Research Article

Does Corporate Governance Matter?

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Abstract.

This study examines the influence of corporate governance on performance. Corporate governance is measured using the corporate governance index developed by Schweizer *et al.* (2019). Research data were obtained from the documentation of the Indonesia Stock Exchange (www.idx.co.id). The data were tested using multiple linear regression analysis. The results of the regression analysis document showed significant evidence of the influence between corporate governance index, board age, ownership concentration, and performance. The findings of this research contribute to corporate management in improving and maintaining corporate governance. Furthermore, this research can also be used by regulators as a consideration in designing and implementing guidelines for corporate governance mechanisms. The results of this research can also be used by investors as a consideration in investing in companies with good corporate governance.

Keywords: board age, corporate governance, ownership concentration, performance

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1. Introduction

Financial statements of a corporation show its financial performance. Financial statements are a concrete form of management's performance in managing the company. Owners of businesses give management the responsibility for running the business, and they anticipate that management will perform to their expectations. The financial statements contain the management of the company's resources and cash, which must be properly handled to ensure the company's survival (Vuković et al., 2022). However, management also has personal goals of increasing their potential and compensation received (Sudiardhita et al., 2018). The goal gap between company owners and management is a threat to company performance (Songling et al., 2018).

According to agency theory, an agency relationship is a contract in which one or more parties (principals) hire another party (an agent) to carry out certain tasks on their behalf while also giving the agent some decision-making power(Jensen & Meckling, 1976). However, the idea also implies the possibility of management or agents acting

inappropriately by failing to behave in the best interest of the general public and shareholders because agents often act in their interests. If the appropriate corporate governance mechanism is chosen, then the company's finances can be improved (Kyere & Ausloos, 2021). Management has the opportunity to manage the company and, therefore, has much information about the company. Opportunistic managers will engage in moral hazard actions that harm the company, especially shareholders. Agency costs consist of monitoring costs, bonding costs, and residual losses. The expense the principal incurs to keep an eye on the agent is known as the monitoring cost. The cost of bonding is what the principal pays to make sure the agent acts in their best interests. Residual loss is the principal's sacrifice in the form of reducing the principal's prosperity due to differences in decisions between agents and principals (Jensen & Meckling, 1976). Therefore, to achieve a balanced alignment of the principal's and agent's interests, both internal and external corporate governance must function well (Barros et al., 2020; Setyahadi & Narsa, 2020). Good corporate governance is expected to reduce agency costs in the company, resulting in improved company performance.

Each country has different regulations regarding corporate governance. Indonesia adopts a two-tier corporate governance system. The two-tier system separates the oversight and management functions into two separate bodies at different levels in the company's structure. The supervisory function is carried out by the Board of Commissioners, and the management function is carried out by the Board of Directors. The Board of Commissioners oversees the Board of Directors. The duties of the Board of Commissioners and the Board of Directors are regulated in Law No. 40 of 2007 concerning Limited Liability Companies. Regulations on governance applicable in Indonesia are not only contained in Law No. 40 of 2007 concerning Limited Liability Companies but also in No. 32/SEOJK.04/2015 concerning Guidelines for Public Company Corporate Governance.

Previous academics have undertaken research on corporate governance and performance, but the majority of that research was carried out in one-tier, developed and developing nations. The two-tier system separates the supervisory and management functions of the company. Benvenuto et al (2021) showed that corporate governance affects profitability in Romania and Italy. Corporate governance has been implemented in developed countries since the 1980s. However, corporate governance in developing countries remains an interesting issue to be researched. Bhatt & Bhatt (2017); Fuadah et al (2019); Naimah & Hamidah (2017) researched governance indices and mechanisms, but these studies ignored the age of directors, tenure, and frequency of board meetings.

This study will complement previous research on corporate governance and company performance by using the Schweizer et al (2019) research.

Academics, practitioners, and researchers are concerned about the search for effective corporate governance and performance following decades of corporate scandals and financial disasters. PT. Santara Daya Inpiratama is a licensed crowdfunding company overseen by the Financial Services Authority (OJK) with Decree Number: KEP-59/D.04/2019. The company can be described as a "Stock Exchange for MSME players". On December 19, 2022, PT Santara was prohibited from increasing the number of share issuers. PT Santara Daya Inpiratama failed to implement corporate governance. The OJK assessed that PT Santara did not effectively implement corporate governance, resulting in losses to investors. This research contributes to the literature by evaluating the role of corporate governance in developing countries with a two-tier system on company performance. These findings can increase awareness of the importance of corporate governance practices. Legislators, regulators, and other stakeholders can use these results to examine corporate governance practices in developing countries with a two-tier system.

