



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

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INFO ARTICLE

Abstract

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A family business is a company owned, controlled, and run by family members involved in business management. Family businesses are unique as inheritance through generations in one family, showing a close relationship between ownership, management, and family inheritance value. Family businesses can run and grow in the long term, one of which is implementing Good Corporate Governance (GCG). Good Corporate Governance (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. The study uses qualitative research design by conducting a case study approach where researchers look at the actions, activities, and processes of a group of individuals in a family business. In data collection, the techniques used are interview and observation methods. When implementing Good Corporate Governance (GCG), it needs to be emphasized again that the implementation of Good Corporate Governance (GCG) principles can have a positive impact on companies that carry out the principles of Good Corporate Governance (GCG), namely transparency, accountability, responsibility, independence, and fairness.

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Introduction

A family business can be described as an interaction between two or more generations connected to the business. A family business can be run as a business if it involves family members as business controllers (Rasyid at al, 2023). Family

businesses are unique, owned, run, and passed down through generations in one family, demonstrating the close relationship between ownership, management, and family inheritance values. This is manifested from the involvement of family members in decision-making and day-to-day business operationalization so as to create a sustainable competitive advantage (Desa et al, 2022). Long-term focus in family business becomes crucial such as establishing a suitable generation for business continuation, dealing with internal conflicts, maintaining phases and the difficulty of separating corporate and personal affairs (Sia et al, 2013). The sustainability and growth of the company is the key for family members who enter the business as a form of inheritance and family identity. This characteristic provides stability to family businesses that are different from non-family companies (Gani, 2019).

The role of the family company is very influential to the surrounding environment, this makes the company viewed well by the community. Although there is no direct family ownership structure, large corporations mostly apply the principles and values of family businesses. Often large companies build culture, manage human resources, and shape strategic direction within the company. (Rasyid et al, 2023). Similar to MSMEs, family businesses are not only from industry but MSMEs are also a good role for economic growth in Indonesia. Basically, MSMEs are family businesses or family businesses (Farastika et al, 2019). In Indonesia has around 95% family businesses, but unfortunately family businesses in Indonesia are still very young on average (Sardanto, 2016).

Family businesses can travel and grow in the long term, one of which is to implement Good Corporate Governance (GCG), the characteristics of companies that implement Good Corporate Governance (GCG) are companies that prioritize transparency, accountability, fairness, and responsibility in company operations and management (Friendly, 2017). 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).

The foundation for the implementation of Good Corporate Governance (GCG) is with the Indonesian GCG Guidelines Year 2006, the National Committee for Governance Policy (KNKG) so that companies need to apply the principles of Good Corporate Governance (GCG) in the company (KNKG, 2013). The implementation of GCG in a company there are 5 principles involved in it so that GCG is implemented properly, these principles include transparency, accountability, responsibility, independence, and fairness (Andypratama et al, 2013).

According to Kusmayadi (2015) said that in the implementation of GCG, a company has 5 principles involved in it so that GCG is implemented properly, these principles include (Transparency) openness to maintain business objectivity, the company must provide relevant information so that it is easily accessible by stakeholders or shareholders. (Accountability) is responsible for decisions, actions, and results related to business operations and activities. (Responsibility) the

company's compliance with applicable laws and responsibilities to the community and the surrounding environment in order to create long-term business maintenance. (Independency) the company's ability to maintain an attitude and independence that is not influenced by pressure, interests, or the company's relationship with other parties. (Fairness) the company pays attention to each individual being treated fairly and non-discriminatory in any situation or decision (Kusmayadi et al, 2015).

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, Good Corporate Governance (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, Good Corporate Governance (GCG) is not only an obligation, but also a foundation that ensures the sustainability of the family business to the next generation (lestyn, 2018).

Good Corporate Governance (GCG) has been widely applied in companies listed on the stock exchange, when applied to companies that go public should be *Good Corporate Governance* (GCG) can be applied to small-scale companies or MSMEs, so that implementation *Good Corporate Governance* (GCG) is useful to help the prospect of MSMEs being able to upgrade in order to attract investors to add capital to these MSMEs (Jaswadi, 2017).

Researchers will research at UD. ADJ DIESEL which is a family business and engaged in manufacturing companies trading agricultural diesel spare parts this research discusses the application of *Good Corporate Governance* (GCG) in family businesses in Nganjuk district which was established in 2010. The subjects of this study were led by the first generation of the family business trading 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 management professionalism. There are problems that arise in the UD family business. ADJ DIESEL, which is a conflict between the next generation that results in the owner's decision being hampered or not maximal, accounting standards that are not optimal, and there is a lack of clarity about the role of family members in the internal dynamics of the company. UD. ADJ DIESEL has applied a small part of GCG principles such as independence, transparency, accountability and responsibility even though in carrying out this is not optimal because the owner does not pay attention to it.

