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Implementation Of Integrated Governance: A Case Study At Pt Xyz Group

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ABSTRACT

PT XYZ, as a state-owned enterprise in the energy sector, faces challenges in implementing appropriate integrated governance. The latest regulation, Permen SOEs No. 02/MBU/03/2023, emphasizes the importance of implementing integrated governance encompassing risk management, internal audit, and compliance. Therefore, an adaptive, effective, and efficient integrated governance model is needed, capable of addressing the weaknesses of the current silo approach while consistently strengthening GCG across all group entities. The purpose of this study is to analyze the structure of risk management organs in each subsidiary, identify and formulate relevant parameters for designing an effective and optimal integrated governance model or policy, and develop a roadmap for implementing integrated governance in the PT XYZ Group. Data were collected through primary and secondary data. Primary data were obtained through questionnaires, while secondary data were obtained from PT XYZ's annual reports. The analysis was conducted using the Analytical Hierarchy Process (AHP) method based on three main parameters: (1) Business Line (directly connected to the parent supply chain, not related to the supply chain but supporting the RJPP pillars, not supporting both), (2) Size and Contribution (assets, capital, net profit), and (3) Status and Share Ownership (operational, controlling, non-controlling). The findings show that based on the analysis of the hierarchy process (AHP), the priority weights of the criteria in the entity assessment are Business Line (59.6%), Status & share ownership (22.8%), and size & contribution (17.5%). The AHP results confirm that subsidiaries in the core supply chain and with operational status have the highest priority in strengthening governance. Based on the risk classification, this

study simplifies the entity types into three categories: Type 1, Type 2 and Type 3 and this study compiles a three-stage roadmap (short, medium, and long term). This study recommends that strengthening integrated governance in PT XYZ Group must be carried out gradually and proportionally.

INTRODUCTION

State Owned Enterprises (SOEs) play a vital role in the Indonesian economy. As drivers of strategic sectors, SOEs are required not only to provide financial contributions but also to ensure business sustainability through good corporate governance. As business dynamics become increasingly complex, the need for strong and integrated governance becomes even more crucial. To address this challenge, the Ministry of SOEs issued Ministerial Regulation No. 02/MBU/03/2023 concerning Guidelines for Governance and Significant Corporate Activities of SOEs. This regulation explicitly mandates the implementation of Integrated Governance, encompassing three main pillars: Integrated Risk Management, Integrated Internal Audit, and Integrated Compliance.

PT XYZ a state-owned enterprise in the energy sector, is a public company with a complex corporate structure encompassing various subsidiaries and affiliates. PT XYZ's businesses encompass coal mining, mining services, power generation, and diversification into new energy sources. PT XYZ's status as a public company requires dual compliance with both SOE and capital market regulations, making transparency and accountability even more crucial. PT XYZ's business growth is showing a positive trend. In 2022, PT XYZ recorded a net profit of IDR 12.6 trillion. The latest data also shows a shift in the structure of profit contributions. According to Figure 1.1, the contribution of subsidiaries' profits to PT XYZ's consolidated profit increased from 5% in 2022 to 38% in 2024, while the parent company's profit contribution decreased from 95% in 2022 to 62% in 2024. These figures confirm that the performance and operational health of subsidiaries have a direct and significant impact on PT XYZ's overall success.

PT XYZ noted that profit contribution data from each subsidiary showed that PT HP and PT BI were the largest profit contributors in 2024. Meanwhile, PT IC and PT PI made significant and consistent contributions to the group's financial performance. PT BP and PT EI did make relatively smaller contributions compared to other entities, but still played a crucial role in strengthening PT XYZ as a whole. Furthermore, PT XYZ recorded more than 30% of PT XYZ's consolidated revenue and nearly 40% of its net profit coming from subsidiaries. These figures indicate that PT XYZ is now not only dependent on the profits of the parent company, but also on the performance of its subsidiaries, whose roles continue to expand. Therefore, the operational health and governance of its subsidiaries are crucial factors for PT XYZ's future sustainability and growth.

The implementation of integrated governance is a crucial mechanism for protecting and strengthening this profit contribution. By integrating risk management, internal audit, and compliance, the parent company can gain more comprehensive visibility into risks emerging across the group. This enables faster decision-making, more efficient resource allocation, and a more coordinated response to critical issues. Furthermore, an integrated governance system helps prevent duplication of functions and procedures, reduces gaps in oversight, and ensures all entities operate under a single and consistent Good Corporate Governance (GCG) policy umbrella.

However, implementing integrated governance at PT XYZ is not easy. Currently, many PT XYZ subsidiaries still operate under a siloed governance model, where each entity has its own independent governance systems, policies, and procedures that are not vertically integrated with those of the parent company. This fragmented approach creates weaknesses, including uncoordinated risk management, ineffective internal audits due to duplication and gaps in oversight, and inconsistent compliance across entities.

