

Corporate Governance and Firms Value: From the Board Diversity and Board Compensation Perspective *Empirical Studies on Listed Companies in The Indonesian Stock Exchanges*

Nadia Khairani and Devianti Yunita Harahap
Universitas Padjadjaran, Bandung, Jawa Barat, Indonesia

Keywords: corporate governance, firm value, board diversity, board compensation.

Abstract: Recently, as markets globalize, listed companies in Indonesia must look ahead and find the ways to boost value for their shareholders. This study investigates the impact of board diversity and board compensation as the proxy of corporate governance to firm's value. We used 216 companies listed in the IDX that disclosed the relevant information about the member of board of commissioners. We propose board diversity (gender, accounting background education or certification, foreigner and age); and board compensation (percentage of the commissioner's compensations among the company's net income before tax); will affect the firm's value (Tobin's Q). The study employs regression analysis to investigate the empirical data. The result proved the board of commissioners' gender and age did not increase firm's value, meanwhile other indicators as accounting background education or certification and foreigner did increase the firm's value. We proved that the board compensation did significantly increase the firm's value.

1 INTRODUCTION

Firm value can provide maximum shareholder wealth if the company's stock price keeps rising. That the higher firm value of represent the wealthier of the owner. Corporate governance is related to firm value, the composition of the Board of Commissioners and the Board of Directors is one of the key related to this issue (Kusumastuti, Supatmi, and Sastra, 2008). Meanwhile, Indonesia regulation and laws require the company having two Boards on the organizational structure of the company that is the Board of Commissioners and the Board of Directors. The Board of Commissioners may affect the firm value since they have an active role in strategic and financial decision-making, such as mergers and the acquisitions of changes in capital structure, appointments and dismissal of Directors in accordance with POJK No. 33 of 2014 Article 7.

One of the keys to create a good corporate governance by diversifying the Board of Commissioners, Board diversity can be based on different educational backgrounds, gender, race, age and group, which believed that it will lead to the more heterogeneous and solid Board of Commissioners. The greater the diversity of members of the Board of

Commissioners can lead to more conflict, but the difference is a strength that will provide an alternative solution to diverse problems (Tuggle, Schnatterly, and Johnson, 2010).

The phenomenon that occurs in Indonesia is the implementation of ASEAN Economic Community (AEC), which will affect the employment opportunities in every ASEAN countries, Rahmawan (2016). In addition, Rini Soemarno as Minister of State-Owned Enterprises (SOEs) said that, there is a discourse, which says the foreigners may allow to sit in strategic positions and top executives in State-Owned Enterprises (SOEs), Sindonews.

Continuing with the phenomenon of board diversity in Indonesia, gender equality is an interesting and never-ending issue. A research conducted by the Center for Governance, Institution and Organization (CGIO) National University of Singapore Business School (NUS) shows that, of 424 companies listed in the IDX only 40% have women members of the Board of Directors or Commissioners. The results of the study prove that the Board of Commissioners of companies led by women or has women as a member, significantly tend to take a stand for the stakeholders' interest and also have the ability to cooperate and collaborate and can

build consensus that is considered effective to make the right decision (Keller and Price, 2011).

The development of globalization not only encourages the movement of capital and investment flows to various parts of the world but also the migration of the population or the movement of labor between countries. The movement of labor takes place because investments made in other countries generally require direct supervision by the owner/investor. Based on survey by Bank Indonesia in 2009 the majority of foreign workers in Indonesia have undergraduate education background (62.4%) and Master/S2 (25.8%). This corresponds to the data which indicates that most of the foreign workers in Indonesia occupy the position of professionals and technicians.

In Indonesia, 80% of members of the Board of Commissioners are 40 years of age or older. In accordance with Barker III and Mueller (2002) study that the company prefers the Board of Commissioners by the age of 40 years or more, the older the Board of Commissioners, the greater the tendency to have more experiences and practices, which can be attributed to skill-based competencies (Reed and DeFillippi, 1990).

Board compensation or remuneration is the reward given by the company to the individual as a consideration; the rewards can be salary, wages, bonuses, incentives or other benefits. The board compensation is expected to be a controlling mechanism of manager's deviant behavior, in this context is Board of Commissioners. If the performance of the Board of Commissioners is good, it is expected that the firm's value will also improve. Board compensation covers all forms of awards, whether financial or nonfinancial (Ittner, Larcker, and Meyer, 2003).

