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Implementation of Good Corporate Governance on Corporate Reputation

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Abstract: This study examines how the implementation of Good Corporate Governance (GCG), defined as an entity management system that incorporates transparency, accountability, responsibility, independence and fairness, affects corporate reputation. The research shows that transparency and accountability strengthen stakeholder trust, board independence and fairness protect the rights of all parties. The results show that Good Corporate Governance has a strategic role in improving corporate reputation and corporate success. The Corporate Governance Perception Index (CGPI) reflects the effectiveness of GCG in strengthening the company's reputation profile in the global market.

Keywords: Good Corporate Governance, Company Reputation, Corporate Governance Perception Index

Introduction

In an increasingly complex era of globalization, corporate governance practices have become a critical element that determines the success and sustainability of modern organizations. A company is not solely based on its financial performance, but also on its ability to apply the concepts of transparency, accountability, responsibility, independence, and equality (Fani et al, 2025).

Corporate reputation plays a crucial role in business success and is one of the intangible assets owned by an organization or company. To build and maintain a positive reputation, organizations must carefully consider the company's performance and behavior as judged by all stakeholders (Agustina et al, 2023). Along with the development of technology, the use of the internet, especially social media, is increasing day by day. This is the main cause of the spread of information in various forms. One of the things that is in the spotlight and spreads quickly is the company's reputation, the impact of this is not only for the public, but also for investors. If there is bad news about a company, in fact it will immediately get a negative response from the public and reduce investor confidence (Arofah & Khomsiyah, 2023).

According to Fombrun in (Oktavianus et al, 2022), reputation is a comprehensive picture of the company's past performance and future prospects, which reflects the company's attractiveness in various aspects, especially when compared to other competitors. Reputation is a critical component of company value and is a key measure of performance, which serves as a mechanism to reduce uncertainty for customers, as well as increase marketing effectiveness, customer satisfaction, and the number of customers.

In facing an era with a free and open economic system, more complex company management is required. This management will affect the increasing need for good corporate governance practices, known as Good Corporate Governance. Companies that are managed effectively will increase market confidence and also build confidence from interested parties (Utami & Wulandari, 2021). In Indonesia, the implementation of GCG has become a fundamental requirement for companies to build sustainability and competitiveness in the global market. Companies that have successfully implemented GCG in accordance with international standards have shown a significant increase in their ability to attract investment, both domestically and abroad.

The implementation of Good Corporate Governance (GCG) is very important for companies in Indonesia, as it is necessary to build trust among stakeholders and in the international arena (Linuwih & Parasetya, 2024). In Indonesia, attention to the implementation of GCG is increasing, especially after several major cases of financial abuse that revealed weaknesses in the company's supervisory and management systems. The Indonesia Stock Exchange (IDX) has issued various regulations and guidelines to encourage public companies to consistently implement GCG principles.

Another factor that affects corporate reputation is the disclosure of Corporate Social Responsibility. Corporate Social Responsibility is an important aspect in building a positive image and reputation (Agustina et al, 2023). Corporate Social Responsibility (CSR) is one of the measures that reflect the positive performance of a company. The role of CSR is crucial in building a company's image and increasing trust from customers and business partners (Sudirman & Ningrum, 2022).

Reputation is a very valuable asset for companies in facing competition with other competitors (Jao et al, 2022). Recently, more and more companies in Indonesia are trying to manage their reputation better. Corporate reputation reflects an assessment of an organization, where there is an element of trust from stakeholders. Therefore, in decision-making, reputation becomes one of the important factors to be assessed and considered.

Research (Fani et al, 2025) shows that Good Corporate Governance has a strategic role in improving corporate reputation while supporting business sustainability. GCG ensures transparency, accountability and compliance with the law, which in turn builds trust among stakeholders and creates a positive image for the company. This contributes to increased competitiveness as well as the company's ability to attract investors and maintain consumer loyalty.

A good reputation not only has an impact on increasing company value and investment attractiveness, but also strengthens stakeholder loyalty, minimizes potential operational and financial risks, and facilitates the acquisition of funding sources. GCG also encourages companies to be more concerned about social and environmental issues, which further strengthens their positive reputation.

Literature Review

Good Corporate Governance (GCG)

The term Corporate Governance consists of two components, namely "Corporate" and "Governance." Etymologically, "Corporate" in the Oxford Advanced Learner's Dictionary is defined as gathering in a single unit, while "Governance" refers to a system of rules. In the context of Good Corporate Governance (GCG), this term is often interpreted as governance (Noviala et al., 2023).