Recognizing these challenges, PT XYZ management views integrated governance not merely as a form of regulatory compliance, but as a strategic necessity to ensure sustainable growth and mitigate risks. Experience from other industries, such as the banking sector, which implements strict governance standards, demonstrates that strong governance is a key prerequisite for stable growth. Therefore, the parent company, in this case PT XYZ, took the initiative to develop an integrated governance model that involves not only the Board of Directors in operational accountability but also the Board of Commissioners for more effective and consistent oversight. The role of the Board of Commissioners is crucial in ensuring that governance policies and practices are implemented uniformly across the group.

Without clear and structured guidance, the implementation of integrated governance has the potential to lead to operational disruption, inefficiency, and even resistance from subsidiaries. Therefore, an in-depth study is needed to formulate an integrated governance model that not only aligns with regulatory mandates but is also effective, efficient, and adaptive. The model must accommodate the unique characteristics of each subsidiary, creating synergies without creating excessive operational burdens and costs, so that the ultimate goal of strengthening GCG and contributing to profit can be achieved.

LITERATURE REVIEW

Good Corporate Governance (GCG)

According to Felix and Bayangkara (2022), good corporate governance is a process of regulating, checking, and balancing the relationships between stakeholders and shareholders with the company, based on laws and regulations. According to Rustam (2017), good corporate governance is a set of relationships between the company's supervisory board, directors, stakeholders, and shareholders. Corporate governance creates a structure that helps companies set goals, conduct daily business activities, consider stakeholder needs, ensure safe and proper business operations, comply with laws and regulations, and protect customer interests. Meanwhile, the National Committee for Governance Policy (KNKG) in 2006 emphasized that good corporate governance is necessary to promote efficiency, transparency, and consistency between the market and laws and regulations.

State-Owned Enterprise Governance

Integrated Governance, Integrated Internal Audit, and Integrated Compliance, as stipulated in Minister of State-Owned Enterprises Regulation No. 2/MBU/03/2023, ensure a holistic and coordinated approach to governance, risk management, and compliance. These frameworks are crucial for promoting accountability, transparency, and effectiveness within State-Owned Enterprises, thereby supporting the achievement of national economic goals and enhancing organizational sustainability. The integration of these three elements helps mitigate risks, optimize internal controls, and maintain legal and ethical standards, ultimately contributing to the long-term success of State-Owned Enterprises and their role in the economy.

Integrated Governance

According to Minister of State-Owned Enterprises Regulation No. 2/MBU/03/2023, integrated governance is an approach that integrates corporate governance, risk management, and compliance into a single system that aligns the strategic objectives of state-owned enterprises (SOEs). This integrated governance framework ensures that SOEs operate transparently, accountably, and effectively, while maintaining flexibility to adapt to a changing environment. This governance structure encourages collaboration between the supervisory body (consisting of the GMS, the Board of Commissioners, and the Board of Directors) and various stakeholders, to support efficient decision-making and oversight. The key points stipulated in PER-2/MBU/03/2023 aim to optimize corporate governance and improve the overall

performance of SOEs. The SOE Governance Principles require the implementation of Good Corporate Governance (GCG), which encompasses transparency, accountability, responsibility, independence, and fairness.

Integrated Internal Audit

According to the Institute of Internal Auditors, as cited by Bayangkara (2017), an integrated internal audit is an independent evaluation activity established within an organization to examine and evaluate services provided to the organization. The purpose of internal control is to assist members of the organization in performing their duties effectively. Internal audit is an evaluation function developed independently within an organization to examine and evaluate activities as a service to the business organization. According to Hery (2017), an internal audit is an independent evaluation activity within an organization to review activities in accounting, finance, and other operational areas that form the basis of services provided to management.

Compliance

Compliance refers to an organization's willingness to comply with established restrictions, which can be mandatory or self-regulatory. These restrictions are often referred to as "obligations" that must be met, such as tax obligations or internal company policies, known as "compliance obligations". Integrated Compliance, meanwhile, involves the coordinated management of compliance obligations within an organization. This encompasses compliance with mandatory regulations (external compliance) as well as voluntary internal guidelines, such as codes of ethics, standards of conduct, and internal company policies. This integrated compliance system emphasizes the importance of ensuring that all organizational actions align with applicable standards and regulations.

