Risk Analysis of Good Corporate Governance in the HR-GA Division PT Bernadi Utama

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Abstract:- Corporate Governance is a company's internal control system that aims to manage significant risks in order to achieve business goals properly. Every company must implement appropriate risk management in order to be able to createlow risk opportunities in certain situations. Human resources are an important highlight in the company to achieve goals and are expected to contribute well through appropriate human resource management. Therefore , thisstudy aims to analyze an implementation of *good corporate governance* risk management in the *Human Resource & General Affairs* division at PT Bernadi Utama. Thisanalysis will be carried out starting from risk identification, risk measurement, and risk mitigation based on five basicprinciples of good corporate governance.

Keywords:- *Risk Management, Good Corporate Govenance.*

I. INTRODUCTION

A. *Background*

Along with the increasing demands for human resources (HR), manufacturing companies are now facing quite difficult choices. On the one hand , companies must limit the number of workers to guarantee financial conditions, but on the other hand, they must also take advantage of the best available talent to support his efforts. Thus, the company's ability to assess future HR needs becomes an important element in the development of the company's business strategy (Bambang Wijanarko, 2008).

The role of good corporate governance is considered capable of creating risk mitigation from unwanted events in human resources through the approach of five known basic principles with the abbreviation TARIFF which consists of; *Transparency*, *Accountability*, *Responsibility*, *Independency*, and *Fairness* (Effendi, 2009).

The objectives in implementing good corporate governance are expected to be able to create maximum opportunities in the management of human resources that have a positive impact such as research that conducted by Azzani Fifi (2020) who stated that good corporate governance will have a significant influence on every business process in the company.

Therefore, this study aims to analyze the implementation of *good corporate governance* risk management in the HR-GA division at PT Bernadi Utama. This analysis will start from risk identification, risk measurement, and risk mitigation through the approach of five basic principles of good corporate governance.

B. *Problem Formulation*

- How is the risk identification process of *good corporate governance* of the HR-GA division at PT Bernadi Utama.
- How to measure the magnitude of risk in each stage of the risk identification process of *good corporate governance*of the HR-GA division at PT Bernadi Utama.
- How to mitigate the risks that arise due to the risk identification process of *good corporate governance* of the HR-GA division at PT Bernadi Utama.

C. *Research Objectives*

- Demonstrate the risk identification process of *good corporate governance* of the HR-GA division at PT Bernadi Utama.
- Measuring the amount of risk in each stage of the risk identification process of the *good corporate governance* division of HR-GA at PT Bernadi Utama.
- Mitigating risks that arise due to the risk identification process of *good corporate governance* of the HR-GA division at PT Bernadi Utama.

D. *Issue Limitations*

The author only conducted research conducted in the HR-GA division at PT Bernadi Utama due to certain limitations. This research centers on the risks of good corporate governance, the opportunities and impacts of *good corporate governance*, and *the*mitigation of opportunities and impacts ofunwanted events.

E. *Research Uses*

- For the next researcher, this research can be used as a reference for *good corporate governance* research.
- For the company studied, this research can be used as a material for consideration and follow-up of the suggestions submitted.

II. THEORETICAL FOUNDATIONS

A. *Good Corporate Governance*

Good Corporate Governance according to the *World Bank* is a collection of laws, regulations, and rules that must be met that can encourage the performance of company sources to function efficiently in order to generate sustainable long-term economic value for shareholders and the surrounding community as a whole (Effendi, 2018). According to the *Corporate Governance on Indonesia* Forum or *FCGI corporate governance* is a set of regulations that regulate the relationship between shareholders, company management (managers), creditors, government, employees and other internal and external stakeholders related to their rights and obligations, or in

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other words a system that regulates and controls the company (Sukasih&Sugiyanto, 2017).

Mir'atun et al (2015) in their quote explain that according to the National Committee on Governance Policy:

- *Transparency*, namely the company must maintain objectivity in running the business, as well as provide material and relevant information in a way that is easily accessible and understood by stakeholders.
- *Accountability*, companies must be able to account for their performance in a transparent and reasonable manner.
- *Responsibility*, the company must comply with laws and regulations and carry out responsibilities to the community and the environment.
- *Independency (Independency*), the company must be managed independently so that each organ of the company does not dominate each other and cannot be intervened by other parties.
- *Fairness and Fairness*, in carrying out its activities the company must always pay attention to the interests of shareholders and other stakeholders based on the principles of fairness and equality.

