate and long-term objectives, between desired outcomes and the variables that drive achieving these goals.

METHODOLOGY

The data used in this research primary and secondary data. Primary data was collected by doing semi-structured interview which related to good corporate governance practices and performance measurement. The secondary data normally has been gathered by someone else other than the primary user (researchers). It is consist of PT Holding X's KPI and GCG Assessment Result which was obtained directly from the company. The collected data is then processed into a coherent data set so that it can be used in further analysis. KPIs that have been obtained are categorized or mapped according to 4 aspects of the Balanced Scorecard.

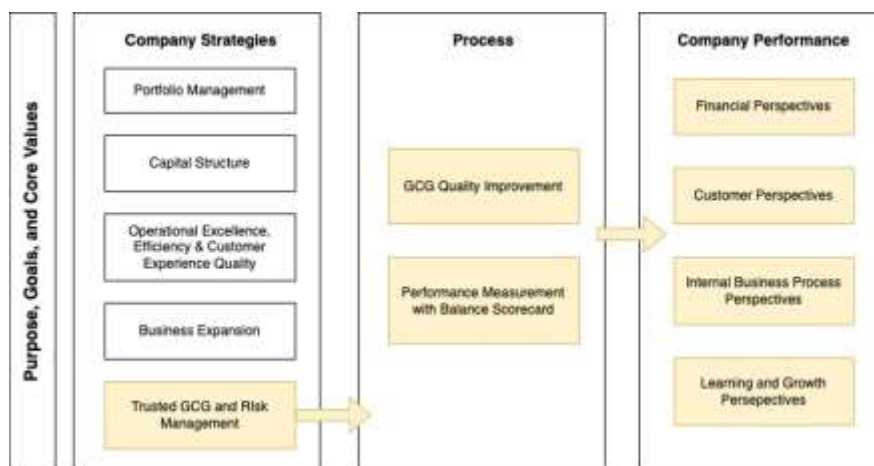


Figure 1 Conceptual Framework

FINDINGS AND ARGUMENT

The GCG Practice Index measured based on the 2011 SOE Ministerial Regulation concerning the implementation of good corporate governance in SOE has been calculated by a third party so that the score can be taken for further analysis. The GCG Practice Index is then coded by the author to make it easier to map the company's KPIs. It's found that the GCG Assessment score for PT Holding X had increased from the previous 60,558% (moderate, period 2020) to 86,879% (very good, period 2021). PT Holding X used KPIs in the form of a Balanced Scorecard until 2020. However, in 2021, PT Holding X modified the design of the KPI, requiring the author to categorize the indicators contained in the PT Holding X KPI into four BSC viewpoints in order to compare and analyze performance. There are a total of 20 performance indicators that the author classifies into 4 BSC perspectives. In the initial KPI for



period 2021, PT Holding X has assigned a weight to each KPI. However, predetermined weights cannot be used in performance calculations because the shape of the KPI is adjusted according to the 4 BSC perspective classifications. The weight adjustment for each indicator is calculated using a simple mathematical equation, which is dividing the initial weight by the total initial weight and then multiplying the desired total adjusted weight.

Table 1. PT Holding X’s GCG and BSC Performance

Aspects	Period	Score	Description
GCG Assessment Results	2020	60,56%	There is an increase in the quality of GCG at PT Holding X by 26,32%
	2021	86,88%	
PT Holding X’s Performance Based on BSC	2020	108,76%	There is an increase in the performance of PT Holding X by 14,72%
	2021	123,48%	

Based on the table above, it can be seen that the increase in GCG quality from the 2020 to 2021 period is directly proportional to the quality of PT Holding X's performance which has also increased. This is in accordance with PT Holding X's expectations based on initial interviews which stated that PT Holding X believes that by implementing GCG, the overall performance of the company will grow positively. This is also in line with the results of the study by Tjahjadi that by implementing and increasing the quality of GCG, the stakeholder's trust in the company's performance will increase [6].

The achievement after mapping of GCG Indicators to BSC Perspectives can be seen below. It can be seen that the achievement of GCG indicators in the Internal Business Process and Learning & Growth perspectives is still below 50% so that PT Holding X can achieve better performance by increasing the achievement of GCG indicators related to these 2 perspectives. Internal Business Process perspectives is related to how the company assesses the size and synergy of each work unit. PT Holding X must routinely observe how internal conditions are in the company. Meanwhile, Learning and Growth perspectives is related to employee training and corporate cultural attitudes related to both individual and corporate self-improvement.

Table 1. GCG Indicators Achievement

Perspectives	%Achievement
Financial	50%
Internal Business Process	43%
Customer	62%
Learning and Growth	27%

Based on the analysis above, the implementation plan that can be adopted by the company is: (1) Mapping achieved GCG indicators against a balanced scorecard perspective so that the relationship between achievements can be analyzed and (2) Adjusting PT Holding X's KPI form to a Balanced Scorecard form (as previous years) so that an overall performance assessment can be carried out continuously on GCG quality.

REFERENCES

- Mitton, T. (2002). A cross-firm analysis of the impact of corporate governance on the East Asian financial crisis. *Journal of financial economics*, 64(2), 215-241.
- Klapper, L. F., & Love, I. (2002). Corporate governance, investor protection and performance in emerging markets. *Investor Protection and Performance in Emerging Markets* (March 2002).
- Darmawati, D., Khomsiyah, K., & Rahayu, R. G. (2005). Hubungan Corporate Governance dan kinerja perusahaan. *The Indonesian Journal of Accounting Research*, 8(1).
- Brown, L. D., Hua, H., and Gao, C. 2003. A widget framework for augmented interaction in SCAPE.
- Nuswandari, Cahyani. "Pengaruh Corporate Governance Perception Index Terhadap Kinerja Perusahaan Pada Perusahaan Yang Terdaftar Di Bursa Efek Jakarta." *Jurnal Bisnis dan Ekonomi*, vol. 16, no. 2, Sep. 2009.



5. Manik, T. (2011). Analisis pengaruh kepemilikan manajemen, komisaris independen, komite audit, umur perusahaan terhadap kinerja keuangan. JEMI, 2(2), 25-36
- Forman, G. 2003. An extensive empirical study of feature selection metrics for text classification. J. Mach. Learn. Res. 3 (Mar. 2003), 1289-1305.
6. Tjahjadi, B., Soewarno, N., & Mustikaningtyas, F. (2021). Good corporate governance and corporate sustainability performance in Indonesia: A triple bottom line approach. Heliyon, 7(3), e06453.
7. Sentono, S. (1999). Manajemen Kepegawaian. Bandung: Penerbit Alumni Bandung.
8. Kaplan, R. S. and D. P. Norton. (2000). The Balanced Scorecard: Translating Strategy into Action Boston: Harvard Business School Press.
9. Kaplan, R. S., & Norton, D. P. (1996). Strategic learning & the balanced scorecard. Strategy & Leadership.

Cite this Article: Azariah Oktavida, Yuliani Dwi Lestari (2023). The Evaluation of The Impact of Improving GCG Quality on PT Holding X's Performance. International Journal of Current Science Research and Review, 6(1), 711-714