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Corporate Governance Characteristics and Company Performance

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Abstract. The research analyzes the determinant of corporate governance characteristic in relation to company performance in family firms listed in Indonesia Stock Exchange in the period of 2004-2009. The research uses quantitative approach, explanatory type and uses numerical data as secondary data obtained from various sources. The result shows that only PER variable is significantly influenced by corporate governance characteristic with proxies of ownerships, board size, and board composition, and controlled with the variables of sales, firm age, firm leverage, tangibility, firm size, growth, and debt in public firms listed in Indonesia Stock Exchange in the period of 2004-2009; in general, investors basically perceive company performance from the market value ratio in the form of company's stock price interchange instead of the profitability ratio with the proxies of ROA and ROE; the variables of ownerships, board size, and board composition statistically do not affect ROA, ROE, and PER.

Keywords: corporate governance, company performance, and market value ratio.

Abstrak. *Penelitian ini dilakukan untuk menganalisis determinan dari corporate governance characteristic dalam kaitannya dengan company performance pada family firm yang terdaftar di Bursa Efek Indonesia periode 2004-2009. Penelitian ini menggunakan pendekatan kuantitatif, tipe eksplanasi dan menggunakan data numerik sebagai data sekunder yang diperoleh dari berbagai sumber. Hasil penelitian menunjukkan bahwa pada dasarnya hanya variabel PER yang secara signifikan dipengaruhi oleh characteristic corporate governance yang diproksikan dengan ownerships, board size, dan board composition dan di kontrol dengan variabel sales, firm age, firm leverage, tangibility, firm size, growth, dan debt pada perusahaan publik yang terdaftar di Bursa Efek Indonesia periode 2004-2009; hasil juga menunjukkan bahwa secara umum investor pada dasarnya hanya melihat kinerja perusahaan dari market value ratio berupa pergerakan harga saham suatu perusahaan bukan pada profitability ratio yang diproksikan dengan ROA dan ROE; variabel owerships, board size, dan board composition secara statistik tidak berpengaruh terhadap ROA, ROE, dan PER.*

Kata Kunci : *corporate governance, kinerja perusahaan, corporate governance, characteristic, dan market value ratio*

INTRODUCTION

Corporate Governance was born out of the concept related to management monitoring in the process of good decision making. La Porta et. al. (2000) affirm that Corporate Governance is a monitoring mechanism aimed to protect investor assets from exploitation done by the insider. La Porta et. al. (2000) further state that Corporate Governance appears when the insiders in a corporation have motivation and chance to utilize investor assets for their personal interests. The essence of Corporate Governance implementation is to ensure the protection and monitoring on investor assets; there is no more effective monitoring mechanism compared to direct monitoring by the stakeholders, even though through delegation to certain party.

The monitoring is reflected in a set of system regulating and controlling a company to create added value for the interests of the entire stakeholders in a company. This set of system is organized in the form of company's organs, consisting of directors, board of commissioner, and Stakeholders General Meeting, as important components of a company. Those organs work in integrated manner to create added value for the interests of the company. This means, the success and survival of a firm or organization are very much dependent on the ability of its organizational apparatuses (the firm's organs) to control the whole resources it owns (Pfeffer and Salancik, 1978). Pfeffer and Salancik (1978) further state that the firm's leading component (in this case the boards, both the board of directors and the board of commissioners) hold a significant control in managing resources and assisting the firm's strategy design.

The research analyzes the determinants of corporate governance characteristic in relation to company performance in family firms and non-family firms listed in Indonesia Stock Exchange in the period of 2004-2009. The main determinant of corporate governance

characteristic refers to three important measurements, i.e. board size, board composition, and managerial ownership that are later controlled by several variables, i.e.: sales, firm age, financial leverage, asset tangibility, firm size, growth opportunities, and debt. Managerial ownership is portrayed in two different models. First, managerial ownership is portrayed as the percentage of managerial stock ownership (director or commissioner) on the firm's total stocks. Second, managerial ownership is portrayed as a dummy variable representing family firms and non-family firms.