Based on the description above, the problem identification are:

- How does board diversity affect to the firm value?
- How does board compensation affect to the firm value?
- How does the board diversity and board compensation simultaneously affect to the firm value?

Therefore, this study aims to:

- To analyze and find empirical evidence regarding the influence of board diversity in the Board of Commissioners on the firm value,
- To analyze and find empirical evidence on the influence of board compensation in the Board of Commissioners on the firm value, and

- To analyze and find empirical evidence regarding the influence of board diversity and board compensation in the Board of Commissioners that simultaneously affect to the firm value.

2 LITERATURE REVIEW

Signalling theory is a theory related to the delivery of positive or negative signals by company management to the capital market. The Company submits and publishes information of the company's performance to the capital market to reduce information asymmetry and also expects the market to respond the information as a good or bad signal. Based on signalling theory, the existence of women, the existence of foreign citizens, different educational background and level of independence will give a positive signal that the company has practiced a good corporate governance (Wijaya and Suprasto, 2015).

The underlying assumption that board diversity and board compensation can influence the firm value can be traced in resource dependence theory. This theory argues that in order to survive the company must obtain competent resources. In line with the arguments of some researchers explaining that organizations are externally dependent on resources (Salancik and Pfeffer, 1978).

According to agency theory, one of the responsibilities of the BOC to satisfy the important role of monitoring executive management actions, to ensure efficiency and protect the interests of stakeholders (Carter, Simkins and Simpsons, 2003).

2.1 Board Diversity

Kusumastuti, Supatmi, and Sastra (2008) has conducted previous research examined the relationship between board diversity to firm value, by focusing the research on the Board of Directors, because the Board of Directors has a direct relationship and role to the firm value which represented by shareholders. The study examined demographic diversity (gender, race, age). Gender issues become an important issue especially in European countries and the United States. Another study conducted by Carter, Simkins and Simpsons (2003) indicates that his research is not only from the point of view of the proportion of women and minorities, but also analyzed citizenship status, formal education background, age and compensation of the Board of Commissioners. There are three empirical evidence related to board diversity, first,

diversification can enhance creativity and innovation. Second, diversification provides an effective solution to problem solving. Heterogeneity in councils can lead to more conflict, but is an alternative solution to a problem and can lead to accuracy in assessing the possible consequences of alternatives taken. Third, the spread can increase effectiveness in the leadership of the company.

H₁: Board Diversity affects Firm Value

2.1.1 The existence of Women on the Board of Commissioners

The presence of women in top management positions is one of the indicators of Good Corporate Governance in some countries around the world. This is in accordance with the increasing number of female Board of Commissioners in several countries in the world, such as North America, Australia and some European countries which shows that the presence of women in commissioner positions will have a higher Return on Equity (ROE), higher book value or markets and improved growth rates (Suisse, 2012). Some arguments also support the proposition that greater diversity, providing the possibility of bringing benefits to the firm for various reasons. Women are considered to have a "feeling" with a cognitive style that focuses on harmony (Hurst, Rush, and White, 1989) and the ability to facilitate the spread information (Earley and Mosakowski, 2000). They are also considered "tough" because they have to face various challenges before taking up positions as Board of Commissioners so that they gain great appreciation from the environment if they hold the position (Krishnan and Park, 2005). Related research on the positive impact with presence of women in top executive positions was also conducted by Keller and Price (2011) which explains that 72% of board members are aware that with the existence of gender distribution in Board of Commissioners is associated with improved corporate performance and firm value.

H_{1.1}: The existence of Women in the Board of Commissioners affects the Firm Value

2.1.2 The Existence of Foreign Citizens in the Board of Commissioners

With increasing globalization, foreign investors have the opportunity to buy larger shares in local companies (Oxelheim and Randøy, 2003). This occurs since many investors or foreign investors who invest a lot in Indonesia. The impact is the migration of the population or the movement of labor between countries. Labor movement occurs because in general

foreign companies need experts who can provide direct supervision. Therefore, companies with foreign share ownership tend to have heterogeneous council members, in the presence of foreign citizens to the Board of Commissioners may provide a problem of cross-cultural communication (Lehman and DuFrene, 2008) and interpersonal conflict. On the other hand, ethnic diversity on the Board of Commissioners is expected to bring a competitive advantage to the company. In the case of developing countries, Ararat, Aksu, and Tansel Cetin (2010) provides evidence that the diversity of citizenship in the board of directors in Turkey impacts on higher market to book ratio and Tobin's Q.