2. Literature Review

Agency theory is a fundamental concept applied for elucidating and addressing concerns arising within the interaction between business principals and their representatives. Typically, this interaction predominantly involves shareholders assuming the role of principals and company executives acting as their agents. Agency theory posits that agents will behave in self-interest, which may conflict with the interests of the principal (Jensen & Meckling, 1976). Differences in interests between agents and principals can be addressed through corporate governance. Effective corporate governance can support a company in achieving its objectives, namely, improving company performance.

The results of governance research on the performance of companies in countries with one-tier systems, such as Malaysia, have a positive effect (Bhatt & Bhatt, 2017). Research on corporate governance and company performance in Indonesia shows a positive relationship (Naimah & Hamidah, 2017), and the same is true for companies in Egypt (Shahwan, 2015). However, studies on the application of corporate governance on the operational and financial performance of companies measured using ROA, ROE, and Tobin's Q on companies listed on the Saudi stock exchange show different results, indicating no significant impact (Arora & Sharma, 2016; Buallay et al., 2017). Good

corporate governance provides assurance that a company is operating in compliance with applicable regulations (Bhatt & Bhatt, 2017), and a well-performing company is a shareholder's expectation, thereby reducing conflicts between shareholders and management. Based on prior theory and research, the following research hypotheses can be formulated:

H1: Corporate governance has a positive effect on company performance.

A board of directors with an older average age of directors performs better than a board with a younger average age (Kagzi & Guha, 2018). A board of directors with a female majority and an average age below the male board of directors' average age has a negative impact on the company's financial performance (Akisimire et al., 2016; Makhlouf et al., 2015; Prior Jonson et al., 2020). However, a study conducted in Malaysia by Abdullah & Ismail (2013) showed that a board of directors with different ages had a negative effect on company performance. The research hypothesis can be formulated as follows:

H2: The age of the board of directors has a positive effect on company performance.

The term of a chief executive officer (CEO) is a period in which the company's board of directors work together in one work environment (Prakoso & Purwanto, 2017). The CEO's term has an impact on company performance (Li & Wahid, 2018). The CEO's term reflects the director's ability and experience in managing the company. The longer the CEO holds the position, the more they can devote their energy and effort to the company, resulting in good performance (Livnat et al., 2016, 2016; Marashdeh et al., 2021; Tejerina-Gaite & Fernández-Temprano, 2021). However, a meta-analysis conducted by Cao et al. (2021) showed that the CEO's term has a positive effect on performance, but the CEO's tenure will become weak when it is too long. The research hypothesis can be formulated as follows:

H3: The CEO's term has a positive effect on company performance.

The Board of Directors has a very important function in a company. The directors have greater power in managing all the resources within the company and setting the direction of corporate policies (Sukandar & Rahardja, 2014). The size and diversity of the board have an impact on institutional performance and optimal board governance, which in turn affects the board's ability to initiate strategic changes (Goodstein et al., 1994).

A larger board size is associated with deeper intellectual knowledge, which in turn helps improve decision-making and performance (Ananta & Amanah, 2017; Bashir & Asad, 2018; Khatib & Nour, 2021; Puni & Anlesinya, 2020). Research on the impact of corporate governance on the performance of listed companies on the Saudi stock

exchange shows a significant impact of board size on company performance, as measured by Tobin's Q (Almoneef & Samontaray, 2019; Buallay et al., 2017). The characteristics of the board of directors are an important factor of the corporate governance mechanism. Board characteristics significantly affect company performance during the study period. The research hypothesis is formulated as follows:

H4: Board size has a positive impact on company performance.