Integrated Risk Management

Integrated Risk Management, according to Ministerial Regulation of State-Owned Enterprises No. 2 of 2023, refers to a set of structured procedures and methodologies to identify, measure, manage, and monitor risks arising from all activities of State-Owned Enterprises (SOEs). Integrated risk management encompasses risk management at both the parent and subsidiary levels of SOEs, which are linked within a coordinated management system. Risk management is a series of steps encompassing risk identification, risk measurement, risk management actions, and ongoing monitoring of existing risks. All of this is done with the aim of maintaining the continuity and sustainability of SOE business activities and ensuring that emerging risks can be effectively addressed. Integrated risk management also encompasses an Internal Control System that ensures that risk management is carried out in a disciplined and continuous manner. This control encompasses oversight of the company's operational activities at every organizational level and unit. Risks occurring in SOE subsidiaries will be incorporated into the SOE parent company's risk taxonomy. This ensures that the entire risk portfolio within a SOE group can be managed in an integrated and effective manner.

Risk Management

The definition of risk based on ISO 31000, derived from ISO Guide 73:2009, states that "Risk is uncertainty that impacts objectives." This definition is often referred to as "objective-centric," meaning it centers on objectives as the anchor of the definition. Risk management is defined as a coordinated organizational activity related to risk. The main components of risk management are principles, frameworks, and risk management processes. Principles are the primary reference points that guide the implementation of risk management within an organization. Frameworks are the organizational structures and arrangements necessary to support the achievement of objectives and coordinated risk management. Risk management processes are the steps implemented to effectively manage risk.

Analytical Hierarchy Process (AHP)

The Analytical Hierarchy Process (AHP) is a general theory of measurement. This theory is used to derive ratio scales from pairwise comparisons, both discrete and continuous (Saaty, 2012). The Analytical Hierarchy Process (AHP) method is a decision analysis approach used to select or prioritize several alternatives based on several relevant criteria. The AHP involves a hierarchical structure consisting of objectives, criteria, and alternatives, and uses pairwise comparisons to determine the relative weight of each element in the hierarchy.

METHODS

This study uses a quantitative research approach. Data were obtained from primary and secondary sources. Primary data were collected through questionnaires. A total of 3 respondents participated, namely one from the board of commissioners (DEKOM) and one from the corporate secretary (SEKPER) and the head of the internal audit division. Secondary data were from annual reports, including financial statements, contracts, ownership status documents, and previous research journals. For data analysis, this study applies the Analytical Hierarchy Process (AHP) according to Saaty, 2012 by determining the main parameters, namely Business Line (subsidiaries directly connected to the parent company's supply chain, not related to the parent company's supply chain but supporting the pillars of the Company's Long-Term Plan (RJPP), or not supporting both), Size and Contribution (subsidiary contributions are measured by assets, capital, and net profit compared to the total of all subsidiaries), Status and Share Ownership (Operational status, Controlling or Non-Controlling Shareholders).

RESULTS

Subsidiary Risk Categories and Classifications

Subsidiary assessments are conducted to establish appropriate risk management standards. This is crucial because each subsidiary has different characteristics, ranging from operational complexity and size to its contribution to the parent company. Therefore, risk management needs to be tailored to the specific characteristics and needs of each entity. The following table shows the types of risks used in this research, referring to PT XYZ's risk categories:

Table I. Subsidiary Risk Categories and Classifications

No.	Subsidiary Name	Dimension of Size	Dimension of Complexity	Risk Classification	Category
1	PT BI	Large	High	Systemic A	Conglomerate
2	PT BI1	Large	High	Systemic A	Individual
3	PT BI2	Large	High	Systemic A	Individual
4	PT BI3	Large	High	Systemic A	Individual
5	PT BI4	Large	High	Systemic A	Individual
6	PT BP	Not Large	High	Systemic B	Conglomerate
7	PT BP1	Large	High	Systemic A	Individual
8	PT BP2	Large	High	Systemic A	Individual
9	PT BP3	Large	High	Systemic A	Conglomerate
10	PT EI	Not Large	High	Systemic B	Conglomerate

No.	Subsidiary Name	Dimension of Size	Dimension of Complexity	Risk Classification	Category
11	PT EI1	Large	High	Systemic A	Individual
12	PT IC	Large	Not High	Significant	Individual

Based on the risk classification in Table I, it can be seen that most of PT XYZ's subsidiaries fall into the Systemic A category, indicating a high level of risk with the potential for a significant impact on the group as a whole. This is primarily influenced by the relatively large size of the companies and their high level of operational complexity, such as PT BI1, PT BI2, and PT BP2. Meanwhile, several entities, such as PT BP and PT EI, are categorized as Systemic B, which, despite their high complexity, have a more limited operational size, resulting in a relatively lower systemic impact compared to those in the Systemic A category. In addition, there are also entities classified as Significant Individuals, such as PT IC, which, despite not having high complexity, still make an important contribution to the value chain due to their large business size. This mapping serves as the basis for determining priorities for strengthening integrated risk governance, where entities classified as Systemic A require primary attention in the application of risk management standards, while entities with other classifications still require a proportional approach appropriate to their characteristics.

