

# Good Islamic Boarding School Foundation Management as Risk Mitigation for Organizational Performance Management & GCG

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## ABSTRACT

The fundamentals of sound foundation management can assist businesses in reducing the risks associated with performance management. Principles like accountability, transparency, responsibility, fairness, and justice are all part of the GCG in practice. Businesses can lower the risk of fraud and data manipulation by putting GCG principles into practice and ensuring that the decision-making process is conducted in an open, responsible, and fair manner.

Establishing a code of ethics and strong foundation management standards, as well as boosting the openness of financial reports, are some GCG measures that can aid in reducing the risks associated with organisational performance management. However, organisations must also take into account other elements including effective risk management, the application of ethical standards, and the creation of a strong organisational culture in order to mitigate the risks associated with organisational performance management. Good corporate governance is not the only solution to this problem. In actuality, including GCG into a comprehensive risk management plan can assist businesses in improving performance and gaining the confidence of stakeholders. Therefore, in order to enhance performance and reduce risks associated with financial, ethical, and governance difficulties, businesses must pay attention to GCG techniques while mitigating organisational performance management risks.

**Keywords :** *Foundation Management, Shareholders, Implementation of GCG*

## **I. Introduction**

The global economic crisis has encouraged parties in the real world and in the banking industry to implement Good Corporate Governance (GCG). To facilitate GCG development, the company has carried out ownership reorganization, financial restructuring and asset restructuring through acquisitions and disposals. Implementing GCG in the real world can have a positive and indirect influence on the financial/banking sector. When GCG succeeds in improving company performance, the company can use credit from banking institutions, and can pay its debts without being trapped in bad credit. If so, the country's banking industry will grow healthier. Most regional companies in Indonesia have different production capacities and of course many of them have difficulty fulfilling their obligations to banking institutions. GCG can help companies improve performance and value and establish good relationships with financial institutions. In general, GCG is defined as a company regulation and control system that aims to create added value for all stakeholders (Sulistyanto & Wibisono, 2003). Meanwhile, according to the Cadbury committee, GCG is the principle of company direction and control to achieve a balance between the company's power and authority in providing accountability to shareholders in particular and to other stakeholders. general stakeholders. According to the Center for European Policy Studies (CEPS) GCG is a whole system starting from rights, processes and control, inside and outside company management. Some countries also have their own definitions of GCG.

## **II. Theoretical Foundations of Understanding Good Corporate Governance**

Good corporate governance is a concept that aims to ensure that a company is run with transparency, accountability, integrity, and upholds the rights of shareholders, employees

and other stakeholders. The GCG concept is very important for a company because it can influence the overall performance of the organization.

## **a. Understanding Performance Management**

Organizational performance management is one of the important elements of GCG because it involves monitoring and measuring organizational performance regularly and systematically. This aims to ensure that the organization works effectively and efficiently, and achieves the strategic goals that have been set.

The term performance management is derived from the verb manage, which implies to organize, and the phrases management and performance. In George Terry's book *Principles of Management*, it states. The process of managing involves applying both creative and scientific approaches to carry out management functions, such as organizing, planning, and guiding the actions of a group of individuals who have the means or production components to accomplish predefined objectives. In contrast, management is a process that involves organizing, planning, directing, and managing the use of available resources—both human and material—to achieve objectives, according to John R. Schermerhorn Jr. in the book *Management*. In general, performance management places a lot of emphasis on the outcomes to be attained, the consequences of performance, the procedures required to produce the desired outcomes, and the knowledge, skills, and competencies required of individuals as well as groups within an organization. Therefore, measuring results that will or have been obtained and assessing progress toward previously defined targets are important aspects of performance management.

## **b. Understanding Risk Mitigation**

The process of discovering, analyzing, evaluating, and managing hazards within an organization is known as risk mitigation. Risk is the potential for an event to occur that

could negatively affect organizational goals; therefore, risk mitigation is necessary to reduce this potential harm.

There are several steps that can be taken to mitigate risk:

1. Risk identification: The first step in risk mitigation is to identify the risks that may occur in the organization. Risks can come from a variety of sources, including environmental, financial, reputational, etc.