According to Yadiati (Putri & Trisnaningsih, 2023), Good Corporate Governance is a system that regulates the existence of functions (organs) and how they interact with each other, both within the Company and with external parties.

According to the Corporate Governance Forum in Indonesia (2018), Good Corporate Governance (GCG) is a set of rules that regulate the relationship between management, shareholders, creditors, government, employees, and stakeholders both internal and external. The implementation of GCG aims to monitor and provide guidelines for companies to continue operating in accordance with the interests of stakeholders, as well as to add value to the company itself.

Good Corporate Governance encompasses various elements, such as a company's organizational structure, decision-making processes, oversight mechanisms, and policies and practices implemented to ensure that the company operates in a transparent, efficient and responsible manner. In addition, it also involves the active participation and appropriate oversight of stakeholders, including shareholders, supervisory boards, and company management (Pramanaswari, 2024).

Principles of Good Corporate Governance

A company can be considered to have implemented Good Corporate Governance (GCG) if the GCG principles are implemented effectively and appropriately. According to the Regulation of the Minister of State-Owned Enterprises of the Republic of Indonesia Number Per-2/Mbu/03/2023, there are five main principles in Good Corporate Governance, namely transparency, accountability, responsibility, independence, and fairness.

1. Transparency

Disclosure of information must be made in a timely and accurate manner, such as financial performance, ownership, and management of the company. Examination is carried out independently. Transparency is carried out so that shareholders and other parties know the situation and conditions that occur in a company.

2. Accountability

Accountability is an obligation to explain and account for the success or failure in carrying out the organization's mission to achieve predetermined goals and objectives (Maisyarah, 2024). In order for the management of the company to work properly, managers need to clearly define their functions, execution and responsibilities.

Accountability is fundamental to an effective control system, so it is important to understand the division of authority between the board, directors, executive managers and shareholders.

3. Responsibility

Compliance with corporate principles and laws and regulations in the management of the company is expected to remind companies that in every operational activity, they have a responsibility to shareholders and other stakeholders.

4. Independence

Independence refers to the condition in which the company's management must operate with professional standards without any conflict of interest, and without intervention or influence from any party, in accordance with applicable legal regulations.

5. Fairness

All stakeholders are entitled to have the opportunity to get fair treatment from the company. This principle is necessary to prohibit the company from conducting despicable practices by insiders by causing harm to others. Each member of the board of directors requires transparency to find transactions that are contrary to the interests of the company.

In research conducted by Farochi & Nugroho (2020), it was found that the application of the principles of Good Corporate Governance can reduce the risk of fraud. Each principle in Good Corporate Governance is closely related to aspects such as openness, non-discrimination, clear responsibilities, and control mechanisms. To ensure that the implementation of Good Corporate Governance (GCG) goes as expected, all elements in the company, including the audit committee, internal control, and internal audit, must function optimally.

Company Reputation

Corporate reputation is the overall value of stakeholder views and beliefs regarding the perception and interpretation of the company that is continuously communicated to stakeholders (Andrefe & Kurniawati, 2024).

Corporate reputation is a very valuable asset and must be maintained by every company in order to remain valuable in the eyes of stakeholders. According to (Oktavianus et al, 2022), a good reputation has a positive impact on stakeholders. The company's reputation also forms a desirable image, which in turn allows the company to gather the necessary resources to support its operational sustainability.

According to Dowling, J. and Pfeffer in (Agustina et al, 2023), a good reputation can increase the credibility of the company, so that consumers feel more confident that they will receive what has been promised. Companies with a positive reputation are able to build greater trust, confidence and support than companies with a bad reputation.

Through this explanation, it can be concluded that the company's reputation is an important asset that reflects the views and beliefs of stakeholders towards the company. A good reputation must not only be maintained, but also serves as the main driver in shaping the company's positive image. A positive reputation plays an important role in supporting the performance and sustainability of the company. It allows the company to access the resources necessary for its continued operations.

Research Method

This research uses a literature review approach, which is a method carried out by examining in depth and critically various knowledge, thoughts, and research results that have been published in academic literature. The purpose of this approach is to identify theoretical and methodological contributions that are relevant to a particular topic (Fizi & Helmina, 2023).

The data used in this study came from secondary sources, including indexed scientific journal articles at both national and international levels, previous research reports, and other reliable sources. The literature selected must meet certain criteria, namely relevance to the research topic and published within the last five years to ensure the information used remains actual.

