



Analysis Of The Application Of Good Corporate Governance (Gcg) Principles In Family Business

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INFO ARTIKEL

Abstract

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In Indonesia, the manufacturing industry sector showed positive performance, as indicated by the Purchasing Managers' Index (PMI) which reached a level of 52.2 in 2022. The manufacturing industry also contributes significantly to national exports, with the processing sector recording exports of USD131.13 billion in the same year. The study also identified the potential for improved GCG implementation through more involvement of family members and clearer organizational structures. The subjects showed a tendency to prioritize long-term sustainability. A family business not only becomes an economic entity, but also reflects the identity and heritage of the family. In family businesses, challenges arise in the implementation of Good Corporate Governance (GCG) in family businesses, which often affect decision making, organizational structure, conflict management and responsibility. This research highlights the need to increase the importance of understanding and implementing GCG in family businesses at UD. ADJ DIESEL, identifies limitations in GCG knowledge and the complexity of internal family dynamics that affect the structure and performance of the company. This research emphasizes awareness of the importance of GCG principles in an effort to create more effective and sustainable business governance.

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Introduction

The condition of the manufacturing industry sector in Indonesia is quite good as evidenced in 2022The Purchasing Managers' Index (PMI) was at 52.2. This indicator encourages optimism among business actors. The brilliant performance of the manufacturing industry sector in the country can also be seen in its largest contribution to the national export value. The processing

industry recorded exports of USD131.13 billion, up 2.95 percent on an annual basis (Administrator, 2021) . Then the increase in the number of invoicing companies in Indonesia in 2023 has increased by 32,193 company units compared to 2022, which is 29,000 businesses. The increase in the number of manufacturing companies is certainly fierce competition. In companies and manufacturing businesses in Indonesia, almost 50% of these businesses go into family businesses (Administrator, 2023). Many family businesses have sprung up from various fields in Indonesia, family businesses are more inclined to business sustainability in the long run. A family business represents an economic entity that is distinct from a business that is not classified as a family business, such as the ownership, control, and management of related family members. In a family business, the sustainability and growth of the company is key for family members who enter the business. Not only seen as a business goal, but as a form of inheritance and family identity. This characteristic provides stability to family businesses that are different from non-family companies (Gani, 2019). Family businesses include many family members involved in the management of the separation from a variety of positions, often heirs or later generations demonstrating the existence of sustainability that can advance the family business. Leadership and decision-making are often more focused on the company's long-term goals. Family businesses have unique internal dynamics, including emotional connections between family members that can affect the business (Rashid Az- Zuhdi at al, 2023).

The sustainability of the family business becomes a benchmark for business goals. One of them is the implementation of GCG as a tool to run the company's internal cycle to run well, GCG is also a benchmark for stakeholders to get clarity of information and minimize unhealthy management practices that affect the company (Abdul Kadir, 2018). Basically, the implementation of GCG in family businesses has inherent principles, namely transparency, accountability, independence, compliance with the law, and responsibility. This is a set of regulations applied to GCG that can determine the direction of a good company (Violita at al, 2016). According to Elkington (1998) business continuity has become an obligation for every company as a strategy. Family business sustainability forms the implementation of Good Corporate Governance (GCG) which is crucial in maintaining the sustainability of family business. From transparent practices, risk control, and coordinated succession planning, GCG provides a strong foundation for family businesses to grow, innovate sustainably, and address dynamic business challenges. In addition, the implementation of GCG also builds trust in stakeholders, ensures value-based decision making and adequate operational efficiency. Overall, GCG is not only an obligation, but also a foundation that ensures the sustainability of the family business to the next generation (Kelvianto Iestyn, 2018). Family members have a role in the business cycle. These roles include important roles such as leadership, and maintaining value in the business. As owners, family members have a strong say in strategic decisions that determine the direction of business movement.

