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THE INFLUENCE OF MANAGERIAL OWNERSHIP AND CHARACTERISTICS OF THE BOARD OF COMMISSIONERS ON COMPANY PERFORMANCE

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The purpose of this study was to analyze the effect of managerial ownership and the characteristics of the board of commissioners on company performance. This study uses 212 samples of manufacturing companies listed on the Indonesia Stock Exchange for the period 2018 to 2020. The analysis used in this study is a Multiple Regression analysis model which is processed with SPSS 20 software. This study uses a total sample of 292 companies. The results of this study state that the existence of an independent board of commissioners in the company has a significant positive effect on firm value. The second hypothesis states that managerial ownership has a significant positive effect on company performance..

Keywords: Managerial Ownership, Characteristics, Performance

1. INTRODUCTION

Corporate governance is the bond between management, the board of commissioners, investors and stakeholders in the company (Dewi, 2017). Corporate governance is a process in which auditors and commissioners are responsible for investors and stakeholders. For shareholders, corporate governance can give them confidence in the investments made, for corporate stakeholders with corporate governance, companies can provide guarantees in managing impacts on the community environment in a responsible way. Financial performance is an important thing to be achieved by the company or becomes a picture of the condition of a company, so that it can be known about the good and bad conditions.

Financial performance for the company is used to measure how effective the company is in managing assets in generating profits. Financial statements are used as the basis for assessing the company's performance (Ahmad & Amanah, 2014). The financial statements used to measure the success of the company's operations within a certain period of time are the income statement, but the profit figures generated in the financial statements are influenced by the accounting methods used in the company. So that the income statement does not reflect the performance of the company. Investors usually use other alternatives to measure company performance, investors calculate with Tobin's Q (Maftukhah, 2013). Tobin's Q is a better measure in providing an overview not only on the fundamental aspect, but also from the external aspect, namely shareholders and stockholders.

In an effort to overcome and prevent things that are not desired by shareholders, it is necessary to supervise the decision-making process taken by the company's management. Corporate Governance provides a framework for controlling and directing a particular organization. The aim is to provide direction and see the activities carried out by the dir ectors of the organization owned by shareholders (Turtius & Cristiawan, 2009). This system manages to improve the accountability and performance of the company by allocating rights and responsibilities in the right way such as sharing responsibilities among the board of directors, managers and stakeholders (Fatimah et al., 2017).

Various implementations of good corporate governance mechanisms need to be enforced in order to achieve maximum company financial performance. Companies that implement good corporate governance need parties or groups to monitor the implementation of directors' policies, therefore the independent board of commissioners is a key part of the corporate governance mechanism (Dewi &

Nugrahanti, 201. The independent board of commissioners plays an important role in directing strategy and overseeing the running of the company and ensure that managers actually improve the company's performance as part of achieving company goals.The independent board of commissioners is the core of corporate governance tasked with ensuring the implementation of corporate strategy, supervising management in managing the company and requiring accountability so that it can improve the performance of the company (Dewi & Nugrahanti, 2017).

In addition to the independent board of commissioners, the share ownership structure, which consists of managerial ownership and institutional ownership, also has a significant influence on the implementation of good corporate governance. Supervision of company management by managers will be more stringent when share ownership is concentrated. With concentrated share ownership, the diversity of shareholder interests is reduced, so there is the possibility of creating collaboration between managers and shareholders to improve company performance (Pradipta et al., 2019).

Agency theory explains that financial institutions and private investors invest in businesses with the intention of making a profit, therefore knowing the financial growth and stability of the business is their most important concern (Jensen and Meckling, 1976). In this case, the separation of ownership and control results in agency problems. Under this issue, investors and management are considered as actors and agents, respectively. Following this theory, actors have a wealth maximization goal and managers have their own interests that may conflict with the interests of shareholders. To overcome this problem, there is a strong need to have effective corporate governance (Jensen and Meckling, 1976)

2. LITERATUR RIVIEW

In the corporate governance structure in Indonesia, the position of the board of commissioners is the highest manager of the company with a supervisory function. To assist in carrying out its supervisory function, the Board of Commissioners may form committees under it, for example the audit committee. The audit committee plays an important role in creating good corporate governance in a company. A company is said to be good if good corporate governance is in accordance with the OECD standards that apply in Indonesia (Ariningrum & Diyanty, 2017).

Independent commissioners act as representatives of stakeholders to oversee the company's activities. An independent commissioner is in the best position to carry out the monitoring function in order to create a company with good corporate governance. Hardikasari's research (2011) states that the larger number of independent commissioners can encourage the board of commissioners to act objectively and be able to protect all company stakeholders (Fatimah et al., 2017). This will relate to the more objective recognition of expenses or profits owned by the company. Wulandari, (2006) also in his research revealed that independent commissioners have a positive effect on financial performance.