The benefits that can be obtained by the company according to FCGI by implementing *good corporate governance*:

- Reduce agency costs
- Reduce capital costs
- Increase company value and company image
- Creating stakeholder support in the company environment for the existence and various strategies and policies pursued by the company.

B. *Manajemen risk*

Risk is the possibility of events that can harm the company. Risk is essentially an event that has a negative impact on the company's goals and strategy. The likelihood of risk occurrence and its consequences to the business is fundamental to identify and measure. (Normaria Mustiana Sirait, 2016). Risks in companies can be categorized into four types, according to Djohanput (2006) in NormariaMustianaSirait (2016) in namely, 1) Financial Risk; 2) Operational Risk; 3) Strategic Risk; and 4) Externality Risk.

The goal of implementing risk management is to reduce the different risks associated with the chosen field at a level that is acceptable to the community. This can be different types of threats caused by the environment, technology, people, organizations and politics. On the other hand the implementation of risk management involves all means available to humans, in particular, to risk management entities (humans, staff and organizations). The purpose of implementing risk management by a company is to avoid failure, increase profits, reduce production costs, and so on. In the application of risk management that is stated (Wiryono, 2008 in NormariaMustianaSirait, 2016), there are targets that must be achieved by a company, namely:

a. Minimize costs
b. Stabilizing company revenue
c. Minimize interruptions in production
d. Develop company growth
e. Have a sosial responsibility to the company

III. RESEARCH METHODS

A. *Data Collection Methods*

- Analysis based on existing field facts through findings from self-evaluation and internal audit.
- Identify unwanted events.

B. *Data Analysis Techniques*

Data analysis is carried out by making determinations of opportunities and impacts through unwanted events and then measuring these opportunities and impacts through identifying events that are not desirable, the chances of unwanted events occurring, the causes of their occurrence, and the impact caused.

The following is an impact measurement framework that can be seen through Table 1 where there is an impact scale from points 1-5 as a determining point for the impact resulting from the risk that occurs .

Impact Scale	Impact Rating	Information
1	Very Low (*Negligable)*	Events can be handled in daily activities and do not greatly affect the ongoing losses.
2	Low	Considered capable of being a threat to the effectiveness of several aspects of work and slightly affecting *stakeholders*.
3	Menengah (*Moderate*)	Creating disruptions to administrative programs and routine work and causing considerable losses to the company.
4	*Significant*	Threatens several vital functions of the company in the effectiveness of *stakeholders'* work and is able to cause huge losses to the company.
5	Very High (*Catastrophic*)	Threatening all vital functions of the company in the effectiveness of the work of *stakeholders* and causing huge losses to the company.

Table 1: Impact Measurement Framework

The following is a probability measurement framework that can be seen through Table 2 where there is an impact scale from points 1-5 as a determinant of the probability of occurrence of events that are not desirable.

Impact Scale	Impact Rating	Frequency of occurrence
1	Very Rare (*Improbable*)	1 time per year
2	Rare (*Remote*)	2 times per year
3	Possible Occurrence (*Occasional*)	3 times per year
4	*Probable*	4 times per year
5	Very Frequent (*Frequent*)	5 times per year

Table 2: Probability Measurement Framework

Risk measurement is carried out by looking at a potential unintended event and the resulting impact and can be seen in Table 3. At this stage, *an assessment* can be carried out through the implementation of appropriate risk management.

Risk = Probability x Impact

Level	Grade Tiers	Information
1	1-3	Very Low
2	4-6	Low
3	6-9	Intermediate
4	10-14	Tall
5	15-25	Very High

