


Maturity Analysis of Governance, Risk, and Compliance (GRC) Implementation at PT Kimia Farma Trading & Distribution

¹Romi Taofik Sudrajat, ²Gunardi Endro

¹Master of Management , Bakrie University Jakarta, ²Lecturers of Master of Management , Bakrie University, Jakarta

Article Info	ABSTRACT
Keywords: Governance, Risk, Compliance, Maturity, Implementation.	In an era of globalization and increasingly fierce competition, companies in Asia, including Indonesia, face increasingly complex challenges in maintaining and improving their position in the market. Competition with other Asian countries is one of the main factors that encourages companies to continue to adapt and improve their performance. In an effort to face this challenge, company management has developed from conventional concepts to focus on governance, risk, and compliance, known as GRC (Governance, Risk and Compliance). The aim of this research is to determine the maturity of the implementation of Governance, Risk and Compliance (GRC) at PT Kimia Farma Trading & Distribution (KFTD). This study utilized qualitative methods to understand and describe the situation that takes place in the research environment. The analysis began with the coding stage of the data derived from the results of the interviews which had been transcribed into text using a case study approach. The research concludes that the maturity level of Governance, Risk Management, and Compliance (GRC) implementation at KFTD is currently at an early stage, with the integration between governance, risk management, and compliance not yet fully achieved. Although the organizational structure and regulatory compliance provide support, GRC functions are still operating separately, and internal awareness and commitment need to be enhanced. A more mature GRC implementation is necessary to improve operational efficiency, decision-making, and ensure business sustainability. Recommendations for KFTD include strengthening GRC socialization programs, developing an integrated GRC system, increasing management support, conducting regular maturity assessments, and leveraging technology for monitoring and reporting.
This is an open access article under the CC BY-NC license 	Corresponding Author: Romi Taofik Sudrajat Master of Management , Bakrie University Jakarta aaromiaahmad@gmail.com

INTRODUCTION

In the era of globalization and increasingly tight competition, companies in Asia, including Indonesia, face increasingly complex challenges in maintaining and improving their position in the market. Competition with similar companies or companies engaged in different fields but related to their business in other Asian countries is one of the main factors that drives companies to continue to adapt and improve performance. In an effort to face this challenge,

corporate management has evolved from a conventional concept to a focus on governance, risk, and compliance known as GRC (Governance, Risk, and Compliance).

GRC is a holistic approach that involves coordination between various functions within the company, starting from the Company's Management consisting of the Board of Directors and the Board of Commissioners, to the management ranks below, such as finance, human resources, operations, law, and others. Interestingly, the GRC concept recognizes that governance cannot stand alone, but must be integrated with risk management and compliance with applicable regulations. Thus, GRC does not only focus on compliance with regulations, but also involves efforts to effectively direct and control the company and manage the impact of uncertainty on the achievement of company goals. Effective GRC enables companies to not only meet regulatory requirements, but also to optimize company performance and resilience amidst intense competition and a dynamic environment.

PT Kimia Farma Trading & Distribution (KFTD), as one of the pharmaceutical and health distribution companies within the State-Owned Enterprises (BUMN) in Indonesia, is not immune to this challenge. With an increasingly competitive market and increasingly stringent regulatory demands, PT Kimia Farma Trading & Distribution is faced with the urgency of implementing GRC effectively. However, like many other companies, the implementation of GRC at PT Kimia Farma Trading & Distribution is considered still not optimal.

This qualitative study aims to investigate the maturity level of GRC implementation at PT Kimia Farma Trading & Distribution. The maturity level of GRC implementation is an indicator that describes the extent to which a company has successfully integrated GRC principles into their business processes. This study will view GRC from the perspective of its three main components, namely governance, risk, and compliance. The maturity level of GRC implementation can be grouped into five levels, namely initial, siloed, managed, transformed, and proactive (Gunawan, 2021). A higher maturity level indicates that the company has achieved a better level of integration between GRC principles and their business processes. Through this study, it is hoped that it will be revealed to what extent PT Kimia Farma Trading & Distribution has successfully implemented GRC and its potential impact on company performance.

Research on GRC is important to identify the maturity level of GRC implementation in companies. Research on the maturity level of JRC implementation in companies is still very rare, so this is an interesting research gap to be explored further. This study also introduces a GRC excellence model that includes three main components, namely processes, people, and tools. This model provides guidance for companies in improving their GRC practices and achieving higher levels of maturity. Thus, research on GRC not only provides insight into how corporate governance affects other aspects of the organization but also provides practical guidance for companies in managing risk, complying with regulations, and achieving sustainable competitive advantage.

