- Word Count: 6042

Plagiarism Percentage
16%

sources:

1 1% match (Internet from 20-Feb-2017)
https://espace.curtin.edu.au/bitstream/handle/20.500.11937/1976/246575_Haider%20I%202016.pdf?isAllowed=y&sequence=2

2 1% match (Internet from 06-Sep-2016)
https://ml.scribd.com/doc/239144986/SNA-Ke-XVI-MANADO

3 1% match (Internet from 13-Mar-2017)
http://www.virtusinterpress.org/IMG/pdf/COC__Volume_7_Issue_2_Winter_2009_-2.pdf

4 1% match (Internet from 27-Dec-2017)
https://d-nb.info/1128902982/34

5 < 1% match (Internet from 13-Mar-2017)
http://www.virtusinterpress.org/IMG/pdf/COC__Volume_12_Issue_2_Winter_2015_-3.pdf

6 < 1% match (Internet from 04-Jan-2017)
http://researchbank.rmit.edu.au/eserv/rmit:161192/Zhou.pdf

7 < 1% match (publications)
Mohammad Alipour. "An investigation of the association between ownership structure and corporate performance", Management Research Review, 2013

8 < 1% match (Internet from 22-Mar-2016)
http://nrl.northumbria.ac.uk/11058/1/ng.sin_dba.pdf

9 < 1% match (Internet from 14-Nov-2017)
https://link.springer.com/content/pdf/10.1007%2F978-3-658-00063-9.pdf

10 < 1% match (Internet from 17-Feb-2017)
http://discovery.dundee.ac.uk/portal/files/1252384/Mina_phd_2010.pdf

11 < 1% match (publications)
Managerial Finance, Volume 39, Issue 2 (2013-01-12)

12 < 1% match (Internet from 18-May-2014)
http://espace.library.curtin.edu.au/cgi-bin/espace.pdf?file=/2010/07/29/file_1/143614

13 < 1% match (Internet from 13-Mar-2017)
http://www.virtusinterpress.org/IMG/pdf/COC__Volume_14_Issue_1_Fall_2016_Continued1_.pdf

14 < 1% match (Internet from 26-Feb-2018)
https://link.springer.com/content/pdf/10.1007%2F978-3-8349-8412-8.pdf

15 < 1% match (Internet from 13-Mar-2017)
http://www.virtusinterpress.org/IMG/pdf/COC__Volume_14_Issue_2_winter_2017_.pdf

16 < 1% match (Internet from 24-Aug-2014)
http://prres.net/Papers/PRPRJ_No_1_2008_Shakir.pdf

17 < 1% match (Internet from 13-Jan-2018)
http://eproofing.springer.com/journals_v2/printpage.php?token=Dkyi1xrKEN-JIGAKnTwjwUmlCaB7ZKk_w-A67DBFt18

< 1% match (publications)

18 International Journal of Managerial Finance, Volume 7, Issue 4 (2011-09-24)

19 < 1% match (publications)
CSR Sustainability Ethics & Governance, 2014.

20 < 1% match (Internet from 13-Jan-2018)
http://scholarworks.waldenu.edu/cgi/viewcontent.cgi?article=4502&context=dissertations

21 < 1% match (Internet from 18-Feb-2008)
http://ihome.cuhk.edu.hk/~b107825/papers/AUTHORS.pdf

22 < 1% match (Internet from 02-Jan-2015)
http://www.irmbrjournal.com/papers/1409660189.pdf

23 < 1% match (Internet from 04-Nov-2017)
https://ajap.um.edu.my/index.php/ijie/article/download/5048/2884/

24 < 1% match (publications)
Giulio Greco, Silvia Ferramosca, Marco Allegrini. "The Influence of Family Ownership on Long-Lived Asset Write-Offs", Family Business Review, 2015

25 < 1% match (Internet from 09-Mar-2016)
http://eprints.port.ac.uk/19328/1/PhD_Thesis_(Imad_Chbib).pdf

26 < 1% match (Internet from 29-Jul-2014)
http://www.aijcrnet.com/journals/Vol_3_No_6_June_2013/15.pdf

27 < 1% match (Internet from 29-May-2015)
http://www.scriptiebank.be/sites/default/files/webform/scriptie/Scriptie%20Thomas%20Vanderstappen%20Teammanagement%20in%20Family%20Businesses.pdf

28 < 1% match (Internet from 20-May-2016)
http://vik.sagepub.com/content/40/4/395.refs

29 < 1% match (Internet from 26-Oct-2017)
http://staff.uny.ac.id/sites/default/files/penelitian/Dr.%20Ratna%20Candra%20Sari,%20SE.,%20M.Si,%20Akt/Proceeding%20E-Book%204A%20Turky.pdf

30 < 1% match (Internet from 13-Mar-2017)
http://www.virtusinterpress.org/IMG/pdf/COC__Volume_7_Issue_3_Spring_2010_-2.pdf

31 < 1% match (Internet from 06-Apr-2018)
https://www.econjournals.com/index.php/ijefi/article/download/5798/pdf

32 < 1% match (Internet from 14-Mar-2016)
https://aisberg.unibg.it/retrieve/handle/10446/27517/9283/TESI%20DOTTORATO%20JOSIP%20KOTLAR.pdf

33 < 1% match (publications)
Wan Mardyatul Miza Wan Tahir, Ganisen Sinnasamy. "Dividend policy: Evidence of Government-Linked Companies (GLCs)", 2012 International Conference on Innovation Management and Technology Research, 2012