At the same time, family members are also responsible for implementing family values into the business (Kamener et al, 2017). In addition, family members are involved in succession planning, succession in family business is important, because with succession family core members can design the future of the company by identifying and preparing the appropriate next generation. Success can be seen from the performance of the business, if the good performance of succession can be realized, and what if the opposite succession can be hampered. Many family members are also actively involved in business practices. This role reflects the commitment of family members in maintaining the family business while maintaining the essence of the family heritage that is the foundation for the company (Azhari, 2021). The implementation of Good Corporate Governance (GCG) in family businesses faces a number of crucial problems. Conflicts of interest between long-term business needs and individual family roles are often an obstacle in business decision making. The lack of a clear organizational structure often results in a boundary between the role of the family as owner and business management (Sonbait et al, 2023). GCG can reduce problems arising from internal and external of a company. With the implementation of GCG, it can prevent the occurrence of bad practices. So that stakeholders will cause a sense of security in feelings. The implementation of good corporate governance encourages the creation of a healthy competitive climate in an atmosphere of information disclosure (Kusmayadi et al, 2015).

UD. ADJ DIESEL is a family business engaged in manufacturing and trading companies of agricultural diesel spare parts, business continuity is one of the most crucial things, especially in the implementation of GCG. UD. ADJ DIESEL is a company that enters the home industry, in the implementation of GCG owners have limitations in GCG knowledge and management professionalism. There are problems that arise in the UD family business. ADJ DIESEL, namely There are inconsistencies in implementing GCG in the business organizational structure, accounting standards that have not been optimally used, conflicts that result in hampered decision making, and there is unclarity about the role of family members in the internal dynamics of the company (Cahyadi, 2019). This study analyzes how good it is at applying the principles *Good Corporate Governance* (GCG) on family businesses for business continuity. This research is expected to provide an understanding of how important the application is *Good Corporate Governance* (GCG) in family businesses. (Almashhadani et al, 2022). This study discusses the application of *Good Corporate Governance* (GCG) on family businesses in kab. Nganjuk which was established in 2010. The subject of this study was UD's family business. ADJ DIESEL is engaged in manufacturing and trading companies of agricultural diesel spare parts. This subject was led by the first generation of the family business trading agricultural diesel spare parts (Swandari et al, 2021). In this study has a novelty, namely revealing the understanding and application of GCG in family business, based on the results of research there are still inconsistencies in the application of GCG in the family organizational structure, researchers see that in UD ADJ DIESEL has not used good

accounting standards, conflicts between family members and unclear roles of family members in the internal company (Setiyawan et al, 2023).

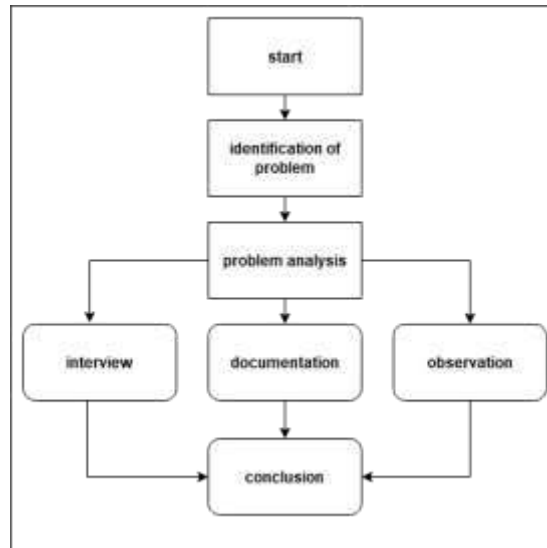


Figure 1. Good Corporate Governance research framework
source: Kusmayadi (2015)

According to Abdul Kadir (2018) found four strong principles in *Good Corporate Governance* (GCG) includes accountability, responsibility,

RESEARCH METHODS

This research uses a qualitative approach to analyze the application of Good Corporate Governance (GCG) principles in the context of family business. The primary data was obtained through in-depth interviews with three informants involved, namely the owner of the family business, the owner's wife as the holder of the company's financial control, and UD employees. ADJ DIESEL is also the nephew of the owner. Researchers aim to understand about the phenomena experienced in the research subjects such as how far understanding in the application of GCG principles, namely transparency, accountability, the role of family members in the company, and the financial performance of family businesses. This study aims to form an understanding of how GCG principles are implemented in family businesses and their impact on performance in corporate governance.

RESULT

The number of informants in this study was 3 people, informants consisting of three people, one of whom was named Mr. Jamingan as the Owner of UD. ADJ DIESEL, Mrs. Sukarmi as the wife of UD Owner. ADJ DIESEL plays a role in managing the company's financial circulation and Eni Rahmawati as an employee at UD. ADJ DIESEL is also the nephew of the Owner. The author knows about the limited knowledge of each informant, the

author explains about the application of GCG in general, so that informants can absorb what is conveyed and can draw conclusions from the perspective of their respective informants.

