

Corporate Governance: The Importance of Implementing Good Corporate Governance for Business Sustainability and Improving Company Performance and Value

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Abstract

The implementation of GCG can improve company performance, especially financial performance and reduce risks that may be carried out by the Board of Directors to make decisions that benefit themselves, and in general Corporate Governance can increase investor confidence. Meanwhile, the low implementation of Corporate Governance can reduce the level of investor confidence and can be a factor that prolongs the economic crisis in Indonesia. Healthy business practice is the implementation of organizational functions based on good management principles (good corporate governance) in the context of providing quality and sustainable services.

In the phenomenal growth of corporate governance, social power and organizational influence have both contributed to taking responsibility for balancing their own interests. Corporate governance is related to the ways in which financial suppliers to companies ensure that they get returns on investment (Amanah, Dhiana and Fathoni: 2018). A set of mechanisms by which outside investors protect themselves against takeovers by managers and controlling shareholders. The guideline is the company's mechanism for determining which ones should reduce agency costs and better align the interests of the board and capital suppliers (Dimopoulos and Wagner: 2016). Corporate governance as the system of laws, rules, and factors that control the operations of an organization. These norms and laws have shaped the relationship between the board of directors, shareholders and managers as well as to resolve agency conflicts (Kalemli- Ozcan and Fan: 2016).

1. Introduction

Governance company and ethics business has become factor influencing key decision investment and determine capital flows around the world (Rodriguez- Fernandez: 2016). In development critical, governance good company and standard high ethics very important for success period long company. This strengthen application and relevance effort is That done on the level company or on a global scale. Likewise, system different law, level Power competitive national (Carayannis and Grigoroudis: 2016), and power responsive to corruption everything has displayed For influence governance quality company. Besides that is, management effective relationship between Lots stakeholders interests involved in organization and achievement the goal require standard ethics established, monitored and maintained. Rights employees, suppliers, customers, and society in general No can in period long protected and ensured If director and executive company act, and enable others to act, with less way ethical.

The collapse of the economic system Communist approaching end 20th century, made the economic system capitalist as the single most dominant economic system in the world. economic system capitalist more strong take root blessing current globalization and trade capable free imposed by developed countries adherents of the economic system capitalists (Goodwin and Punzo: 2019). Characteristic main economic system capitalist is activity business and ownership company controlled by individuals / private sector. In his journey, some company will appear as companies private giant even activity and power has exceed boundaries a Country. (Birnbaum and De Wspelaere: 2016).

The owners and managers group companies giant This even capable influencing and directing various policies adopted by leaders political a country for interest group company they with strength the money. Corporation moment This has develop from something relatively not No clear become institution huge world economy dominant. Power and influence company This such magnitude so that has incarnated become a dictating "giant monster". almost whole life we start from what we wear, what we produce and what we do it. That's why, it often happens government what a country should be become power final as supervisors, law enforcers, and controllers companies No Empower face deviation the behavior of the perpetrators influential business.

Since beginning 21st century, has happen development interest in governance company and ethics business. This is a period marked by the business world increasingly global and cascade corruption companies and fraud in developed and developing countries (Zhang: 2018). More further, error companies that include: theft of employee pension funds, and bribery and corruption, and all This has highlight need organization For impose and check return role governance approach company certain in operation everyday.

series scandal the company also leads to conclusions that justice is condition important For all activity company (Nagaraj, Reddy and Satihal: 2017). When reflect our changing times, us see that ethics business from each company as well as application ethics such in all level company is precondition For secure atmosphere desired justice. The company believes principle good business is ethical business, that is business with performance superior and sustainable with obey rules ethics in line with applicable laws and regulations (Connelly, Mumford, Steele, Mulhearn, Watts and Medeiros: 2017). Every company own regulations or code working ethics For support smoothness activity operational company. With give priority on them in development professionalism, balance life and abilities they For contribute to the company. The company manages and develops business company in a manner responsible and sustainable

2. Literature Review

2.1. Corporate Governance

According to Marini & Marina (2019), Governance company (Corporate Governance) a governing and controlling system the company it should be give and improve mark holder stock. governance good company is a process of regulating, checking and balancing connection between interested parties and shareholders share with company based regulation legislation. According to Bambang Rianto Rustam (2017: 294) states, the meaning of Good Corporate Governance is set connection between the supervisory board, directors, stakeholders interests, and shareholders share company. Corporate Governance creates helpful structure company set goal, operate activity business everyday, consider need stakeholders interest, sure operation safe and proper business, comply laws and regulations others, as well protect interest customer.