H1: independent board of commissioners has a positive effect on company performance

Managerial ownership is the number of shares owned by the management (manager). Managerial share ownership can help pool the interests of shareholders and managers. The higher the proportion of managerial share ownership, the better the company's performance (Wulandari & Budiartha, 2014). In companies with managerial ownership, managers who are also shareholders will of course align their interests as managers with their interests as shareholders. Meanwhile, in companies without managerial ownership, managers who are not shareholders may only be concerned with their own interests (Fatimah et al., 2017).

Bos, Pendleton, and Toms (2011) show that managerial ownership has a significant effect on company performance as measured by ROE, Tobin's Q Ratio, and CSARR. The division of managerial ownership is important because each shareholder group has different financial incentives. Jensen and Meckling (1976) state that to reduce conflicts of interest between agents and principals, it can be done by increasing managerial ownership in a company. Managers who are also shareholders will increase the value of the company so that with increasing company value, the value of their wealth as individual shareholders will also increase (Cristiawan and Turtius, 2009; Fatimah et al., 2017).

H3: Managerial ownership has a positive effect on the company's financial performance.

3. METHODS

The population of this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2018-2020. This study uses secondary data taken from the information presented in the Annual Report. A total of 292 companies were selected as research samples based on purposive sampling technique with criteria on.

Definition of operational variables

The research dependent variable is the performance of companies. In general, there are two bases for measuring the performance of a company, namely accounting-based measurements and market-based measurements (Ali et al., 2007). According to Al-Tuwaijri et al, (2004) accounting based measurement is a measurement using ratios or comparisons on the accounts in the financial statements. Meanwhile, market-based measurement measures the company's performance by using a comparison between stock prices and the rate of return obtained by investors. Financial ratios are designed to evaluate financial statements that contain data about the company's position at a point and the company's past operations (Brigham and Joel, 2006). Tobin's Q is defined as the market value of equity plus the book value of debt divided by the book value of assets. According to Chung & Pruitt, (1994) Tobin's Q is formulated as follows.

In this study, the categories of board characteristics are female commissioners and term of office. Female commissioners are representatives of women who serve on the board of commissioners. Female commissioners can be an indication of the gender diversity of the board (Issa & Fang, 2019). The measurement of female commissioners in this study follows the research of Hoang et al., 2016, namely two categories of men and women.

The term of office of the commissioner provides an indication of the longer the board of commissioners serves in the company. Long tenure makes commissioners work more shrewdly because they have more experience so that knowledge of the company is wider and shareholders' trust in the performance of the board of commissioners is effective (Ahmadi et al., 2018; Livnat et al., 2021). The measurement of tenure in Patro et al., (2018) is using the current year minus the year he first became a commissioner plus 1, after that the tenure is based on five categories: 0-5 years, 6-10 years, 11-15 years, 16-20 years, >20 years.

Educational background shows the basic knowledge and abilities of the board of commissioners in a company. Board characteristics with diverse educational backgrounds can provide different perspectives and more innovative ideas in providing advice to company management. The measurement of educational background follows the research of Oh et al., (2019), which uses three categories: natural sciences, social sciences and applied sciences.

4. RESULTS AND DISCUSSION

Based on the results in table 2 descriptive statistics, it can be seen that the company value (TOBINQ) has a minimum value of 0.30 owned by Alkindo Naratama Tbk in 2017 and a maximum value of 23.29 owned by PT Unilever Indonesia Tbk in 2018. Average The average company value owned by all sample companies is 3.72375 with a standard deviation of indicating that the value of the company being sampled is homogeneous data. This condition shows that investors' perceptions of the performance achieved by the company are the same for the companies that are sampled.

The first independent variable in this study is managerial ownership whose measurement is based on comparing or comparing the total shares by managers with the total shares outstanding. Referring to the results of descriptive statistical tests, the smallest value of managerial ownership is 0.00 with the largest value of 0.29. the average value of .0303 reflects that 3.03% of the shares of all the sample companies are owned by managers within the company. The standard deviation value is

0.07189, the average value reflects the variation in the managerial ownership data sampled in the high study.

The second independent variable in the study is the independent board of commissioners as measured by the ratio of the board of commissioners, namely the independent board of commissioners divided by the entire board of commissioners. the average score obtained is 0.4132, which means that the independent board of commissioners in Indonesia is on average 41.32% of the total number of commissioners in manufacturing companies.

The first control variable is ROA, ROA is measured using operating income after tax divided by total assets. The average return on assets in manufacturing companies in Indonesia is 0.0495. With a standard deviation of 0.12355, the average value reflects the variation in managerial ownership data that is sampled in the high study

The second control variable is company size which is measured using the natural logarithm of assets. The results of the study show that the average company size is 28.2566, which means the average number of assets of manufacturing companies that disclose audit fees is 3.1 trillion.

