OWNERSHIP AND MANAGEMENT STRUCTURE: COMPANY VALUE IN INDONESIA

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Abstract
The purpose of this study is to explain the effect of managerial ownership structure, Institutional Ownership, and Board of Directors, Independent Board of Commissioners, Audit Committee to the value of company in the LQ 45 index group for the period of 2014-2016. The sample of this research uses purposive sampling method of judgment sampling type. Inferential statistical analysis using Partial Least Square (PLS) causality analysis. The results showed that the ownership structure has a significant influence on the value of the company, but the management structure has no significant effect on the value of the company.
Keywords: Ownership Structure, Management Structure, Company Value

1. Introduction

Barde and Hamidu (2015) explain that corporate value is one of the fundamental factors considered by most investors, as it is important for companies to survive.In line with that observation, Kasmir (2010) also stated that with the increase in value the company will give the advantage of trust from financial institutions to get loans with soft requirements and also suppliers trust.

Husnan (2006) stated that in measuring company value can use Price to Book Value. The higher the value of Price to Book Value, the higher the investor's assessment of the company. Furthermore, Puteri and Rohman (2012) added that the value of the company can also be proxied by Tobin's Q. The result of measurement values using Tobin Q is a description of the welfare of shareholders, because the higher the value of the company, the more prosperous the owner.

In this research use LQ-45 index value. The LQ-45 index is the most liquid group of 45 stocks on the Indonesia Stock Exchange. The following table average company value LQ 45 period 2014-2016 is as follows:

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Table 1
The Average of Company Values on LQ 45 in Indonesia Stock Exchange 2014-2016

No.	Variables	Year		
		2014	2015	2016
1	Stock Price	10.968,11	9.666,65	11.876,33
2	*Price to Book Value*	4,84	4,38	4,61
3	Tobin's Q	2,57	2,69	2,36

Source: Data processed

D'Souza, Megginson, & Nash (2007) argue that changing ownership leads to changes in corporate governance. According to Siebens (2002), corporate governance is the knowledge and art of balancing the distribution of interests of all stakeholders and making choices among various options with the support of all kinds of information to become responsible companies. Solomon and Solomon (2004) argue that corporate ownership structures have been perceived as having a strong influence on corporate governance systems, although many other factors influence corporate governance, including legal systems, cultural and religious traditions, political environment and economic events.

The results of Sukirni (2012) and Puteri and Rohman (2012) studies show that managerial ownership and institutional ownership have an effect on firm value, while Adnantara (2013) and Sadasiha & Hadiprajitno (2014) show that managerial ownership and institutional ownership have no effect on firm value Wahla, Shah, and Hussain, (2012) and Antari and Dana (2013) also show that managerial ownership affects company value.

Puteri and Rohman (2012) and Sadasiha and Hadiprajitno (2014) and Hariati and Rihatiningtyas (2015) show that the proportion of independent board of commissioners influences the value of the company. Barde and Hamidu (2015) show that the composition of the board of directors influences the value of the company. Sadasiha and Hadiprajitno (2014), and Hariati and Rihatiningtyas (2015) indicate that the number of audit committees does not affect the value of the company.

Research on the influence of ownership structure and management structure of the value of the company has done, including those that have been described. However, there is little research that examines the effect of ownership structure and management structure on the value of companies incorporated in the liquid group of companies in the stock exchange. It is therefore important and interesting to examine the effect of ownership structure and management structure on company value on the group of companies incorporated in LQ 45 group in Indonesia Stock Exchange.

2. Literature And Hypoteses

Theory of the firm by Jensen and Meckling (1976) have substance regarding managerial behavior, agency cost and ownership structure. These three substances will be created in a public company. Jensen and Meckling (1976) found that the company is "*legal fictions which serve as a nexus for a set of contracting relationships among individuals*." The Company is the center of contractual agreements

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between various parties namely shareholders, managers, suppliers and other parties including employees and workers. The parties try to accommodate their respective interests, causing conflict between them.