34 < 1% match (Internet from 24-Feb-2016)
http://researcharchive.vuw.ac.nz/xmlui/bitstream/handle/10063/4443/thesis.pdf?sequence=2

35 < 1% match (Internet from 13-Mar-2017)
http://www.virtusinterpress.org/IMG/pdf/COC__Volume_13_Issue_4_Summer_2016_Continued2_.pdf

36 < 1% match (Internet from 05-Mar-2015)
http://www.infobaselearning.com/recordurl.aspx?wid=95625&ID=1957

37 < 1% match (Internet from 03-Mar-2016)

http://ccsenet.org/journal/index.php/ass/article/download/37992/21191

38 < 1% match (Internet from 04-Apr-2017)
http://ojs.francoangeli.it/_omp/index.php/oa/catalog/download/217/41/952-2

39 < 1% match (Internet from 27-Sep-2017)
http://etheses.dur.ac.uk/12005/1/Samia__Alenazi_7-3-

40 < 1% match (Internet from 28-Nov-2017)
http://aut.researchgateway.ac.nz/bitstream/handle/10292/10962/KhattakM.pdf?isAllowed=y&sequence=4

41 < 1% match (Internet from 08-May-2013)
http://journal.ieu.ac.id/wp-content/uploads/2013/02/6-Nadia-Farah.pdf

42 < 1% match (publications)
Clacher, Iain, David Hillier, and Patrick Mccolgan. "Agency Theory: Incomplete Contracting and Ownership Structure", Corporate Governance A Synthesis of Theory Research and Practice, 2011.

43 < 1% match (publications)
Per-Olof Bjuggren, Rubecca Duggal, Dinh Tung Giang. "Ownership Dispersion and Capital Structures in Family Firms: A Study of Closed Medium-sized Enterprises", Journal of Small Business & Entrepreneurship, 2012

44 < 1% match (Internet from 02-Mar-2018)
http://www.emeraldinsight.com/doi/full/10.1108/17439131111166393

45 < 1% match (Internet from 16-Jul-2013)
http://www.doria.fi/xmlui/bitstream/handle/10024/30738/TMP.objres.546.pdf?se-

46 < 1% match (Internet from 16-Aug-2014)
http://researchcommons.waikato.ac.nz/bitstream/handle/10289/4367/thesis.pdf?sequence

47 < 1% match (Internet from 19-Apr-2015)
http://clok.uclan.ac.uk/11163/1/Marasdeh%20Zyad%20Final%20e-Thesis%20%28Master%20Copy%29.pdf

48 < 1% match (Internet from 15-May-2012)
http://campus.usal.es/~empresa/09_master/pdf/02_08_requejo_articulo.pdf

49 < 1% match (Internet from 14-Aug-2015)
http://www.macrothink.org/journal/index.php/ijafr/article/download/2384/2557

50 < 1% match (Internet from 07-Nov-2017)
https://media.neliti.com/media/publications/78755-EN-good-corporate-governance-and-predicting.pdf

51 < 1% match ()
http://utiicm.com/monograph.pdf

52 < 1% match (Internet from 24-May-2016)
http://www.sjm06.com/SJM%20ISSN1452-4864/11_1_2016_May_1_148/11_1_2016_29_41.pdf

53 < 1% match (Internet from 13-Mar-2017)
http://www.virtusinterpress.org/IMG/pdf/COC__Volume_6_Issue_4_Summer_2009_Continued3_-2.pdf

54 < 1% match (Internet from 11-Mar-2016)
https://conference.cbs.dk/index.php/noracc/noracc12/paper/download/1637/650

55 < 1% match (Internet from 28-Oct-2017)
https://waikato.researchgateway.ac.nz/bitstream/handle/10289/10977/thesis.pdf?isAllowed=y&sequence=3

56	< 1% match (Internet from 11-Nov-2017) http://www.iiste.org/Journals/index.php/RJFA/article/download/39488/40597

57	< 1% match (publications) Thomas Wittig. "Crisis and Turnaround in German Medium-Sized Enterprises", Springer Nature, 2017

58	< 1% match (publications) Ana Paula Matias Gama, Jorge Manuel Mendes Galvão. "Performance, valuation and capital structure: survey of family firms", Corporate Governance: The international journal of business in society, 2012

59	< 1% match (publications) Abdifatah Ahmed Haji, Sanni Mubaraq. "The implications of the revised code of corporate governance on firm performance", Journal of Accounting in Emerging Economies, 2015

60	< 1% match (publications) Annika Geyer. "The Growth Behavior of Family Firms", Springer Nature, 2016

61	< 1% match (publications) Rakesh Mishra, Sheeba Kapil. "Effect of ownership structure and board structure on firm value: evidence from India", Corporate Governance: The international journal of business in society, 2017

62	< 1% match (publications) "State-of-the-Art Theories and Empirical Evidence", Springer Nature, 2018

63	< 1% match (publications) Khadija Mnasri, Dorra Ellouze. "Ownership structure, product market competition and productivity", Management Decision, 2015

paper text:

The Role of Good Corporate Governance in The Association of Family Ownership Structure and [13]

