



Analysis of the Implementation of Good Corporate Governance in Food Companies: PT. Indofood Sukses Makmur

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ABSTRACT

PT Indofood Sukses Makmur, a renowned Indonesian food manufacturer, is assessed for Good Corporate Governance (GCG) compliance. The company has grown and transformed over the past two decades, becoming a major food industry participant. Indofood understands the relevance of GCG principles for openness, accountability, and stakeholder value despite its success. This study finds Indofood's GCG principles – transparency, responsibility, accountability, independence, and fairness – strong through literature and company actions. However, financial disclosures and sustainability efforts might be more transparent, accountability systems strengthened, and workplace culture more inclusive and varied. The research recommends that Indofood improve its governance procedures through constant monitoring and improvement to sustain stakeholder confidence and navigate the changing consumer food market.

INTRODUCTION

Indofood has undergone a remarkable transition over the course of the past two decades, placing itself as a vital participant across all aspects of food manufacturing. This development has included the business's metamorphosis into a comprehensive Total Food Solutions organization. This evolution has been defined by a strategic expansion into various phases of the food production process. This expansion encompasses everything from the procurement and processing of raw materials to the delivery of products that are ready for consumption to the market. In the present day, Indofood is recognized as a respected and well-established entity, and it is renowned for its supremacy in each of the business segments that it operates in. Its success may be attributed in large part to its skillful usage of economies of scale and a robust business strategy, which is supported by four Strategic Business Groups that are separate from one another yet complimentary to one another.

When it comes to Indofood's activities, the Consumer Branded Products (CBP) Group stands out as a cornerstone. This group capitalizes on the power of its product brands to provide a wide variety of consumer goods. These goods include noodles, dairy products, snack foods, spices, nutrition and specialty meals, and beverages. In the meantime, the Bogasari Group plays a crucial part in the industry as a key manufacturer of wheat flour and pasta. This role is bolstered by the company's in-house skills in the areas of shipping and packaging. The Agribusiness Group, on the other hand, is extensively involved in a wide variety of operations, including research and development, oil palm cultivation, milling, and the selling of cooking oils, margarine, and shortening. These activities vary from oil palm cultivation to oil palm cultivation. In addition to that, this group is active in the production and processing of several crops, including rubber and sugar cane.

It is important to note that Indofood's Distribution Group possesses the most comprehensive distribution network in Indonesia. This serves to facilitate the widespread distribution of consumer products that are created by Indofood and its subsidiaries, as well as offerings from third-party companies, into the market. Indofood, on the other hand, has come across the critical requirement to follow the principles of Good Corporate Governance (GCG) despite the fact that it has a respectable growth trajectory and dominates the industry.

As a result of shareholder reactions in the United States during the turbulent 1980s, which were characterized by a succession of corporate scandals that threatened shareholder interests, the Global Corporate Governance (GCG) organization came into existence. During this time period, the conversation over giving commissioners the authority to protect shareholder rights was sparked significantly. In Indonesia, the implementation of GCG gained pace in the aftermath of the economic crisis that occurred in 1997. This disaster was ascribed, in part, to reckless corporate management practices as well as endemic corruption, collusion, and nepotism (KKN). In 1998, a subsequent proposal was made to improve listing regulations on the Jakarta Stock Exchange, which is now known as the Indonesia Stock Exchange. This proposal mandated the appointment of independent commissioners and the formation of audit

committees, which was a significant moment in the process of adopting CG principles across all public companies in Indonesia.

When viewed against this background, the development of the problem statement in this study revolves around the investigation of the implementation of Good Corporate Governance at PT. Indofood Sukses Prospers. The purpose of this study is to provide light on the degree to which good corporate governance (GCG) concepts are integrated into the corporate structure and activities of Indofood, to improve transparency, accountability, and shareholder value. When it comes to maintaining its trajectory of success and cultivating the trust and confidence of stakeholders, the implementation of solid GCG processes continues to be of the utmost importance for Indofood as it continues to navigate the ever-changing landscape of the consumer food sector.