RESEARCH METHODS

The object of research in this study is PT Kimia Farma Trading & Distribution (KFTD), a subsidiary of PT Kimia Farma Tbk which was established on January 4, 2003, engaged in the distribution and trading of health products and has a wide service area covering 34 provinces and 511 districts or cities. As a distribution service provider, KFTD distributes various products from Kimia Farma, products from other agencies, and non-agency products. KFTD distributes these products through regular sales to pharmacies (Kimia Farma pharmacies and non-Kimia Farma pharmacies), hospitals, drug stores, supermarkets, restaurants and cafes. The composition of KFTD shareholders is Kimia Farma 99.99% and Kimia Farma Apotek (KFA) 0.01% (KimiaFarma.co.id).

This study utilizes qualitative methods to understand and describe the situation that occurs in the research environment. Qualitative methodology offers a constructive or naturalistic view, giving participants the opportunity to convey their ideas, emotions, and experiences related to the phenomenon being studied. According to Krauss (2005), the main purpose of qualitative research is to facilitate the process of meaning-making, connecting the complexity of meaning in individuals' lives with diverse objects, individuals, and events. Data collection is a crucial aspect of research. It is important for researchers to choose the data collection method that best suits their research objectives. Otherwise, there is a risk of collecting inappropriate data and not meeting the research objectives.

RESULTS AND DISCUSSION

Analysis of GRC Implementation Maturity Level in KFTD

As explained in the previous discussion, based on the measurement results conducted by the Author through the GRC Forum Indonesia approach, the maturity level of GRC implementation in KFTD is currently at the "Managed" level. Furthermore, to improve the quality of GRC maturity measurement analysis at PT Kimia Farma Trading & Distribution (KFTD), the evaluation of the components involved can be expanded and deepened in more detail. Maturity measurement based on the GRC Forum Indonesia framework which includes Process, Human Resources, and Facilities and Equipment can be analyzed more deeply through the following description:

Process Components

- a. P1 (Managed): The implementation of planned communication already exists, but the effectiveness of this information dissemination in influencing decision-making in each unit needs to be further measured. The impact of planned communication on performance and accountability must also be evaluated. One way to measure this is by conducting an employee satisfaction survey or interview to find out the extent to which this communication is received and utilized by related parties. The communication aspect in KFTD has been planned consistently. This is supported by the existence of the Corporate Secretary Unit, which coordinates aspects of corporate communication both internally and externally, by utilizing the social media it has. However, it does not yet have a special platform for its management. Therefore, the

recommendation is to strengthen the communication reporting system and facilitate information management in one integrated platform to facilitate access and transparency.

- b. P2 (Managed): Centralized learning at least annually requires an evaluation of how effective the innovation policy and its related KPIs are. KFTD continues to develop innovations in running its business, both technical operational innovations and their supporting ones. As recently as KFTD has succeeded in developing several digital service platforms for its Customers, for ease of ordering or transacting products, and improving service (service level) to Customers. However, in terms of innovation culture, it seems that it still needs to be encouraged, including by having a clear innovation policy that is reflected in the KPI of the Unit or individual Employees, so that the innovation aspect in all fields can be more cultured and motivate Employees to be more creative and innovative. KPI adjustments may also need to be considered, with aspects of performance that the company expects to be more measurable and relevant to achieving business targets.
- c. P3 (Managed): Risk-based measurement and risk consolidation are already at a fairly managed stage at the managed level. At this stage, the success of the implementation of measurable risks must be further evaluated, whether the results of this risk measurement cover all relevant aspects and help managers in making better decisions. Company risks need to be re-identified in more depth and managed in an integrative manner. So the recommendation is to increase employee training related to risk culture awareness, and the integration of a more comprehensive risk management system.
- d. P4 (Managed): The documentation system by the Enterprise Risk Management (ERM) unit has been running well. However, it is necessary to measure how much the policies implemented by ERM can influence decision making in the organization. The recommendation is to conduct regular evaluations of the policies and procedures implemented to ensure consistency and suitability with the business environment and regulatory changes.