Table 3: Risk Score Framework

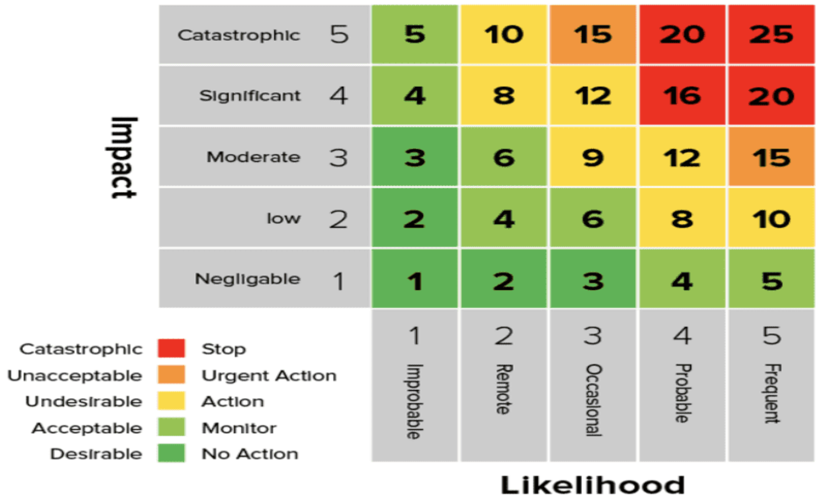

Fig. 1: Data Analysis

IV. RESULTS OF RESEARCH AND DISCUSSION

A. Company Profile

PT Bernadi Utama was established in 1982 until now has a vision and mission that always leads to continuous changes for the better. This company is a manufacturing industry group that has a business in the sale of *water heaters & Solar PV* and is the main distributor of Solahart, Handal, and Elterra products.

B. Governance Research Results of PT Bernadi Utama

The author will use the *scoring* method with the multiplication formula between the probability of an unwanted event and the impact to determine the scale of risk. The incident through the approach of the five basic principles of goodcorporate governance is as follows:

a) Transparency

Is an openness in carrying out the decision-making process and openness in presenting material and relevant information about the company, through the main guidelines for implementing transparency, namely :

- Timely, adequate, clear and accurate information.
- Company policies must be written and communicated.
- Fulfill the obligations of the company's provisions in accordance with applicable laws.

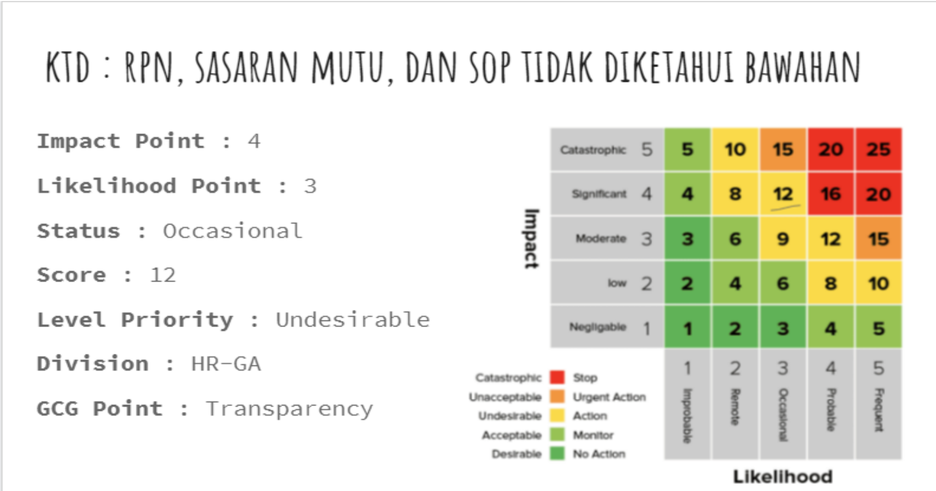

Fig. 2: Transparency

Fig. 3: Transparency

b) Accountability
It is a clarity of functions, structures, systems, and accountability of company organs so that company management is carried out effectively. The main guidelines for implementing accountability are:

- Assignment of details of the duties and responsibilities of each of them
- Effective internal control system
- The existence of performance measures, reward systems, and sanctions
- Adhering to business ethics and codes of ethics.

