THE INFLUENCE OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF MANUFACTURING COMPANIES WITH EVA APPROACH

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ABSTRACT

This study aims to examines the influence of good corporate governance on the performance of manufacturing companies with EVA approach. Corporate governance components in this study is the size of independent board of commissioners, institutional ownership, managerial ownership and the size of the audit committee. The company's performance is measured by EVA. Population in this study is the manufacturing company basic industry and chemical sectors listed on the Indonesia Stock Exchange in 2012 and 2013, the sampling method used is purposive sampling method obtained a sample amounts to 40 manufacturing company basic industry and chemical sector in the period 2012-2013. Data collection techniques used in this study is documentation and pooling with multiple regression analysis method that uses data of annual financial reports listed on the Indonesian Stock Exchange. These results of the study indicates that good corporate governance have a significant effect to company's performance (EVA) with managerial ownership variables and size of the audit committee. The higher managerial ownership and the audit committee, it will improve the company's performance through improved quality of earnings and corporate value. Variable size of independent Board of Commissioners and institutional ownership has no significant effect on company’s performance (EVA).

Keywords: good corporate governance, size of the independent board of commissioners, institutional ownership, managerial ownership, audit committee, company's performance (EVA)

I. INTRODUCTION

IICG (The Indonesia Institute for Corporate Governance) defines the concept of corporate governance as a set of mechanisms for directing and controlling an enterprise so that the company's operations run in accordance with the expectations of stakeholders. This definition concludes that Corporate Governance (CG) is a business management that involves the interests of stakeholders as well as the use of principled justice resources, efficiency, transparency and accountability. This management system is important because of its presence in two ways. First, rapid changes in the environment pose major impact on the global competition. Second, as the complexity of stakeholders includes business ownership structure and the risk of a business that requires anticipation on opportunities and threats in the strategy included in prime control systems (Bukhori, 2012).

In Indonesia, Corporate Governance issues raised since the economic crisis that hit Asian countries, including Indonesia, and increasingly becoming a concern due to the unfolding many cases manipulation of financial statements. Boediono (in Hardikasari, 2011), mentions several cases that occurred in Indonesia, such as PT. Lippo Tbk and PT Kimia Farma Tbk also involve financial reporting that starting from the detection of indications of manipulation.
The failure of some companies and the incidence of financial malpractice cases as a result of the crisis is a bad practice of Corporate Governance (CG). Characteristics of weak FCG practices in Southeast Asia are (1) the existence of a concentration of ownership and insider power shareholder (including Governments and parties associated with the powerhouse), (2) weak governance, financial sector, and (3) the ineffectiveness of internal rules and the absence of the consent law for minority shareholders to deal with majority shareholder and Manager (Suprayitno, 2006).

Corporate governance can be created if there is a balance of interests between all parties concerned with the business. The balance requires a measurement system that can absorb any strategic and operational dimensions of the business as well as information-based. Performance measurement concepts of corporate governance is based on five fundamental, namely the protection of the rights of shareholders, equal treatment of shareholders, the role of the stakeholders associated with the business, openness and transparency, the accountability of the Board of Commissioners (Bukhori, 2012).

The Indonesia Institute for Corporate Governance (2002) found that the main reason of the company implementing GCG is the adherence to the regulations. The company believes that the implementation of GCG is the enforcement of other forms of business ethics and work ethic that has long been the company's commitments. Furthermore, the implementation of GCG is related to the improvement of the corporate image. The company's practice of GCG will improve image, and increase the value of the company.

EVA is a measurement of financial performance concept popularized by financial analysts to obtain better assessment methods (Stewart and Stern, 2002). In Indonesia this method is known as a method NITAMI (economic value added). According to Hansen & Mowen (2001: 829) in Witri (2009: 27) economic value added is the operating profit after tax was reduced the total annual cost of capital. The reason of using EVA as a measure of financial performance of companies is due in connection with the performance, financial reporting as a basis for assessment of the company performance, the cost of capital as a replacement for the company's risk is believed to be an appropriate method for measuring the value of the company. EVA is able to reflect the real business value of as it involves calculating the cost of capital that reflects the return needed to cover the risks facing the company. EVA is a financial management methods to measure economic profits in a company that states that welfare can only be created when is able to meet all operating costs and capital costs, according to Tunggal (2001) in Iramani (2005: 3).

Based on the above background, the author interested to do research of "The Influence of Corporate Governance on The Performance of Manufacturing Companies with EVA Approach". The company selected researcher is a basic industry sector manufacturing company and chemical registered in Indonesian Stock Exchange.

**Formulation of the Research Problem**
This study will analyze the effect of these variables on the performance of companies with research questions as follows:
1. Does the size of the independent Board of Commissioners effect EVA?
2. Does the Institutional Ownership effect EVA?
3. Does the Managerial Ownership effect EVA?
4. Does the Audit Committee effect EVA?

**Research Objectives**
The goal of the research to be achieved by the authors as follows:
1. To analyze the influence of size of the independent Board of Commissioners toward EVA.
2. To analyze the influence of institutional ownership toward EVA.
3. To analyze the influence of managerial ownership toward EVA.
4. To analyze the influence of audit committee toward EVA.

**Research Benefit**
This research finding is expected to able to provide meaningful input and information such as:
1. For science
This study is expected to provide insight on corporate governance and can also broaden the comprehension on the use of performance measurement of economic value added primarily in manufacturing company in industry and chemical sectors.

2. For the management of the manufacturing company in industry and chemical sectors.
   a. This research can provide information to what extent the application of the principles of good governance affect the performance of the company.
   b. As a consideration in the preparation of the plans, strategies, and policies that are more efficient and effective to improve performance.