According to agency theory, the agent is the management in charge of managing the company and the principal is a shareholder. The agent (manager) has duties and responsibilities regarding the source policy of funds, the policy of the use of funds, dividend policy. While the shareholders (owners of the company) to supervise the behavior of the manager. Managers appointed by shareholders should act in the interests of shareholders. Managers tend to prioritize personal interests or act not for the benefit of shareholders (Jansen and Meckling, 1976).

Shareholders have a goal to maximize their wealth by looking at the present value of the cash flows generated by the company's investment. While the manager of the company has a goal to increase the growth and size of the company. Increased growth will provide an opportunity for lower and middle level managers to promote. In addition, managers can prove themselves as productive employees to gain more recognition and authority to determine costs. Increasing company size provides job security or reduces *lay-off* and increasing compensation (Jensen and Meckling, 1976). The principal (owner) can reduce the deviation of agent behavior (manager) by providing incentives by issuing monitoring fees. In general, the costs incurred by the principal to ensure the agent is willing to do shareholder wishes are called agency costs.

According to Lubis (2010) there are several alternatives to reduce agency cost. First, through increased ownership of the company's shares by management. Ownership of shares by management is an incentive for managers to be able to improve the performance of companies such as through the use of optimal debt, so it will minimize the cost of the agent. Second, increase the devident payout ratio. This resulted in the unavailability of sufficient free cash flow and management was forced to seek outside funding to finance its investment. Third, increase funding by debt. Increased debt will decrease the amount of conflict between shareholders and management. Funding using debt will lower the existing excess cash flow within the company so as to decrease the likelihood of waste being made by management, disciplining and reducing opportunistic behavior of managers. Funding using debt also resulted in free cash flow generated by the company must be used to pay interest and debt installments, so that no idle cash funds that can be misused or used for various investments that are not productive. Fourth, institutional investors as monitoring agents.

Antari and Dana (2013) stated that the increasing of shares owned by managers through managerial ownership will motivate the performance of management because they feel they have a share in the company both in decision making and responsible for the decision taken because participate as a shareholder of the company so that management performance is better and have an effect on increasing company value. Sukirni (2012) argues that institutional ownership is important in monitoring management because with institutional ownership it will encourage more optimal oversight. Such monitoring will certainly ensure prosperity for shareholders, the influence of institutional ownership as regulatory agents is suppressed through their considerable investment in capital markets.

Sukirni (2012) and Puteri and Rohman (2012) conclude that managerial ownership and

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institutional ownership have an effect on firm value, while Adnantara (2013), Sadasiha and Hadiprajitno (2014) conclude that managerial ownership and institutional ownership have no effect on corporate value. Wahla et. al. (2012) and Antari and Dana (2013) also concluded that managerial ownership affects the firm's value. Hence, the hypothesis:

H1: Institutional Ownership Structure (KI), Managerial Ownership (KM) has a significant influence on Firm Value.

Sadasiha and Hadiprajitno (2014) state that the greater the composition of independent board of commissioners, the better the oversight function. This is in line with the agency theory which states that the existence of independent commissioners is able to create a more objective climate in the interest of shareholders and other stakeholders. They also concluded that based on the agency theory, that the existence of the audit committee, the control of corporate activities will be more organized and systematized so that it can reduce the risk of agency conflict as a result of management's wishes.

Research on the influence of management structure on company value has been done by some researchers, among them Puteri and Rohman (2012), Sadasiha and Hadiprajitno (2014), Hariati and Rihatiningtyas (2015) show that the proportion of independent board of commissioners influences the value of the company. Barde and Hamidu (2015) show that the composition of the board of directors influences the value of the company. Sadasiha and Hadiprajitno (2014), Hariati and Rihatiningtyas (2015) indicate that the number of audit committees does not affect the value of the company. This research proposes hypothesis

H2: Management Structure Proxyed with Board of Directors (DD), Board of Independent Commissioner (DKI), Audit Committee (KA) have significant influence to Company Value.

3. Method

The population in this study is a group of companies on LQ-45 listed on the Indonesia Stock Exchange. Sample selection using purposive sampling technique. The considerations in this study are as follows:

a. The company must have been listed at the beginning of the 2014 observation period and keep the listing until the end of the 2016 observation period;
b. The Company is incorporated in the LQ-45 index for three consecutive years from 2014-2016;
c. The company selected as sample publishes the complete financial report during the period 2014-2016;
d. The period of the financial statements used is the annual financial statements as of December 31.