The corporate governance mechanism that can enhance the effectiveness of the board of directors and commissioners is the meetings of the board. Board meetings provide a good medium to monitor the company's performance, and the more frequent the meetings, the more issues related to the duties of directors and commissioners, as well as social and environmental issues faced by the company, can be resolved promptly. According to Regulation of the Financial Services Authority (OJK) Number 33/PJOK.04/2014 Article 31, the board of commissioners is required to hold meetings at least once every two months. In addition, the board of directors holds meetings at least once a month, and joint meetings of the board of directors and commissioners are held at least once every four months. Therefore, the higher the frequency of board meetings, the better decisions are expected to be made (Khatib & Nour, 2021; Kyei et al., 2022; Puni & Anlesinya, 2020). The frequency of board meetings has a positive effect on a company's performance (Agustia et al., 2022). This indicates that board meetings can serve as a medium for board members to determine operational issues through discussion and meetings to improve the decision-making process, which will have an impact on the company's financial performance (Al-Daoud et al., 2016; Buchdadi et al., 2019; Eluyela et al., 2018). However, (Qadorah (2018) provides different empirical evidence that the frequency of board meetings does not determine the performance of industrial companies in Jordan. The research hypothesis is formulated as follows:

H5: Board of directors and commissioners meetings have a positive effect on a company's performance.

Independent commissioners are members of the board of commissioners who come from outside the company and meet the requirements as Independent Commissioners as referred to in the Financial Services Authority Regulation of the Republic of Indonesia Number 57/POJK.04, 2017. The presence of independent commissioners in a company receives less attention because it cannot boost the company's profitability (Naimah & Hamidah, 2017; Vo et al., 2017). The presence of an external supervisory board is an important factor for the company. Independent commissioners are able to provide independent oversight of management (Nabila & Daljono, 2013). The role of a more independent supervisory board can have a significant impact on a company's

performance (Angsoyiri, 2021; Qadorah, 2018). An ideal company should have independent commissioners who function as independent supervisors, thereby supporting the company's performance. The research hypothesis is as follows:

H6: Independent commissioners have a positive effect on a company's performance.

The audit committee is an important corporate governance mechanism in the financial reporting process, overseeing the work of independent auditors in the financial reporting process and assisting the board of commissioners' tasks (Verawati & Wirakusuma, 2016). The results of Indra Jaya & Rasuli (2021) study show that the effectiveness of the audit committee, risk monitoring committee, nomination and remuneration committee, and sharia supervisory board have a positive effect on the financial performance of Islamic banks. The size of the audit committee has a positive effect on company performance (Angsoyiri, 2021), but Ananta & Amanah (2017) show that the size of the board of commissioners has a positive but not significant effect on bank performance. Corporate governance and company performance, both globally and in Saudi Arabia, show that the audit committee has no relationship to bank performance (Almoneef & Samontaray, 2019; Saufi, 2018).

The audit committee is an important corporate governance mechanism in the financial reporting process. Independence in audit committee members can increase shareholder confidence that the financial statements presented by the company are in accordance with Accounting Standards, resulting in information that can be used to make economic decisions. The financial performance results presented in the financial statements can be relied upon and compared. The research hypothesis is formulated as follows:

H7: The Audit Committee has a positive effect on company performance.

Principals have an interest in obtaining maximum profit while agents have an interest in maximizing their personal economic needs based on their performance (Jensen & Meckling, 1976). Management has a lot of information about the company, which is related to their responsibility for managing the company. Management has more information than the owners, which creates information asymmetry and subsequently leads to agency problems. To minimize these agency problems, management oversight is necessary. Management oversight can be done by auditing financial statements.

Audited financial statements have high credibility and can be used to make decisions. Quality audit services are provided by competent auditors who maintain their independence. Foreign-affiliated Public Accounting Firms tend to provide higher quality audits (El-Dyasty & Elamer, 2021). Auditors from foreign-affiliated public accounting firms gain more training and experience, resulting in high-quality audits (Fooladi et al., 2014).

Financial statements that have been audited by quality auditors will gain high public trust, enabling companies to obtain funding and continuously improve their performance (Angsoyiri, 2021; Naimah & Hamidah, 2017). However, Agasha & Monametsi (2020) show empirical evidence that audit quality is a negative but not significant predictor of financial performance. Thus, the hypothesis is formulated as follows:

H8: Foreign-affiliated auditors have a positive effect on company performance.

Ownership concentration refers to a group of shareholders who have control over the business activities of a company (Manurung & Kusumah, 2016). Ciftci et al (2019) conducted a study in Turkey where the characteristic of companies in that country is that they are family-owned. The results of the study showed that family ownership concentration leads to better company performance. Director share ownership has a positive effect on future company performance (Bhagat & Bolton, 2019). Public policymakers and long-term investors should pay attention to this when making investments because they have an interest in the long-term performance of the company.