3. For the general public in particular shareholders.
   This research is expected to provide information to the community particularly the shareholders about the extent to which the performance of the company and of any action that has been carried out by management in order to increase the company's performance and so reduce the miscommunication between the management company and the external parties associated with it.

II. BASIC THEORY

Agency theory was developed by Michael C. Jensen and William H. Meckling. Agency theory terms is principal owner, while the managers is agent. The Agency theory describes that the agent has authority to manage the company and taking decisions on behalf of investors. A conflict can occur if the is different interest between company owners and the manager, this condition may lead to information asymmetry. It is due to the owner of the company (principal) does not play an active role in the management of the company. The principal delegates authority and responsibility to the management of the company i.e. professional managers (agent) to perform work on behalf of and for their significance.

This agency theory assumes that managers will act as opportunistic profit taking before achieving the interests of shareholders. When a company is developing and the number of shareholder soaring, the larger agency fees a company should pay. This condition might occur if the owner can't do effective control against managers who manage the company.

Agency theory is very difficult to be implemented, has many constraints and still has not adequate rules, so it needs a clearer concept of protection of stakeholders. Those concepts should relate to issues of conflict of interest and the costs incurred agency, so that it develop a new concept which pay attention to and set the interests of the parties related to the ownership and operational (stakeholders) of an company, namely the concept of corporate governance.

The relationship between principal and agent is fundamental in the implementation of corporate governance practices. Agency theory as the basis of the application of corporate governance is expected to serve to suppress or reduce the cost of supplies and as a reference to how the investors control the managers. Broadly, good corporate governance is expected to give confidence to investors that they will receive a rate of return on the funds they had invested.

Forum for corporate governance in Indonesia (FCGI, 2001) defined corporate governance it as a set of rules governing relationships between the shareholders, stock management, creditors, governments, employees and stakeholders of other external and internal interests relating to the rights and obligations they have to regulate and control the company. The essence of Corporate Governance is in the form of an increase in the company's performance through monitoring the performance of management and the accountability of management to stakeholders and other stakeholders. In this case the management is more focused in achieving the goals of management and not working for things not being a target achievement of management performance.

Based on the decision letter of the Minister on the State-Owned Enterprises reference number Kep-117/M-MBU/2002 of 1 August 2002 article 3 on the application of corporate governance practices include the five principles, namely:

1. Transparency
   To keep the objectiveness in running the business, the company must disclose relevant material and information in a way that is easily accessible and understood by stakeholders. Companies should take the initiative to disclose not only the problem that is foreshadowed by legislation, but also important for decision making by the shareholders, creditors, and the interests of the other parties.
2. Accountability  
The clarity of the functions, implementation and accountability for the Organization so that the management company would operate effectively. The company must be able to account for its performance in a transparent and independent. Therefore, the company should be managed correctly, measurable, and in accordance with the interests of shareholders and other stakeholders interests. Accountability is a necessary prerequisite to achieve continuous performance.

3. Responsibility  
The company has a responsibility towards society and the environment and must comply with the regulation in force so it can maintain their business sustainability.

4. Independence  
It is a situation where a company is managed professionally without conflicts of interest and influence or pressure from any party which is not in accordance with the applicable legislation and the principles of a healthy Corporation.

5. Fairness  
It is impartiality and equality in fulfilling the rights of other stakeholders arising under the agreement and the regulations in force.

The implementation of good corporate governance are expected to provide the following benefits (FCGI, 2001):

1. Improving the performance of the company through the creation of decision-making process better, the efficiency of the company's operations, and service to stakeholders.
2. Lessening the financing funds so as to further increase corporate value.
3. Restoring the confidence of investors to invest capital in Indonesia.
4. Increasing the satisfaction of shareholders with the performance of the company as well as shareholders value and dividends.

Corporate governance needs to be understood by the company in order to be competitive in the business world which comprises:

1. Balance the relationship between the organs of the company as reflected in the general meeting of shareholders, commissioners, and directors.
2. The fulfillment of corporate responsibility as a business entity in the community to all stakeholders.
3. The existence of the rights of shareholders to get the proper and correct information on the time as required by the company.
4. The existence of equal treatment of shareholders, especially minority shareholders and foreign shareholder over the openness and relevant material and information.

Corporate Governance mechanism is a mechanism based on rules, procedures and the relationship between the parties in a company to run its role and work. Corporate Governance mechanism consists of three key elements, namely structure, process and systems which is used to steer and control the company's operations as expected.

Stout (1993) defined performance measurement as the process recording and measuring the achievement of the activities implementation towards the achievement of the Organization's vision and mission through the results that are displayed in the form of a product, service, or a process. Performance measurement public sector helps the Government in determining the levels of achievement of goals. Performance measurement also helps the community to evaluate the service provided by the Government and the extent to which these services have been in accordance with the expenses given by the community either directly e.g. home services payment or indirectly through the payment of taxes.

Ulum (2009) mentioned that in general the purpose of performance measurement is:

1. To communicate better strategies (top down and bottom up).
2. To measure the performance of the financial and non-financial balance to trace the achievement of the development strategy.
3. To accommodate comprehension and interest of medium and lower-level managers as well as motivating them to achieve good congruence.
4. As a tool for achieving customer satisfaction based on an individual approach and the collective ability of rational.

Economic Value Added (EVA) is a method of measuring the financial performance to calculate the actual economic benefits from a company. EVA is a device for measuring the real advantage of the
financial operation of the company. The EVA is used to compute the cost of capital, which cannot be done using the conventional calculation.