Generally the research aims to: (1) analyze the characteristic of family firm and non-family firm on public companies in Indonesia, particularly in its relation to the strengthening of the Board of Commissioner's role in the implementation of Corporate Governance, and (2) to analyze the influence of corporate governance characteristic on the performance of family firm and non-family firm in public companies listed in Indonesia Stock Exchange in the period of 2004-2009

The research is based on other researches done by Jensen and Meckling (1976) as well as Fama and Jensen (1983) indicating that the principals will implement thorough monitoring on the agents' conducts (executive directors of the board and the overall management) that tend to benefit their personal interests. Jensen and Meckling (1976) and Fama and Jensen (1983) further assert that: Family leadership enables the owners of the firm to exercise full control over the corporate insiders (paid executive directors of the board) and the overall management. This frees the family controlled firms from incurring a huge agency cost and can therefore benefit the promoters enormously. Further, this ensures a lot of involvement from the promoter of the firm ultimately leading to the fullest utilization of the resources and other capabilities of promoter.

The first proposition further developed is family firm tends to reduce agency problems. Such opinion is based on the researches by Jensen and Meckling (1976), Fama and Jensen (1983), Casson (1999), Chami (1999), and Maury (2006), asserting that the great ownership by the firm's promoter family contributes to the less conflict between the firm owner (principals) and manager (agents). The individuals from the founder family will become the executive board of the firm. In this case, the kinship formed becomes the fundamental business reason of the firm with family ownership structure in order to reduce agency problem.

The second proposition is family firm tends to have better performance compared to non-family firm, although some researches also show contrary results. Morck, Shleifer, and Vishny (1988) affirm that a firm's value measured by Tobins Q will increase when the promoter family has a strong position in the firm. A firm established by most of family members basically has an altruism characteristic, where familial relation will itself encourage the great loyalty and commitment to the firm, and eventually create a more effective management and support a better performance of the firm (La Porta, et. al, 1998). Anderson and Reeb (2003) indicates that family firm performance is better than non-family firm performance. Saito (2008) finds that family firm has a better performance than non-family firm if the firm if it is managed by promoter family who is active in the firm management. Different result will be obtained if family firm is managed by the descendants of the promoter.

Basically corporate governance is a system related to the firm management. It is related to mechanism of power division and management organization in order to achieve the firm goals. Monks and Minow (1995) states that:

".... the single major challenge addressed by corporate governance is how to grant managers enormous and discretionary power over the conduct of the business while holding then accountable for the use of the power."

The opinion is further strengthened by Turnbull (1997) who affirms that: "corporate governance describes all the influence affecting the institutional processes including those for appointing the controllers and/or regulators...."

Turnbull (1997) emphasizes that the firm management must consider the factors of "controllers and regulators". Both are significant factors affecting corporate governance implementation. Lukviarman (2004) defines corporate governance as the entire unity that includes legal, cultural aspects, and other institutional components that determine what conduct done by the corporation, which party control the corporation, how the controlling is implemented, what are the risks and benefits of the activities conducted. The main factor that becomes corporate governance focus is the firm or corporation management based on the capability of organization leaders in controlling the whole activities of the firm, both internal and external.

The focus is manifested through the central role of two business organization actors, i.e. Board of Director (BOD) and Board of Commissioners (BOC)–(Nugroho, Umanto, and Kusumastuti, 2011). The Board of Directors (BOD) is the leading component that works full time, prohibited to have other job; BOD's central role is in its activities of operationally managing the firm through various strategic decisions. In the meanwhile, Board of Commissioners (BOC) is commissioner and independent commissioner components as well as various committees under them. The main function of BOC is responsible for strategic planning process, for the firm's risks, for monitoring directors' performance, monitoring the firm to

ensure that the firm is in the condition suitable with the policy that has been determined, monitoring the direction and the running of the firm according to the principles of corporate governance (Yuristisia and Lukviarman, 2010).