Firm Performance: Indonesia Context 1Juniarti 1Department of Accountancy, Petra Christian University, Surabaya, Indonesia Abstract: In emerging countries like Indonesia, family ownership has greater discretion than those in developed nations in choosing policies to maximize their interest. Moreover, family ownership as a backbone of Indonesia listed companies, more than 95% of registered companies in Indonesia controlled by the family. It is essential to interested parties including government to discern the role of GCG level in the association for family ownership and firm performance. Prior research only assumed the level of GCG as general. This study measures the GCG level in each of the firms to avoid the misleading inferences of the superiority in family ownership performance. The results support that GCG level has a significant role

in moderating the relationship between family ownership and firm performance. Key words: Family ownership, Firm performance, [23]

GCG level INTRODUCTION A survey conducted by Price Water House and Coopers (PwC) on 2,800 family-owned firms in 50 countries exposed that about 64% of these companies have recorded the staggering growth at least for the recent year [4]. Family ownership firms have a concern to transmit their firms to their descendants. The companies will act conservatively to avoid the impairment of the firm's reputation. The

continuity of the business is the primary focus of the family members so that [10]

they endeavor to maximize the

long-term value of the firm [9; 11]. Family ownership firms eliminate the [9]

conflict of interest between manager and owner by increasing their monitoring activities to ensure that the management actions align with the owner interest [22; 11; 34]. Prior empirical results confirmed the superiority of family ownership over non-family ownership. Among others are [44; 31; 12; 37; 17; 46; 38; 3;

36]. They found

that family ownership has a positive association with the firm performance. However, these results

7

are still inconclusive, several other researchers proved the opposite findings in which family firms

have a negative association with the performance.

59

[39] using Fortune 1000 samples for the period 1996 to 2000; [28] using 744 big listed companies in 8 Asia countries; [15] using go-public

companies listed on Stock Exchange of Thailand for the year of 2005

36

and [29] using big cap

companies listed on Indonesia Stock Exchange (IDX) found the

2

negative association between family ownership structure and performance. Indeed the difference results of the

35

prior studies

can be explained by Agency theory. According to the Type I of Agency Theory,

31

family ownership can

mitigate the conflict of interest between owner and managers and

6

finally reduce agency cost. Therefore family firms will have superior performance

than non- family firms. On the other hand, there

3

is a severe side of family ownership since as the majority; they have an opportunity to expropriate the minority as implied by Agency Theory Type II [35; 27]. The majority will exploit minority interest by making policies that maximize their benefit at the expense of others. In the condition where the

level of corporate governance is low, the chance of the

56

majority to expropriate minority will be higher and vice versa [29].

Corporate governance (CG) is as one of the mechanisms that be able to

55

mitigate the negative impact of agency conflict. Higher quality of CG practices will better disciplines managers and concentrated owners to expropriate insubstantial parties [7]. According to [7], sound CG practices will reduce the cost of equity.

The role of corporate governance in the association of family firms and

38

firm performance has been overlooked in some prior studies. Suspecting the conflicting results of previous researchers caused by agency problem type I or type II will be misleading, because of the results potentially different when the CG level is weak or strong. Besides that, it cannot directly be observed which agency problems type that exists. This research fills this gap by proposing

Good Corporate Governance (GCG) level in investigating the association of

61

family

ownership and firm performance. The probability of GCG level in moderating this [4]

relationship should be considered to achieve the robust results. Compared to the developed countries where the CG level is quite high, the level of GCG in developing countries is relatively low. Firms in emerging countries like Indonesia have greater discretion than those in developed nations in choosing policies to maximize their interest. Prior research only assumes the level of GCG as general [29], this study will measure the GCG level in each of firm to avoid the misleading inferences of the superiority of family ownership performance. Moreover, family ownership as a backbone of Indonesia listed companies, more than 95% of registered companies in Indonesia controlled by family [4]. It is essential to interested parties including government to discern the role of GCG level

in the association of family ownership and firm performance. [14]

LITERATURE REVIEW Agency Theory

Agency theory assumes that there is a conflict of interest between principal and agent, [21]

where each of party wants to maximize their benefit at the expense of another party [27]. The principal has an authority to mandate the agent, whereas the agent, as the parties carrying out this order [20]. Agency conflict produces agency cost, therefore it should be mitigated [25; 27; 22]. Agency cost includes monitoring cost, bonding cost, and residual loss [27; 22]. Monitoring costs are as the expenses that be borne

by the principal to monitor, measure, search and control agents 'behavior. Bonding costs [42]

are costs to assure that the agents comply the rules, policies and other regulations that have been established in contracts. The last, is the residual loss as the sacrifice of the principal to let their wealth reduced due to the different decisions between agent and principal [27]. [50] distinguish agency conflicts as the type I and type II of agency conflict. The first one

is the conflict between shareholders and management and the later, involves majority [8]

and minority investors. Agency conflicts can be minimized through the increase of insiders ownership [6]. Insiders ownership are as the owner who is also as the managers. Managers who are also the owners will be careful in deciding since they will bear the impact of their adverse decision [16; 27].

Insider ownership is expected to match the interest of the principal and the agent. The higher the insider ownership, the [22]

higher the alignment level and the control ability in the interest of managers and owners. Finally, it will reduce the level of conflict of interest between them [27; 16). In addition to insider ownership, family ownership can also

be a useful tool to reduce the agency conflict between principal and [4]

agent. According to [3] and [19], one of the advantages of family ownership is

to reduce the agency conflict type I. The involvement of family in the [47]

company enabling them to effectively and efficiently monitor the activities of managers. The alignment of owner and manager can be achieved easily [22]. In the long-term, it will minimize the chance of managers to expropriate the owners'interests; business will be operated efficiently, thus the companies performance boost [27]. Even though the family ownership

is expected to reduce the agency problem type I, on the other hand, [33]

this ownership potentially produces agency conflict type II [46; 33]. The agency problem will switch from principal-agent to majority-minority. Families as the majority have the opportunity to maximize their interest in the minority expenses. They have a great chance to make a policy that aimed to maximize their wealth by sacrificing the minority welfare [33; 50]. The potential of type II of agency conflict to worsen the company'performance should be considered in the firm where the family has the majority ownership [33; 41; 14].