EVA's condition reflects a positive rate of return is higher than the cost of capital rate. A positive EVA demonstrates the ability of management in creating value wealth company/owners of capital, and conversely, EVA negative implying a decline in wealth. The company has an increasingly good performance when it can produce an increasingly positive EVA values. A high EVA score indicates that the management had done their job well.

Research Framework
Based on a review of the literature and previous researches above, the framework of this research is the indicator of the internal mechanism of corporate governance in a company that is the size of the Board of Commissioners, institutional ownership, managerial ownership and size of the audit committee who have an influence on whether or not the financial performance that exists in a company. The company's performance is measured by the financial performance. The following is the framework of this research.

![Figure 2.1 The framework of thought relations between variables](image)

**Formulation of Hypothesis**

H1: The size of independent board of commissioner has a positive effect on company performance (EVA)

H2: The size of institutional ownership has a positive effect on company performance (EVA)

H3: The size of managerial ownership has a positive effect on company performance (EVA)

H4: The size of audit committee has a positive effect on company performance (EVA)

III. RESEARCH METHODS

**Type of Research**
Type of this research is testing research which highlights the relationship between the variables of research and hypotheses testing formulated previously (Singarimbun and Effendi, 1995: 5)

**Population and Sample**
The population in this research is all manufacturing company in industry and chemical sector listed on the Indonesia Stock Exchange in 2012 and 2013. The sampling method in this study uses purposive sampling method or based on specific criteria determined. According Sugiyono (2007: 68), purposive sampling is a sampling technique with a certain consideration. The criteria specified in the sampling selection are as follows:
1. Manufacturing company is in industry and chemicals sector that are listed on IDX 2012-2013 period, which publishes its financial statements until December 31.
2. Having a complete Data, both regarding corporate governance data as well as the data needed to detect the EVA.
3. Earning profit during the observation period.

### Table 3.1

<table>
<thead>
<tr>
<th>No.</th>
<th>Criteria</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manufacturing Company is in Industry and Chemicals listed on IDX 2012-2013 period and publishing its financial statements until December 31.</td>
<td>112</td>
</tr>
<tr>
<td>2</td>
<td>Company does not earn a profit in succession during the observation period.</td>
<td>(79)</td>
</tr>
<tr>
<td>3</td>
<td>Company does not have data on managerial ownership in succession during the observation period.</td>
<td>(13)</td>
</tr>
<tr>
<td></td>
<td>Total of samples / year</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>The amount of data processed during the 2 years</td>
<td>40</td>
</tr>
</tbody>
</table>

The number of manufacturing company in industry and chemicals sectors listed during the period 2012-2013 is 112 companies which is only 20 companies meeting the predetermined criteria of research sample. The amount of data observation for two years is 40 data.

**Types and sources of data**

The type of data in this research is secondary data. Secondary data is provided, collected and obtained from other sources available. Secondary data generally is in the form of evidence, records, or historical reports compiled in the archive (data documentaries), published and unpublished (Hapsari, 2011). The data source in this research the annual financial report in Indonesian Capital Market Directory located on the IDX corner of Brawijaya University or accessed in [www.idx.co.id](http://www.idx.co.id).

**Data collection method**

Data collection method used in this research is documentation and pooling. Secondary sources in this research is the annual financial report and Indonesian Capital Market Directory obtained with documentation. The annual financial report and Indonesian Capital Market Directory in 2012 and 2013 are obtained by pooling technique.

**Research variables**

This study uses two types of variables. The first variable is the independent variable i.e. internal mechanism of Corporate Governance and company size. The second variable is the dependent variable which is the company performance (Sugiyono, 2007:59).

1. **The independent variables**

   Independent variables are variables that affect the dependent variable, both positive and negative (Sekaran, 2006: 117). The independent variable in this study is the size of the internal structure of corporate governance and company size. The size of the company's internal structure consists of the size of the board of commissioners, institutional ownership, managerial ownership and the size of the audit committee, while the size of the company is the total assets of the company.
   a. Independent board of commissioners
The Board of Commissioners are responsible for overseeing the agency or control the company headed by a Board of Directors (Emirzon in Lestari, 2013). The independent commissioner is a member of the Board of Commissioners who do not have a financial relationship, stewardship, and stock ownership or family relationship with the other members of the Board of Commissioners, the Board of Directors and/or controlling shareholder or other relationship that could affect its ability to act independently. The independence of the board of commissioners is calculated by dividing the proportion of the number of independent commissioners to the total number of commissioners existed in the board of commissioners (Haat, et al., 2008).

b. Institutional Ownership
Institutional ownership is ownership by the government, financial institutions, institutional legal entities, foreign institutions, funding agencies and other institutions at the end of the year (Shien, et al., 2006 within Sabrina, 2010). The measurement of institutional shares uses the ownership percentage of shares held by domestic institutions.

c. Managerial Ownership
Ownership of shares is owned by management who is actively participated in corporate decision (Commissioners and Directors). The indicator used to measure managerial ownership is the percentage of shares owned by the management of the entire amount of the outstanding share capital (Haat, et al. 2008).

d. The size of the Audit Committee
The audit committee is a committee formed by the board of commissioners to undertake the task of monitoring the company's management. The audit committee is a new component in the control system of the company. The audit committee is considered as a link between the shareholders and the board of commissioners with management in dealing with control issues. There is almost no company that does not have an audit committee, because every company that go public are required to have the audit committee as stipulated in Kep. Chairman of BAPEPAM No. KEP-29 / PM / 2004. The size of the audit committee in this study is measured by the number of members in the audit committee (Purwanti, 2006 dalam Manuputty, 2012).