According to Ari Susanto (2022), Good Corporate Governance (GCG) is governance principles good company, which is built For create trust *stakeholders* to company. Principle This taken from *good governance* or governance clean and transparent government. GCG is trusted as practice best in system market economy for push healthy competition and climate conducive business. Practice this is also directed For support stability and growth economy. Guidelines General GCG isn't it is rule binding law, but rather ethics to be reference for all company in operate business in a manner ok. GCG is based on three pillar main, namely:

1. Country as maker regulation legislation and enforcement law For support climate healthy, efficient, and transparent business.
2. Business world as market players implementing GCG as guidelines base operate company
3. Society as user product / service and affected parties impact from existence company role do control social in a manner objective.

2.2. Good Corporate Governance & Its Principles

In growth phenomenal management company, power social and influence organization You're welcome contribute For take not quite enough answer For balancing interest they alone. governance company related with the ways in which the supplier finance to company ensure self they get return investment (Amanah, Dhiana and Fathoni: 2018). A set mechanism by which outside investors protect self to takeover by managers and shareholders share controller

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A number of governance issues company, like for example the greatness of the CEO, the competence of the Board of Directors, and interests holder share become important only when a number of organization get problem. In times of heyday and prosperity, rare anyone think problem this. Structure or governance mechanism company has enjoy attention yet Once happen previously around the world. There is a confession general on the advantage. Reception This very Specific based on context. In a number of context, excellence problem driven agency and investor activism,

meanwhile in other contexts are driven by desire For interesting investment foreign and for get legitimacy national and international. governance company important Because is part from infrastructure institutions (laws, regulations, institutions and mechanisms). enforcement) underlying performance good economy (Chen, Qi and Schlagenhauf: 2018). Practice healthy business is maintenance function organization based onrules good management (good corporate governance) in framework gift quality and sustainableservices. Good corporate governance (GCG) is draft For increase transparency and accountability with objective For guarantee order goals House Sick achieved with use efficientresource maybe (Dallas: 2017). GCG definitively is governing and controlling system company For create mark added (value added) for all stakeholders.

The concept of GCG in Indonesia can interpreted as draft management good company. There are two thing to emphasize in draft this. First, the importance right holder share For obtain information with true (accurate) and precise time. Second, obligation company For do disclosure (disclosure) in a manner accurate, precise time and transparency to all information performance company, ownership and stakeholders. Application GCG principlesin the business world moment This is something demands that the companies the can still exist in global competition. Implementation of GCG in something company Alone have goals strategic. Goals the is as following:

For can develop and improve mark company.

1. For can manage source power and risk in a manner more effective and efficient.
2. For can increase discipline and responsibility answer of corporate organs for the sakeof guarding the interests of the company's shareholders and stakeholders.
3. For increase contribution company (esp companies government) against economynational.
4. Increase investment national; And
5. Success of the privatization program companies government.

As for The principles of good corporate governance in matter This includes:

1. Transparency (Transparency), ie openness in carry out the acquisition process decisionand openness in put forward information material and relevant about company.
2. Independence (Independence), that is something circumstances Where company managed professionally without clash interest and influence or pressure from party whichever is n't in accordance with regulation applicable laws and principles healthy corporation.
3. Accountability, that is clarity function, implementation and accountability organizationso that management company done in a manner effective.
4. Responsibility (Responsibility), ie fit inside management company to regulation applicable laws and principles healthy corporation.
5. Fairness, that is justice and equality within fulfil the rights of stakeholders that arise based on applicable laws and agreements.