Some studies have shown that excessively high ownership concentration can have a negative impact on company performance (Khamis et al., 2015; Lestari & Juliarto[1], 2017). This is because majority shareholders tend to make decisions that only benefit themselves, without considering the long-term interests of the company. They can also use their power to influence the management of the company, thus hindering innovation and company growth. Ownership concentration affects company performance (Puni & Anlesinya, 2020). This indicates that ownership concentration is part of the governance mechanism that can control management. Management must act to meet the interests of shareholders, namely to obtain high returns from company performance. In addition, ownership concentration negatively moderates the relationship between corporate social responsibility and company performance (Akben-Selcuk, 2019).

Good corporate governance should consider a balance between ownership concentration and the interests of minority shareholders, and ensure that majority shareholders do not abuse their power for personal gain (Ahmad & Omar, 2016). This can be achieved through strict regulation regarding transparency and accountability in decision-making, as well as strict supervision of management actions.. The hypothesis of this research is:

H9: Ownership concentration has a negative effect on company performance.

State ownership refers to the number of shares in a company owned by the government. State share ownership is generally found in publicly-owned companies (Hunardy & Tarigan, 2017). Significant performance differences are related to various forms of state ownership. The weakest performance is when state ownership takes the form of minority, regional, or direct ownership (Liljeblom et al., 2020). This indicates that the

impact of corporate governance mechanisms on company performance is influenced by different levels of state ownership (Vu & Pratoomsuwan, 2019). State ownership harms company financial performance (Aguilera et al., 2021; Chhabra et al., 2021), but in different research, ownership supports company performance (Kubo & Phan, 2019; Nguyen & Nguyen, 2020). The hypothesis of this research is:

H10: State ownership has a positive effect on company performance.

3. Methodology

This is a quantitative research. The researcher used a sample of manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2021 without experiencing suspension or delisting, publishing annual reports, and audited financial statements from 2019 to 2021. The sample used in this study amounted to 147 companies, making a total of 441 research observations.

The study observed the relationship between corporate governance and firm performance. The research variables consist of independent variables and dependent variables.

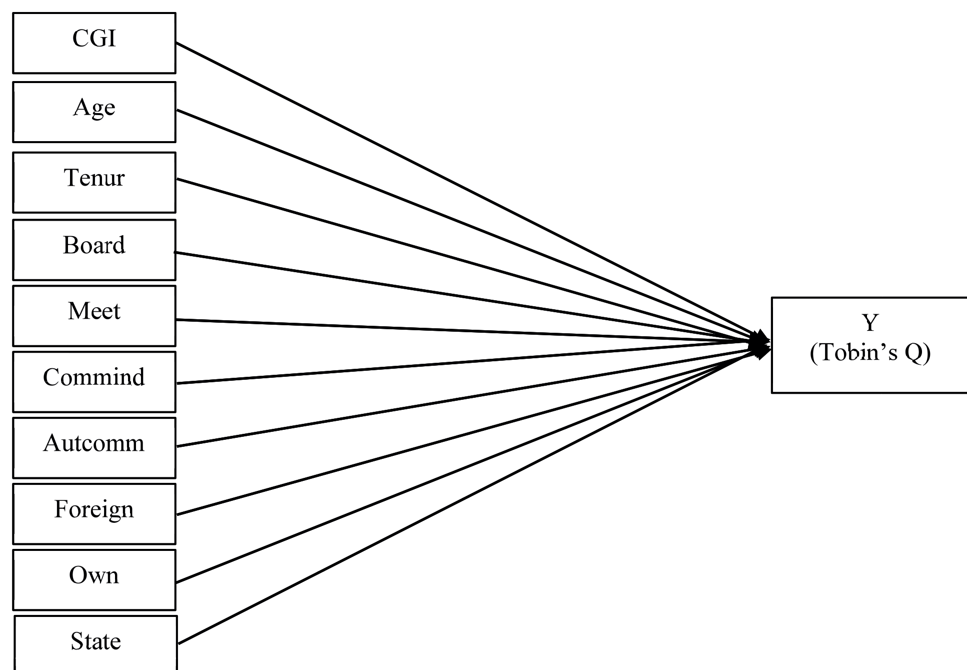

Figure 1: Research Model.

Table 1: Variables.