LITERATURE REVIEW

Good Corporate Governance

Good Corporate Governance (GCG) is the practice of managing a corporation in a reliable and prudent manner while considering the needs of all stakeholders. The organization aims to optimize its resource management through the implementation of Good Corporate Governance (GCG) to align with its goals and consider the stakeholder approach, ensuring efficiency, effectiveness, economy, and productivity. Today's business development has evolved to a worldwide and open competitive stage due to rapid changes in dynamics. Good Corporate Governance (GCG) is essential in fostering a strong and enduring firm in today's global competitive landscape.

1. Principle of GCG

- Transparency

Companies need to offer pertinent information that is readily available and comprehensible to stakeholders, addressing crucial issues for decision-making by shareholders, creditors, and other stakeholders. Important transparency principles include of: Companies must provide information promptly, sufficiently, clearly, accurately, and in a way that is easily accessible to stakeholders. The required information includes the company's vision, mission, business objectives, strategy, financial condition, management composition and compensation, controlling shareholders, share ownership, risk management system, internal control and supervision system, GCG implementation system, and significant events impacting conditions. Company. The company's policy of openness does not exempt individuals from adhering to company confidentiality standards, as well as laws and regulations, employment secrecy, and personal rights. Company policies should be well documented and effectively shared with all stakeholders.

- **Accountability**

Businesses need to report their results in a clear and equitable way. The company's management aims to achieve organizational objectives while also taking into account the concerns of shareholders and other stakeholders. The fundamental principles are: Defining the specific activities and responsibilities of each department and all workers in accordance with the company's vision, purpose, values, and strategy. All firm departments and workers are believed to have the capability to adhere to their tasks, responsibilities, and roles in implementing GCG. Establish a robust internal control system for managing the company. Establish ownership of performance metrics at all organizational levels that align with company objectives and include a system of rewards and consequences. All firm departments and workers must follow the established business ethics and code of conduct.

- **Responsibility**

Companies need to adhere to rules and regulations, fulfill community and environmental obligations, in order to ensure long-term commercial viability and maintain a positive corporate image. The fundamental instructions for this principle are: Company organs must follow the precautionary principle and ensure adherence to laws, rules, articles of association, and company regulations. Companies are obligated to fulfill social duties, such as community welfare and environmental sustainability, particularly in their vicinity.

- **Independence**

To carry out GCG, the company must be managed independently so that each organ of the company does not dominate each other and is not intervened by other parties. The main guiding principles of independence are: Each organ of the company must avoid domination, not be influenced by certain interests, free from conflict of interest and any influence or pressure, to ensure objective decision making. Each organ of the company must carry out its functions and duties in accordance with the articles of association and laws and regulations, and not throw responsibilities at each other.

- **Fairness and Equality**

In carrying out its activities, the company must pay attention to the interests of shareholders and other

stakeholders based on the principles of fairness and equality. The basic guidelines for this principle are: Providing opportunities for stakeholders to provide input and express opinions for the benefit of the company as well as open access to information in accordance with the principle of transparency within the scope of their respective positions. Equal and fair treatment to stakeholders in accordance with the benefits and contributions given to the company. Providing equal opportunities in recruiting employees, having a career, and carrying out their duties in a professional manner without discriminating against SARA, gender, and physical condition.

2. Goal of GCG

The Company applies the principles of good governance aimed at ensuring the achievement of optimal results, including:

1. Increasing the Company's performance through the creation of a better decision-making process, increasing the Company's operational efficiency and increasing services to stakeholders.
2. Increased corporate value, through improving financial performance and minimizing the risk of investment decisions that contain conflicts of interest.
3. Increased investor confidence.
4. The achievement of stakeholder satisfaction due to the increase in the Company's corporate value and dividends.
5. Directing and controlling the working relationship of the Company's Organs.
6. Increase the accountability of the Company's management to the Shareholders while taking into account the interests of the stakeholders.
7. Encourage and support business development, management of company resources and risk management more effectively so as to increase company value.