Entity Scoring Parameter Determination

Determining parameters in Entity Scoring is a crucial step in developing proportionate and measurable subsidiary risk management standards. With clear parameters, each entity can be assessed based on its importance to the parent entity, enabling a more focused and effective risk monitoring process. The AHP hierarchical framework for assessing PT XYZ Group's subsidiaries can be seen in Figure 1.

Figure 1 Structure Analytical Hierarchy Process

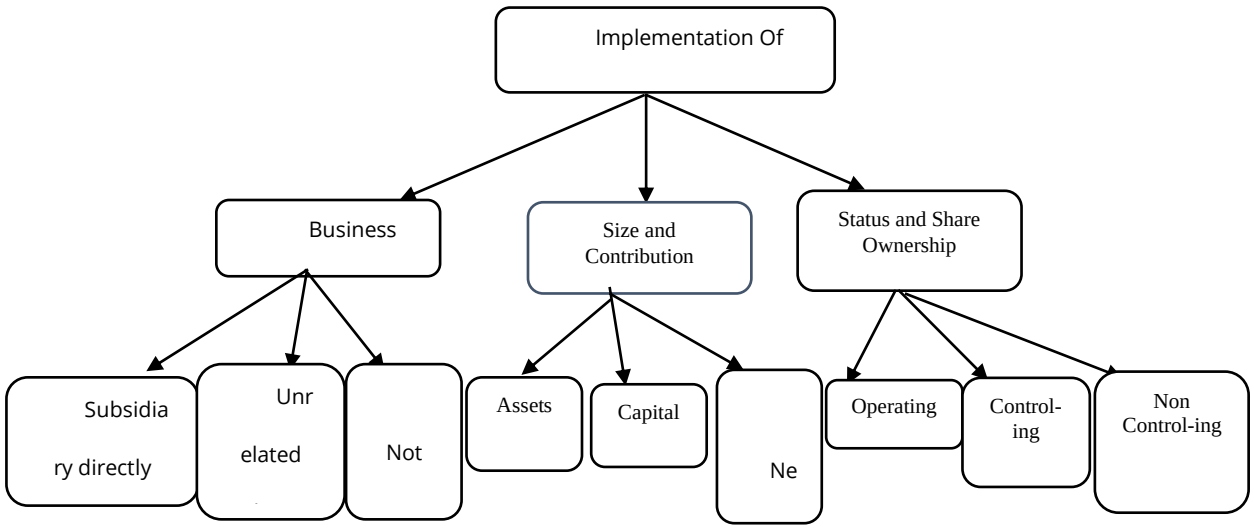

Figure IV.1 shows the structure of the Analytical Hierarchy Process (AHP) at PT XYZ Group. At the top level, the goal is to implement integrated governance at PT XYZ Group. To achieve this goal, three main criteria were established. First, Business Line, which assesses the relevance of subsidiaries to the parent company's core business. Second, Size and Contribution, which measures the extent of a subsidiary's financial contribution to the parent company's consolidated performance. Third, Status and Share Ownership, which assesses the subsidiary's operational condition and share ownership structure. Each criterion is then broken down into

several sub-criteria. Business Line consists of Subsidiary directly connected to the parent (Core), Unrelated but supporting RJPP (Adjacent), and Not supporting either (Non-Core). Size and Contribution consists of three indicators: Assets, Capital, and Net Profit. Meanwhile, Status and Share Ownership covers operational status (Operating) and ownership (Controlling and Non-Controlling). Through this hierarchical structure, AHP can be used to objectively weight each subsidiary, resulting in an entity score that reflects the level of importance and priority in risk management by the parent company.

Determining Weights with Analytical Hierarchy Process (AHP)

After the assessment parameters have been established, the next step is to determine the priority weight of each criterion. The weighting is determined using the Analytical Hierarchy Process (AHP) method, which enables a structured and systematic decision-making process through pairwise comparisons. In this study, the weighting is based on a questionnaire completed by expert respondents, who have a deep understanding of risk and operational governance within PT XYZ Group. The results of the pairwise comparisons are then processed using Excel to produce relative weight values that reflect the level of importance of each criterion and sub-criteria. Thus, the AHP method provides an objective basis for determining priorities for strengthening integrated governance in each subsidiary.

