THE EFFECT OF OWNERSHIP AND MANAGEMENT STRUCTURE ON FINANCIAL PERFORMANCE

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Abstract. The purpose of this study is to clarify the effect of ownership and management structure on financial performance of companies that corporated in the LQ 45-year period 2012-2014. The research sample employs purposive sampling method on the type of judgment sampling. Inferential statistical analysis uses analysis of causality of Partial Least Square (PLS). The results Showed that the ownership structure has no effect on the financial performance, and management structure has no effect on financial performance.

***Keywords**: ownership structure, management structure, financial performance.*

INTRODUCTION

Mahendra (2011) stated that the financial performance of the company is one factor that is seen by potential investors to determine investment shares. For a company, maintain and improve financial performance is a must that these shares still exist and remain attractive to investors, affect the by financial performance.

Laksana (2015) stated that the performance is a measure that describes a company's financial condition. For the investor before investing, financial performance will be seen first because they will not want to bear the loss. As a public company, the financial performance is no longer, just accountable to the company's internal, but also to external parties. One form of accountability public company to external investors is through the presentation of information about its performance in the annual financial statements published.

Laksana (2015) stated that the financial performance will be better and can continue to excel in the competition, if no improvements are carried out continuously. Therefore, it is necessary the existence of regulatory and control mechanisms that effectively direct the operations of the company as well as the ability to identify those who have different interests. Mechanisms to improve and maximize financial performance was the implementation of good governance within the organization.

Nugrahanti and Novia (2012) stated that gives ownership to the manager is one of the internal mechanism to control the company. The manager will not fully act of self-interest, because in this case the manager is also a shareholder of the company. This indicates that the managerial ownership can be a solution to a conflict of interest between shareholders and managers, because managers also feel the benefits and risks of each decision. While institutional ownership can demonstrate mechanisms *corporategovernance* robust and can be used to monitor the company's management. Supervision of the company is not only limited to being done by the company, but also can be done from an external party companies.

The results of Alipour and Amjadi research (2011), Laksana (2015) indicated that managerial ownership and institutional ownership affect the financial performance, while Utomo and Rahardjo research (2014) indicated that institutional ownership has no effect on the financial performance. Nugrahanti and Novia (2012), Noviawan and Septiani (2013) indicated that institutional ownership has an effect on the financial performance, while managerial ownership has no effect on the financial performance. Laksana (2015) indicated that the proportion of independent board and the number of board of directors affect the financial performance. Noviawan and Septiani (2013), Utomo and Rahardjo (2014) indicated that the proportion of independent board and the number of audit committee has no effect on the financial performance.

Research on the influence of the structure of ownership and management structure of the company's financial performance has been widely implemented, such as which are presented , But there is still little research that examines the influence of the structure of ownership and management structure of the financial performance of companies belonging to the group of companies most liquid in a stock exchange. Therefore, it becomes important and interesting to study about the effect of the structure of ownership and management structure of the financial performance of companies in the group of companies belonging to the group of LQ 45 in the Indonesia Stock Exchange.

LITERATURE AND HYPHOTESES

Ownership structure as one of the internal mechanisms of *corporate governance* are made to monitor the actions of managers to act in accordance with the interests of the owner of the company (shareholders). The existence of this oversight may encourage managers to always show a good performance in improving financial performance.

Noviawan and Septiani (2013) expressed the hope of their managerial ownership is that top managers can be more consistent in running the company, so as to create alignment of interests between management and shareholders and can improve company performance. Nugrahanti and Novia (2012) stated that gives ownership to the manager is one of the internal mechanism to control the company. The manager will not fully act of self-interest, because in this case the manager is also a shareholder of the company. This makes the manager would focus its attention on the financial performance of companies increased along with increasing managerial stock ownership in the company.

Owners institutional can show strong mechanism of *corporategovernance* and can be used to monitor the company's management. Supervision of the company is not only limited performed by parties within the company, but also can be done from an external party companies that may affect the company's performance. Nugrahanti and Novia (2012) stated that institutional ownership affect the performance, which means that the greater of institutional investors degree can improve financial performance. Therefore, ownership instutional will encourage managers to improve financial performance.