3. Benefit of GCG

Implementing effective corporate governance principles directly helps the organization by enhancing productivity and business efficiency. Another advantage is the enhancement of the company's operational capacities and responsibility to the public. Furthermore, it reduces the occurrence of corruption,

collusion, nepotism, and conflicts of interest. Effective corporate governance promotes democratic organizational management, accountability for actions, transparency, and instills confidence in the company's ability to deliver long-term benefits.

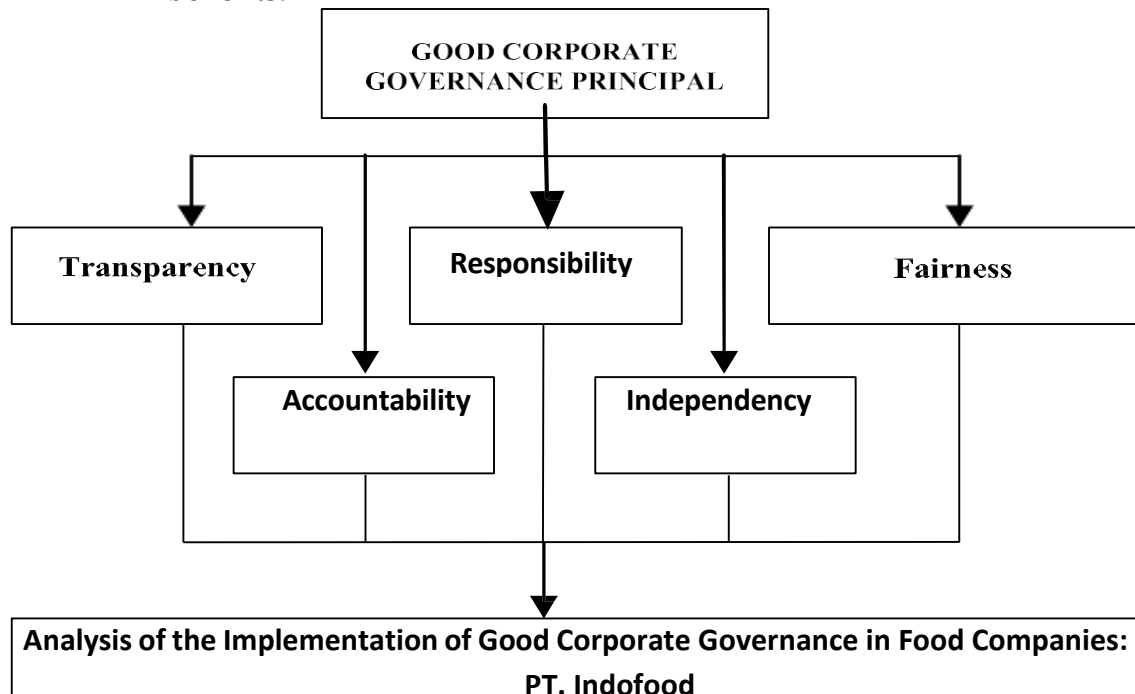


Figure 1. Mindmap

METHODOLOGY

The research methodology employed in this study is both descriptive and analytical, aiming to provide a comprehensive understanding of how PT. Indofood Sukses Makmur implements Good Corporate Governance (GCG) principles. Using a qualitative approach, the study involves document analysis of annual reports, corporate governance reports, and company policies, along with interviews with key stakeholders within the organization, including board members, executives, managers, and employees. Thematic analysis of data collected from both sources is conducted to identify recurring themes and patterns related to GCG implementation, such as transparency practices, accountability mechanisms, responsibility initiatives, independence measures, and fairness and equality policies. Additionally, comparative analysis is employed to assess the alignment between PT. Indofood Sukses Makmur's governance practices and industry standards, while triangulation enhances the reliability of findings by cross-referencing data from multiple sources.

RESEARCH RESULT AND DISCUSSION

The analysis of Good Corporate Governance (GCG) implementation at PT Indofood Sukses Makmur reveals several strengths in adhering to GCG principles, particularly in transparency, responsibility, accountability, independence, and fairness. However, a more critical examination uncovers areas for potential enhancement and ongoing vigilance to ensure robust GCG

practices across all facets of the company's operations. Upon analyzing the application of Good Corporate Governance (GCG) at PT Indofood Sukses Makmur, it was found that the company demonstrates strengths in following GCG principles, especially in transparency, responsibility, accountability, independence, and fairness. A thorough analysis reveals areas that could be improved and highlights the need for continuous monitoring to maintain strong corporate governance procedures throughout the company's activities.