Table 1

Data Reports

No.	Name	Age	Position
1.	Jamingan	48 years old	Owner UD. ADJ DIESEL
2.	Sukarmi	46 years old	Istri Owner UD. ADJ DIESEL
3.	Eni Rahmawati	35 years old	UD employees. ADJ DIESEL

The results of this research were obtained through interviews with direct observations conducted by researchers directly. Description of the interview conducted by the researcher to find out the results of the point of view of each informant:

1. How do you define Good Corporate Governance (GCG) in the context of a family business?
 - a. Report 1
(GCG) is a good foundation for company operations, especially in family businesses, so that it is not only operational but contributes to the community and the surrounding environment. Share UD. ADJ DIESEL (GCG) is a commitment to step up in business sustainability. With (GCG) can improve the image of the company.
 - b. Report 2
Tatakalo is good, to be in a family business like this so that it can be well coordinated such as managing its employees, our responsibilities as business people, and most importantly that we can stand on our own feet meaning we are not dependent on others.
 - c. Report 3
This family business that manages is his family mostly, so it is only natural that the management of the company often changes. Family business management is more inclined to family members because outsiders are not allowed to be involved in it so that the company is more independent.

In the context of family business, Good Corporate Governance (GCG) is defined as an important foundation that prioritizes family business operations with a positive contribution to the community and the surrounding environment. Share UD. ADJ DIESEL, GCG reflects the commitment to maintain business continuity and create a positive corporate image. It also allows family businesses to become more independent. In management that tends to involve family members, GCG plays an important role in regulating corporate governance and responsibility, creating efficient cooperation, and maintaining business independence. In other words, GCG in family

business emphasizes the importance of ethics, transparency, and responsibility in running the company.

2. Do you know the most important GCG principles and how do you apply them in family company operations?
 - a. Report 1
Actually, I don't know GCG in detail, I only know the model of managing the company, from the question the most important thing for me is to be able to manage the company by myself not depending on others, and most importantly, the company's responsibility to the sustainability of its employees and family members involved in managing the company.
 - b. Report 2
I don't know the details related to GCG, I followed the orders given by my husband. I as a wife only recap the bookkeeping and manage employee salaries, for application according to what was explained by Mr. Jamingan.
 - c. Report 3
In my opinion, from the view of an employee who works in his place, Mr. Jamingan is quite good. Because the owner of UD. ADJ DIESEL manages all its business from managing employees, raw materials, and marketing products all in hand by the father of Jamingan all.

Diverse understandings related to Good Corporate Governance (GCG) in UD family company operations. ADJ DIESEL. The first informant stressed the importance of managing the company independently and maintaining responsibility towards employees and family members. The second informant, as the wife of the owner of the company, followed her husband's lead in the administration and payroll of employees. The third informant noted the dominant role of the owner, Mr. Jamingan, in managing various aspects of the business. This interview illustrates variations in the understanding of GCG, focusing on independence, responsibility, and the role of owners in family businesses.

3. In the UD company. ADJ DIESEL, is there an indicator to assess how well the company's governance is?
 - a. Report 1
Nothing, because my company is still in the form of a home, it can be said to be a home industry. So I don't think there needs to be such an indicator if the company can stand up and not rely on others, that's enough for me.
 - b. Informan 2

There is no, for me, to judge a company with good governance that is able to fulfill the company's responsibilities to its employees such as salaries and a comfortable company environment.

c. Report 3

I don't think there is, because UD. ADJ DIESEL employees often go in and out or change employees, from employees who are not comfortable working at UD. ADJ DIESEL or the company becomes a stepping stone for employees to find other jobs.

Interviews show that in the UD company. ADJ DIESEL, there are no formal indicators used to assess how good corporate governance is. Informant 1 and Informant 2 suggest that they measure the quality of governance by how companies are able to fulfill responsibilities towards employees, such as paying salaries and creating a comfortable work environment. However, Informant 3 conveyed the instability of employees within the company and the lack of work comfort, which made it difficult to measure formal corporate governance. In the context of companies with home industry characteristics such as UD. ADJ DIESEL, governance is more likely to be evaluated through practical aspects and employee experience than formal indicators.