The second control variable, which is a public accounting firm, is measured using a dummy, a score of 1 if the company uses the services of a BIG4 public accounting firm and a score of 0 if it uses a public accounting service other than BIG4. The results of the study obtained 68 companies using the BIG4 public accounting firm with a percentage of 32.1%. There are 144 companies that do not use BIG4 bulig accountants with a percentage of 67.9%.

Table 1: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tobin's	212	.30	23.29	3.0548	3.72375
KM	212	.00	.29	.0303	.07189
BOC	212	.17	1.00	.4132	.12355
ROA	212	-.46	1.85	.0495	.17583
ASET	212	18.76	32.16	28.2566	2.18528
Valid N (listwise)	212				

Variabel Dummy			
Variabel	%Score1	%Score0	total%
BIG4	(68) 32.1%	(144) 67.9%	(118) 100%

Regression Analysis Results

The hypothesis in this study was tested with moderated regression analysis. Prior to the moderating regression test, the researchers tested the classical assumptions, namely the data normality test, heteroscedasticity test, and multicollinearity test. The classical assumption test was carried out to find out the research data that were normally distributed and the data were free from heteroscedasticity and multicollinearity. This research model is feasible to do multiple linear regression test because it has passed the classical assumption test.

The adjusted R2 value is 0.368, which means that the independent variable is able to explain the dependent variable by 36.8% while the remaining 63.2% is influenced by other factors outside the research model. The results of the influence of managerial ownership on firm performance show a significance value of 0.000 which indicates that managerial ownership has a positive effect on firm value. The second hypothesis states that the independence of the board of commissioners shows a value of 0.002 which indicates that the independent board of commissioners has a positive effect on company performance.

Table 2: Test Statistics

Variabel	Regresi Linier Berganda		
	B	T	Sig
(Constantat)	-6,918	-2,454	0,015
KM	19,700	6,609	0,000
BOC	5,204	3,098	0,002
BIG4	2,187	4,759	0,000
ROA	0,325	0,257	0,783
ASET	0,230	2,326	0,021
Adjustes R^2	0,368		
F-value	25,523		
Sig	0,000		

Influence of Independent Board of Commissioners on Company Performance

The results of research conducted on this research model show that the results are consistent with the first hypothesis which states that the independent board of commissioners has a significant positive effect on firm value. The significance level is 5% (0.002 < 0.05), so H1 is accepted. The explanation of the results in this study is that companies that have more independent boards of commissioners can improve company performance.

In the corporate governance structure in Indonesia, the position of the board of commissioners is the highest manager of the company with a supervisory function. To assist in carrying out its supervisory function, the Board of Commissioners may form committees under it, for example the audit committee. The audit committee plays an important role in creating good corporate governance in a company. A company is said to be good if good corporate governance is in accordance with OECD standards that apply in Indonesia.

Independent commissioners act as representatives of stakeholders to oversee the company's activities. An independent commissioner is in the best position to carry out the monitoring function in order to create a company with good corporate governance. Hardikasari's research (2011) states that the larger number of independent commissioners can encourage the board of commissioners to act objectively and be able to protect all company stakeholders. This will relate to the more objective recognition of expenses or profits owned by the company. Wulandari (2006) and Widyati (2013) also in their research reveal that independent commissioners have a positive effect on financial performance.

The Effect of Managerial Ownership on Company Performance

The results of research conducted on this research model show that the results are consistent with the second hypothesis which states that managerial ownership has a significant positive effect on firm value. The significance level is 5% (0.000 < 0.05), so H1 is accepted. The explanation of the results in this study is that companies whose managers have share ownership in the company can improve company performance.

Agency theory explains that financial institutions and private investors invest in businesses with the intention of making a profit, therefore knowing the financial growth and stability of the business is their most important concern. In this case, the separation of ownership and control results in agency problems. Under this issue, investors and management are considered as actors and agents, respectively. Following this theory, actors have a wealth maximization goal and managers have their own interests that may conflict with the interests of shareholders. To overcome this problem, there is a strong need to have effective corporate governance.

The division of managerial ownership is important because each shareholder group has different financial incentives. Jensen and Meckling (1976) state that to reduce conflicts of interest between agents and principals, it can be done by increasing managerial ownership in a company. Managers who are also shareholders will increase the company's performance so that with increasing company value, the value of their wealth as individual shareholders will also increase (Christiawan and Tarigan, 2007).

4. CONCLUSIONS

This study aims to analyze the effect of independent commissioners and managerial ownership on company performance. Based on the first hypothesis testing, it was found that the existence of an independent board of commissioners in the company has a significant positive effect on firm value. Companies that have more independent boards of commissioners can supervise management in doing better and as representatives of shareholders so as to improve company performance. The second hypothesis states that managerial ownership has a significant positive effect on company performance. Companies whose shares are owned by management can make managers work better because management also owns shares in the company so that management can improve company performance. Suggestions for further research are to add variables that have an influence on company performance such as related party transactions, military connection and busy CEO. Research can also be done by adding moderating variables or intervening variables.

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