Capital structure composition is the reflection of ownership structure composition in a company. The concentration of capital ownership in a firm affects the domination of the owner's interests in achieving the firm's goals. This means the owner's domination on the capital structure contributes to the approach used corporate governance implementation. Therefore the owner's perspective on the capital structure contribution also means the domination of ownership interest on the given investment and available capital toward the benefit on values produced by the firm in the future. Ownership structure is divided into two, i.e. family ownership and institutional ownership. First, family ownership that is related to spread or diversified ownership structure can only be found in developed countries such as United States and Britain; while in developing countries, most companies have family ownership i.e. companies owned or controlled by promoters of the company. Second, institutional ownership is when institutional investors have more assets of information source than non-institutional investors who tend to use more relevant information even though it is more expensive, thus they have higher earning expectation (El-gazzar, 1998; Bhattacharya, 2001). In the meanwhile, the classical theory of managerial firm, asserted by Baumol (1959), Galbraith (1967), Marris (1964), Williamson (1964) as also cited by Gorriz and Fumas (1996), states that the types of the firm's ownership and control are divided into two, i.e.: (1) the firm owned by many stakeholders and controlled by management, (2) the firm owned and controlled by certain family or individuals. Both types have different influence on the company performance.

The Board of Commissioner is the representation of stakeholders that contributes to the effectiveness of the firm's goals achievement in the future. The different perspectives and interests owned by members of the board is the interpretive approach done to achieve the firm's goals that affects the approach used and contributes to the effectiveness of the firm's goals achievement. In his study, Knell (2006) offers a perspective on the role of the board in a firm's organization, that is "[t]he Board should collectively understand the market place of the business, the needs of the stakeholders of the business, the personal responsibility of each director, executive or NED, to act in the company's best interests. Such condition leads to diversity and uniqueness that affect the orientation value built by the firm to deal with the opportunity and challenge in the future. Knell (2006) asserts that"All directors must take decisions objectively in the interests of the company" Perceived from the role of BOC on the firm's activities, the commissioner has a strong role and contribution on goals achievement and on the firm's value intensification. BOC is an interactive form of individual value that also interacts with each other in forming values, preferences, and orientation in organizational level, has stronger authority and bargaining power in giving intervention and affects the firm's management activities. On the other side, BOC is stakeholders who play role in educating and advising the firm's actors, but does not directly intervene with the firm's management activities. Competence, skills, independence and integrity owned by BOC must be considered to understand the condition and problems of a firm. Thus it is expected that the Board of Commissioner has a better understanding and perspective in identifying the condition and problems occurred, and offers independent consideration and solution for the firm management. Therefore the better the competence, skills, and integrity of Board of Commissioner, the better they are capable of producing excellence in providing appropriate information, advice and suggestions while encountering problems occurred in the firm.

Agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983) basically assumed that human is a rational actor who aims to maximize his individual profit. The theory comes from the concept of separation between ownership and control that later creates the behavioral relation between principald and agents (Jensen and Meckling, 1976), where principals execute internal control to continuously monitor agents' behavior that tends to prioritize their own interests. Colarossi, et al, (2008) affirm that: ... agency relationship, than is an incomplete contract between a principal (the family owners) and an agent (the non-family managers). In this case agency cost is portrayed as a relation between principals and agents, in which promoters will become principals when they do a contract with the executives to run the firm for them. The agents from principals are eventually responsible in maximizing the stakeholder profit. As the agents of the principals, the executives sign a contract with the status as agents, even though eventually agents have the chance to maximize their own interests. Therefore in a modern company, agents and principals have the motivation to maximize their own interests. Principals invest their funds in the company and design a managerial system to maximize their profit; while agents bear the responsibility to manage principals' investments, simultaneously also get the chance to obtain more profit.