2. The Dependent Variable
The dependent variable in this study is the company performance. The company performance is the company's ability to perform all its operational activities. In this case, the company performance can be viewed on the company financial performance measured using a EVA. EVA merupakan tujuan korporat untuk meningkatkan nilai (value) dari modal (capital) yang investor dan pemegang saham telah tanamkan dalam operasi usaha. Langkah-langkah perhitungan EVA adalah sebagai berikut:

\[
\text{EVA} = \text{NOPAT} - \text{CAPITAL CHARGE} \\
\text{EVA} = \text{NOPAT} - (\text{WACC} \times \text{CAPITAL})
\]

Analysis Methods

The descriptive statistics analysis
Descriptive statistics is used to briefly describe the variables in this study. A descriptive analysis is conducted to describe analyzed data. The description of the variables is presented to know the average value (mean), minimum, maximum, and standard deviation of the variables examined (Ghozali, 2006). Descriptive statistics presents the very important numeric measurements from sampled data. The measure is a simplification of numerical data leading to simple and understandable explanation and interpretation.

Classic Assumption test
Before testing the hypothesis, firstly, the data acquired will be tested using classic assumption test to determine whether the data meets the basic assumptions. It is important to avoid bias. Testing is done using Normality test, Multicollinearity test, Heteroscedasticity test, and Autocorrelation test.
Regression Analysis

The analysis used in the processing of research data is a multiple linear regression analysis. Regression analysis is a statistical tool that describes the pattern of the relationship between two variables, independent variable and the dependent variable. Multiple regression analysis is used when the user uses more than one variable. To measure the multiple regression analysis uses the tools of the SPSS program.

\[ Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + \epsilon \]

Where:
- \( y \) = Performance
- \( a \) = Constant
- \( b_1, b_2, b_3, b_4 \) = regression Coefficient
- \( x_1 \) = the size of the Board of Commissioners
- \( x_2 \) = institutional Ownership
- \( x_3 \) = the managerial Ownership
- \( x_4 \) = the size of the audit committee
- \( \epsilon \) = residual error

Hypothesis Testing

At the time, hypothesis testing will found uncertainty elements (probability) or error that is reflected by the level of significance levels. In performing the testing variables independent of the dependent variables, researcher uses the level of significance level \( \alpha = 0.05 \), or the degree of is error of 5%. In hypothesis testing, the accuracy of sample regression can be measured from the Goodness of fit. The statistical data is measured from the value of the coefficient of determination, the \( F \) statistics values and the statistical values \( t \) (Ghozali, 2005:87).

Simultaneous regression test (F test)

This research uses the \( F \) test because it is used to test the hypothesis that indicates whether all of the independent variables in the research have simultaneous effect on the dependent variable or not.

- (\( H_0 \)): the Board of independent Commissioners, institutional ownership, managerial ownership, and the size of the audit committee simultaneously have no effect on EVA.
- (\( H_a \)): the Board of independent Commissioners, institutional ownership, managerial ownership, and the size of the audit Committee simultaneously positive effect on EVA.

The acceptance or rejection of the hypothesis is based on the calculation that if the calculated value is > \( \alpha \), where \( \alpha = 5\% \), then \( H_0 \) is accepted and \( H_A \) is rejected or vice versa (Ghozali, 2005:84).

The coefficient of Determination (R2 test)

The \( R^2 \) test is used to measure how far the capability model in explaining the variation of the dependent variable (Ghozali, 2009). The determination coefficient values is between zero and one, so that when the value of \( R^2 \) is small, it means that the ability of independent variables in explaining the variation in the dependent is very limited. If a value that approximates is one, it means that independent variables provide nearly all information needed to predict the variation in the dependent variable. In general, the coefficient determination to cross data relatively low due to the large variation between each observation. As for the data coherent time value coefficient determinant usually is high (Ghozali, 2009:87).

The significance of individual parameters test (t test)

This research uses the \( t \)-test because it is used to test significance level of independent variable to the dependent variable on an individual basis. The decisions are made on the basis of following testing criteria:

- a. If the level significant (p-value) obtained is smaller than 0.05, then \( H_0 \) is rejected, this means that the regression coefficient is not significant. Partially independent variable does not have significant influence towards the dependent variable.
- b. If the probability is < 0.05 then the influential corporate governance corporate performance significantly to affected by the independent variables. Conversely, if the probability of > 0.05
then be drawn the conclusion that significant against the influential corporate governance financial performance.

IV. RESULT AND DISCUSSION

Data analysis performed in this chapter include descriptive analysis, classic assumption test, and regression. Descriptive analysis using descriptive statistics (minimum, maximum, average and standard deviation). Classic assumption test uses four test consisting normality test, multicollinearity, heteroscedasticity, and autocorrelation, whereas regression analysis used is multiple linear regression analysis. Multiple linear regression analysis is used to test hypotheses. Before it is used, the hypotheses of the study are tested using the classic assumption test.

The data used in this study were obtained from the financial report data of the selected Industry Sector and Chemical listed on the Indonesian Stock Exchange during 2012-2013. The annual financial reports were obtained from the Indonesian Capital Market Directory and the annual report published by the Indonesian Stock Exchange as well as company data accessed through the Indonesia Stock Exchange using data pooling. The obtained data were combination of time series and cross section data (Kuncoro in Oktavianti, 2012).