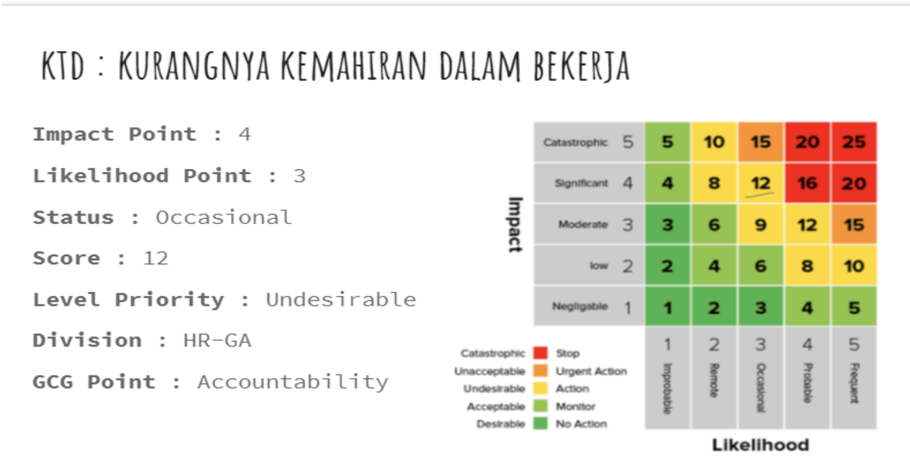

Fig. 4: Accountability

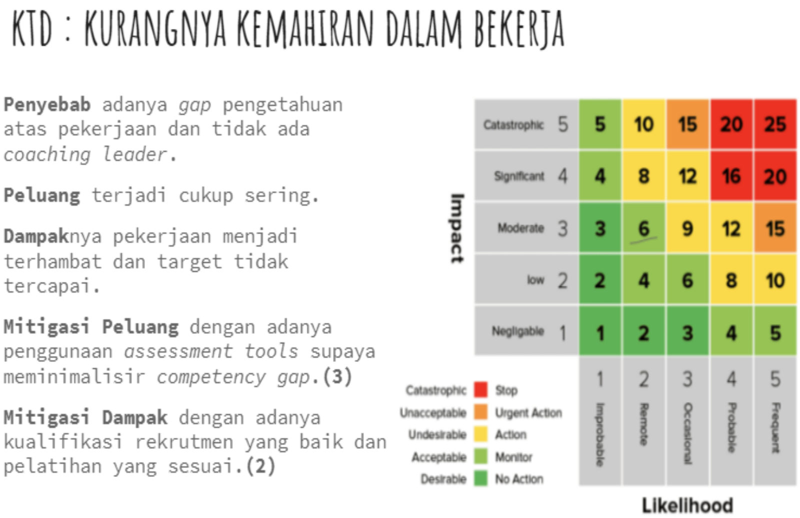

Fig. 5: Accountability

c) Responsibility

Is a conformity in the management of the company to sound corporate principles and applicable laws and regulations. The main guidelines for the implementation of responsibility are:

- Prudent decision making, compliance with laws and regulations, and AD/ART.
- Environmental and social responsibility.