Anderson and Reeb (2003) and Villalonga and Amit (2006) define family firm as a firm where founder or founder's family act as officers, directors or own at least 5% of the firm's equity. Anderson and Reeb (2003) state that

"the family represents a unique class of shareholders with poorly diversified portfolios, who are long term investors (multiple generations) and often control senior

Table 1. Research Samples Taking

Step	Procedure	Total
1	Non-financial companies listed in Indonesia Stock Exchange (PT. BEI) in the period of 2004-2009	220
2	Non-fixed companies listed at least 5 times in the index in the period of 2004-2009	-10
3	Non-family firms	177
4	Family firms	33
	Total of samples	220

Table 2. Descriptive Statistic Year 2004–2009

	Minimum	Maximum	Mean	Std. Deviation
Board_Size	2.00	11.00	4.22	1.84
Board_Com	0.00	0.75	0.32	0.16
Sales	13.85	40.21	27.31	2.15
Firm_Age	0.00	4.83	3.25	0.54
Leverage	-26.91	631.83	1.38	18.46
Tangibility	0.00	0.96	0.37	0.23
Firm_Size	13.98	32.21	27.34	1.89
Growth	-1.00	6.15	0.17	0.50
Debt	0.00	3.80	0.22	0.30
Man_Ownership	0.00	0.51	0.02	0.05
Number of Observation	1246	1246	1246	1246

management position. Hence, family firms are those in which the founder and his or her relatives have a majority stake in managing and controlling the affairs of the firm"

The opinion is then affirmed by Andres (2008) who defines family firm as a firm whose shares are minimally 25% owned by certain family or if it is less than 25% there are family members who hold positions in the firm's Board of Directors or Board of Commissioners. In the meanwhile, Saito (2008) asserts that family firm is a firm where the founder's family affects the policies, strategies, personal issues, and other parts in the firm through their ownership and participation in the firm's management. The ownership of many go-public firms is predominantly held by certain family or concentrated on a family. In this case, a family firm is characterized by predominant or majority ownership that is concentrated by certain family or individual. The founder's family usually owns the predominant shares in a family firm (Ayub, 2008). Family firm can also be defined as a business form where a family gives power and strategic direction to the organization through ownership, top management, and position in the board (Pieper, et al, 2008).

RESEARCH METHODS

The research uses quantitative approach. It uses numerical data as secondary data obtained from various sources. The research is of explanatory type. (Catranti, 2009). It measures the determinant of corporate governance characteristic by two variables, i.e. board size and board composition on the company performance measured by (1) ROA (Return on Asset), (2) ROE (Return on Equity), and (3) PER (Per Earning Ratio) of family firm and non-family firm listed in Indonesia Stock Exchange (BEI) in the period of 2004 to 2009. The research also uses several controlling variables, i.e.: (1) sales, (2) firm age, (3) financial leverage, (4) firm size, (5) growth opportunities, and (6) debt. The population in the research is the whole companies listed in Indonesia Stock Exchange from 2004 to 2009. The researcher uses non probability sampling technique with purposive sampling method.

The data collected consist of annual reports and financial statements from the companies taken as research samples. The secondary data used in this research consist of data collected from Bank of Indonesia (BI), Central Bureau of Statistics (BPS) and Financial Reports of go-public companies obtained from Indonesia Stock Exchange (PT BEI) and the data from internet. The companies chosen samples are those listed in Indonesia Stock Exchange.

The data analysis is done by using descriptive statistic to describe corporate governance characteristic and company performance with several controlling variables, i.e. (1) board size (BS), (2) board composition (BC), (3)