Family Ownership Structure **and Firm Performance** The family **firm is a** firm where **the** 37

family or family members own **the** majority **of** 60

the substantial interests. Prior studies employed many proxies to define whether a business is a family firm or not, among others are family members hold a majority of company'assets [34], some of CEO or important positions are occupied by the family members [14; 3; 34; 5; 50; 13], and the significant control in a companies are embedded in family [40; 39]. This study

use the following **criteria to** identify whether **a firm as** a **family** 48

ownership or not, first, the family owns at least 10% of companies' interest and second, one of the family members are in managerial position. The involvement of family will enhance the

control of the firm managers and **will align the** interest **of** principal **and** 40

agent; therefore, it will reduce the agency costs and ceteris paribus, the firm performance will increase. However, the good side of family ownership will go hand in hand with its negative side. Families as the majority have an opportunity to expropriate the minority to maximize their interest as stated by Agency Theory Type II. The family may keep their relatives in managerial position even though their competencies and capabilities are in question, in addition, they might be set up the discretion which benefits their interest but harms others. In the long term, it will undermine the firm performance and bring the companies to the sustainability problems. Unlike developed have the high law enforcement, in Indonesia and many other developing countries, the law enforcement is quite low [28; 47; 29]. The power of the majority to expropriate the minority is enormous. By ignoring the level of good corporate governance (GCG) in each company, the existence of family ownership would negatively affect the achievement

of the company's performance. The probability **of** family ownership **to** 49

diminish the firm performance is high in developing countries, mainly if the role of GCG is ignored. Therefore the

first hypothesis is as follow: Hypothesis 1 **(H1): There is a negative association between** family ownership **and firm performance. The** Level **of** 16

Good

Corporate Governance, Family ownership, and Firm Performance **The** 58

essential factors that need to be considered in the association of

family ownership and firm performance is the level **of** GCG. **The** inclusion of this **variable** in **the** 8

model is expected to give a better explanation. The role of GCG is essential since it can be used to mitigate the bad side of family firm. Managerial ownership and institutional ownership are the manifestations of the transparency principle of GCG. A manager who owns the company's stock will inevitably align interests with the importance of shareholders. The same mechanism is also occurred through the institutional ownership, according to [10] the institutional investors will reduce the selfish behavior of managers. [46] stated that institutional investors have an critical role in enforcing the rule. In managing the company according to the

general principles of GCG, the part of the commissioner independent is also indispensable. According to [49], the role of the board of commissioners is expected

to improve the quality of profit by limiting the opportunity of managers 13

to manage earnings for their purposes. Besides

that, the existence of audit committees in the company 15

is also expected to enhance the corporate governance level. Audit committees help the board of commissioners to oversight managers tightly. Their expertise and educational background in accounting and financial will sharp them to conduct effective and efficient monitoring of the company [30]. Companies with the high level of GCG imply that the level of control implementation is strong. It will minimize family members to act unproperly with other's expenses. Some prior research found that

there is a positive association between the level of GCG implementation and firm performance 25

[45; 43; 41]. Therefore,

companies with a higher level of GCG are expected to 53

minimize the bad side of family ownership and boost its performance. Thus, the interaction of GCG and family ownership are predicted to moderate the association

between family ownership and firm performance. Hypothesis 2 : At the high level of 9

implementation of good corporate governance, the better the performance of the 10

firm. METHODS Data All the public

companies that have listed in Indonesia Stock Exchange (IDX) at least in 15

2010 are selected as the research sample, however, bank and financial institution are excluded from the samples, since they do not have some data needed in this study. There are 1261 firm-year-observation from the six years of 2010 to 2015. As many as 796 samples (63.1%) are family ownership firms, while the remaining 465 samples (36.9%) are identified as non-family firms. 1. 2. Variables Operationalization Family Ownership. Two

criteria used to classify whether the firm is as a family firm or not, are the number of ownership, and 24

the family position is managerial. If family own at least 10% of the total ownership or have

one or more family members or their relatives in the managerial area, the company 52

is grouped as family ownership. This identification is searched manually based on information available in the annual reporting, company's website and other publicly available information regarding the firm ownership. If the first criteria are fulfilled, no need to continue to search the second criteria. In this study, one of the two criteria is satisfied enough to classify whether companies as a family owned firm or not [33; 21; 5]. Family ownership is binary variable in this study, score one if companies qualify one of the two criteria and 0, otherwise. Firm Performance. Firm performance

in this research is measured by return on assets (ROA) 4

following the prior studies (48; 2; 32). ROA is one of the general techniques to measure the capability of firms to generate financial performance since it collaborates two item of financial statements that is balance sheet and income statement simultaneously. The equation to calculate ROA is below:

Return On Asset (ROA) = **………(** 1) **2**

Good Corporate Governance. GCG is measured using the self-assessment method. This method has been adopted by several institutions such Bank of Indonesia, The Indonesia Financial Services Authority (IFSA), Ministry of State-Owned Enterprise. They usually adjust this method according to their particular need. Indonesia Corporate Governance Forum (FCGI) have designed the general self-assessment tool that can be applied to all companies [23]. This study employs self-assessment method to measure GCG score, following FCGI method and adjusted by the Act of Limited Corporation No. 40, 2007, by focusing on the three aspects of GCG, i.e., Ownership Structure, Board of Commissioners and Audit Committee. Ownership structures (weight 40%) Ownership structures are measured based on managerial and institutional ownership structure.