Variable			*Information*
Dependent	Performance	Tobin's Q	Performance in this study is the financial performance of the company measured using Tobin's Q. Tobin's Q can be defined as the market value of equity plus debt book value with the book value of assets, where the market value of equity is equal to the market price of shares multiplied by outstanding shares (Almoneef & Samontaray, 2019; Buallay et al., 2017; Dzahabiyya et al., 2020; Shahwan, 2015).
Independent	Corporate Governance Index	CGI	Corporate governance is measured by an index adopted from Schweizer et al.'s (2019).
	Age of the CEO	Age	The age of the CEO is a corporate governance mechanism. The age of the CEO is obtained from the age of the CEO serving in 2019, 2020, and 2021 (Schweizer et al., 2019).
	CEO Tenure	Tenure	CEO tenure is a corporate governance mechanism. CEO tenure is calculated based on the number of years of CEO tenure until 2019, 2020, and 2021 (Schweizer et al., 2019).
	Board Size	Board	Board size is a corporate governance mechanism. Board size is calculated by the number of board members in 2019, 2020, and 2021 (Schweizer et al., 2019).
	Board and Commissioner Meetings	Meet	Board and commissioner meetings are corporate governance mechanisms. The number of board and commissioner meetings is calculated based on the number of meetings in 2019, 2020, and 2021 (Schweizer et al., 2019).
	Independent Commissioners	Commind	Independent commissioners are a corporate governance mechanism. Independent commissioners are calculated based on the number of independent commissioners in 2019, 2020, and 2021 (Schweizer et al., 2019).
	Audit Committee	Autcomm	The audit committee is a corporate governance mechanism. The audit committee is calculated based on the number of audit committees in 2019, 2020, and 2021 (Schweizer et al., 2019).
	Affiliated Foreign Auditor	Foreign	Affiliated foreign auditor is a dummy variable. Companies audited by foreign-affiliated public accounting firms are given a score of 1 and otherwise 0.
	Ownership Concentration	Own	Ownership concentration is measured by the percentage of shares held by the largest shareholder in 2019, 2020, and 2021 (Schweizer et al., 2019).
	State Ownership	State	State ownership is measured by the percentage of shares held by the government more than or equal to 5% in 2019, 2020, and 2021.

Source: Research Data, 2022

Table 2: Descriptive.

	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
Tobin's Q	8.243394	0.507834	1539.627	0.042299	93.55336	441
Age of CEO	56.82313	56.00000	83.00000	32.00000	10.41679	441
Tenure of CEO	7.446712	4.000000	50.00000	1.000000	9.412878	441
Board and Commis-sioner Meetings	5.328798	4.000000	32.00000	1.000000	3.900852	441
Ownership Concentration	0.756798	0.784300	1.000000	0.301410	0.152314	441
Audit Committee	2.997732	3.000000	4.000000	2.000000	0.106576	441
State Ownership	0.023485	0.000000	1.000000	0.000000	0.128369	441
Foreign Affil-iated Auditor	0.904762	1.000000	1.000000	0.000000	0.293877	441
Independent Commissioner	1.623583	1.000000	6.000000	1.000000	0.833278	441
Board Size	8.566893	8.000000	14.00000	1.000000	3.493590	441
Corpoarate Governance Index	6.000000	6.000000	8.000000	3.000000	1.173573	441

Source: Research Data, 2022

4. Result and Discussion

Table 1 shows the descriptive statistical data of the study. The Tobin's Q variable exhibits a significant variation in values, with a mean of 8.243394 and a standard deviation of 93.55336. The other variables, such as age, tenure, board meetings, ownership concentration, audit committee, state ownership, foreign auditor, independent commissioner, board size, and corporate governance index, also have their respective descriptive statistics such as mean, median, maximum and minimum values, and standard deviation. The number of observations for each variable is 441.

The panel data regression model can be estimated using a variety of techniques. The Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) are a few examples. The most accurate regression model estimate to be employed in this investigation is the Common Effect Model (CEM). In Table 3, the regression test results show an adjusted R^2 value of 0.1217, indicating that all independent variables can explain 12.17% of the variation in the dependent variable, while the rest is explained by other factors not included in the model. The F Statistic test result is 7.0939 with a

Table 3: Result of Analysis Test.