Based on the description above, researchers want to analyze how good it is at applying GCG principles to UD. ADJ DIESEL Kab. Nganjuk Therefore, the researcher took the title: "ANALYSIS OF THE APPLICATION OF GOOD CORPORATE GOVERNANCE (GCG) PRINCIPLES IN FAMILY BUSINESS"

RESEARCH METHODS

The study uses qualitative research design by conducting a case study approach where researchers see an action, activity, and process of a group of

individuals in a family business (Sardanto et al, 2018). The location of this study is UD. ADJ DIESEL in Nganjuk District, the subject of this study is to see behavior, perception, motivation, action, and others. by way of description in the form of words - the owner and family members who are included in family business management and the object of research is the application of GCG principles in family business "UD. ADJ DIESEL"

In data collection, the techniques used are interview and observation methods (Andypratama at al, 2013). By doing this method, researchers have predetermined criteria, namely informants from the owner and family members involved in business management in order to get specific information with researchers. 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.

Table 1
Data informan

| NO. | NAME | AGE | POSITION | INFORMATION |
|-----|---------------|--------------|-------------|--|
| 1. | Jamingan | 48 years old | owner | The owner has control over the business. At the same time become the sole owner of the company |
| 2. | Sukarmi | 46 years old | Istri owner | The owner's wife plays an important role in the family business, which runs the company's financial circulation. |
| 3. | Eni Rahmawati | 35 years old | employee | Become an employee working at UD. ADJ DIESEL. At the same time including the nephew of the owner. |

Data collection techniques are carried out by means of in-depth interviews with informants involved in the circulation of family businesses. Data collection techniques use primary data sources taken from direct interviews and record recording. Researchers chose this method because in researching GCG, people who really understand the condition of the company are needed, so that informants are selected based on various considerations. To find out whether the data found in the field is valid or not, the researcher uses the source triangulation method and the triangulation method(Sardanto et al, 2018).

Researchers aim to understand about the phenomena experienced in the subject researchers focus on the questions : (1) How UD. ADJ DIESEL applies the principles of Good Corporate Governance (GCG) on policies. (2) How UD. ADJ

DIESEL applies the principles of Good Corporate Governance (GCG) regarding laws and regulations. (3) How UD. ADJ DIESEL applies the principles of Good Corporate Governance (GCG) regarding the standards applied. (4) How UD. ADJ DIESEL applies the principles of Good Corporate Governance (GCG) regarding internal and external influences. (5) How UD. ADJ DIESEL applies the principles of Good Corporate Governance (GCG) on equality and fairness. This study aims to determine how GCG principles are implemented in family businesses and their impact on performance in corporate governance.

RESULT

The results of this research were obtained through interviews with observations made by researchers directly. Description of the interview conducted by the researcher to find out the results of the implementation of Good Corporate Governance (GCG) principles from each informant's point of view:

1. How UD. ADJ DIESEL applies the principles of Good Corporate Governance (GCG) regarding policies ?
 - a. Reported 1
A decision made to achieve a goal, to my knowledge is like our openness to people involved in the business so that it is clear the direction of movement and easy to fix the wrong things
 - b. Report 2
After all, I decided that you gave it to people involved in the business so that they know the clarity and can be understood by everyone
 - c. Report 3
Always open to all to convey goals and evaluation or clarity of the direction of future business movements.
2. How UD. ADJ DIESEL applies the principles of Good Corporate Governance (GCG) regarding laws and regulations ?
 - a. Reported 1
This is my setau yes, in our place it prioritizes the responsibilities of each person in the business, the business environment is a highlight for us because we stand in the middle of the community so I have a responsibility for the environment around me.
 - b. Report 2
UD. ADJ DIESEL fulfills all its responsibilities namely government regulations and company operations.
 - c. Report 3
I see it from the perspective of employees, yes, companies are very responsible with anything related to business, especially with employee welfare.
3. How UD. ADJ DIESEL applies the principles of Good Corporate Governance (GCG) about the standards applied?
 - a. Reported 1
I must show the openness of the organizational structure so that there is clarity in a healthy business cycle, this has become the company's obligation.
 - b. Report 2
I think it's a standard that UD hasn't applied. ADJ DIESEL is related to company finances or can be said not to apply good accounting standards.
 - c. Report 3

The owner is always responsible for the actions that have been taken and is brave with the risks faced.

4. How UD. ADJ DIESEL applies the principles of Good Corporate Governance (GCG) regarding internal and external influences?

a. Reported 1

For me, it is to be able to manage the company by yourself, 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. UD. ADJ DIESEL does not depend on outsiders, so the freedom of the company can be free, there is no interference from outsiders.

b. Report 2

This company is independent in terms of managing company operations and outsiders do not interfere in the business cycle

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 handle by the father of Jamingan all. This company does not depend on others in running the business, because this company prioritizes family members to run the business.