Data collection is carried out by conducting a systematic search through google scholar using the keywords Good Corporate Governance and Company reputation. After finding various sources, researchers made selections based on predetermined criteria. Data was then collected from the selected sources. Next, the researcher analyzed and synthesized the information by grouping the findings based on themes or categories, and compiling a structured literature review. The process ends with a critical evaluation of the sources to ensure the validity and reliability of the information presented. This method aims to collect and summarize relevant information from various published sources, thus providing a deeper understanding of the topic under study.

Result and Discussion

The sustainability of a company's reputation is highly dependent on the strength of its internal support. The level of trust and credibility towards the company can grow through information disclosure submitted to all stakeholders. In this context, the existence of independent commissioners plays a crucial role in maintaining the integrity of the company, especially through supervisory functions and efforts to ensure information disclosure. By maintaining public trust and credibility, a positive reputation can be gradually established (Jao et al, 2022). In addition, the company's ability to manage information effectively also affects public perception of the company's overall image, resulting in special assessments from certain groups in society (Afifah et al, 2021).

Reputation The company's identity, performance, and public perception formed through experience and information obtained are the main foundations in building a company. Therefore, corporate reputation plays an important role in influencing the direction of strategic decision-making by management, which is more focused on the long-term sustainability of the company rather than simply achieving profits in the short term (Anggraini & Sutarjo, 2022).

The design known as Good Corporate Governance (GCG) aims to enhance a company's reputation by requiring management to be accountable to stakeholders and oversee their performance in accordance with applicable regulations. The GCG framework needs to be implemented to ensure regulatory compliance and improve the company's image (Ritonga, 2023).

Effective implementation of Good Corporate Governance (GCG) not only contributes to improving efficiency in company operations, but also plays a major role in shaping the company's reputation and increasing its attractiveness in the eyes of investors. In the midst of increasingly fierce global competition, companies that consistently apply GCG principles tend to gain more positive public perception and more competitive market value. From the point of view of corporate reputation, the sustainable implementation of GCG is an important foundation in building and maintaining trust from stakeholders (Maharani et al, 2021). Corporate reputation built based on perceptions of its effectiveness will provide positive signals for investors. This positive signal arises because the company's reputation serves as the main driving factor to achieve sustainable performance.

Every year, the level of GCG implementation in a company can be evaluated and compared with other companies to see the extent to which these principles have been implemented effectively. The evaluation results are usually published in mass media such as news articles and SWA Magazine through the Corporate Governance Perception Index (CGPI) ranking program organized by an independent institution, namely The Indonesian Institute for Corporate Governance (IICG). Companies that successfully achieve the Top 10 position in the Indonesia Most Trusted Companies category will gain a positive image that contributes directly to the improvement of reputation. Consistent implementation of GCG principles is proven to have a significant influence in strengthening the company's reputation and ultimately can encourage an increase in company value (Arofah & Khomsiyah, 2023).

Corporate reputation reflects collective perceptions of the company's past track record and future potential, which together create an image of the company's competitiveness and attractiveness compared to its main competitors (Jao et al., 2022).). In addition, reputation is also influenced by the extent of the company's attention to economic, social and environmental reporting aspects. If the company ignores issues related to environmental damage and social responsibility, this can have a negative impact on the reputation built. The decline in reputation has the potential to reduce investor interest in investing, so that the company can lose one of the main sources of funding that is vital for the continuity of operational activities and the sustainability of its business (Purba et al, 2023).

Maintaining and protecting the rights of minority shareholders and the interests of other stakeholders are important elements in the formation of the Company's reputation (Maharani et al., 2021). Companies that are able to build a positive reputation through the consistent application of Good Corporate Governance (GCG) principles will benefit in the form of increased loyalty from stakeholders. Investors tend to show long-term commitment to companies that are considered to have credible governance, while on the other hand, employees also show higher engagement with the company.

Conclusion

The implementation of the principles of Good Corporate Governance (GCG), namely transparency, accountability, responsibility, independence, and fairness, is the main foundation in building and maintaining a good corporate reputation. Reputation as an intangible but very important asset, is formed from the perception and trust of stakeholders in the integrity and performance of the Company. In the context of global competition and increasing public awareness of responsible business practices, consistent implementation of GCG not only improves the Company's efficiency and performance, but also becomes a key driver in attracting investment and maintaining operational sustainability. Companies that implement GCG effectively will have higher competitiveness and can differentiate themselves from competitors through a positive image in the eyes of the public, which ultimately has a direct impact on the value and sustainability of the Company itself.

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