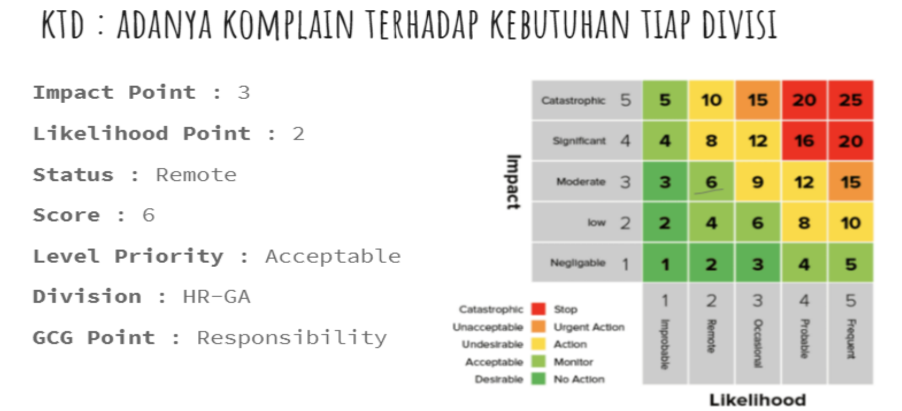

Fig. 6: Responsibility

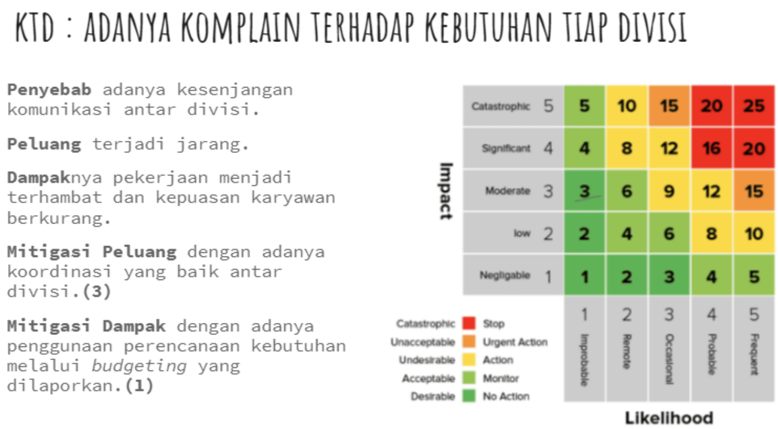

Fig. 7: Responsibility

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d) Independence

Is a situation where the company is managed professionally without conflict of interest and influence from the management that is not in accordance with applicable laws and corporate principles a healthy one. The main guidelines for the implementation of independence are:

- Avoiding the presence of dominance in the organs of the company.
- Each organ of the company carries out its functions and duties in accordance with the articles of association and existing regulations

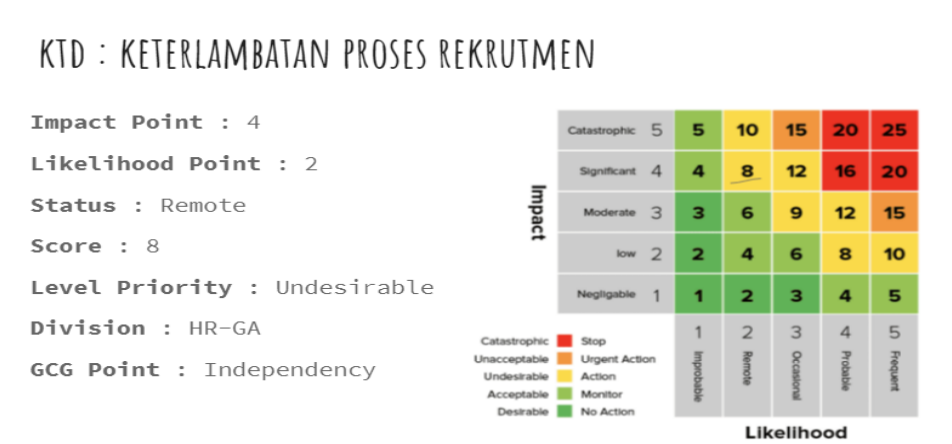

Fig. 8: Independence

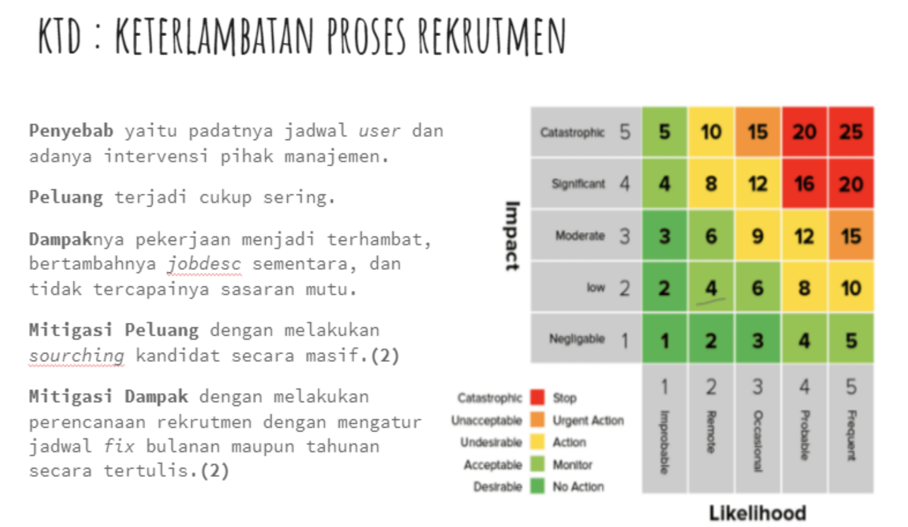

Fig. 9: Independence

e) Fairness

It is fair and equal treatment in fulfilling the rights of *stakeholders* arising based on agreements and applicable laws and regulations. The main guidelines for the implementation of equality are:

- *Stakeholders* can provide input and have access to company information.
- *Stakeholders* get rights in accordance with the contributions made
- Equal opportunities in the reception of employees and in the career development of employees.