Calculating the Priority Weight of Each Criteria

Table 2 Ranking Criteria

Criteria	Normalized Eigenvector	Ranking
Business Line	0.596	1
Size & Contribution	0.175	3
Status & Share Ownership	0.228	2

Table 3 Consistency Test

Criteria	Weighted Sum Vector	λ max
Business Line	1.807	3.094
Size & Contribution	0.526	3.023
Status & Share Ownership	0.689	3.044
Average		3.017
CI		0.008
CR		0.015

Based on the eigenvector calculation results in Table II, the Business Line criterion received the highest priority weight, namely 0.596 (59.6%), thus ranking first. This indicates that the type of business line operated by PT XYZ's subsidiaries is the most dominant consideration in determining the relevance and priority of the entity. The Status and Share Ownership criterion received a weight of 0.228 (22.8%) and ranked second. This means that the aspects of company ownership and status are also considered quite important, although not as significant as the influence of the business line. Meanwhile, the Size and Contribution criterion received the smallest weight, namely 0.175 (17.5%), and ranked third. Thus, the company's size and level of contribution to the PT XYZ group are considered to have a lower influence than the other two criteria. Overall, these results confirm that in the context of determining priorities, the suitability of the business line is the main factor, followed by ownership/status, and finally the company's size and contribution.

Based on Table III, indicate that the average value of λ max obtained is 3.018. Based on this value, the Consistency Index (CI) was calculated at 0.008 and the Consistency Ratio (CR) at 0.015. Since the CR value is far below the threshold of 0.1, it can be concluded that the respondents' assessments in the pairwise comparison matrix are consistent. This demonstrates that the weighting results derived from the AHP method are reliable and can be used as a valid basis for determining the priority of criteria in the subsidiary entity scoring framework.

Calculating the Priority Weight of each Sub-Criteria
Sub-Criteria Business Line
Table 4 Ranking Criteria

Criteria	Normalized Eigenvector	Ranking
Subsidiary directly connected to parent company's supply chain	0.492	1
Unrelated but supporting RJPP pillars	0.409	2
Not supporting either	0.097	3

Table 5 Consistency Test

Criteria	Weighted Sum Vector	λ max
Subsidiary directly connected to parent company's supply chain	1.482	3.006
Unrelated but supporting RJPP pillars	1.230	3.005
Not supporting either	0.293	3.001
Average		3.004
CI		0.002
CR		0.003

Based on the results of the eigenvector calculation, the sub-criteria Subsidiary directly connected to parent company's supply chain obtained the highest priority weight of 0.492, placing it in the first rank. This indicates that subsidiaries that are directly related to the company's core business and supply chain are considered the most important in determining business line relevance.

The sub-criteria Unrelated but supporting RJPP pillars followed in the second rank with a weight of 0.409, showing that although these subsidiaries are not directly connected to the core supply chain, they still provide significant support to the company's long-term strategic plans. Meanwhile, the sub-criteria Not supporting either received the lowest weight of 0.097, ranking third, which implies that subsidiaries without a strong link to the core supply chain or RJPP pillars are considered less relevant in the evaluation process

The consistency test results indicate that the average λmax value is 3.0046, which is very close to the total number of sub-criteria. The Consistency Index (CI) is 0.002, and the Consistency Ratio (CR) is 0.003. Since the CR value is far below the threshold of 0.1, it can be concluded that the pairwise comparisons among the sub-criteria (Subsidiary directly connected to parent company's supply chain, Unrelated but supporting RJPP pillars, and not supporting either) are consistent. Therefore, the resulting priority weights are valid and reliable for use in the subsequent stages of the AHP analysis.

Sub-Criteria Size and Contribution

Table 6 Ranking Criteria

Criteria	Normalized Eigenvector	Ranking
Assets	0.311	2
Capital	0.173	3
Net Profit	0.515	1

Table 7 Consistency Test

Criteria	Weighted Sum Vector	λ max
Assets	0.941	3.019
Capital	0.521	3.010
Net Profit	1.561	3.030
	Average	3.004
	CI	0.010
	CR	0.017

The eigenvector calculation results in Table VI show that among the sub-criteria under Size and Contribution, net profit has the highest priority weight with a normalized eigenvector value of 0.515, placing it as the most influential factor in determining the importance of a subsidiary. This indicates that subsidiaries with higher profits to the parent company are considered more important in the context of governance and risk management.

Assets follow with a weight of 0.311, highlighting its role as the second most relevant indicator, especially in reflecting the financial strength and long-term sustainability of each entity. Meanwhile, Capital has the lowest priority with a weight of 0.173, indicating that although capital is relevant, its contribution is not as important as profit and assets in forming the overall assessment of the entity. These results emphasize that profitability is a key driver in assessing the contribution of subsidiaries, which aligns with the performance orientation of the parent company.

The consistency test results in Table VII show that the average λmax value obtained is 3.0200. Based on this value, the Consistency Index (CI) is calculated at 0.010, while the Consistency Ratio (CR) reaches 0.017. Since the RK value is far below the acceptable threshold, which is 0.1, it can be concluded that the pairwise comparison of respondents is consistent and logically aligned.

This means that the weighting results for the sub-criteria on Size and Contribution, namely Net Profit, Asset, and Capital are reliable and valid to be used as a basis for determining the priority of subsidiaries in the entity assessment framework.