Descriptive Analysis
Based on the analysis, the obtained descriptive results of company performance are EVA (in billion of rupiah) (y), independent board of commissioners (x1), institutional ownership (x2), managerial ownership (x3), and the audit committee (x4). The detail description is presented in table 4.1 below this:

<table>
<thead>
<tr>
<th>Year</th>
<th>Variable</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Average</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>EVA</td>
<td>-2946.687</td>
<td>18642.806</td>
<td>1746.201</td>
<td>5420.880</td>
</tr>
<tr>
<td></td>
<td>Independent Board of Commissioners</td>
<td>33.330</td>
<td>40.000</td>
<td>33.806</td>
<td>1.783</td>
</tr>
<tr>
<td></td>
<td>Institutional Ownership</td>
<td>55.530</td>
<td>89.820</td>
<td>73.113</td>
<td>11.990</td>
</tr>
<tr>
<td></td>
<td>Managerial Ownership</td>
<td>0.040</td>
<td>44.470</td>
<td>14.096</td>
<td>14.412</td>
</tr>
<tr>
<td></td>
<td>Audit Committee</td>
<td>20.000</td>
<td>50.000</td>
<td>32.634</td>
<td>6.450</td>
</tr>
<tr>
<td>2013</td>
<td>EVA</td>
<td>-11788.753</td>
<td>9637.700</td>
<td>-94.340</td>
<td>4803.313</td>
</tr>
<tr>
<td></td>
<td>Independent Board of Commissioners</td>
<td>28.570</td>
<td>33.330</td>
<td>32.990</td>
<td>1.272</td>
</tr>
<tr>
<td></td>
<td>Institutional Ownership</td>
<td>55.530</td>
<td>89.470</td>
<td>71.756</td>
<td>11.650</td>
</tr>
<tr>
<td></td>
<td>Managerial Ownership</td>
<td>0.060</td>
<td>44.470</td>
<td>8.973</td>
<td>12.265</td>
</tr>
<tr>
<td></td>
<td>Audit Committee</td>
<td>20.000</td>
<td>50.000</td>
<td>34.641</td>
<td>7.958</td>
</tr>
<tr>
<td>Combined</td>
<td>EVA</td>
<td>-11788.753</td>
<td>18642.806</td>
<td>825.930</td>
<td>5112.309</td>
</tr>
<tr>
<td></td>
<td>Independent Board of Commissioners</td>
<td>28.570</td>
<td>40.000</td>
<td>33.398</td>
<td>1.575</td>
</tr>
<tr>
<td></td>
<td>Institutional Ownership</td>
<td>55.530</td>
<td>89.820</td>
<td>72.434</td>
<td>11.621</td>
</tr>
<tr>
<td></td>
<td>Managerial Ownership</td>
<td>0.040</td>
<td>44.470</td>
<td>11.535</td>
<td>13.388</td>
</tr>
<tr>
<td></td>
<td>Audit Committee</td>
<td>20.000</td>
<td>50.000</td>
<td>33.637</td>
<td>7.181</td>
</tr>
</tbody>
</table>
Based on table 4.1., in 2012 the obtained descriptive result of EVA average is amounted at 1746.201 ± 5420.880 billion rupiah, the smallest score of EVA is -2,946.687 billion rupiah and largest score of EVA is amounted at 18642.806 billion rupiah. Meanwhile, descriptive result for the average score of independent Commissioner is 33.806 ± 1.783%, the smallest independent Commissioner score is 33.33% and the largest independent Commissioner score is 40.00%. Descriptive result for the average institutional ownership is 73.133 ± 11.99% while the smallest institutional ownership is 55.53% and the largest institutional ownership is 89.82%. Descriptive result for the average Managerial ownership is 14.096 ± 14.412% while the smallest Managerial ownership is 0.04% and the largest managerial ownership is 44.47%. Descriptive result for the average of the Audit Committee is 32.634 ± 6.45% while the smallest Audit Committee is 20.00% and the largest Audit Committee is 50.00%.

In 2013, the obtained descriptive result for the average EVA is -94.34 ± 4803.313 billion rupiah, the smallest of EVA is -11,788.8 billion rupiah and largest of EVA is 9637.7 billion rupiah. Meanwhile, descriptive result for the average independent Commissioner is 32.99 ± 1.272%, while the smallest independent Commissioner is 28.57%, and the largest independent Commissioner is 33.33%. Descriptive result for the average institutional ownership is 71.756 ± 11.65% with the smallest institutional ownership at 55.53% and largest institutional ownership at 89.47%. Descriptive result for the average managerial Ownership is 8.973 ± 12.265% with the smallest managerial ownership at 0.06% and the largest managerial ownership at 44.47%. Descriptive result for the average of the Audit Committee is 34.641 ± 7.958% with the smallest of the Audit Committee at 20.00% and the largest of the Audit Committee of at 50.00%.

Classic Assumption Test Results

Data Normality test
On the simple linear regression analysis, the data used must meet the assumptions of normality, i.e. data used normal distribution. The hypothesis used in the test are:

H0: The data are normally distributed
Ha: The data are not normally distributed

To test this assumption, the study uses Kolmogorov-Smirnov method. Testing criteria used are H0 is rejected if the significance value is <0.05, and, conversely, H0 is accepted if the significance value is > 0.05.

<table>
<thead>
<tr>
<th>Statistic Test</th>
<th>Value</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>0.574</td>
<td>Normal spread</td>
</tr>
<tr>
<td>Significance</td>
<td>0.896</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data processed, 2016

Based on the Kolmogorov-Smirnov test, the significance score is 0.896, in which the value is greater than α = 0.05. Because of the significance value is greater than α = 0.05. H0 is accepted and can be concluded that the data are normally distributed, i.e. the assumption of normality is fulfilled.