Good corporate governance basically is something system (input, process, output) anda set governing regulations connection between various interested parties (stakeholders) in particular in meaning narrow connection between holder shares, the board of commissionersand the board of directors for the sake of achievement objective company (Agulera, Judge and Terjesen: 2018). Good corporate governance is included For arrange connection this and prevent happening mistakes significant in strategy company and to ensure that the mistakes that occurred can repaired immediately. Good corporate governance is required For push the creation of an efficient, transparent and consistent market with regulation legislation. The application of good corporate governance is necessary supported by three interlocking pillars related, namely the State and its instruments as a regulator, the business world as market players and society as user business products and services.

Principle efficiency and creation economic profit (rent). in framework functionalismThis of course first of all applied in governance principles organization company (Samra: 2016). However, the principle of governance based method view functional too applied to organizations else, like institution education, institution social, and even institution religious.Approach efficiency-oriented functionality. This often called seba approach disciplineBecause to use maintain efficiency Keep going awake so that profit high economy can achieved so needed discipline and supervision.

2.3. Objective Implementation of Good Corporate Governance

Based on Minister of State-Owned Enterprises Regulation No. PER-01/MBU/2011, objective from implementation of GCG in SOEs are:

1. Optimizing the value of BUMN so that the company own Power strong competition, good in

a manner national nor international, so capable maintain existence and life sustainable For reach SOE aims and objectives.

2. Push management of SOEs professional, efficient, and effective, as well empower function and improve independence of Company Organs of the Company/ Public Company Organs.
3. Encouraging the Corporate Organs of the Company/ Public Company Organs in made decision and run action based high moral values and obedience to regulation legislation, as well awareness will exists not quite enough BUMN social responsibility towards stake Interest nor sustainability environment around SOEs.
4. Increase BUMN contribution in economy national.
5. Increase conducive climate for development investment national.

3. Corporate Governance For Continuity Business

Practice healthy business is maintenance function organization based on rules good management (good corporate governance) in framework gift quality and sustainable services. Good corporate governance (GCG) is draft For increase transparency and accountability with objective For guarantee order goals House Sick achieved with use efficient resource maybe (Dallas: 2017). GCG definitively is governing and controlling system company For create mark added (value added) for all stakeholders. The concept of GCG in Indonesia can interpreted as draft management good company. There are two thing to emphasize in draft this. First, the importance right holder share For obtain information with true (accurate) and precise time. Second, obligation company For do disclosure (disclosure) in a manner accurate, precise time and transparency to all information performance company, ownership and stakeholders.

Ethics Business and Principles

Ethics business is specialized studies about moral right and wrong. Studies This concentrate on moral standards as applied in policies, institutions, and behavior business. Ethics business is standard related ethics with goals and means make decision business (Trevino and Nelson: 2016). Ethics business is something teachings For differentiate between wrong and right To use give supplies to every leader company when consider For take decision related strategy with complex moral issues. Ethics is term philosophical origin from "ethos," a Greek word meaning character or custom. Definition tight with effective leadership in organization, in matter This connotation code organization convey moral integrity and consistent values in service to community (Connelly, Mumford, Steele, etc: 2017). Business is something producing institution goods and services needed by society. If need public increases, then institution business will development has also increased For fulfil need the, meanwhile obtain.

There are three approach base in formulate Act in demand ethics us, namely:

1. Utilitarian Approach: every action must based on the consequences. because it, deep Act somebody should follow possible ways give benefit profusely to society, with the way it doesn't harm and with cost as low as possible.
2. Individual Rights Approach: every insider his actions and behavior own right basic must respected. However action or Act in demand the must avoided if estimated will cause happen clash with other people's rights.
3. Justice Approach: the makers decision have equal position, and act fair in give service to customer Good in a manner individual or in a manner group.