4. What GCG practices have been applied to UD. ADJ DIESEL?

a. Reported 1

In my company, I want to apply independence, responsibility. So we do not involve other people to co-manage the company other than family members and responsibility for the continuity of the company included in it. I often make decisions about employee actions that can have an impact on the sustainability of the company such as employees who are often not allowed to enter it could be me a new person to replace their position.

b. Infoman 2

The practice is to fulfill the company's responsibility to UD employees. ADJ DIESEL. For my own role managing finances and providing consumption to employees.

c. Infoman 3

As far as I know UD. ADJ DIESEL fulfills its responsibilities to its employees. UD Owner. ADJ DIESEL, Mr. Jamingan, often gives openness to his employees when conducting evaluations.

UD. ADJ DIESEL implements Good Corporate Governance (GCG) practices with a focus on aspects such as independence

and responsibility. Informant 1 emphasized the importance of independence in the management of the company, with family members playing a key role in decision-making and maintaining the sustainability of the company. Informant 2, as the wife of the owner of the company, contributes by managing finances and providing consumption for employees, which is also a manifestation of the company's responsibility to employees. Informant 3 highlighted the openness of the owner, Mr. Jamingan, in communicating with employees and conducting evaluations. In the context of UD. ADJ DIESEL, GCG practices tend to prioritize corporate responsibility towards family members involved in operations and employees, as well as maintain open communication with them.

5. To what extent are family members involved in decision-making and business management? How does family participation affect corporate governance?

a. Reported 1

So far, I have directly coordinated the company's operations. Those who are often involved are my wife as the company's financial manager and my first child (Alfan) who often helps in the field of marketing.

b. Report 2

I was involved with my husband, I was the company's financial manager. And often alfan helps in terms of company operations and product marketing as well as product promotion.

c. Report 3

As far as I know, those who are often involved in managing the company are Mr. Jamingan, Mrs. Sukarni, and Alfan, they are often involved in company operations.

The participation of diverse family members influences corporate governance by maintaining operational sustainability, contributing to various aspects of the business, and promoting direct involvement in corporate decision-making and management at UD. ADJ DIESEL.

6. How does UD ADJ DIESEL manage conflicts that may arise in the family business?

a. Reported 1

Often, the conflict between the owner's decision making and Alfan as my son. What often happens in the corporate governance that I make with the corporate governance suggested by alfan, besides that I also filter the advice given and I need to learn what is suggested by alfan is suitable or not applied in UD companies. ADJ DIESEL.

b. Report 2

The conflict that often occurs between the decisions made by Mr. Jamingan and the advice given by Alfian for me the advice is not suitable to be applied to this business. But all decisions are returned to Bapak Jamingan as the owner of UD. ADJ DIESEL to receive advice from Alfian.

c. Report 3

As far as I know, the conflict that often occurs between the owner and his child is decision making for the sustainability of the company, so there is often a miscommunication between the decision of the owner and his child.

In UD. ADJ DIESEL, conflicts in family businesses often occur especially related to decision making between the owner, Mr. Jamingan, and his son, Alfian. The main conflict revolves around differences in corporate governance approaches. Although conflicts arise, the final decision and governance remains the responsibility of the owner. It illustrates the challenges that may arise in managing a family business, where differences in approach need to be overcome to achieve balance and agreement in decision-making that supports the sustainability of the company.

7. In the UD company. ADJ DIESEL has implemented GCG principles?

If not, what is the reason

a. Reported 1

No, I only graduated from SD Kerang knowing about the principles of GCG, I use corporate governance with the knowledge and knowledge I have.

b. Report 2

I think some of it has been applied by my husband such as decision making, responsibility, and company independence to manage the company.

c. Report 3

In my opinion, but preferably in managing the company, not everything is done by the owner, maybe it can divide operational tasks in the handle by Alfian and finances handled by Sukarmi's mother, and maybe it can recruit non-core members such as cousins or brothers of Mr. Jamingan to help ensure marketing and processing of raw materials.

GCG implementation at UD. ADJ DIESEL is still in its developmental stage, and there is potential to increase it with more family member involvement and a more structured organizational structure.