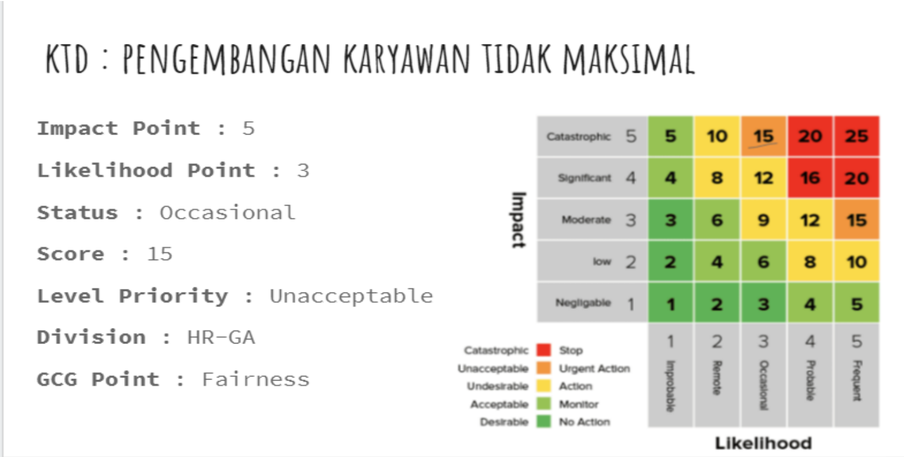

Fig. 10: Fairness

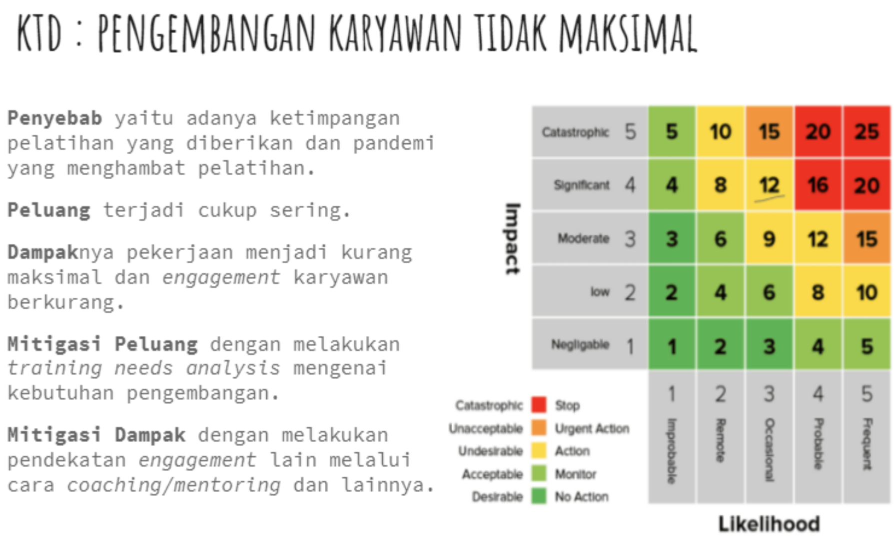

Fig. 11: Fairness

V. CONCLUSIONS

Through the results of the analysis carried out on a good governance approach at PT Bernadi Utama, there is 1 extreme risk, namely the principle of Fairness. If the impact event is not immediately mitigated, it will cause considerable financial losses. For the principle of *Fairness* is the highest value at the *Unacceptable* level which means it is able to threaten all vital functions of the company in the effectiveness of the work of *stakeholders* and cause very large losses for the company. For the principles of *Transparency*, *Accountability*, and *Independency* is an intermediate value at the *Undesirable* level which means it is able to create disruptions toadministrative programs and routine work and cause The losses are considerable for the company.

After mitigation, there is a decrease in the risk value for the *Fairness* principle from the Unacceptable level to the *Undesirable* level, then for the Transparency, *Accountability* , and *Independency* principles from the *Unacceptable* level *Undesirable* to be an *Acceptable* level. The importance of mitigating the highest risk is to conduct *training needs analysis* regarding development needs and take other *engagement* approaches through *coaching / mentoring or* adjusted according to the interests of the division.

The researcher concluded that PT Bernadi Utama needs the implementation of improved corporate governance to avoid and minimize potential risks that occur in the future.

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