Based on these criteria, we get the sample of this research as much as 28. This research uses the observation period 2014-2016, so that the sample for three consecutive years as many as 28 companies multiplied by 3 years of observation, which is 84 companies.

The research variables consist of three variables, namely manejerial ownership (KM), Institutional

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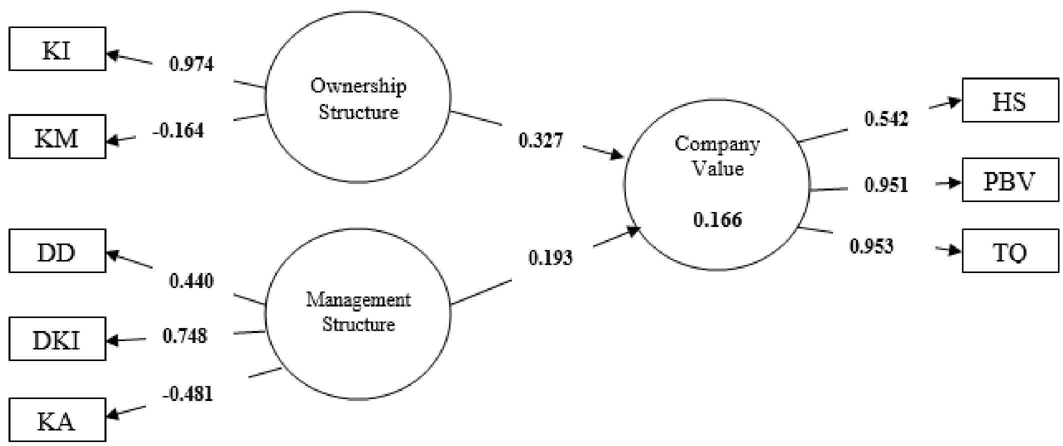
Ownership (KI), Board of Directors (DD), Board of Commissioner Independent (DKI), Audit Committee (KA) of company value. In the variable of ownership structure of 2 (two) reflective indicator that is managerial ownership and institutional ownership. In the variable of the management structure consists of 3 (three) reflective indicators namely, the proportion of independent board of commissioners, the number of boards of directors, and the number of audit committees. Furthermore, the firm's value variable consists of 3 (three) reflective indicators ie stock price, book price value, and tobins Q.

4. Discussion/Conclusion

The results of PLS testing on the relationship of indicators to variables and variables to the variables produce the following results:

In the PLS testing, the loading value of the indicator below 0.6 will be issued in the test. Therefore the test results in the next stage after performing the expenditure of the indicator with the loading value below 0.6 is as follows:

Figure 1: Loading Factor



Source: Data processed

The results of hypothesis testing as follows:

Table 2: Path Coefficients

Description	Original Sample	Sample Mean	Standard Deviation	T Statistic	P Values
Ownersip Structur → Company Value	0.327	0.310	0.088	3.694	0.000
Management → Company Value	0.209	0.177	0.132	1.589	0.113

Source: Data processed

Based on the results of this PLS running it can be concluded that the ownership structure reflected by institutional ownership has a significant effect on the value of the company reflected by the value of book price (PBV) and tobins Q. This means any increase in institutional ownership in the ownership

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structure in LQ 45 companies in the year 2014-2016 will influence the increase in the value of book prices and tobins Q at the value of the company. The results of this study are in line with the results of Sukirni (2012), Puteri and Rohman (2012). The results contradict the research of Adnantara (2013), Sadasiha and Hadiprajitno (2014) which conclude that institutional ownership has no effect on firm value.

The results of this study also concluded that the management structure reflected by the independent board of commissioners does not affect the value of the company reflected by the value of book prices and Tobin's Q. This means that the addition of independent board of commissioners does not affect the value of book prices and Tobin's Q. The results of this study are not in line with Puteri and Rohman (2012), Sadasiha and Hadiprajitno (2014), and Hariati and Rihatiningtyas (2015) which show that the proportion of independent board of commissioners influences the value of the company.

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