H_{1.2}: The existence of foreign citizens in the Board of Commissioners affects the Firm Value

2.1.3 The Accounting Education Background or Certification of Board of Commissioner

Based on the code of good corporate governance, it is important for the members of the Board of Commissioners to have an educational background which is relevant to the business activities. By having business and or economic knowledge, Board members will have better ability to manage the business and make business decisions compared to Board members who have no business and economy knowledge, and this will affect the firm value (Kusumastuti, Supatmi, and Sastra, 2008) Tirtarahardja and La Sulo (2005), found that "Education as labor preparation is defined as an activity to guide learners to have a basic skill for work". One of the components of diversity in the Board of Commissioners is the educational background. The roles of the Board of Commissioners which have educational background and certification of accounting may affect the business performance and firm value. Even though the company still requires outside resources to prepare the financial statements, by having members of Board that understands accounting or business which has accounting background or Accounting certificate can understand and analyze the figures in the company's financial statements, these Board members will not be easy to manipulate or deceive by unscrupulous parties that will harm the company by falsifying the figures in the financial statements.

H_{1.3}: Board of Commissioners' Background Accounting Education or Certification affect the Firm Value.

2.1.4 The Age of the Board of Commissioners

Age may be considered a proxy for experience and risk-taking levels, it also indicates that younger members of the Board of Commissioners have a tendency to perform risky strategies (Herrmann and Datta, 2005). In addition, companies with younger Board of Commissioners will experience higher growth compared to their partners with the older Board of Commissioners. This is understandable because of the tendency to be risk averse (Barker III and Mueller, 2002). Older BoCs in China have a significant impact in some company measurement proxies, such as Return on Assets (ROA), cumulative returns and abnormal returns. Older Board members tend to have more experience and practice (Reed and DeFillippi, 1990).

The definition of young age for the Board of Directors and Board of Commissioners is an age not more than 60 years old at the time of taking the position. However, since Indonesia has a different life expectancy, the young age of the Board of Commissioners is not more than 50 years.

H_{1.4}: The age of the Board of Commissioners affects the Firm Value

2.2 Board Compensation

Board compensation is the reward given by the company to the individual as a consideration, in a form of a salary, bonus, incentive or other allowance. So far, the issue of board compensation is still interesting to discuss. The main reason why board compensation is rife is because the high compensation received by the Board of Commissioners is not in line with the company's performance. Compensation itself has the purpose to motivate members of the Board, especially the Board of Commissioners in order to improve the company's performance. If the performance of the company increases, the firm value will increase along with the rising of shareholders' wealthiest. However, in reality, many of the Board of Commissioners are highly compensated, but not accompanied by improved performance of the company so that it can cause problems and protests from related parties. The compensations for members of the Board of Commissioners expected to be a mechanism to control the deviant behavior of members of the Board. The managerial labor market will waive opportunities for Board members who do not perform well and behave strictly from the shareholders of the companies they manage.

H₂: Board compensation affects the Company Value

2.3 Firm Value (Tobin's Q)

Firm Value or Enterprise Value is an economic measurement that reflects the value of the company as a whole. Firm value is one of the basic matrices on business valuation, financial modelling, accounting, portfolio analysis, and others. This value needs to be measured to compare firms with different capital structures. There are several ratios to measure the market value of a company, one of which is Tobin's Q. To measure firm value in this research Tobin's Q ratio was used as proxies.

This ratio is a concept that shows the current financial market estimates of the return value of every investment dollar. The ratio derived from Market Value Equity, which is earned by multiplying the number of shares outstanding by the closing price of the shares, multiplied to Total Debt, and then divided by Total Assets. If Tobin's Q above one indicates that an investment in an asset produces a profit that gives a higher value than investment expenditure (Putri, 2015). Thus, the greater the value of Tobin's Q indicates that the company has a good growth prospect. This occurs because the greater the market value of the firm's asset compared to the book value of the firm's assets, the greater the willingness of the investor to issue more sacrifices to own the company, on the other hand if Tobin's Q ratio is below one, the investment is not attractive. The greater the value of Tobin's Q ratio can indicate that the company has good growth prospects and has a large intangible asset.

