

## CHAPTER 1

### INTRODUCTION

#### A. Research Background

State-Owned Enterprises (SOEs) play a critical economic role by supporting national finances and improve public welfare.<sup>1</sup> The wealth owned by SOEs comprises separate state assets, meaning the state continues to have a role as a shareholder in SOEs.<sup>2</sup> Similar to private companies, SOEs are also required to generate profit. Therefore, Good Corporate Governance (GCG) is essential to enhance competitiveness, create opportunities, and professionally manage operations to achieve corporate objectives.<sup>3</sup>

One measure to foster a positive and conducive business environment and avoid scandals is the application of GCG principles within SOE-managed companies. The implementation of GCG in Indonesia is a rational approach to prevent unethical practices in corporate activities.<sup>4</sup> SOEs have demonstrated their commitment to implementing GCG through the Ministry of State-Owned Enterprises Regulation No. PER-01/MBU/2011 concerning the application of Good Corporate Governance in SOEs. To complement this regulation, the Decree of the Secretary of the Ministry of SOEs established Indicators/Parameters for Evaluating and Assessing GCG implementation in SOEs, as outlined in the Ministry's Decree No. SK-16/S.MBU/2012.<sup>5</sup>

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<sup>1</sup> Johny Sudharmono and Hetty Karunia Tunjungsari, "Evaluasi Penerapan Good Corporate Governance Pada PT BUMN ABC, Indonesia," *Jurnal Muara Ilmu Ekonomi dan Bisnis*, Vol. 5, No. 1 (2021), p.226.

<sup>2</sup> Naufan Mufti Sudarmono, "Aspek Hukum Terhadap Pengawasan Pemerintah atas Penyertaan Modal Negara Dalam Rights Issue di BUMN," *Jurnal Penelitian Ilmu Sosial dan Eksakta*, Vol. 2, No. 2 (March 31, 2023), p. 106.

<sup>3</sup> Henri Ferangadita Kesumah, "Analisis Implementasi Good Corporate Governance (GCG) (Kasus Pada PT Industri Telekomunikasi Indonesia (persero))," *Journal of Entrepreneurship, Management and Industry (JEMI)* Vol. 4, No. 3 (February 21, 2022), p. 92.

<sup>4</sup> Djohari Santosa, "Kegagalan Penerapan Good Corporate Governance Pada Perusahaan Publik Di Indonesia," *Jurnal Hukum*, Vol. 15 (April 2008), p. 185.

<sup>5</sup> Salwa, "GCG Dalam BUMN - Bagaimana Tata Kelola Perusahaan," *Jadi BUMN* (blog), May 24, 2024, <<https://jadibumn.id/gcg-dalam-bumn/>> viewed on October 15, 2024.

Several SOEs have successfully implemented GCG principles. For instance, PT Telkom Indonesia has been recognized for its commitment to GCG, receiving awards like “Best SOE Governance” for its consistent adherence to governance practices and ethical standards and also “Most Excellence Good Corporate Governance Implementation” at the 2023 CNBC Indonesia Awards for its commitment to maintaining environment, social, and governance, including good corporate governance values in its operation.<sup>6</sup> Also PT Pertamina has shown commitment to GCG, earning recognition through awards such as the “TOP GRC Awards” for its governance, risk, and compliance practices.<sup>7</sup> Another example is PT Mandiri in “The Best GRC Overall For Corporate Governance & Performance 2020” for the company's commitment to implementing good corporate governance (GCG) principles.<sup>8</sup>

Similarly, PT Waskita Karya (Persero) has earned accolades, including one of the Top 5 GCG Issues in the Construction Sector in 2018, given by SWA Magazine and the Institute for Corporate Directorship (IICD).<sup>9</sup> Additionally, in 2019, PT Waskita Karya was named the 1st Place Winner in the “The Best Indonesian GCG Implementation” category for SOEs in the construction and building sector by Economic Review. For its effective GCG implementation, Waskita received other awards like “Top Governance, Risk, and Compliance

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<sup>6</sup> PT Telkom Indonesia, “Telkom Recognized as the Most Excellent on Good Corporate Governance Implementation,” Telkom – Indonesia, <[https://www.telkom.co.id/sites/news-resources/en\\_US/news/telkom-recognized-as-the-most-excellent-on-good-corporate-governance-implementation-2231](https://www.telkom.co.id/sites/news-resources/en_US/news/telkom-recognized-as-the-most-excellent-on-good-corporate-governance-implementation-2231)>, Viewed on December 2, 2024.

<sup>7</sup> Pertamina (Persero), “Terapkan GCG, Pertamina Group Sukses Raih 4 Penghargaan Di Ajang Indonesia Excellence Good Corporate Governance Awards 2023 | Pertamina,” <<https://www.pertamina.com/id/news-room/energia-news/www.pertamina.com>>, Viewed on December 2, 2024.

<sup>8</sup> Sindonews, “Bank Mandiri Raih Penghargaan Good Corporate Governance Terbaik,” SINDOnews Ekbis, <<https://ekbis.sindonews.com/read/118622/77/bank-mandiri-raih-penghargaan-good-corporate-governance-terbaik-1596118060>>, Viewed on December 3, 2024.

<sup>9</sup> Rosmayanti, “Para Pemenang Warta Ekonomi Corporate Secretary Award 2018,” Warta Ekonomi, <<https://wartaekonomi.co.id/read200749/para-pemenang-warta-ekonomi-corporate-secretary-award-2018>>, Viewed on December 3, 2024.