Table 3. Comparison of Family Firms and Non-family Firms Year 2004-2009

Variable	Family Firm				Non Family Firm			
	Min	Max	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.
Board_Size	2.00	9.00	3.96	1.50	2.00	11.00	4.27	1.90
Board_Com	0.00	0.67	0.33	0.17	0.00	0.75	0.32	0.16
Sales	23.27	29.47	26.70	1.69	13.85	40.21	27.42	2.21
Firm_Age	1.95	4.04	3.09	0.46	0.00	4.83	3.27	0.55
Leverage	-2.41	46.99	0.99	3.89	-26.91	631.83	1.46	20.03
Tangibility	0.00	0.94	0.37	0.25	0.00	0.96	0.37	0.22
Firm_Size	23.54	30.38	26.70	1.50	13.98	32.21	27.45	1.93
Growth	-0.89	2.53	0.10	0.36	-1.00	6.15	0.19	0.52
Debt	0.00	0.84	0.19	0.17	0.00	3.80	0.22	0.32
Man_Ownership	0.00	0.32	0.02	0.04	0.00	0.51	0.02	0.05
Number of Observation	194	194	194	194	1052	1052	1052	1052

ROA (Return on Asset), (4) ROE (Return on Equity), and (5) PER (Price Earnings Ratio), (6) sales, (7) firm age, (8) financial leverage, (9) firm size, (10) growth opportunities, (11) debt, and (12) board ownership.

The researcher conducted regression analysis based on built models to analyze the influence and relation between corporate governance characteristic and the performance of public family firm and non-family firm in Indonesia during 2004-2009.

Based on the literary study, the hypothesis proposed in the research is: There is positive influence of the corporate governance characteristic variables on the company performance. The research model used is basically a modification of Anderson Reeb's model (2003). The modification is done on controlling variables with the following proxies: Board Size (BS), Board Composition (BC), Managerial Ownerships (MO), Sales, Firm Age, Financial Leverage, Asset Tangibility, Firm Size, Growth Opportunities, and Debt. The company performance is measured by ROA, ROE, and PER. The research models are:

Model 1

Firm Performance = δ0 + δ1 (Managerial Ownerships) + δ2 board size + δ3 board composition + δ4 (control variables) + ε

Managerial Ownerships are portrayed as the percentage of the number of managerial share ownership (director or commissioner) from the independent commissioner on the firm's total shares.

Model 2

Firm Performance = δ0 + δ1 (Ownership form) + δ2 board size + δ3 composition + δ4 (control variables) + ε

Managerial Ownerships are portrayed as dummy variable to differentiate family firm and non-family firm.

RESULT AND DISCUSSION

The number of initial populations for the firms being researched is 398. Samples are chosen based on the predetermined criteria of 210 firms from the year 2004 to 2009 consisting of 33 family firms and 177 non-family firms. The Table 1 shows the stages of samples taking.

Based on the samples of 210 chosen firms, the researchers measure the corporate governance characteristic of the BOC by using the indicators of (1) BOD size, (2) Managerial Ownership (MO), (3) Board Composition (BC), (4) Sales (S), (5) Firm Age (FA), and (6) Financial Leverage (FL), (7) Firm Size (FS), (8) Growth Opportunities (GO), (9) Debt (D), (10) ROA, (11) ROE, and (12) PER on the company performance measured by ROA, ROE, and PER. Table 2 contains data of descriptive statistic in the period of 2004-2009.

From the entire data in 2004-2009, the interval for board size within six years is two to eleven people with the majority of firms have four commissioners. For managerial ownership, the majority of directors or commissioners does not own shares in their firms, though some directors or commissioners own shares with maximum value of 51% with the average ownership of 2%. The variable of board composition during 2004 – 2009 is 32% of the total number of commissioners, and 75% at most. The definition of board composition is the proportion of independent commissioners on the total number of commissioners. The research finds that most go-public firms taken as samples have fulfilled Bapepam Regulation No. I-A.