This ratio is considered to provide the best information, since Tobin's Q included all elements of debt and equity capital of the company, not only ordinary shares and the company's equity is included but the entire asset of the company. By taking into account all the assets of the company, it means that the company is not only focused on one type of investor, such as equity investor, but also to the creditor. The source of the company's operational financing is not only from equity but also from loans (Darmadi, 2010;2011).

3 METHODS

3.1 Data Collection Methods

Secondary data was used in this research. The data used are data in the company's annual report and other

information that can be accessed publicly. While financial data for the purpose of calculating Tobin's Q can be collected from The Indonesian Stock Exchange's (IDX) website in 2013 and 2014. Data collection methods are literature research and documentation.

The population in this study is 463 companies which listed in IDX in 2013 and 2014. The sample used is 216 based on certain research criteria.

3.2 Operationalization of Variable

Variables used in this study, consisting of independent variables, and the dependent variable. The independent variables in this research are board diversity and board compensation. Dependent variable in this research is firm value.

Table 1: Operationalization of variable.

Variable	Notation	Scale
Board Diversity (X¹)		
Women's Directors (X _{1.1})	WOM	Ratio
Foreign Citizenship (X _{1.2})	FRGN	Ratio
Accounting Graduates or Accounting Certification (X _{1.3})	ACC	Ratio
Age (X _{1.4})	AGE	Average
Board Compensation (X²)	COMP	Ratio
Firm Value (Tobin's Q) (Y)	TOBIN	
Control Variable		
Board size	BFSIZE	Ratio
Firm Size	FSIZE	Ratio

3.3 Hypothesis Testing

The design of hypothesis testing is done to test and prove the variables in this study. The hypothesis to be tested in this study relates to the presence or absence of the influence independent variables (X1 and X2) on the dependent variable (Y).

Partial Hypothesis

H₀₁: β₁ ≥ 0 There is no significant effect of board diversity on firm value.

H_{a1}: β₁ < 0 There is a significant effect of board diversity on firm value

H₀₂: β₂ ≥ 0 There is no significant effect of board compensation on firm value.

H_{a2}: β₂ < 0 There is a significant effect of board compensation on firm value.

Simultaneously Hypothesis

H₀₃: β₁=β₂=β₃= 0 There is no significant effect of board diversity

and board compensation on firm value.

H_{a3}: There is at least one β ≠ 0 There is a significant effect of board diversity and board compensation on firm value.

3.4 Data Analysis Method

This research uses multiple regression analysis, to test whether board diversity and board compensation as independent variable have effect on dependent variable that is firm value. Multiple regression models in this research are as follows:

$$Y = 3,306 - 10,662X_{1.1} + 0,946X_{1.2} + 9,872X_{1.3} - 0,053X_{1.4} + 0,518X_2$$

Information:

Y = Firm Value

B1 = Coefficient of regression of board diversity

B2 = Regression coefficient of board compensation

B3 = Company value regression coefficient

X1 = Board diversity

X2 = Board compensation

E = Error Term

4 RESULTS AND DISCUSSION

4.1 Descriptive Analysis

4.1.1 Descriptive Analysis Board Diversity

4.1.1.1 Women's Directors

Table 2: An overview of the board of commissioners of women in companies listed on IDX for the period 2013-2014.

Year	Number of Companies		Number of Board of Commissioners	
	F	%	F	%
2013	81	37.5%	108	11.8%
2014	76	35.2%	103	11.2%

In 2013 there were 81 (37%) of 216 companies had women member of the Board of Commissioners, and total the women member of the Board of Commissioners in 2013 are 108 (11.8%). In 2014 there are 76 (35%) of 216 companies had women

member of the Board of Commissioners, and total the women member of the Board of Commissioners in in 2014 are 103 (11.2%).

4.1.1.2 Foreign Citizenship

Table 3: Description of the board of commissioners of foreign citizenship in companies listed on the stock exchange period 2013-2014.

Year	Number of Companies		Number of Board of Commissioners	
	F	%	F	%
2013	63	29.2%	134	14.6%
2014	62	28.7%	139	15.2%

In 2013 there are 63 (29%) of 216 companies had foreign members of Board of Commissioners, and the number of foreign members in 2013 are 134 (14.6%). In 2014 there are 62 (28%) of 216 companies had foreign members of Board of Commissioners, and the number of foreign members in 2014 are 139 (15.2%).

