TYPE OF GROUP OF COMPANIES

HOLDING

LIGHTNING
HEALTH CARE
FINANCE

PARENT

CHILDREN
GRAND CH

Coca-Cola
THE PROBLEMS OF GOVERNANCE

WHEN HOLDING COMPANIES CONTAINING BANKS:

- LESSON FROM 1988 CRISIS
- IRRESPONSIBLE LOAN TO THE GROUP
- MARK UP
- LACK OF TRANSPARENCY:
  - OFF BALANCE SHEET
  - LIMITED DISCLOSURES
THE CHALLENGES

- THE QUALITY OF ASSETS
- THE DIFFICULT FOR FINANCIAL STATEMENTS CONSOLIDATION:
  - POSSIBLE TO DO EARNING MANAGEMENT
  - OFF BALANCE SHEET TRANSACTION
- NEED STRONG INDEPENDENT DIRECTORS
- NEED EFFECTIVE AUDIT COMMITTEE
THE OTHER PROBLEMS

- FINANCING DECISION
- DIVIDEND ISSUE
- INVESTMENT ISSUE
- REPRESENTATION AND OWNERSHIP STRUCTURE ISSUES
- MANAGERIAL COMPENSATION AND TAX ISSUES
FINANCING ISSUE-AND GCG

- LOAN vs EQUITY
  - LEVERAGE
  - COST OF CAPITAL
  - SWAP

- STOCKHOLDERS-MANAGER CONFLICT
  - INSIDE TRADING
  - MINORITY INTEREST ABUSE
  - INTERNAL ACQUISITION

- THE CHALLENGE OF **TRANSPARENCY**
DIVIDEND ISSUE IN **GCG**

- FREE CASH FLOW AND SPECIAL DESIGNATED DIVIDEND:
  - COEFFICIENT OF DIVIDEND AND FREE CASHFLOWS
  - SHAKING THE MARKET
- STOCK vs CASH DIVIDEND
  - MARKET REACTION
  - COMPOSITION OF OWNERSHIP
- THE CHALLENGE OF **ACCOUNTABILITY**
INVESTMENT ISSUE

- MORAL HAZARD IN INVESTMENT
  - INVESTMENT WITH NEGATIVE NPV
  - INVESTMENT NON-ARMLENGHT

- INVESTMENT OPPORTUNITY SET (IOS)
  - PECKING ORDER THEORY

- CONFLICT OF INTEREST IN GROUP COMPANY

- THE CHALLENGE FOR FAIRNESS
REPRESENTATION AND OWNERSHIP STRUCTURE ISSUES

- Research says that ownership structure influence the market.
- For emerging countries, the foreign ownership impact to the market value thru better implementation of GCG.
- The challenges to the independency is raised when the holding involved in policy making excessively.
MANAGEMENT COMPENSATION AND TAX ISSUES

- MANAGEMENT COMPENSATION IS THE HOT ISSUES LATELY, IN INDONESIA THERE IS NO WELL ESTABLISHED REMUNERATION STANDARDS OR MARKET
- THE TAX FOR TRANSFER PRICING AMONG CORPORATE FAMILY IS ALSO AN ISSUE
- CHALLENGE FOR FAIRNESS
GOOD CORPORATE GOVERNANCE

Internal culture

Regulation forces

Global needs

GOOD CORPORATE GOVERNMENT
AGENCY THEORY

- MORALE HAZARD
- BOUNDED RATIONALITY
- RISK AVERSE

EVERY EFFORT TO REDUCE THE INFORMATION ASSIMETRY WILL INCREASE AGENCY COSTS

INFORMATION ASSIMETRY

ADVERSE SELECTION
SISTEM GOVERNANCE

MARKET

ECONOMIC GOVERNANCE

CORPORATE GOVERNANCE

ADMINISTRATIVE GOVERNANCE

PUBLIC POLICY

POLITICAL GOVERNANCE

POLICY IMPLEMENTATION
PARADIGM SHIFTING IN REPORTING

MNGT-OWNER

STOCK HOLDERS

STAKEHOLDERS

PROPRIETARY THEORY

ENTITY THEORY

INTERPRISES THEORY

STAKEHOLDERS ENFORCE MORE INFORMATION TO REDUCE INFORMATION ASSIMETRY AND TO AVOID ADVERSE SELECTION