Multicollinearity test
Multicollinearity test aims to determine whether the relationship between the independent variables have a multicollinearity problem or not. To detect the presence or absence of multicollinearity, the study uses the Variance Inflation Factor (VIF). If the VIF value is > 10 then it indicates the presence of multicollinearity and, conversely, if VIF is <10 then there is no multicollinearity. A good regression model should not have correlation between independent variables. VIF value on the regression test results can be seen in the following table.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Commissioners</td>
<td>0.929</td>
<td>1.077</td>
<td>Non Multicollinearity</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>0.753</td>
<td>1.328</td>
<td>Non Multicollinearity</td>
</tr>
<tr>
<td>Managerial Ownership</td>
<td>0.749</td>
<td>1.335</td>
<td>Non Multicollinearity</td>
</tr>
</tbody>
</table>
From the Table 4.3, it can be seen that the results of the calculation of Variance Inflation Factor (VIF) shows no independent variables VIF value that is more than 10. So, it can be concluded that there is no multicollinearity between independent variables in the regression model of this study.

**Heteroscedasticity test**

This testing aims to test whether the variables regression models have same variance residual or not. A good regression model is a model that has the same residual variance (are homoscedasticity). Homoscedasticity test is to look at the plot between the predicted value of the dependent variable (ZPRED) with residual (SDRESID). If there is a specific pattern, such as dots that have no particular form regular patterns (wavy, widened and then narrowed), then it indicates heteroscedasticity (assumptions are not met). However, if there is no clear pattern, as well as the points spread above and below the number 0 on the Y axis, then there is no heteroscedasticity (assumptions are met).

**Figure 4.1**

Heteroscedasticity Assumption Test - Scatterplot

From the results of the scatter plot in Figure 4.1., it shows that the dots spread out both above and below the number 0 on the Y axis, and there is no clear pattern. So it can be concluded that there is no Heteroscedasticity in this regression model.

**Autocorrelation test**

Autocorrelation test aims to test whether in the linear regression model has a correlation between errors in period t bullies and bully error in the previous period (t-1). To test autocorrelation, it is used test Durbin-Watson statistic.

Durbin-Watson test result is as follows:
Based on the Durbin-Watson, it is obtained that \( d_U = 1.747 \) and \( 4d_U = 2.253 \) so it is obtained \( 1.747 < 1.902 < 2.253 \). Therefore, it is concluded that there is no autocorrelation in this research.

**Multiple linear regression analysis of the results**

Multiple linear regression analysis function to analyze the relationship and influence between a dependent variable of two / more independent variables. To determine the influence of independent directors, the experience and managerial ownership on performance, then the multiple linear regression analysis between the following variables which are independent commissioner (X1), institutional ownership (X2) managerial ownership (X3) and the audit committee (X4) on the performance companies (Y). From the data processing, the data obtained are presented in table 4.5:

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>( t ) count</th>
<th>Significance</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constants</td>
<td>-9026.503</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent commissioner</td>
<td>443.943</td>
<td>0.810</td>
<td>0.426</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Institutional ownership</td>
<td>4.464</td>
<td>0.054</td>
<td>0.957</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Managerial ownership</td>
<td>154.139</td>
<td>2.145</td>
<td>0.043</td>
<td>Significant</td>
</tr>
<tr>
<td>Audit committee</td>
<td>-210.355</td>
<td>-1.362</td>
<td>0.187</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

\( \alpha \) : 0.05  
\( R \) : 0.625  
\( R^2 \) : 0.390  
\( F \)-Count : 3.678  
\( F \)-Table (0.05;4;23) : 2.796  
\( \text{Sig. } F \) : 0.019  
\( t \)-table (0.025;23) : 2.003

*Source: data processed, 2016*

The regression equation obtained by table 4.5 are as follows:

\[
Y = a + b_1x_1 + b_2X2 + b_3X3 + b_4X4 + e
\]

\[
Y = -9.026.503 + 443.943X1 + 4.464X2 + 154.139X3 - 210.355X4
\]

Where:

\( Y \) = Performance  
\( a \) = Constant  
\( x_1 \) = Independent commissioners  
\( x_2 \) = Institutional ownership  
\( x_3 \) = Managerial ownership  
\( x_4 \) = Size audit committee

**The Result effect of Simultaneous (F test)**

The regression model has tested both simultaneously and partially, regression model testing simultaneously performed using the F test or ANOVA and partial regression model testing performed by t test.

Simultaneous testing is done to show whether all the independent variables consisting of independent commissioners (X1), institutional ownership (X2), managerial ownership (X3) and the audit committee.
(X4) have a significant effect simultaneously on the dependent variable of company performance (Y). F test is done by comparing the value of F count with F table. All of these variables are tested simultaneously using the F test or ANOVA, if the value of F count is larger than F table, then H0 is rejected and Ha is accepted.

The hypotheses used in the testing of simultaneous regression model coefficients are presented in Table 4.6 below:

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_0 : \beta_i = 0$ (no a significant influence between the variables X1, X2, X3 and X4 to variable Y)</td>
<td>$F = 3.678$</td>
<td>$H_0$ rejected, $H_a$ accepted</td>
</tr>
<tr>
<td>$H_a : \beta_i \neq 0$ (there is the influence between the variables X1, X2, X3 and X4 to variable Y)</td>
<td>$t = 0.019$</td>
<td>$F_{table} = 2.769$</td>
</tr>
<tr>
<td>$\alpha = 0.05$</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data processed, 2016

Table 4.6 above shows that the value of df1 = 4 and df2 = 23 and the value obtained is 2,796 F table. Based on table 4.6, hypothesis testing regression models simultaneously or non-simultaneously using the F test shows that F count is greater than F table (3.678 > 2.769) and a significance of 0.019 which means smaller than alpha ($\alpha$) = 0.05. So it can be concluded that H0 is rejected and Ha is accepted. This indicates that there is a simultaneous effect between variables independent commissioners (X1), institutional ownership (X2), managerial ownership (X3) and the audit committee (X4).