Variabel	Koefisien	t-Statistic	Probabilitas
Konstanta	-4,18	-0,03	0,9751
Corporate Governance Index	14,96	2,57	0,0105
Age of CEO	1,89	3,81	0,0002
Tenure of CEO	-0,62	-1,22	0,2228
Board Size	0,95	0,51	0,6077
Board and Commissioner Meetings	0,23	0,17	0,8686
Independent Commissioners	-3,84	-0,55	0,5820
Audit Committee	6,25	0,16	0,8754
Foreign Affiliated Auditor	-82,94	-5,27	0,0000
Ownership Concentration	-167,30	-5,29	0,0000
State Ownership	-2,72	-0,07	0,9452
Model			
F-statistic		7,0939	
Prop (F-Statistic)		0,0000	
Adjusted R^2		0,1217	

Source: Research Data, 2022

significance level (probability) of 0.0000. Since the probability value is less than 0.05, the regression model is considered suitable for predicting company performance.

The test results for the corporate governance index on company performance have a t-value of 2.57 and a regression coefficient of 14.96 with a p-value of 0.0105, indicating that hypothesis one is accepted. This finding supports agency theory. Good corporate governance can reduce agency costs in companies, thus having a positive impact on company performance. This research is in line with studies by Bhatt & Bhatt (2017); Naimah & Hamidah (2017); Shahwan (2015), which also support the relationship between corporate governance and company performance. During company operations, there is asymmetric information between shareholders and management. Corporate governance can bridge the information asymmetry between them and reduce the costs arising from conflicts of interest between shareholders and management (Jensen & Meckling, 1976). The corporate governance index developed by Schweizer et al (2019) consists of nine corporate governance mechanisms. The Schweizer corporate governance index has been shown to affect company performance in countries with a two-tier system.

The empirical test results for CEO age on company performance have a t-value of 3.81 and a regression coefficient of 1.89 with a p-value of 0.0002. Therefore, hypothesis two is accepted. The corporate governance mechanism in the form of CEO age has a positive effect on company performance. This finding is in line with research by Akisimire et al (2016), Makhlouf et al (2015) dan Prior Jonson et al (2020), which also found that CEO age affects company performance. Companies led by mature directors have better performance than those led by young directors (Akisimire et al., 2016; Prior Jonson et al., 2020). Mature directors have more experience in organizing an organization (Kagzi & Guha, 2018). The age of the CEO is a corporate governance mechanism that can support company performance. These research findings support agency theory (Jensen & Meckling, 1976).

The results of the tenure of the CEO on company performance test have a t-value of -1.22 and a regression coefficient of -0.62 with a p-value of 0.2228. Therefore, the third hypothesis is rejected. The CEO's tenure does not affect company performance because the standard deviation of 9.412878 indicates a significant variation in tenure values among observations. The tenure values in the sample are quite diverse. This finding contradicts previous studies (Cao et al., 2021; Li & Wahid, 2018; Livnat et al., 2021; Marashdeh et al., 2021; Tejerina-Gaite & Fernández-Temprano, 2021). The CEO will maintain the existing business strategy to avoid conflicts with the board of directors, commissioners, or employees (Aprilia et al., 2020).

The test of board size on company performance has a t-value of 0.51 and a regression coefficient of 0.95 with a p-value of 0.6077. Therefore, the fourth hypothesis is rejected. According to agency theory, board size does not affect company performance because management can influence board decisions by appointing members with close ties or loyalty to management, making board size ineffective in reducing agency conflicts. This finding contradicts previous studies (Almoneef & Samontaray, 2019; Ananta & Amanah, 2017; Bashir & Asad, 2018; Buallay et al., 2017; Puni & Anlesinya, 2020).

The test of board and commissioner meetings on company performance has a t-value of 0.17 and a regression coefficient of 0.23 with a p-value of 0.8686. Therefore, the fifth hypothesis is rejected. Although board and commissioner meetings are important forums for making strategic decisions and monitoring company performance, they may not be effective in reducing agency conflicts. Therefore, there is no significant relationship between board and commissioner meetings and company performance. This finding contradicts previous studies (Agustia et al., 2022; Al-Daoud et al., 2016; Buchdadi et al., 2019; Eluyela et al., 2018). However, the findings of the test of board and commissioner meetings on company performance are consistent with the study by

Qadorah (2018). The coordination of board meetings is not determined by frequency but by effective meetings. Although frequent board meetings can improve communication among board members (Jao et al., 2021), if the meetings are not effective in making the right decisions and solving problems, they will not have an impact on company performance. On the other hand, effective board meetings can produce the right decisions and the best solutions to the problems faced by the company (Vitolla et al., 2020).