Sub-Criteria Status and Share Ownership

Table 8 Ranking Criteria

Criteria	Normalized Eigenvector	Ranking
Operating	0.661	1
Controlling	0.165	3
Non-controlling	0.172	2

Table 9 Consistency Test

Criteria	Weighted Sum Vector	λ max
Operating	2.092	3.162
Controlling	0.503	3.043
Non-controlling	0.524	3.034
	Average	3.004
	CI	0.040
	CR	0.069

The results presented in Table VIII show that Operating holds the highest priority weight with a normalized eigenvector value of 0.661, ranking first among the sub-criteria. This finding indicates that the operational status of a subsidiary is the most critical factor in determining its governance priority within the PT XYZ Group. Meanwhile, Non-controlling ownership has a weight of 0.172 and ranks second, slightly higher than Controlling ownership with a weight of 0.165 in third place. These results suggest that, while status and share ownership remains relevant, the operational condition of the subsidiary plays a far more dominant role in shaping governance and risk management priorities.

The results of the consistency test in Table IX indicate that the average λ max value obtained is 3.162, which produces a Consistency Index (CI) of 0.040 and a Consistency Ratio (CR) of 0.069. Since the CR value is below the threshold of 0.1, it can be concluded that the respondents pairwise comparison judgments are consistent and acceptable. This consistency confirms that the priority weights assigned to the sub-criteria of status and ownership structure are valid and can be used as a reliable basis in determining governance priorities in the subsidiary entity scoring process.

Implementation of Integrated Governance at PT XYZ Group

As part of the implementation of integrated risk governance at PT XYZ Group, subsidiaries must be categorized based on their business characteristics, size, and inherent risks. Determining this type is crucial to providing risk management standards aligned with the subsidiary's risk profile and level. This proportional risk management standard aims to ensure effective, efficient, and tailored risk management for the needs of each entity. In this study, the determination model adopts three types of entities, reflecting a more granular approach compared to the two-type model applied in financial conglomerates. This adjustment is necessary because PT XYZ's subsidiaries operate across diverse sectors beyond coal mining, including logistics, energy, agribusiness, property, and healthcare, each with different contributions and levels of strategic importance.

In this study, entity classification is based on the risk characteristics and contributions of each subsidiary, identified through risk analysis and their respective business profiles. This classification considers the dimensions of size, operational complexity, and contribution to the group's value chain, resulting in three types of entities:

1. Type 1: Investment entities and non-core businesses with limited contribution or non-optimal performance. These entities are supervised mainly through centralized oversight by the parent company.
2. Type 2: Entities with moderate contribution, specific asset/equity thresholds, or those functioning as shared service centers (SSC). They have some degree of governance structure but with functions that can be combined with the parent's oversight.
3. Type 3: Strategic entities with significant contribution and direct relevance to PT XYZ's core business. These entities require full governance organs, including functional directors, internal audit, and independent risk oversight committees.

Table 10 Ranking Criteria

No.	Subsidiary Name	Category	Category	Type
1	PT BI	Supporting RJPP	Operating and full Controlling	Type 2
2	PT BI1	Direct supply chain	Operating and full Controlling	Type 3
3	PT BI2	Not supporting either	Operating and full Controlling	Type 2
4	PT BI3	Not supporting either	Operating and full Controlling	Type 1
5	PT BI4	Supporting RJPP	Operating and full Controlling	Type 2
6	PT BP	Direct supply chain	Operating and full Controlling	Type 3
7	PT BP1	Direct supply chain	Operating and Controlling	Type 3
8	PT BP2	Direct supply chain	Controlling	Type 2
9	PT BP3	Direct supply chain	Operating and full Controlling	Type 3
10	PT EI	Supporting RJPP	Operating and full Controlling	Type 2
11	PT EI1	Supporting RJPP	Operating and full Controlling	Type 2
12	PT IC	Direct Supply Chain	Controlling	Type 3

Table X shows the results of mapping 12 subsidiary entities of PT XYZ into organ types based on three main parameters: Business Line, Size & Contribution, and Status & Share Ownership. From the Business Line perspective, most entities engaged in logistics, trade, sea transportation, and mining are categorized as Direct Supply Chain (score 2) due to their direct role in the core coal supply chain (e.g., PT BI1, PT BP, PT BP1, PT BP2, PT BP3, PT IC). Meanwhile, entities that function more as long-term supporters of the RJPP, such as PT BI (investment holding), PT BI4 (health services), PT EI (energy diversification), and PT EI1 (energy O&M) obtained a score of 1 (Supporting RJPP).

Only a small number of entities, such as PT BI2 (agribusiness) and PT BI3 (commercial property), are categorized as Not Supporting Either (score 0) because their contribution is not direct to the supply chain or RJPP. Size & Contribution shows significant variation. Large and strategic entities like PT BP, PT BP1 and PT IC recorded high contributions to consolidated net profit (>5%), resulting in relatively higher Size & Contribution scores. Status & Share Ownership, the majority of entities are operating subsidiaries with full or nearly full ownership. Overall, the mapping results yield three categories of organ types.