2. Risk analysis: Once risks are identified, the next step is to conduct a risk analysis to evaluate the potential impact of the risk on the organization. This will help organizations prioritize which risks to manage first.

3. Risk evaluation: Once the risk analysis is carried out, the next step is to evaluate the risk to determine whether the risk is acceptable or not. Unacceptable risks must be immediately addressed and managed.

4. Risk management: Once risks are assessed and prioritized, organizations can implement appropriate risk management strategies. This strategy can be avoiding risk, reducing risk, transferring risk, or accepting risk.

5. Monitoring and evaluation: Finally, the organization must carry out continuous monitoring and evaluation of identified and managed risks. This will help organizations measure the effectiveness of their risk management strategies and update those strategies regularly.

In mitigating risk, it is also important to consider factors such as organizational policies and procedures, adequate human resources, and secure and reliable information technology. This will help organizations to identify risks more accurately and manage them effectively.

### **III. Research Methods**

This research was conducted using a descriptive qualitative approach. The descriptive

method is a method of researching the status of a group of people, an object, a set of

conditions, a system of thought or a class of events in the present. Organizational Risk

## Research Results

Organizations are always faced with various risks that can affect their performance. The following are some examples of risks that can arise in organizational performance:

1. **Financial Risk:** Financial risks are related to an organization's financial management, such as liquidity risk, credit risk, market risk and operational risk. These risks can affect an organization's financial performance and their ability to meet their financial obligations.

2. **Reputation Risk:** Reputation risk is related to an organization's image in the eyes of stakeholders, such as customers, investors, and the general public. These risks may arise from ethical violations, poor product quality, or poor treatment of employees or customers.

3. **Legal Risk:** Legal risk related to violations of applicable regulations or laws, such as copyright violations, occupational safety and health violations, or human rights violations. These risks can impact organizational performance through legal sanctions or financial losses.

4. **Operational Risk:** Operational risk is related to an organization's operational processes, such as human error, information technology system failure, or failure in the production process. This risk can affect the operational efficiency and effectiveness of the organization.

5. **Strategic Risk:** Strategic risk is related to an organization's inability to anticipate or adapt to changes in the business environment, such as changes in government policy, market changes, or changes in technology. These risks can affect an organization's ability to achieve their strategic goals.

6. **Personnel Risks:** Personnel risks relate to employee performance and human resource management, such as failure to recruit or retain quality employees, or failure to provide sufficient training and development. This risk can affect the operational and strategic performance of the organization.

In managing this risk, the organization need to implement effective risk management and ensure that each risk is identified, evaluated and managed appropriately. In this way, organizations can minimize the impact of risks and build sustainable performance.

To mitigate risks to organizational performance, there are several steps that can be taken, including:

1. **Risk Identification:** The first step is to identify the risks that may arise in the performance of the organization. This can be done by conducting a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) or conducting a risk audit.

2. **Risk Evaluation:** Once a risk is identified, the next step is to evaluate the impact and likelihood of the risk occurring. In carrying out risk evaluations, organizations can use risk or probabilistic matrices.

3. **Mitigation Strategy Development:** Once risks are evaluated, organizations need to develop mitigation strategies to reduce the impact and likelihood of the risk occurring. Mitigation strategies that can be implemented include improving the internal control system, optimizing human resources, or diversifying the business.

4. **Mitigation Strategy Implementation:** After mitigation strategy developed, the next step is to implement the strategy. Implementation of mitigation strategies must be directed at reducing the impact and possibility of risk occurring.

5. **Monitoring and Evaluation:** Lastly, organizations must continuously monitor and evaluate the effectiveness of implemented mitigation strategies. Monitoring and evaluation

is carried out to ensure that risks are successfully reduced or eliminated.

In implementing these steps, organizations can minimize the impact of risks and build sustainable performance. Apart from that, the implementation of good corporate governance can also help organizations in mitigating performance risks they. GCG ensures that organizations comply with applicable ethical and legal standards, and encourages organizations to carry out their business operations in a transparent, accountable and responsible manner.