The results of Alipour and Amjadi research(2011), Laksana (2015) indicated that managerial ownership and institutional ownership affect the financial performance, while Utomo and Rahardjo (2014) indicated that institutional ownership has no effect on the financial performance. Nugrahanti and Novia (2012), Noviawan and Septiani (2013) indicated that institutional ownership has an effect on the financial performance, while managerial ownership has no effect on the financial performance. Therefore, the hypothesis H1: *ownership structure has a significant influence on the financial performance of the company.*

The structure of management as one of the internal mechanisms *of corporate governance* are made to monitor the actions of managers to act in accordance with the interests of the owner of the company (shareholders). *Code of Corporate Governanc,* Indonesia Stock Exchange (2011) stated that there are two (2) major organ in a Limited Liability Company is the main organ and organ support. The main organ consists of a General Meeting of Shareholders (AGM), the Board of Commissioners and Board of Directors, while organ support consists of a committee established by the board of directors, a committee created by the board of directors, the company secretary, external audit, internal audit and risk management.

The presence of surveillance this may encourage managers to always show a good performance in improving financial performance. Management structure used in this study was the proportion of independent board, the number of board of directors and the number of the audit committee.

The role of independent directors in conducting oversight of the operations of the company by the management, the membership numbers of independent board to provide oversight of the results of the process, of preparing the report financial quality or avoid the possibility of fraudulent financial reports, so that managers will be lead to the better performance (Utomo and Rahardjo, 2014). It indicated that the larger the supervision conducted by independent commissioners, the greater the encouragement the managers to improve the financial performance.

Based on the *Code of Corporate Governance* Indonesia Stock Exchange (2011) that the board of directors is the organ of the Company authorized and fully responsible for management of the Company to interest of the Company, in accordance with the purposes and objectives of the Company and represent the Company, both in and out of court in accordance with the provisions of the Articles of Association. Noviawan and Septiani (2013) stated that the board of directors in a company can also determine the strategy taken by the company, both long term and short term, which may affect the financial performance and reduce the agency conflict.

Noviawan and Septiani (2013) stated that the audit committee has a role important and strategic in maintaining the credibility of the company's financial reporting process as well as help ensure a sufficient surveillance systems company, and implementation of *the good corporate* governance. With the functioning the effective audit of committee , the oversight of the company will be better and be able to prevent conflicts of agency, also can improve financial performance.

Laksana (2015) indicated that the proportion of independent board and the number of board of directors affect the financial performance, while Noviawan and Septiani (2013), Utomo and Rahardjo (2014) indicated that the proportion of independent board and the number of audit committee has no effect on the financial performance. Therefore, the hypothesis H2: *the management structures have a significant influence on the financial performance of the company.*

METHOD

Population in this study are LQ 45 firms that listed on the Indonesia Stock Exchange. The sample selection using the *purposive sampling technique* . The considerations in this study are :

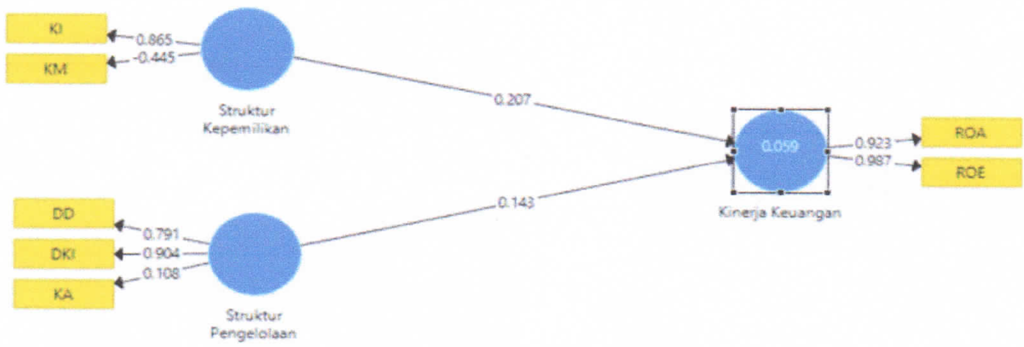
1) Companies must have a listing at the beginning of the observation period in 2012 and remained a listing until the end of the observation period in 2014;
2) Companies must be incorporated in LQ 45 for 3 (three) years in 2012-2014;
3) Companies are chosen as samples to publish the complete financial reports for the period 2012-2014;
4) Period financial statements used were annual financial statements as of December 31.