Type 3 (Strategic/Core, High Risk) is occupied by entities that have direct involvement in the supply chain and make significant contributions (e.g., PT BI1, PT BP, PT BP1, and PT BP3, PT IC). Type 2 (Intermediate/Adjacent, Medium Risk) is occupied by entities that support the RJPP or supply chain but whose contributions are relatively moderate (e.g., PT BI, PT BI4, PT BP2, PT EI, PT EI1). Meanwhile, Type 1 (Non-core, Low Risk) is occupied by entities that make very small contributions and do not directly support the supply chain or RJPP, namely PT BI3.This mapping

emphasizes the principle of proportionality in risk governance. Strategic entities with high contributions are placed in a category with stricter risk governance standards, while entities with small contributions or non-core entities are given simpler oversight standards but remain integrated into PT XYZ's governance framework.

Roadmap Implementation Integrated Governance PT XYZ Group

This roadmap implementation emphasizes the principle of proportionality in resource allocation. comprehensive governance is focused on strategic and high-risk entities, while investment or small-scale entities are placed under centralized oversight. The approach ensures that governance is both efficient and effective, avoiding duplication of structures while safeguarding risk coverage across the group.

This three-type model is benchmarked against best practices in the financial sector (Bank X), where proportional governance is applied according to the size, significance, and systemic impact of each entity. This benchmarking is also consistent with regulatory provisions such as POJK 17/2023 on Integrated Governance, which explicitly allows for proportionality in risk oversight across conglomerates.

In the context of PT XYZ Group, this roadmap does not only serve as an internal guideline for structuring governance organs but also as a strategic instrument to strengthen parent–subsidiary synergy, enhance preparedness against risks, and ensure long-term business sustainability. The implementation plan for each type is as follows:

Table 11 Roadmap Implementation

Type	Short Term (Year 1–2)	Medium Term (Year 3–4)	Long Term (≥5 years)
Type 1	• Basic risk function (finance/compliance) • Risk monitoring by the parent company (centralized oversight) • Adoption of governance in accordance with that used by the parent company • Simple risk register and periodic reporting to parent	• Evaluate the effectiveness of the parent oversight model • Risk awareness training for entity management • Participate in the consolidation of the risk reporting group	• Remain within the group's Governance, Risk, and Compliance framework • Integrated risk and compliance reporting via the parent company • Review of company performance and sizing for consideration in completing the management organs in accordance with BUMN Ministerial Regulation No. 02/MBU/03/2023 • Build fundamental risk awareness and complience culture

Type	Short Term (Year 1–2)	Medium Term (Year 3–4)	Long Term (≥5 years)
Type 2	• Establishment simplified governance organ (risk coordinator or embedded compliance unit) • Prepare entity-level risk policy aligned with parent (risk appetite, code of ethics, compliance guidelines) • Adoption of governance in accordance with that used by the parent company • Consolidation of SPI and Internal Audit with parent oversight	• Partial implementation of three lines of defense • Develop consolidated risk reporting system (digital dashboard, early warning system • Compliance oversight with SOE regulations • Risk-based KPI alignment with RJPP objectives	• Full integration within the integrated GRC Framework (governance, risk, compliance, legal, sustainability) • Implementation of comprehensive risk awareness training and culture programs • Review of company performance and sizing for consideration in completing the management organs in accordance with BUMN Ministerial Regulation No. 02/MBU/03/2023 • Benchmarking with global standards (ISO 31000, COSO ERM) • Implementation of a risk awareness culture and comprehensive training
Type 3	• Establishment of Integrated Governance Committee and Risk Monitoring Committee in strategic entities. • Appointment of Risk Director /dedicated governance functions • Adoption of governance in accordance with that used by the parent company • Consolidated risk register and SPI integration	• Full implementation of the three lines of defense • Establishment of risk-based KPIs and GCG dashboards (Internal audit, Risk Director, KPR) • Enterprise wide risk management integration (project, HSE, reputation, ESG) • Consolidated risk reporting for parent & regulator	• Full integration within the integrated GRC Framework (governance, risk, compliance, legal, sustainability) • Implementation of comprehensive risk awareness training and culture programs • Review of company performance and sizing for consideration in completing the management organs in accordance with BUMN Ministerial Regulation No. 02/MBU/03/2023 • Benchmarking with global standards (ISO 31000, COSO ERM) • Implementation of a risk awareness culture and comprehensive training

Table XI roadmap implementation for three entity types in PT XYZ Group. In Type 1 entities, the implementation focus is on strengthening basic risk functions (finance and compliance), centralized risk monitoring by the parent entity, and the development of a simple risk register with periodic reporting. For Type 2 entities, implementation is directed at establishing a simple governance body (risk coordinator or compliance unit), developing entity-level risk policies aligned with the parent entity, and consolidating internal audit and SPI functions with parent entity oversight.