**Coefficient test (R2) analysis**

The magnitude of the value of the coefficient R2 (R square) is 0.390 (39.0%). This indicates that the percentage of influence of independent variables (independent commissioner, institutional ownership, managerial ownership and audit committee) is 39.0% that can explain the variable company’s performance, while the remaining 61.0% is explained by other factors not discussed in this research.

**T test**

Partial regression model testing is used to determine whether each of independent variable regression models forming individually have a significant effect on the variable Y or not. To test relationships, the study compares the value of t count with t table. Former independent variable regression model indicates a significant effect if t count is > t table or significantly is < $\alpha = 0.05$. Partial regression model testing in this study is as follows:

a. **Hypothesis Testing 1 independent Commissioners variable (X1)**

According to Table 4.5, the hypotheses testing variable regression coefficient independent commissioners (X1) is presented in table 4.7

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Nilai</th>
<th>Keputusan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_0 : \beta_i \neq 0$ (the variable X1 has no effect significantly to variable Y)</td>
<td>$sig = 0.426$</td>
<td>$H_0$ accepted, $H_a$ rejected</td>
</tr>
<tr>
<td>$H_a : \beta_i = 0$ (the variable X1 effect significantly to variable Y)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\alpha = 0.05$</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data processed, 2016

Variable X1 regression coefficient is 443.943 and significance value is 0.426. Statistical significance test value is greater than $\alpha = 0.05$. This test shows that H0 is accepted (Ha rejected)
so it can be concluded that the independent commissioners variable \((X_1)\) has no significant effect on company’s performance in variable Y (EVA).

b. **Hypothesis testing 2 institutional ownership variables \((X_2)\)**

According to Table 4.5, the hypotheses testing regression coefficient institutional ownership variable \((X_2)\) is presented in table 4.8:

**Table 4.8**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Nilai</th>
<th>Keputusan</th>
</tr>
</thead>
<tbody>
<tr>
<td>(H_0 : \beta_2 = 0) (the variable (X_2) has no effect significantly to variable Y)</td>
<td>(sig = 0.957)</td>
<td>(H_0) accepted, (H_a) rejected</td>
</tr>
<tr>
<td>(H_a : \beta_2 \neq 0) (the variable (X_2) effect significantly to variable Y)</td>
<td>(a = 0.05)</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Data processed, 2016*

The variable \(X_2\) regression coefficient is 4.464 and significant value is 0.957. Statistical significance test value is greater than \(a = 0.05\). This testing shows that \(H_0\) is accepted (\(H_a\) rejected) so it can be concluded that institutional ownership variable \((X_2)\) has no significant effect on company’s performance in variable Y (EVA).

c. **Hypotheses Testing 3 Managerial ownership variable \((X_3)\)**

According to Table 4.5, the hypotheses testing regression coefficient managerial ownership variable \((X_3)\) is presented in table 4.9:

**Table 4.9**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Nilai</th>
<th>Keputusan</th>
</tr>
</thead>
<tbody>
<tr>
<td>(H_0 : \beta_1 = 0) (the variable (X_3) effect significantly to variable Y)</td>
<td>(sig = 0.043)</td>
<td>(H_0) rejected, (H_a) accepted</td>
</tr>
<tr>
<td>(H_a : \beta_1 \neq 0) (the variable (X_3) has no effect significantly to variable Y)</td>
<td>(a = 0.05)</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Data processed, 2016*

The variable \(X_3\) regression coefficient is 154.139 and significant value is 0.043. The statistic test score is significantly smaller than \(a = 0.05\). This test shows that \(H_0\) is rejected (\(H_a\) accepted) so it is concluded that managerial ownership variable \((X_3)\) significantly affects on company’s performance in variable Y (EVA).

d. **Hypotheses Testing 4 Audit Committee Variables \((X_4)\)**

According to Table 4.5, the hypotheses testing variable regression coefficient audit committee \((X_4)\) is presented in the table 4:10

**Table 4.10**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Nilai</th>
<th>Keputusan</th>
</tr>
</thead>
<tbody>
<tr>
<td>(H_0 : \beta_4 = 0) (the variable (X_4) effect significantly to variable Y)</td>
<td>(sig = 0.187)</td>
<td>(H_0) accepted, (H_a) rejected</td>
</tr>
<tr>
<td>(H_a : \beta_4 \neq 0) (the variable (X_4) has no effect significantly to variable Y)</td>
<td>(a = 0.05)</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Data processed, 2016*
The variable $X_4$ regression coefficient is -210.355 and significant value is 0.187. The value of the test statistic is significantly larger than $\alpha = 0.05$. This test shows that $H_0$ is accepted (Ha rejected) so it is concluded that the audit committee variables ($X_4$) significantly affects on company’s performance in variable Y (EVA).