Indofood demonstrates its dedication to openness by delivering precise and timely information to stakeholders through detailed yearly reports and sharing information on its official website. Transparency is crucial for building confidence with stakeholders like as investors, customers, employees, and the wider society. To improve openness, Indofood may broaden the content of its annual reports to include more comprehensive financial disclosures, risk assessments, and sustainability initiatives. It is vital to make information widely available and understandable to all stakeholders, including non-expert readers, to maximize the benefits of transparency. Indofood shows accountability by clearly defining the duties and responsibilities of important corporate governance organizations such the Board of Directors, Board of Commissioners, and audit committee in its annual reports. The corporation could enhance accountability by establishing systems to assess and oversee the governing bodies' performance based on predetermined key performance indicators (KPIs) and ethical criteria. Consistent performance evaluations and clear governance reporting would increase stakeholder trust in the company's dedication to responsible leadership. Indofood's commitment to legal and regulatory compliance, together with its contributions to the community and environment, are praiseworthy in terms of accountability. The organization must consistently evaluate and enhance its compliance processes and environmental stewardship policies to guarantee long-term sustainability and stakeholder trust. Interacting with stakeholders, such as local communities and environmental groups, to discuss problems and gather input on sustainability projects would improve accountability and showcase a proactive stance on corporate responsibility.

Independence is essential to guarantee impartial decision-making and avoid conflicts of interest within the company. Indofood seems to uphold autonomy in its decision-making procedures, however it is crucial to stay alert for any possible unwarranted pressure from internal or external parties. Establishing strong internal controls, whistleblower systems, and conflict-of-interest policies helps protect the company's autonomy and honesty. Fairness and equality are core concepts of good corporate governance, necessitating fair treatment of stakeholders and providing opportunity for involvement. Indofood's dedication to offering equitable chances for employee growth and rewards based on performance is commendable. Ensuring fairness in decision-making processes, such as promotions and resource allocation, necessitates continuous monitoring and review to detect and rectify any biases or discrepancies. Establishing a culture of inclusivity and diversity in the

organization helps enhance justice and equity across all areas of the company's operations.

CONCLUSIONS AND RECOMMENDATIONS

Ultimately, the evaluation of PT Indofood Sukses Makmur's application of Good Corporate Governance (GCG) principles highlights the company's dedication to openness, responsibility, accountability, independence, and justice. The company has made notable progress in following GCG standards by providing transparent and timely information to stakeholders, defining roles and responsibilities, complying with legal and regulatory requirements, demonstrating commitment to environmental and social responsibilities, and maintaining independence in decision-making processes. Nevertheless, there are still areas that need to be enhanced to guarantee strong corporate governance procedures and maintain stakeholder confidence.

Indofood should concentrate on specific critical areas to improve its governance standards. The organization should enhance transparency by broadening the range of information in its annual reports, such as detailed financial disclosures, risk assessments, and sustainability initiatives, to make sure it is accessible to all stakeholders. The corporation should improve accountability by establishing methods to evaluate the performance of governance bodies using predetermined key performance indicators (KPIs) and ethical standards. Additionally, the company should conduct regular performance reviews and provide transparent reports on governance processes. Indofood should enhance compliance systems and environmental stewardship practices, include stakeholders in sustainability programs, and exhibit proactive corporate responsibility. To maintain independence, it is crucial to be watchful of any inappropriate influence and to have strong internal controls, whistleblower mechanisms, and conflict-of-interest rules in place. Indofood should evaluate decision-making processes for biases and inequities and promote equity across all operations by establishing an inclusive and diverse workplace culture.

ADVANCED RESEARCH

In writing this article the researcher realizes that there are still many shortcomings in terms of language, writing, and form of presentation considering the limited knowledge and abilities of the researchers themselves. Therefore, for the perfection of the article, the researcher expects constructive criticism and suggestions from various parties.

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