Managerial ownership is the proportion **of** share **owned by** managerial **to total outstanding** share. According **to** **3**

[41], the ownership of managerial in the range of 0% - 5% will align the interest of managers and owners. Therefore, if the managerial ownership in that range will be scored by 1 and 0, otherwise.

Institutional ownership. Institutional ownership is the proportion share ownership **by institutional** **41**

to total outstanding share. [41] stated that the existing institutional ownership more than 25% will motivate the institutions to oversight tightly to the firms. Therefore, if the institutional ownership more than 25% will be scored by 1 and 0, otherwise. Board of Commissioners (weight 35%)

1. The Proportion **of Board** to **Directors The** effectiveness **of the board of** commissioners in **the** **26**

company can be denoted from the composition of the number of being supervised and the number of those supervise or directors. According to [42], at least, the structure of them should be balanced, to assure the effectiveness of monitoring. Therefore, if the proportion of board of commissioner to the directors equal to or above one will be scored 1 and 0 if the percentage of them is below 1. 2. The proportion of Independent Board of Commissioners In the good corporate mechanism, the existence of

independent commissioners in **the Board of Commissioners** **11**

is expected to enhance the effectiveness **of** the monitoring **process.** IFSA requires **that** **12**

the proportion of

independent commissioners at least 30% of the number of Board of Commissioners. **11**

According to this requirement, score 1 is applied to the companies that satisfy the condition and 0, otherwise. Audit Committee (weight 25%) Committee of Audit

is one of the vital mechanism in **good** corporate **governance, the** **51**

existence of this committee is expected to strengthen the overall control of a company. Three items of Audit Committee will be scored that

is the number **of the audit committee, the proportion of independent** audit **committee and their** **20**

competence. 1. The

number of audit committee According to the guideline of 62

GCG implementation, companies required to have at least 3 members

of the audit committee, therefore if the amount of the audit committee 2

of the firm equal to or above 3 will be scored 1 and 0, otherwise. 2. The proportion of independent audit committee Companies are also required to have at least one member of

an independent audit committee. The portion of the independent audit committee should be equal to 30

or above 0.33 if the requirement is satisfied, the score 1 is applied and 0, otherwise. 3. The competence of

Audit Committee members The capability of audit committee members is 34

also considered in this scoring. According to the Bapepam Decree No.29/PM/2004 article IX.1.5 stated

at least that one member of the audit committee should have 29

particular educational background or experience related to accounting or finance. If one of the members qualify, this requirement will be scored 1 and 0, otherwise. Then, all the above assessment will be calculated using the following equation to get the score of GCG of each company. The higher the score implies, the higher level of GCG implementation in an organization. = (× %) + (

× %) + (50

%)........................... (2) Control Variables Firm Size

Firm size can be associated with the firm' 44

s capability to achieve the financial performance of companies. It usually related to one of following indicators such as the number of assets owned by the company, the number of sales,

number of employees or the amount of the net assets of the firm. 32

Companies that have large size will be more accessible to achieve good performance compared with small one. They can utilize their assets efficiently so that their financial performance increase (1; 12; 47]. Firm size is used to differentiate company as a big or small company [8). This study uses

natural log of assets to measure the firm size 12

(47; Hamberg et al. 2013; 44; 3; 36). Firm Size: Ln (Total Asset)………………….........(3) Industrial Sectors This study includes industrial sector in the model, to anticipate whether the industrial areas provide the different explanation. A dummy variable is applied to industrial sectors. Analysis To analyze panel data, several steps are run to determine best model of panel data, whether

pooled least square (PLS), fixed effect or random effect 2

models. The

fixed effects are dummy variables for each year of the sample and 28

companies code. Panel data are finally satisfied with the fixed effect model. To detect heteroscedasticity, this study uses Breusch-Pagan /Cook-Weisberg test for heteroscedasticity test. Generalized least square is

also referred to resolve the problem of heteroscedasticity. Below is model of analysis of this study: ,= α+ 1 ,−1 + 2 ,−1 + 3 ,−1 − 1 + 4,−1 + 5 ,−1 + (4) Where: , = Return on asset

firm i for the period of t ,−1 | 1

= Family ownership

firm i for the period of t-1 , −1 = Score of | 1

good corporate governance

firm i for the period of t- 1 ,−1= | 1

Firm size measured by

natural log of total assets firm i for the period of t- | 1

1 ,−1= Industrial sector

firm i for the period of t- 1 ε = Error term. | 1

RESULTS AND DISCUSSION Data consist of 240 firms, each has five to six years observations, so that the panel data is unbalanced. There are 1261 firm-year-observation from the six years of 2010 to 2015. In panel data, the time variant and individual variant is possible, by assuming that all the variants are constant, data are analyzed using PLS. Next, fixed effect model is employed to data analysis. To decide whether common model (PLS) or uncommon model (fixed effect) is more fitting, then Chow test is applied. The result shows that probability F test is less than 0.05, thus fixed effect model is more appropriate than PLS. Further test is run