8. Do you think involving external parties to improve corporate governance is necessary or not?

- a. Infoman 1
No need, because in the family business I prioritize family members and relatives.
- b. Infoman 2
No need, because this business is still small in scale, it would be nice to be managed by family members only. So that there is no friction if outsiders participate in running in it.
- c. Infoman 3
I think it is necessary, because companies can get good feedback from outsiders and can carry out better structured corporate governance.

In conclusion, the decision to involve external parties in improving corporate governance in family businesses such as UD. ADJ DIESEL is complex, and it depends on the values and goals of the owner's family and the extent to which they see the benefits of external involvement in their business context.

- 9. Are there any challenges in carrying out corporate governance? And evaluate what should be changed in UD companies. ADJ DIESEL ?
 - a. Infoman 1
Of course, there is a challenge that I face as an owner is to provide understanding and opportunities for alfan to be able to manage the company that I have founded. And evaluation for UD. ADJ DIESEL is applying GCG principles well.
 - b. Report 2
For me as a financial manager, the thing that makes it interesting is to improve the books that are still in shambles and mix company income with family needs. The evaluation that must be addressed is good bookkeeping and does not mix company income with family needs.
 - c. Report 3
The challenge faced by Mr. Jamingan is friction between his son regarding input for the good of the company that has not been received directly and Mr. Jamingan should provide opportunities for Alfan to participate in managing the company's operations. UD evaluation. ADJ DIESEL is to provide opportunities for the next generation to participate in carrying out corporate governance.

Results of interviews with informants at UD. ADJ DIESEL describes a number of challenges faced in carrying out corporate governance, including understanding and inter-generational relationships in family companies, financial management, and the application of Good Corporate Governance (GCG) principles. These challenges revolve around understanding and opportunities given to the next generation of family members, improving bookkeeping, and the

owner's role in giving the next generation the opportunity to participate in the company. Suggested evaluations include separation of corporate income and family needs, better implementation of GCG, and providing greater opportunities for the next generation to contribute to corporate governance. In conclusion, UD. ADJ DIESEL faces challenges related to internal improvement and next-generation involvement in the company, which require proper evaluation and improvement measures.

DISCUSSION

Results of interviews at UD. ADJ DIESEL reveals several diverse perspectives on Good Corporate Governance (GCG) in the context of family businesses. The first informant emphasized the importance of GCG in prioritizing aspects of business sustainability and the company's positive reputation, while the second informant highlighted good governance and corporate independence (Vicente-Ramos et al, 2020). The third informant highlighted the independence of the company as a hallmark of family businesses, which encourages a focus on family members in management. Although the understanding of GCG varies, they all emphasize important aspects such as independence, responsibility, and the role of family members in the family business (Karyatun et al, 2023). Despite its diversity, debates about the need for more structured governance and the use of formal indicators to assess corporate governance demonstrate the relevance of these results.

The interviews illustrate the challenges of managing a family business, including decision-making conflicts between owners and the next generation. From different views, decisions need to be balanced. GCG implementation, results show that UD. ADJ DIESEL is still in the process of developing corporate governance, the role of family members and a clearer organizational structure (Kusmiarti, 2020).

The interview results also revealed several challenges such as understanding the implementation of GCG and the involvement of the next generation, improving bookkeeping, and the role of the owner in providing opportunities for the next generation. This becomes the relevance of the findings to practical understanding that can support improvements in corporate governance and corporate succession (Kusmayadi et al, 2015). In the overall discussion, it needs to be emphasized again that understanding related to GCG principles can have a positive impact on the company (Nurlida et al, 2022).

CONCLUSION

This research provides in-depth insight into the concept of Good Corporate Governance (GCG) in family businesses, with UD subject focus. ADJ DIESEL. From interviews with three informants involved in company operations, the author can conclude that GCG in the context of family business reflects the values of independence, responsibility, the role of family members in managing the company. GCG practices at UD. ADJ DIESEL covers aspects such as financial management, fulfillment of corporate responsibility, independence, and transparency. Although there are conflicts in decision-making between owners and the next generation, the conclusion is that GCG is an important factor in maintaining the sustainability of the family business. This research also reflects that the implementation of GCG at UD. ADJ DIESEL is still in its developmental stage, with the potential to be improved through more family member involvement

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