Sales is defined as the average number of sales done by a firm in the period of research. Based on the data in Table 2 above, the average number of sales in a year is 27.31. Firm age reflects the age of the firm from the moment it was first established. The average firm age is 3.25 year, with 2004 as the base. Financial Leverage indicates the

Table 4. Regression for the Entire Research Samples in 2004-2009 with the Managerial Ownership Proxy Measured by Share Ownership Percentage

Variable	Coefficients		
	ROA	ROE	PER
(Constant)	.845	.631	.009
Ownership	.675	.700	.258
board_size	.969	.012	.398
board_com	.233	.891	.738
Sales	.760	.191	.000
Age	.531	.837	.063
Leverage	.984	.935	.986
Tangibility	.953	.152	.996
Size	.887	.861	.000
Growth	.877	.019	.697
Debt	.547	.615	.791
Sig (p-value)	0.993	.094	0.000
R	0.043	0.114	0.248
R Square	0.002	0.013	0.061
Number of observation	1246	1246	1246

Table 5. Regression for the Entire Research Samples in 2004-2009 with Managerial Ownership Proxy Measured by the Ownership Structural Form of Family Firm and Non-family Firm

Variable	Coefficients		
	ROA	ROE	PER
(Constant)	.839	.650	.011
Ownership	.625	.801	.535
Board_Size	.977	.012	.394
Board_Com	.227	.887	.728
Sales	.773	.197	.000
Firm_Age	.565	.860	.075
Leverage	.982	.935	.987
Tangibility	.981	.161	.914
Firm_Size	.886	.849	.000
Growth	.856	.020	.725
Debt	.550	.624	.823
Sig (p-value)	.992	.097	.000
R	.044	.144	.246
R Square	.002	.013	.061
Number of observation	1246	1246	1246

ratio of long term debt on the total capital added by retained earnings. The Financial Leverage is 1.38. Asset Tangibility describes the ratio of fixed asset number divided by total asset number, i.e. 37% in average. Firm Size portrays the book value of total asset owned by a firm. Firm size is measured by natural log book value from total asset. The research result shows that in average the book value owned by the firms is 27.34. Growth Opportunities portray the firm growth measured by seeing the growth of sales number in a firm. In average the firms' sales growth from 2004-2009 is 17%. Debt describes the ratio of Long Term Debt divided by Total Asset. In average the rate of the sample firms' Long Term Debt divided by the total asset owned is 22%.

Table 6. Regression for the Entire Research Samples in 2004-2009 with Managerial Ownership Proxy Measured by Share Ownership Percentage in Family Firms

Variable	Coefficients		
	ROA	ROE	PER
(Constant)	.541	.504	.380
Ownership	.350	.972	.230
board_size	.002	.122	.825
board_com	.885	.970	.034
Sales	.135	.013	.449
Age	.678	.562	.007
Leverage	.523	.303	.971
Tangibility	.720	.663	.087
Size	.063	.007	.623
Growth	.147	.654	.972
Debt	.919	.251	.672
Sig (p-value)	0.044	.180	0.088
R	0.309	0.267	0.29
R Square	0.095	0.071	0.084
Number of observation	194	194	194

Table 7. Regression for the Entire Research Samples in 2004-2009 with Managerial Ownership Proxy Measured by Share Ownership Percentage in Non-family Firms

Variable	Coefficients		
	ROA	ROE	PER
(Constant)	.787	.554	.007
Ownership	.671	.711	.254
board_size	.983	.014	.366
board_com	.223	.865	.676
Sales	.757	.187	.000
Age	.587	.817	.076
Leverage	.977	.944	.978
Tangibility	.928	.121	.629
Size	.841	.977	.000
Growth	.856	.026	.706
Debt	.546	.650	.838
Sig (p-value)	0.993	.112	0.000
R	0.047	0.121	0.257
R Square	0.002	0.015	0.066
Number of observation	1052	1052	1052

The interval of board size from 2004 to 2009 is from two to eleven people with the majority have four commissioners. This shows that there is an attempt to limit agency problem and conflict interest. Moreover there have been people set to monitor and control the running of the firm which is represented by managerial performance. However, from the many public firms, a few does not have commissioners; though not majority, this shows that few firms still does not have good organizational structure.

Furthermore, managerial ownership data show that the majority of directors or commissioners in public firms is categorized good due to their share ownership of 2%. This shows that the majority of independence rate in the firms is high. We can say that the directors or

commissioners play significant roles in representing the opinion of stakeholders in Stakeholder General Meeting (SGM), in the monitoring and in independently taking decision without any intervention on the share ownership in the firm.