5. How UD. ADJ DIESEL applies the principles of Good Corporate Governance (GCG) on equality and fairness?

a. Reported 1

I am always fair to employees or family members involved in the business so do not take sides with one.

b. Report 2

The company always exists in all business matters and does not discriminate against any party, either employees or nuclear family members who enter the business.

c. Report 3

I see it from the perspective of employees, the Owner of UD ADJ DIESEL is fair, not discriminatory to employees, always open and gives opportunities for us to convey something can be said casually.

DISCUSSION

Researchers see that the implementation of Good Corporate Governance (GCG) in family companies still needs to be addressed and straightened out because this business is different from businesses that have gone public, in the implementation of Good Corporate Governance (GCG) has the responsibility to prove to the government that in the application of the principles of Good Corporate Governance (GCG) is able to prove to the government that the company is a standard company (Chrisnanda, 2014). In implementing the principles of Good Corporate Governance (GCG) principles at UD. ADJ DIESEL has several principles that are not optimal in carrying it out, namely (1) transparency in this company still needs to be addressed from the company's organizational structure and vision and mission of the company. Because of transparency, the delivery of the company's vision and mission to all employees indirectly invites employees to work together and care about the company (Marseille, 2013). (2) Responsibility in this company is good in obeying the regulations given by the government and its responsibility to employees and to the community. (3) Accountability in this company organizational structure is still not exposed to employees patently and does not use good

accounting standards, accountability should be that the company regulates the clarity of structure and functions is needed in a company, because it is used to regulate who is responsible for all activities (Andypratama et al, 2013). (4) Independence in this company still highlights aspects of company independence. Although this independence can be considered as corporate freedom, there is a perspective of transparency that needs to be considered, namely decision making that does not depend on shareholders and independence is also shown by the situation where in the daily operations of the company are influenced by people who have no interest in the company's operations (Vicente et al, 2020). (5) Fairness in this company is good enough because it promotes fairness and non-discrimination to family members and employees, and fairness should prioritize the principle of equality that needs to be considered such as issues of rights and obligations of shareholders and management (Karyatun et al, 2023).

Results of interviews at UD. ADJ DIESEL reveals several diverse perspectives on Good Corporate Governance (GCG) in the context of family businesses. Although the understanding of Good Corporate Governance (GCG) varies, they all emphasize important aspects such as independence, responsibility, and the role of family members. The results show that UD. ADJ DIESEL is still in the process of developing corporate governance, the role of family members and organizational structure is made clearer (Kusmiarti, 2020). The interview results also revealed several challenges such as the implementation of Good Corporate Governance (GCG) principles and the involvement of the next generation, bookkeeping improvement, and the role of the owner to be clearer in the company's vision and mission. This becomes the relevance of the findings to practical understanding that can support improvements in corporate governance (Kusmayadi et al, 2015). In the overall discussion, it needs to be emphasized again that the application of Good Corporate Governance (GCG) principles can have a positive impact on companies that run (Nurlida et al, 2022).

CONCLUSION

As a family company or company whose shares are not traded in public, and the manager of a company that runs family members requires the implementation of Good Corporate Governance (GCG) consistently and regularly, a family business can easily be defined as a business venture in which two or more family members are directly involved in controlling business decisions. In other words, a family business is a business that is actively owned or managed by several members of the same family. UD. ADJ DIESEL, one of the MSME-class companies engaged in the spare parts manufacturing business, is considered very necessary to implement Good Corporate Governance (GCG) so that the implementation of the application can be useful to help the prospects of MSMEs to upgrade in order to attract investors.

This study provides proposals related to the principles of *Good Corporate Governance* (GCG) which if it can be implemented to MSMEs so that they are structured and not underestimated, researchers suggest that principles such as policies, laws and regulations, standards applied by companies, internal and external influences, and equality and fairness, researchers suggest that the application of these principles is carried out properly with *Good Corporate Governance* (GCG) guidelines even though the business or business being run is still small or MSME-class. UD. ADJ DIESEL has applied this principle even though the application has not been maximized to run. For UD's future business continuity. ADJ DIESEL needs to change business people about management, system organization and professionalism. The value contained in the family business is expected to be an

alternative choice for companies to maintain the harmony of community life, especially for companies that grow in the community.

This research applies exploitation of the principles of the concept of Good Corporate Governance (GCG) to MSMEs. This research has the disadvantage of limited informants as research interviews, so that misih is weak in the reasoning process of the concept of Good Corporate Governance (GCG). This research is applied to get input from other MSME actors. Good Corporate Governance (GCG) practices at UD. ADJ DIESEL covers aspects such as financial management, fulfillment of corporate responsibility, independence, and transparency. The conclusion is that Good Corporate Governance (GCG) is an important factor in maintaining business sustainability. 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 and a clearer organizational structure. The results of this research make a valuable contribution to good corporate governance in family businesses so that business sustainability is maintained.

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