Regression test results for independent commissioners with company performance have a t-value of -0.55 and a regression coefficient of -3.84 with a p-value of 0.5820. Therefore, the sixth hypothesis is rejected. Independent commissioners do not have an influence on company performance because their supervisory advice is often ignored due to the small number of independent commissioners (Naimah & Hamidah, 2017). This result is not in line with the studies by Angsoyiri (2021) and Qadorah (2018).

The audit committee test results with company performance have a t-value of 0.16 and a regression coefficient of 6.25 with a p-value of 0.8754. Therefore, the seventh hypothesis is rejected. This result is consistent with the studies by Almoneef & Samontaray (2019) and Saufi (2018) and contrary to the previous studies conducted by Angsoyiri (2021), Chechet, L., Yancy, S., & Akanet (2013) and Indra Jaya & Rasuli (2021). The audit committee does not have a significant influence on company performance because they only have a supervisory role and do not have the final decision-making authority in company decision-making (Hidayat et al., 2021).

The test of foreign-affiliated auditors on company performance has a t-value of -5.27 and a regression coefficient of -82.94 with a p-value of 0.000. Therefore, the eighth hypothesis is rejected. This result contradicts the studies by Angsoyiri, (2021), El-Dyasty & Elamer (2021), Fooladi (2012), and Naimah & Hamidah (2017) that foreign-affiliated auditors have a positive influence on company performance. Foreign-affiliated auditors uphold ethical standards, enforcement of laws, and compliance requirements (Svanberg & Öhman, 2013). Auditors with a strong ethical culture are more likely to maintain their objectivity than auditors with a weaker ethical culture (Svanberg & Öhman, 2016). Weak law enforcement in Indonesia can make it difficult for foreign-affiliated auditors to act objectively (Perdana et al., 2022). If the application of rules and regulations is inconsistent or transparent, foreign-affiliated auditors may have difficulty identifying and reporting fraudulent or erroneous actions that occur in the company being audited.

The influence of ownership concentration on company performance has a t-value of -5.29 and a regression coefficient of -167.30, with a p-value of 0.000. Therefore, the ninth hypothesis is accepted. Ownership concentration has a negative effect on company performance (Foroughi & Fooladi, 2011; Khamis et al., 2015; Lestari & Juliarto[1],

2017). This indicates that ownership concentration is inversely related to performance. These results contradict previous studies that showed a positive relationship between ownership concentration and company performance (Bhagat & Bolton, 2019; Ciftci et al., 2019). The smaller the ownership concentration, the better the company performance. In Indonesia, the majority of companies have ownership concentration in family ownership. According to data from the Indonesia Stock Exchange (IDX) as of December 2021, about 66% of listed companies in the Indonesian stock market have ownership concentration in families or known as "family-owned businesses." This means that about two-thirds of companies in Indonesia are registered as family-owned companies. Family leadership is prone to family conflicts that affect company performance (Kubíček & Machek, 2020).

The results of the test on state ownership and firm performance have a t-value of -0.07 and a regression coefficient of -2.72 with a p-value of 0.9452. Thus, the tenth hypothesis is rejected. State ownership does not have an effect on firm performance. Whether the firm's performance is good or bad does not depend on state ownership. Every company is run to achieve its main goal of generating profits, but sometimes the social and political goals set by the government can take priority over the company's business goals (Suwitri, 2014). This research is not in line with previous studies (Aguilera et al., 2021; Chhabra et al., 2021; Kubo & Phan, 2019; Liljeblom et al., 2020; Nguyen & Nguyen, 2020; Vu & Pratoomsuwan, 2019).

5. Conclusions

Corporate governance and the mechanism of corporate governance have a positive influence on company performance. Foreign auditors and ownership concentration have a significant negative effect on company performance. The corporate governance index has an effect on company performance. Good corporate governance can support company performance. Regulators must ensure that regulations on corporate governance are effective. Corporate governance mechanisms can support company performance. Corporate governance can bridge agency conflicts between management and principals.

This study can still be further developed for future research. The study was conducted during a pandemic, where many uncontrollable factors may have influenced company performance. The study focused on non-financial manufacturing companies. In future research, financial and non-financial companies can be examined to determine to what extent compliance with corporate governance rules affects financial performance, which may differ between these types of companies..

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