**Discussion of Results**

1. Discussion of result of hypothesis testing 1
   The test results of hypotheses 1, the researchers fails to prove the influence of variable independent commissioners against EVA. EVA is one of the performance measurement tools. This result is in contrast with the research Hardikasari (2010) finding which stated that there is a positive influence between the proportion of Independent Board of Commissioners to company performance characterized by the increase of earnings quality and value of the company. However, this finding is in line with Ade (2005) and Sam'ani (2008) studies which stated that there is no influence between the proportions of Independent Board of Commissioners to company performance. Many researchers suspect that the functions and duties of the board of commissioners is not running effectively. The board of commissioners can act as an intermediary in the dispute so that the executive does not treat the company as private property. The policies and decisions issued the board of commissioners is not bias towards management interests as agent. Independent commissioner can play a role in representing the interests of minority shareholders.

2. Discussion of result of hypothesis testing 2
   The test results of hypotheses 2, the study fails to prove the positive influence of institutional ownership using the EVA. EVA, in this case, is an indicator of performance measurement within the company. This result does not support the research of Ardita (2010) which concluded that institutional ownership has significant effect on the performance in increasing of the company value. This results is supported by Ade (2005), Sam'ani (2008), and Oktavianti (2012) studies, which revealed that institutional ownership has no effect on performance. Smith (1996) suggested that the control measures undertaken by a company and the institutional investors can restrict the behavior of managers in decision-making and accounting policies. Similarly, Cornett, et al. (2006) concluded that the action to control of companies by the institutional investors can encourage managers to focus more attention to financial companies, so it will reduce opportunistic or self-serving. Those two opinions makes researchers concluded that less institutional ownership provides supervision and, therefore, cannot restrict the behavior of managers, so institutional shareholders cannot influence the company performance. This condition, reinforced by the opinions Fama (1980) in Sutedi (2011: 21) that institutional investors can buy shares for portfolio reasons and probably did not understand the theory of agency.

3. Discussion of result of hypothesis testing 3
   The test result of hypotheses 3 shows that managerial ownership variable significant influences EVA. EVA is one of the performance measurement tools. Managerial ownership is a manager who is also a shareholder in the same company. The result of this research is supported by Ardita (2010) finding which stated that the positive managerial ownership poses influence to company's performance. The company's performance improves quality of earnings and corporate value. This result is not supported by Ade (2005) finding which concluded that managerial ownership has no effect on performance. Managerial ownership is believed to be able to align the potential difference between the interests of external shareholders with management. The separation of ownership and control of the company would create a conflict of interest between managers and shareholders (Jensen and Meckling, 1976). Managerial ownership average is 40.4%. These circumstances indicate that managerial ownership is the most dominant variables that significantly influence the company's performance.

4. Discussion of result of hypothesis testing 4
   The test result of hypothesis 4 shows that the audit committee variables significantly influence EVA. EVA is one of the performance measurement tools. This opinion is supported by Ade (2005) and Sam'ani (2008) which concluded that the size of the audit committee has significant effect on performance. This result is not supported by Ardita (2010) and Oktavianti (2012) researches which stated that the size of the audit committee does not affect the performance.
This findings is supported by the Klien (2002) study which found that companies that form the independent audit committees, reporting profit containing smaller discretionary accruals compared with companies that do not form an audit committee. Investors, analysts, regulators assume the audit committee contributes to the quality of reporting and enhances the quality of performance (McMullen, 1996).

The audit committee is independent committee formed by the board of commissioners in order to assist the implementation of the monitoring of the external and internal auditing processes. Members of the audit committee must have the educational background, experience, and independence are strong in executing tasks so, the audit committee can conduct overall supervision effectively (the BAPEPAM Chairman Decree Kep-29 / PM / 2004). Choosing members of the audit committee must be done carefully to increase the effectiveness and efficiency of the audit committee in carrying out its duties.

V. CONCLUSION

From the research analysis done, especially on the issue of the influence of the application of good corporate governance to company performance manufacturing on industry and chemical sector listed on the Indonesia Stock Exchange 2012-2013 period utilizing EVA approach as one of the company’s performance measurement tools. The test results is tested using multiple linear regression indicated that:

1. The size of independent Commissioners in the industry and chemical sectors of manufacturing company has no effect on EVA. The condition might be caused by the functions and duties of the board of commissioners in oversight and accountability to minority shareholders which is not running effectively.
2. Institutional Ownership in the industry and chemical sectors of manufacturing company has no effect on EVA. The condition is caused by the lack of institutions provide supervision so it can not restrict the behavior of managers. Institution owners possess shares with the purpose of speculation and benefits portfolio, so it institutional ownership cannot affect the performance.
3. Managerial ownership in the industry and chemical sectors of manufacturing company has significant effect on EVA. Managerial ownership is a manager who also became shareholder in the same company. Managerial ownership can align the potential difference between the interests of outside shareholders with management that will improve the company's performance through the improvement of earning quality and corporate value.
4. The size of audit committees in the industry and chemical sectors of manufacturing company has significant effect on EVA. Companies that form the audit committee will contribute to the quality of the earnings reporting with the content smaller discretionary accruals compared with companies that do not form an audit committee so it would improve the quality of the performance.

Suggestions

1. For the academic world
   The studies should provide information using other research variables. The new research is expected to add insight and can provide the better conclusion later.
2. For companies
   The management of the company is expected to further realize the importance of the implementation of good corporate governance within the company, as well as more motivation to implement good corporate governance consistently.
3. For investor and stakeholders
   The results of this study are expected to increase awareness of investors as well as stakeholders of the importance of the implementation of Good Corporate Governance in the company management. Investors as well as stakeholders can give encouragement to the management to implement the Good Corporate Governance, as well as monitoring the implementation of Good Corporate Governance at the company.
REFERENCES


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