(GRC) 2019" and "The Most Committed GRC Leader 2019" from Top Business Magazine.<sup>10</sup>

Furthermore, Waskita requires all employees, from the Board of Directors to project managers and other strategic officers, to report their assets to the Corruption Eradication Commission (KPK), in accordance with the Director's Decree No.32/SK/WK/PEN/2013 on the PT Waskita Karya (Persero) Tbk Wealth Reporting System (LHKPN).<sup>11</sup> However, despite many achievements, PT Waskita Karya's reputation declined significantly when its CEO was implicated in a corruption case related to misuse of bank financing facilities.<sup>12</sup> This case illustrates that effective GCG implementation alone may not entirely mitigate the risk of misconduct if it is not accompanied by the internalization of strong ethical values within the company's culture.

In practice, GCG implementation remains suboptimal, leading to crises, financial losses, and inaccurate reports.<sup>13</sup> A study conducted by the Asian Corporate Governance Association (ACGA) in 2023 indicated that Indonesia has the lowest GCG rating in Asia, ranking 12th with a score of 35.7%, far behind other Asian countries.<sup>14</sup> This phenomenon indicates that GCG implementation within SOEs often remains a formality, without full internalization into the company's culture and practices. Unethical practices such as corruption, bribery, and financial report manipulation highlight that challenges in GCG implementation continue to be a serious issue in SOEs.<sup>15</sup>

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<sup>10</sup> M. Taufikul Basari, "Implementasi GCG di WSKT Berdampak Signifikan," *Bisnis.com*, September 10, 2019, <<https://market.bisnis.com/read/20190910/192/1146704/implementasi-gcg-di-wskt-berdampak-signifikan>>, Viewed on December 3, 2024.

<sup>11</sup> PT Waskita Karya, "Terapkan GCG Dan Transformasi K3LM, Waskita Tampil Lebih Profesional," *Siaran Pers* (Jakarta: PT Waskita Karya (Persero) Tbk, September 2019).

<sup>12</sup> Rulli R. Ramly and Aprillia Ika, "Ini Kasus Korupsi yang Jerat Direktur Utama Waskita Karya," *KOMPAS.com*, <<https://money.kompas.com/read/2023/04/30/071016926/ini-kasus-korupsi-yang-jerat-direktur-utama-waskita-karya>> viewed on February 28, 2024.

<sup>13</sup> Indria Kinasih Khameswary, "Good Corporate Governance dan Kurang Efektifnya Direktur Independen di Indonesia," *Gema Keadilan, Edisi Jurnal*, Vol. 6 (2019).

<sup>14</sup> ACGA, "A New Order Biggest Ranking Reshuffle in 20 Years," *CG Watch* 2023, December 2023.

<sup>15</sup> Dhaifina Fadhilah Alyani et al., "Tanggung Jawab Direksi PT Taspen Berdasarkan Hukum Positif Di Indonesia Ditinjau Dengan Prinsip Good Corporate Governance (GCG)," *Eksekusi: Jurnal Ilmu Hukum dan Administrasi Negara* Vol. 2, No. 1 (December 12, 2023), p. 178.

The failure of GCG implementation often occurs due to a lack of internalization of ethical principles and often seen as a formality rather than an integral part of corporate operations. This challenge underscores the need for a more focused approach, such as internal marketing, to support the internalization of GCG values. Internal marketing emphasizes employee engagement, effective communication, and alignment of organizational goals, ensuring principles like transparency, accountability, and integrity are deeply rooted in the company culture. By fostering awareness and commitment among employees, internal marketing helps reduce unethical practices, such as corruption and abuse of authority, while promoting adherence to GCG standards.<sup>16</sup>

To optimize GCG implementation, integrating internal marketing strategies is essential. This approach ensures that GCG values are not only formal guidelines but are also embraced as part of the organizational ethos. Through this integration, SOEs can enhance operational performance, maintain public trust, support national economic goals, and secure a strong reputation in a competitive industry. This integration not only aids in embedding GCG values into the corporate culture but also addresses critical challenges such as weak internal controls and misalignment between individual and organizational objectives. Furthermore, by emphasizing internal marketing, companies can foster a proactive workforce that actively contributes to governance reforms, minimizes operational risks, and ensures accountability at all levels of the organization. In the context of PT Waskita Karya, implementing internal marketing can serve as a strategic tool to rebuild stakeholder trust and mitigate reputational damage caused by unethical practices, thereby strengthening the company's position in the industry and enhancing its long-term sustainability.

## **B. Research Questions**

1. How are the practices and quality of GCG implementation carried out by PT Waskita Karya (Persero) when viewed from an internal marketing approach?

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<sup>16</sup> Philip Kotler and Kevin Lane Keller, *Marketing Management*, 15th ed. (Pearson, 2016), p. 17-19.

2. How can internal marketing resolve corrupt practices involving fund misappropriation and financial report manipulation at PT Waskita Karya?

### **C. Research Objective**

1. To assess PT Waskita Karya's GCG practices and quality from the perspective of GCG principles and internal marketing.
2. To identify how internal marketing resolve corrupt practices involving fund misappropriation and financial report manipulation at PT Waskita Karya.

### **D. Research Benefits**

The results of this research are expected to provide benefits to various parties, as follows:

#### **1. Benefits for Academics**

This research is expected to broaden academic understanding and provide deeper insights into the analysis of Good Corporate Governance implementation at PT Waskita Karya (Persero) from an internal marketing perspective. By incorporating marketing management principles, it emphasizes how aligning internal processes and communication enhances governance, transparency, and stakeholder trust.

#### **2. Benefits for Practitioners**

The benefits for PT Waskita Karya include serving as a reference for future GCG implementation based on an internal marketing perspective. This research also highlights how GCG can help prevent principal violations across all management levels and reduce default practices by promoting transparency, accountability, and effective risk management.