Meanwhile, Type 3, which is a strategic entity, prioritizes the establishment of an Integrated Governance Committee and a Risk Monitoring Committee, the appointment of a dedicated Risk Director, and the integration of the risk register and SPI on a consolidated basis. This implementation also emphasizes the overlapping activities across all entity types, namely the adoption of parent entity governance standards and periodic risk reporting, which serve as the foundation for uniform integrated governance across the group. Thus, this visualization not only shows the timeline of implementation but also emphasizes the different levels of governance complexity in each entity type.

DISCUSSION

This study found that the main challenges in implementing Integrated Governance at PT XYZ Group stem from its silo-based governance model and the diversity of its subsidiaries' business lines. Each entity operates within a distinct operational context. This heterogeneity, if not managed within an integrated framework, leads to fragmented oversight, duplication of controls, and limited risk visibility across the group. This finding aligns with Aguilera and Crespi-Cladera (2016) and the OECD (2021), which note that conglomerates with diverse portfolios struggle to maintain consistent governance practices.

The analysis of the hierarchy process (AHP) confirms that Line of Business (59.6%) is the most influential factor in determining governance integration priorities, followed by Status & Shareholding (22.8%) and Size & Contribution (17.5%). This suggests that subsidiaries within PT XYZ's core supply chain should be the primary focus of integration as they directly impact group performance.

In line with Ministerial Regulation No. 02/MBU/03/2023, integrated governance should be viewed not only as a compliance requirement, but also as a strategic mechanism to strengthen coordination, accountability, and sustainable growth.

CONCLUSION

Based on the research questions and the analysis results, the analysis results show that the current risk organs are not fully aligned with the subsidiary risk classification and applicable regulatory standards (SOEs Ministerial Regulation No. 02/MBU/03/2023 concerning Guidelines for Integrated Governance of SOEs). Through mapping the risk categories in each subsidiary of PT XYZ and gap analysis of the existing risk organs, significant gaps were found, especially in entities with large contributions and high complexity that do not yet have complete risk organs such as SPI, Risk Director, Risk Monitoring Committee, and Integrated Governance Committee (KTKT). This condition indicates the need to strengthen risk organs that are proportional to the risk classification and characteristics of each entity, so that the implementation of integrated governance is more effective and consistent throughout the PT XYZ group.

The results of this study in identifying the main parameters relevant in designing integrated governance into three main parameters, namely Business Line, Size and Contribution and Status and Ownership. Sub-criteria business line (Subsidiary directly connected to parent, Unrelated but supporting RJPP, Not supporting either), Size and Contribution (Assets, Capital, Net Profit) and status and share ownership (Operating, Controlling and non-controlling) have been determined

through the Analytical Hierarchy Process (AHP) method. The weighting results show that Business Line is the most dominant factor (59,6%), followed by Status & Share Ownership (22,8%), and Size & Contribution (17,5%). This finding confirms that the relevance of subsidiaries to the parent's core supply chain, operational status, and financial contribution are the main determinants in determining risk governance priorities.

The results of this study classify the types and standards of risk organs into three categories. Type 1 refers to entities with limited contributions and no direct relevance to the parent company's supply chain or RJPP, where risk oversight is conducted through basic functions and centralized monitoring by the parent company. Type 2 refers to entities that play a supporting role in the RJPP or have moderate contributions, requiring proportional governance structures such as risk coordinators, simplified compliance units, or consolidated internal audit functions under parent oversight, without establishing a fully independent risk organ. Type 3 refers to subsidiaries directly connected to the parent company's supply chain with significant contributions and higher risk exposures, which are therefore required to establish comprehensive governance structures, including the appointment of a Risk Director, Integrated Governance and Risk Monitoring Committees, consolidated risk registers, and board level oversight. The implementation plan is designed in three stage short term, medium term, and long term to ensure that governance capacity develops proportionally, beginning with the establishment of basic risk functions, progressing through the consolidation of the three lines of defense, and culminating in the full integration of enterprise risk management (ERM) within the group wide GRC framework.

LIMITATION

This study is limited by its focus on a single corporate group, PT XYZ Group, which may limit the generalizability of its findings to other conglomerates or organizations with different governance structures, ownership patterns, or regulatory environments. This research adopts a case study approach, which relies heavily on internal documents and policy reviews, which can introduce subjectivity and interpretation bias. The analysis focuses on the integrated governance process, which refers to the Minister of State-Owned Enterprises Regulation No. 02/MBU/03/2023.

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