to determine whether fixed effect or random effect model is | 7

the best for data analysis. Based on Hausman test, H0 cannot be rejected, since the probability of Chi2 is less than 0.05, it is mean that fixed effect model is the best model

in this study. Table 1 presents the profile of sample firms. Family firms | 3

show different characteristic from those of

non-family firm. The size of family firms, on average is relatively smaller than non-family firms. The performance of family firms | 19

is slightly lower than non- family firm, the mean, a minimum and maximum score of ROA is smaller than those on

non-family firms. The level of GCG in both firms is | 43

equal each other, however, family firms have the minimum score of GCG (0.25) higher than min score of GCG in the non- family firm (0.175). Family firms on average have more concern for the GCG implementation than non- family firm. Hasil pengujian hipotesis 1, menunjukkan variabel FMO Table 1. Decriptive Statistic

Panel A. Summary Statistic for The Full Sample Variable | 45

All Firms FM O Non FMO ROA

mean 0. 04754 0. 02843 0. 08026 std dev 0. 32543 0. 16852 0. 48707 min -1. 72905 -1. | 5

72905 -0.86921 max 9.74302 1.85171 9.74302 GCG

mean 0. 67871 0. 68085 0. 67534 std dev 0. 17585 0. 17133 0. 18346 min 0. 17500 0. 25000 0. 5

17500 max 1.00000 1.00000 1.00000 LOGTA mean 4.52465 3.99638 5.42897 std dev 1.80202 2.10060 0.95088 min 5.01650 5.01650 6.15216 max 13.96299 13.96299 13.91678 Obs 1261 796 465 Panel B. Correlation Data ROA FMO GCG FMOGCG LOGTA IDSEC ROA 1 FMO -0.0769 1 GCG -0.0449 0.0147 1 FMOGCG -0.0573 0.9239 0.3097 1 LOGTA 0.0351 -0.1184 -0.1833 IDSEC -0.0564 0.0835 0.1942 -0.1665 0.1057 -0.8568 1 1 Table 2 shows that FMO

has a negative and significant at level 1%, this 46

result confirms the prior studies (47, 29, 28) that in developing countries, the existence of family ownership harms the firm performance. The switching conflict of interest to the majority-minority interest has occurred as predicted by Agency Theory Type II. The incentive of the majority to abuse the minority for their benefit will be costly for the companies as a whole. Greediness to immediately attract short-term profits makes the majority justify ways to do it. The developing country situation that is weak minority protection, low law enforcement and lack of adequate internal control to protect all parties makes the majority have the discretion to prosper their own at the expense others. The presence of family-dominated controls makes families more likely to retain family members in managerial positions even though they lack adequate competence [1; 19; 46). The family effort to keep family members in the managerial position will result in ineffective and inefficient decision making. Further, it will lead to other costs that are detrimental to the company and will decrease company performance (Andersen and Reeb, 2003). It is also interesting to see that GCG alone, has a negative association with the firm performance. GCG implementation only burdens the company costs thus lowering firm performance. Overall, GCG practices have the negative relationship to the firm performance in both hypothesis 1 and 2; this result is possible to mislead the conclusion of the role of GCG, it seems that GCG just increase cost and has no impact to the performance. However, further testing in each of sample groups (Table 3) proves that GCG

has a positive effect on the performance of family firms. This result is opposed to 27

what happened in non-family firms, where GCG consistent

has a negative association with firm 63

performance. Table 2. Ownership, Firm Performance and GCG Hypothesis 1 Hypothesis 2 Variable ROA ROA Intercept 0.24776 (3.09) *** 1.17896 (0.81) FMO -0.05184 (-2.28) ** -0.84655 (-3.05) *** GCG -0.10099 * (-1.68) -1.23254 (-6.33) *** FMOGCG 1.27980 (5.23) *** LOGTA IDSEC Rq-within between overall F -0.00382 -0.01317 (-1.06) (-0.70) -0.019239 -0.05909 (-1.53) (-0.17) 0.013 0.036 0.028 0.014 0.011 0.013 11.55 *** 8.180 ***

Notes: *, * * and * * * denote statistical significance at the 10, 5 or 1 percent level, respectively. N = 240 Firms. Table 18

3. GCG and Performance in FMO and Non-FMO Variable FMO ROA Non-FMO ROA Intercept 0.16500 (0.75) 0.33824 (2.47) ** GCG 0.07673 (-2.14) ** LOGTA -0.02414 (-0.93) IDSEC -0.970404 (0.75) Rq 0.0091 F 2.41 * -0.27653 (-2.06) ** -0.00023 (-0.03) -0.01722 (-0.37) 0.01840 2.88 ** As predicted, the interaction of GCG and FMO shows the positive association with firm performance and significant at level 1%, it means that GCG has been successfully reducing the negative impact of family ownership. The implementation of GCG in the family firms alter the negative side of family ownership into the positive side. The higher level of GCG practices reduces the opportunity for the majority to expropriate minority. Family behaves reasonably in decision making to avoid the negative consequences of their behavior. Besides, the majority is required to treat minority equally, it will minimize cost to expropriate minority. The mechanism of appointing the president director and other managerial positions must be through a transparent and accountable process. Family cannot keep underperformed family managers in the managerial position because the excellent governance practices make impossible to do that. It will cut unnecessary expenditures including irrational compensation to their relatives; thus the use of resources become efficient and effective, as a result, firm performance increases. Family companies have a number of advantages in addition to some weaknesses. In such condition, GCG just shifts the bad side to

reinforce the excellent of the family firm. Unlike non -family firms that have the 17

scattered interests and even conflicting each other, family firm has the same vision to prosper their families and to handover it to their successor. The favorable circumstances in family firm make it easier to be controlled than non-family firm. The authority of Indonesia should note this finding to lessen the

negative impact of family ownership. Also, **family** ownership is **the** backbone **of** 14