For board composition, most public firms have fulfilled the requirements from Bapepam (Capital Market Supervisory Agency) where the average composition of independent commissioners on the total number of commissioners is 32%. The data above is close to the minimum limit stipulated by Bapepam i.e. 33%. This shows that the independence rate of the public firms is good.

If compared between family firms and non-family firms, then we will acquire the data in table 3 above. From the data in 2004-2009, the interval for board size in family firms for six years is in between the range of two to nine people with the majority of firms have four commissioners; while for non-family firms for six years is in between the range of two to eleven people with the average of four commissioners. For managerial ownership, in family firms, the majority of directors or commissioners does not own shares in the firms, though some commissioners own shares with maximum value of 32% with the average ownership of 2%. In the non-family firms, the majority of directors or commissioners does not own shares in the firms, although some commissioners own shares with the maximum value of 51% with the average ownership of 2%.

The variable of board composition, during 2004–2009, for family firms is 33% from the total number of commissioners, and 67% at most; while for non-family firms, is 75% at most with the average value of 32%. The definition of board composition is the proportion of independent commissioners on the total number of commissioners. Furthermore, the research finds that most go-public companies have conformed with Bapepam Regulation No. I-A.

The interval of board size during 2004–2009 both in family firms and non-family firms is from two to eleven people with the majority of firms has four commissioners. This shows that there is an attempt to suppress agency problem and conflict interest. Moreover there have been people set to monitor and control the running of the firms which is represented by managerial performance. However from the many public firms, few still does not have commissioners, though the majority do so; this shows that few firms is still lack of good organizational structure.

The data of managerial ownership shows that both family firms and non-family firms have the majority of commissioners under the category of good since their share ownership is 0%. The highest share ownership is 0.51 which is still in normal limit. It can be said that the roles of commissioners are in representing the opinion of shareholders in Stakeholders General Meeting, and in monitoring and independently taking decision without any intervention on the share ownership in the firms.

For board composition, both family firms and non-family firms have mostly fulfilled Bapepam requirements where the average composition of independent commissioners on the total number of commissioners is 32%. The above data have approached the minimum limit of Bapepam i.e. 33%. This shows that the rate of independence of the public firms is good.

After conducting descriptive statistic on the board governance characteristic of the firms taken as samples, a regression analysis is done from variables of corporate governance characteristic on company performance measured with ROA, ROE and PER. The regression analysis is done for variables of: Managerial ownership (measured with the share ownership percentage), controlled by variables of board size and board composition (showing corporate governance characteristic), sales, firm age, financial leverage, tangibility, firm size, growth, and debt on ROA, ROE and PER; Managerial ownership (measured with dummy variable to differentiate family firm and non-family firm) controlled by variables of board size and board composition (showing corporate governance characteristic), sales, firm age, financial leverage, tangibility, firm size, growth, and debt on ROA, ROE and PER.

Managerial ownership (measured by share ownership percentage) controlled by variables of board size and board composition (showing corporate governance characteristic), sales, firm age, financial leverage, tangibility, firm size, growth, and debt on ROA, ROE and PER.

The result of regression shown in Table 4 shows that in general, only PER variable is significantly influenced by corporate governance characteristic with the proxies of Ownerships, Board Size, and Board Composition, controlled by variables of Sales, Firm Age, Firm Leverage, Tangibility, Firm Size, Growth, and Debt. If alpha 10% is used, the variables of ROE and PER are significantly influenced by corporate governance characteristic with the proxies of Ownerships, Board Size, and Board Composition controlled by the variables of Sales, Firm Age, Firm Leverage, Tangibility, Firm Size, Growth, and Debt. The result shows that basically investors only measure a company performance from market value ratio in the form of its share price interchange, instead of from profitability ratio with the proxies of ROA and ROE. The result shows that the variables of Ownerships,

Board Size, and Board Composition statistically do not influence ROA, ROE, and PER.