By using these criteria then obtained samples of this study were 28. This study uses the observation period from 2012 to 2014, so that the sample for 3 (three) years in a row as many as 28 companies x 3 years of observation, equal 84 companies.

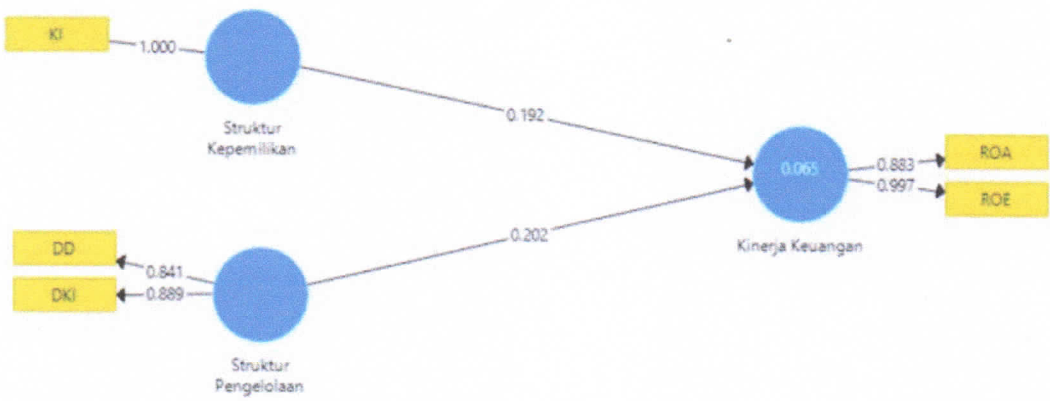
The research variables consist of 3 (three) variables, there are the ownership structure, management structure, and financial performance of the company. In the ownership structure consist of 2 (two) reflective indicators that managerial ownership and institutional ownership. In the variable management structure consists of three (3) reflective indicators, are the proportion of independent board, the number of board of directors, and the number of audit committee. Furthermore, the company's financial performance variables consist of 2 (two) reflective indicators, namely return on assets (ROA) and return on equity (ROE).

DISCUSSION / CONCLUSION

The test results on the relationship PLS indicator of variables and variable against produced the following results:



On testing PLS, loading indicator value is below 0.6 will be released in testing. Therefore, the results of testing at a later stage after loading expenditure indicators with values below 0.6 are as follows:



Results of hypothesis testing as follows:

Path Coefficients

Mean, STDEV, T-Values, P-Va... | Confidence Intervals | Confidence Intervals Bias C... | Samples | Copy to Clipboard: | Ex

	Original Sampl...	Sample Mean (...	Standard Devia...	T Statistics (|O...	P Values
Struktur Kepemilikan -> Kinerja Keuangan	0.192	0.153	0.175	1.099	0.272
Struktur Pengelolaan -> Kinerja Keuangan	0.202	0.011	0.364	0.555	0.579

Based on the results of running the PLS this it can be concluded that the ownership structure is reflected by institutional ownership does not affect the company's financial performance as reflected by the ROA and ROE. The results of this study are consistent with and Rahardjo Utomo (2014). However, this study contradict research Nugrahanti and Novia (2012), Noviawan and Septiani (2013) which shows that institutional ownership affect the company's financial performance.

Based on the results of running the PLS, the study also concluded that the management structure is reflected by the board of directors and board of commissioners independent does not affect the company's financial performance as reflected by the ROA and ROE. The results of this study are consistent with Noviawan and Septiani (2013), Utomo and Rahardjo (2014). However, this study contradict with the research of Laksana (2015) which indicated that the proportion of independent board and the number of board of directors affect the financial performance.

The results of this study which concluded that the ownership structure does not affect the company's financial performance and the governance structure does not affect the company's financial performance , because the companies incorporated in LQ 45 index consists of various types of companies.

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