Indonesia listed companies; it is needed an integrated panacea to eliminate the adverse effects of family ownership. CONCLUSION The

primary goal of this research is to highlight **the** role **of** 39

GCG

in the association **of family ownership and firm performance.** GCG **is** expected **to** reduce **the** 6

bad side of family ownership in expropriating the minority. In developing countries like Indonesia, the negative impact of family ownership is more dominant than the positive ones. This study confirms the previous finding that family ownership tends to lower firm performance. Circumstances in developing countries such as the lack of law enforcement, low minority protection, and other various factors are inspiring family to expropriate minority. Interestingly, as it is hypothesized, the existence of GCG

at the firm level, successfully switches **the** negative side **of** family **ownership** to **the** 17

positive one.

The higher the level of GCG implementation **the higher the** 54

chance of family firm achieves a sound financial performance. GCG has a significant role to limit the family to exproriate the minority. IFSA should note this finding to lessen the negative impact of family ownership. As reported by the PWC survey, that family ownership is the backbone of Indonesia listed companies; it is needed an integrated panacea to eliminate the negative impact of family ownership. This finding underlines the urgency to continuously support the implementation of GCG since a robust application implies that the control mechanisms in the entities are going well. Therefore, the policy of The Authority of Financial Services as the custodian of code and principles of GCG in Indonesia that required the companies to implement GCG is on the right track (IoD Report, 2016). This policy has also resulted in a good trend of GCG implementation in Indonesia. According to IoD Report, Indonesia has been in a group of countries with a good implementation ranking. This study does not differentiate the status of the family in family ownership, whether they are founder or successor. Their spirit could be different. Usually, the founders have more concern and struggle to make the companies exist and grow than that of their successors. Further exploration of the kind of family whether as the founder or the successors can be considered in the future research, to have a comprehensive insight

on the role of family ownership **in** keeping **a** higher **firm** 57

performance. REFERENCES 1. Andres, C. 2008. Large shareholders and firm performance—An empirical examination of founding-family ownership. Journal of Corporate Finance 14(4): 431-445. 2. Allouche, J., Amann, B., Jaussaud, J., and Kurashina, T. 2008. The impact of family control on the performance and financial characteristics of family versus nonfamily businesses in Japan: a matched-pair investigation. Family Business Review 21(4): 315-329. 3. Anderson, R. C., and Reeb, D. M. 2003. Founding-family ownership and firm performance: evidence from the S&P 500. The Journal of Finance 58(3): 1301-1328. 4. Barlian, J. K. December 6, 2016. PwC: Bisnis Keluarga di Indonesia Optimistic Tumbuh Pesat. SWA. Retrieved March 14, 2017, from https://swa.co.id/swa/trends/business- research/pwc-bisnis-keluarga-di-indonesia- optimistis-tumbuh-pesat. 5. Barontini, R. and Caprio, L. 2006. The effect of family control on firm value and performance: Evidence from continental Europe. European Financial Management 12(5): 689-723. 6. Bathala, C.,T., Moon, K., P. and Rao, R., P. 1994. Managerial ownership, debt policy, and the impact of institusional holdings: An Agency Perspective. Financial Management 23(3): 38-50. 7. Byun, H.Y., Kwak, S. and Wang, L.S. 2008. The implied cost of capital and corporate governance practices. Asia Pacific Journal of Financial Studies 37(1): 139-184. 8. Bishop, P. and Megicks, P. 2002. Competitive strategy and firm size in the estate agency industry. Journal of Small Business and Enterprise Development 9(2): 150-16. 9. Casson, M. 1999. The economics of the family firm. Scandinavian Economic History Review 47(1):