Human Resources Components (Manpower)

- a. M1 (Managed): The organizational structure and focus on talent already exist, but it is necessary to measure whether the talent management policy has produced individuals with competencies that are in accordance with GRC needs. In KFTD, as explained in the previous discussion, it already has an organizational structure that will actually support the implementation of GRC more completely. Therefore, it is recommended that there be an integration process of the existing functions, supported by the development of a competency model that is more in line with future GRC challenges.
- b. M2 (Managed): Competency-based performance assessment has been carried out using Balanced Scorecard-based KPIs. However, it is necessary to see whether these KPIs truly reflect the broader long-term objectives of GRC. The KPIs currently implemented can be the basis for GRC objectives, but are still limited to short-term

achievements. The recommendation is to conduct a KPI review that focuses more on long-term development and sustainability of the GRC system.

- c. M3 (Managed): The transparency-based reward and remuneration system is quite good. However, the influence of this remuneration system on individual motivation and performance in supporting GRC policies needs to be further evaluated. This reward system is effective in improving performance, this system needs to be linked more directly to the achievement of GRC goals. However, KFTD does not yet have a Remuneration and Nomination Committee, which is usually a tool of the Board of Commissioners, but through observation it was obtained that the formation of this Committee is not mandatory and can still be considered according to the company's needs and capabilities. The recommendation is to adjust the remuneration system with more performance indicators that focus on achieving more holistic GRC goals, and including considering the existence of a Remuneration and Nomination Committee.
- d. Facilities and Equipment Components (Tools)
T1 (Siloed): GRC functions that are still limited to certain units (siloed) indicate challenges in integration. Here it is important to assess whether the documentation of performance measurement and remuneration policies have met the desired standards. The GRC system is still running in a silo and needs to be integrated to achieve optimal performance. The recommendation is to improve technology that allows data and information integration across units to facilitate faster and more coordinated decision making. KFTD does not yet have a policy on Technology and Information System Governance independently. Currently, the policy in question still refers to the IT policy of PT Kimia Farma Tbk as the Parent Company. However, KFTD already has a function that runs information technology, to manage the security and development of information systems. The IT function plays a very important role operationally. In this condition, it can be recommended that KFTD should have its own IT policy, including improving the capability to be able to classify circulating information based on its interests and confidentiality. The infrastructure and data and information processing facilities should also be supported by backup facilities that are continuously tested for reliability.
- e. T2 (Managed): KFTD has a good supervisory function, namely an Internal Supervisory Unit has been formed internally, and externally the supervisory function of KFTD is also carried out, both from the Parent Company element and other external parties conducting audits. KFTD's financial statements are audited by a competent independent party, namely a Public Accounting Firm (KAP) appointed and determined by the General Meeting of Shareholders (GMS). The internal control system is always improved in accordance with the standard internal control framework.

Based on the evaluation above, it can be concluded that the implementation of GRC in KFTD is at a score of 2.89 or at the Managed level, which means that there has been a fairly good implementation but there are still some areas that need to be strengthened to reach a higher level, namely Transformed, or even the highest level, namely Proactive. To reach the

Transformed level, KFTD needs to focus on information system integration, increasing understanding and commitment to GRC across all organizational units, and strengthening awareness and training programs. Increasing technology-based implementation and more transparent reporting are also important steps in efforts to achieve a higher level of maturity.

CONCLUSIONS

The maturity level of Governance, Risk Management, and Compliance (GRC) implementation at KFTD, based on measurement results using the GRC Forum Indonesia, is currently at the Managed level, or at the initial stage with the fulfillment of components that are still normative. Although GRC elements have begun to be adopted in the organizational structure, the integration between governance, risk management, and compliance has not been fully achieved. This can be seen from the fact that GRC functions are still running separately in different work units without adequate alignment. Internal awareness and commitment to the implementation of GRC still need to be improved to achieve more holistic integration. What distinguishes the Managed level from the level above it, namely Transformed, or even Proactive, is that in essence a company has fulfilled components that are not only fulfillment or based on normative or mandatory aspects, but have fulfilled more strategic components, and have made GRC a company culture. Several key factors that contribute to the optimal implementation of GRC in KFTD include support from a clear organizational structure, effective risk management, and compliance with regulations. A supportive organizational structure and the existence of risk management guidelines that have been implemented are important foundations for GRC implementation. In addition, strong compliance with regulations, including quality policies and SOPs, also play an important role in maintaining accountability and transparency at all levels of the organization. However, awareness and commitment from all employees are still challenges that need to be overcome to achieve full optimality.

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