### **Implementation of GCG in mitigating organizational performance management risks**

Good Corporate Governance can help organizations mitigate performance management risks. The following are several GCG implementations in mitigating organizational performance management risks:

1. **Transparency and accountability:** Implementation of GCG ensures transparency in organizational decisions and operations. This can help reduce the risk of manipulation or unethical actions. In addition, accountability in decision making will ensure that the actions taken are in accordance with the values of the organization.
2. **Supervision and control:** Implementation of GCG ensures that there is effective supervision and control within the organization. This can help reduce the risk of undesirable actions and ensure that all organizational activities are carried out in accordance with established standards.
3. **Separation of power and responsibility:** Implementation of GCG ensures that power and responsibility in the organization are clearly separated and in accordance with assigned duties and functions. This can help reduce the risk of abuse of power and responsibility.
4. **Transparent financial reporting and accurate:** GCG implementation ensures that

the organization's financial reports are transparent and accurate. This can help reduce the risk of manipulation or errors in financial reports.

5. Compliance with regulations and laws: GCG implementation ensures that the organization complies with all applicable regulations and laws. This can help reduce the risk of legal sanctions and a bad reputation.

6. Improving the quality of human resources: Implementation of GCG ensures that the organization has quality and skilled human resources. This can help reduce the risk of mistakes or wrong decisions that could harm the organization.

By implementing GCG in the organization, performance management risks can be managed more effectively. This will help the organization achieve its goals and maintain business continuity.

#### **IV. Conclusion**

Implementing GCG (Good Corporate Governance) can help organizations mitigate performance management risks by adopting GCG principles related to transparency, accountability, responsibility and independence.

The following are several ways to implement GCG in mitigating organizational performance management risks:

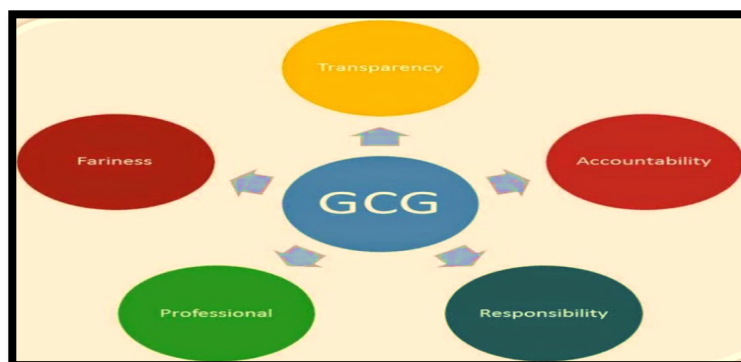
1. Transparency: Organizations must implement transparency in decision making related to performance management. This can be done by showing information related to policies and procedures, performance results, and risks faced by the organization. In this way, stakeholders can understand the decision-making process and risks faced by the organization.
2. Accountability: Organizations must be accountable for every decision and action taken in performance management. This can be done by showing transparent

performance results, as well as identifying and managing

risks openly and honestly. In doing so, organizations can demonstrate their commitment to managing risk and ensuring sustainable performance.

3. Responsibilities: Organizations must understand their responsibilities towards stakeholders, including mitigating risks. Organizations must have structures and procedures that ensure that their responsibilities towards stakeholders are implemented properly. This can be done by building an effective risk management system and ensuring that the decision-making process is based on mature risk considerations.
4. Independence: Organizations must have independent mechanisms that can help them in mitigating risks. This can be done by establishing independent supervisory structures and mechanisms, such as an audit committee or other independent supervisory committee. This mechanism will help organizations evaluate risks objectively and provide recommendations that can help in managing risks.

By applying GCG principles in performance management, organizations can mitigate risks effectively and build sustainable performance. However, it is important to remember that GCG implementation must be carried out with strong commitment from management and support from all stakeholders to achieve the expected results.



Picture. 1

In actuality, firms can reduce the risks associated with performance management by putting strong corporate governance into place. The good corporate governance (GCG) values of accountability, transparency, responsibility, fairness, and fairness are all included in GCG. To lower the risk of fraud and data manipulation, the organisation can guarantee that the decision-making process is conducted in a transparent, responsible, and equitable manner by putting GCG principles into practice. Furthermore, by putting GCG into practice, businesses can reduce legal and reputational risks by developing a strong culture of ethics and integrity.

Establishing a code of ethics and good practices, raising the openness of financial reports, and creating an independent audit committee are some GCG practices that can aid in reducing the risks associated with organisational performance management.

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