10-23. 10. Chaganti, R. and Damanpour F. 1991. Institutional ownership, capital structure and firm performance. Strategic Management Journal 12: 479-491. 11. Chami, M. R. 2001. What is Different About Family Businesses? (No. 1-70). International Monetary Fund. 12. Chu, W. 2009. The influence of family ownership on SME performance: evidence from public firms in Taiwan. Small Business Economics 33(3): 353-373. 13. Chu, W. 2011. Family ownership and firm performance: Influence of family management, family control, and firm size. Asia Pacific Journal of Management 28(4): 833-851. 14. Claessens, S., Djankov, S., & Lang, L. H. 2000. The separation of ownership and control in East Asian corporations. Journal of Financial Economics 58(1): 81-112. 15. Connelly, J.T., Limpaphayom, P. And Nagarajan, N.J. 2012. Form versus susbtance: The effect of ownership structure and corporate governance on firm value in Thailand. Journal of Banking & Finance 36(6): 1722-1743. 16. Dempsey, S., and Laber, G. 1992. Effects of agency and transaction costs on dividend payout ratio further evidence of the agency- transaction cost hypothesis. Journal of Financial Research 15(4): 317-321. 17. Demsetz, H., & Lehn, K. 1985. The structure of corporate ownership: Causes and consequences. Journal of Political Economy 93(6): 1155-1177. 18. Din, S. U. and Javid, A. Y. 2012. Impact of family ownership concentration on the firm's performance: Evidence from Pakistani capital market. Journal of Asian Business Strategy 2(3): 63-70. 19. Dyer, W. G. 2006. Examining the "family effect" on firm performance. Family business review 19(4): 253-273. 20. Eisenhardt, K.,M. 1989. Building theories from case study research. Academy of Management Review 14(4): 532-550. 21. Faccio, M. and Lang, L. H. 2002. The ultimate ownership of Western European corporations. Journal of Financial Economics 65(3): 365-395. 22. Fama, E. F. and Jensen, M. C. 1983. Agency problems and residual claims. The Journal of Law and Economics 26(2): 327-349. 23. FCGI. 2010. The role of Board of Commissioner and Audit Committee on Corporate Governance Implementation. Part II. 24. Hamberg, M., Andre Fagerland, E. and Kvamme Nilsen, K. 2013. Founding-family firm and the creation of value: Swedish evidence. Managerial Finance 39(10): 963- 978. 25. Hill, C. W. L. and Jones, T. M. 1992. Stakeholder-agency theory. Journal of Management Studies, 29: 131–154. 26. IoD Report. September 2016. The 2016 Good Governance Report: The great governance debate continued. 27. Jensen, M. C. and Meckling, W. H. 1976. Theory of the firm: Managerial behaviour, agency cost, and ownership strucuture. Journal of Financial Economies 3(4): 305- 360. 28. Jiang, Y. and Peng, M. W. 2011. Are family ownership and control in large firms good, bad, or irrelevant? Asia Pacific Journal of Management 28(1): 15-39. 29. Juniarti. 2015. The negative impact of family ownership structure on firm value in the context of Indonesia, International Journal of Business and Globalisation 15: 446-460. 30. Klein, A. 2006. Audit committee, board of director characteristics, and earnings management. Law & Economics Research Paper Series Working Paper No. 06-42. 31. Komalasari, P. T. and Nor, M. A. 2014. Pengaruh struktur kepemilikan keluarga, kepemimpinan dan perwakilan keluarga terhadap kinerja perusahaan. Akrual 5(2): 133-150. 32. Kowalewski, O., Talavera, O. and Stetsyuk, I. 2010. Influence of family involvement in management and ownership on firm performance: Evidence from Poland. Family Business Review 23(1): 45–59. 33. La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. 2002. Investor protection and corporate valuation. Journal of Finance 57: 1147–1170. 34. Lee, J. 2004. The effect of family ownership and management on firm performance. Sam Advance Management Journal, 46-53. 35. Lewis, B.W. 1935. Berle and Means on the modern corporation. Journal of Political Economy 43(4): 548-554. 36. Maury, C B. and Pajuste, A. 2005. Multiple large shareholders and firm value. Journal of Banking & Finance 29(7): 1813-1834. 37. Martínez, J. I., Stöhr, B. S. and Quiroga, B. F. 2007. Family ownership and firm performance: Evidence from public companies in Chile. Family Business Review 20(2): 83-94. 38. McConaughy, D. L., Walker, M. C., Henderson, G. V. and Mishra, C. S. 1998. Founding family controlled firms: Efficiency and value. Review of Financial Economics 7(1): 1-19. 39. Miller, D., Le Breton-Miller, I., Lester, R. H. and Cannella, A. A. 2007. Are family firms superior performers?. Journal of Corporate Finance 13(5): 829-858. 40. Morck, R. and Yeung, B., 2004. Family Control and the rent-seeking society. Entrepreneurship Theory & Practice 28 (4): 391-409. 41. Morck, R., Shleifer, A. and Vishny, R. W. 1988. Management ownership and market valuation: An empirical analysis. Journal of financial economics 20: 293-315. 42. Muntoro, R. K. (2006). Membangun Dewan Komisaris yang Efektif. Artikel Lembaga Management Fakultas Ekonomi Universitas Indonesia. 43. Needles, B. E., Turrel, A., Sengur, E.D. and Turell, A. 2012. Corporate Governance in Turkey: Issues and practices of high- performance companies. Journal of Accounting and Management Information System 11(4): 510-531. 44. Poutziouris, P., Savva, C. S. and Hadjielias, E. 2015. Family involvement and firm performance: Evidence from UK listed firms. Journal of Family Business Strategy 6(1): 14-32. 45. Sheikh, N. A., Wang, Z. And Khan, S. 2013. The impact of internal attributes of corporate governance on firm performance: Evidence from Pakistan. International Journal of Commerce and Management 23(1): 38-55. 46. Shleifer, A. and Vishny, R. W. 1997. A survey of corporate governance. The Journal of Finance 52(2): 737-783. 47. Shyu, J. 2011. Family ownership and firm performance: Evidence from Taiwanese firms. International Journal of Managerial Finance 7(4): 397–411. 48. Sraer, D. and Thesmar, D. 2007. Performance and behavior of family firms: Evidence from the French stock market. Journal of the European Economic Association 5(4): 709- 751. 49. Vafeas, N. 2000. Board structure and the informativeness of earnings. Journal of Accounting and Public Policy 19(2): 139- 160. 50. Villalonga, B. and Amit, R. 2006. How do family ownership, control, and management affect firm value?. Journal of Financial Economics 80(2): 385-417