Principles Ethics Business

Basically, every implementation business should must align business processes the with ethics business that has agreed in a manner general in environment the. There is a number of principle ethics business that can made guidelines for every form effort. Griffiths and Lucas (2016) explain that principle ethics business is as following:

1. Principle Autonomy; that is attitude and abilities man For take decision and act based on his consciousness about what he thinks Good For done.
2. Principle Honesty; there is three scope activity business that can showed in a manner clear that business No will Can long lasting and successful if No based on honesty. First, be honest in fulfillment conditions agreements and contracts. Second, honesty in offer goods or service with comparable quality and price. Third, be honest in connection internal work something company.
3. Principle Justice; demand that everyone be treated in a manner The same in accordance with fair

rules and according to rational criteria objective, as well can insured answer.

4. Principle Each other Profitable (Mutual Benefit Principle); business order run such shape so that profitable all party.
5. Principle Integrity morals; especially internalized as internal demands self perpetrator business or company, so necessary operate business with still guard Name Good leader or the people nor his company.

4. Corporate Governance for increase Company Performance

governance is one field business main For increase investor confidence and enabling For protect investors' interests (Ullah et al., 2017). With so This consistent with dominant theory explain about exists connection or contract between two split party in company ie theory agency. Theory agency put forward by Jensen & Meckling (1976) as one theory in knowledge economy is explaining theory between relationship between 2 (two) parties Where happen bestowal authority from One party to party other. governance company is element key in increase efficiency and growth economy as well as increase investor confidence (Haryono & Paminto, 2015; OECD, 2004; Škare & Hasić, 2016). Implementation of governance company can sustain continuity business and drive enhancement trust from investors and the public (Haryono & Paminto, 2015). In fact, goals company implementing governance company to company can sustainable in period long.

Škare & Hasić (2016) argue objective from implementation governance practices best is For ensure that all holder share satisfied with governance and for reach continuity period long for company. Management is also necessary consider aspect inherent risk in activity business and market. The hottest issue that happened moment This is war trade between China and the United States. The domino effect of war trade This No only impact on the index local China and America only but also the world index. Index shares (IHSG) in Indonesia itself at the beginning 2018 has reaching its highest level at level 6,689. On May 4 2019, the JCI sank to the level of 5,792 or Already down 13.41% or of 896 points from the highest level (Sugianto, 2018).

Besides that strengthening eye Money the US dollar (USD) against the Rupiah is also included influence JCI rate. this caused exists plan ethnic group flower raised by the Fed, the central bank of the United States. (Sugianto, 2018). The decline that occurred in this world index hinted exists investors ' concerns invest especially in the capital markets of developing countries (emerging markets) such as Indonesia. This global concern is one form from risk systematic. Risk This not avoided by companies so that influence impact on the whole company. The proof is that the JCI fell accompanied with whole flushed sector. Based on RTI data, all sector shares on the Indonesia Stock Exchange were closed bluish, the consumer goods sector and infrastructure down the deepest namely 2.35 percent and 2.10 percent (Kartini, 2018).

Global uncertainty (risk systematic) no can avoided, will but issuers can prepare self For face risk This with Keep going continuously strengthen governance implementation company. Adoption governance practices best become important to use face existing risks. Bokpin & Isshaq (2006) argued quality disclosure very related with governance concept company, so the more Lots company disclose the better level transparency which is indication from quality governance practices. So from that, more and more quality governance practices A company so there is trend possible risk controlled. More risk under control indicate that mark company will experience increase. this hinted that stakeholders interest will more believe For do investment in level companies the risk more under control, then will pushing up prices share company so that indicated happen enhancement mark company.

5. Conclusion

GCG implementation can increase performance company specifically performance finance as well as reduce possible risk carried out by the Board of Directors For take profitable decision self itself, and generally Corporate Governance can increase investor confidence. Whereas low implementation of Corporate Governance can lower level investor confidence and can become extending factor crisis economy in Indonesia. Practice healthy business is maintenance function organization based on rules good management (good corporate governance) in framework gift quality and sustainable services.

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