Managerial ownership (measured with dummy variable to differentiate family firm and non-family firm) controlled by variables of board size and board composition (showing corporate governance characteristic), sales, firm age, financial leverage, tangibility, firm size, growth, and debt on ROA, ROE and PER.

The result of regression shown in Table 5 shows that in general only PER variable is significantly influenced by corporate governance characteristic with the proxies of Form on Ownerships, Board Size, and Board Composition controlled by variables of Sales, Firm Age, Firm Leverage, Tangibility, Firm Size, Growth, and Debt. The result is only slightly different if the proxy of Ownership is portrayed by the share ownership percentage. If alpha 10% is used, then the variables of ROE and PER are significantly influenced by corporate governance characteristic with the proxies of Ownerships, Board Size, and Board Composition controlled by variables of Sales, Firm Age, Firm Leverage, Tangibility, Firm Size, Growth, and Debt. The result shows that basically investors only measure a company performance from market value ratio in the form of its share price interchange, instead of from profitability ratio with the proxies of ROA and ROE. Other result shows that the variables of Ownerships, Board Size, and Board Composition statistically do not influence ROA, ROE, and PER.

Managerial ownership (measured by share ownership percentage) controlled by variables of board size and board composition (showing corporate governance characteristic), sales, firm age, financial leverage, tangibility, firm size, growth, and debt on ROA, ROE and PER in family firms.

The regression result in table 6 shows that in general in family firms only ROA variable is significantly influenced by corporate governance characteristic with the proxies of Ownerships, Board Size, and Board Composition controlled by variables of Sales, Firm Age, Firm Leverage, Tangibility, Firm Size, Growth, and Debt. The result shows that investors consider family firms capable of generating profit. In this case, Return On Asset (ROA) is portrayed as the capability of a firm in producing profitability if compared to its total number of asset.

Managerial ownership (measured by share ownership percentage) controlled by variables of board size and board composition (showing corporate governance characteristic), sales, firm age, financial leverage, tangibility, firm size, growth, and debt on ROA, ROE and PER in non-family firms.

The regression result in table 7 shows that in general in non-family firms only PER variable is significantly influenced by corporate governance characteristic with the proxies of Ownerships, Board Size, and Board Composition controlled by variables of Sales, Firm Age, Firm Leverage, Tangibility, Firm Size, Growth, and Debt. The result shows that basically investors only measure a company performance from market value ratio in the form of its share price interchange, instead of from profitability ratio with the proxies of ROA and ROE. Other result shows that the variables of Ownerships, Board Size, and Board Composition statistically do not influence ROA, ROE, and PER.

CONCLUSION

The roles of commissioner can generally be done independently without intervention on share ownership in the firm. The research result shows that basically only PER variable is significantly influenced by corporate governance characteristic with the proxies of ownerships, board size, and board composition and controlled by variables of sales, firm age, firm leverage, tangibility, firm size, growth, and debt in public companies listed in Indonesia Stock Exchange in period of 2004-2009. Differentiation between family firms and non-family firms produces different result, since in family firms it is the ROA variable that is significantly influenced by corporate governance characteristic with the proxies of ownerships, board size, and board composition and controlled by variables of sales, firm age, firm leverage, tangibility, firm size, growth, and debt; while in non-family firms, it is PER variable that is significantly influenced by corporate governance characteristic with the proxies of ownerships, board size, and board composition and controlled by variables of sales, firm age, firm leverage, tangibility, firm size, growth, and debt.

Research result shows that in general investors basically measure a company performance from market value ratio in the form of its share price interchange, instead of from profitability ratio with the proxies of ROA and ROE. Other result shows that the variables of Ownerships, Board Size, and Board Composition statistically do not influence ROA, ROE, and PER.

For further research it is better to use proxies that show the involvement of family members in the firm management, for example family management or CEO management. Other measurements can also be used to select the category of family firm and non-family firm, thus the number of firms under the category of family firm is more proportional compared to non-family firm.

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