4.1.1.3 Accounting Graduates or Accounting Certification

Table 4: Description board of commissioners accounting graduates or accounting certification in companies listed on BEI period 2013 – 2014.

Year	Number of Companies		Number of Board of Commissioners	
	F	%	F	%
2013	74	34.3%	95	10.4%
2014	61	28.2%	75	8.2%

In 2013 there are 74 (34%) of 216 companies have member of Board of Commissioners which has accounting background education or accounting certification, and the number of accounting graduates or accounting certified members in 2013 are 95 (10.4%). In 2014 there are 61 (28%) of 216 companies have member of Board of Commissioners which has accounting background education or accounting certification, and the number of accounting graduates or accounting certified members in 2014 are 75 (8.2%).

4.1.1.4 Age

Table 5: The average age of the board of commissioners of companies listed on IDX for the period 2013 – 2014.

Year	Average Age	Youngest Age	Oldest Age
2013	57.7	32	84
2014	57.5	37	85

In 2013 the average age of the Board of Commissioners of Companies Listed on IDX is 57.7 years old and in 2014 is 57.5 years old, it shows that most of the Board of Commissioners are over than 50 years old.

4.1.2 Board Compensation

Table 6: Description of board compensation in companies listed on BEI period 2013-2014.

Year	The Compensation Stated in the Report		Average Compensation
	F	%	Rp
2013	137	63.43	12,079,114,327
2014	153	70.83	21,318,218,153

In 2013 there were only 137 (63,43%) companies that disclose compensation for the Board of Commissioners. There was an increasing number in 2014; there are 153 (70.83%) companies that disclose compensation given to the Board of Commissioners. The average value of compensation in 2013 is Rp12.079.114.327 and increased by Rp9.239.103.826 in 2014.

4.1.3 Firm Value (Tobin's Q)

Table 7: Company value (Tobin's q) on companies registered on IDX for the period 2013 – 2014.

	N	Min	Max	Mean	Std. Deviation
Tobin's Q 2013	216	0.34	36.51	2.0457	3.51744
Tobin's Q 2014	216	0.32	32.03	1.9705	3.25167

4.2 Statistical Test Analysis

The coefficient of determination is a value that states the influence of simultaneously independent variables to the dependent variable. The independent variables are WOM, FOREIGN, AGE, ACC, and

COM, and the dependent variable is TOBIN (Y). Using SPSS.21, the following outputs are obtained:

Table 8: Coefficient of determination (KD).

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.689 ^a	0.488	0.482	2.401013	1.708

a. Predictors: (Constant), WOM, FRGN, ACC, AGE, COMP

b. Dependent Variable: TOBIN

The table 8 shows that the coefficient of determination or R-square is 0.488 or 48.8%. This indicates that 48.8% of TOBIN Q were effected by WOM, FRGN, ACC, AGE, and COMP simultaneously. Where the rest is influenced by other variables not examined in this study.

4.3 Partial Hypothesis Test (T Test)

By using SPSS.21, partial test results as follows:

Table 9: Partial hypothesis (Test T).

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std. Error	Beta		
	1				
constant	3.306	0.458		7.222	.000
WOM	-10.662	2.015	-0.691	-5.292	.000
FRGN	0.964	0.243	0.369	3.885	.000
ACC	9.872	0.846	0.493	11.676	.000
AGE	-0.053	0.009	-0.459	-5.999	.000
COMP	0.518	0.045	0.410	11.504	.000

a. Dependent Variable: TOBIN

To draw conclusion on the test performed, the calculated t-value will be compared to the t-table value in the t distribution table. The test results indicate that the t_{value} of the WOM variable is -5.292 < -t_{table} (-1.965), according to the hypothesis testing criteria that H₀ is rejected and H₁ is accepted. This means, partially WOM have a significant effect on TOBIN. The t_{value} of FRGN variable is 3.885 > t_{table} (1.965), according to the hypothesis testing criteria that H₀ is rejected and H₁ accepted. This means, partially FRGN have a significant effect on TOBIN. The t_{value} of ACC variable is 11.676 > t_{table} (1.965), according with the hypothesis testing criteria that H₀ is rejected and H₁ is accepted. The t_{value} of AGE

variable is -5.999 < -t_{table} (-1.965), according with the hypothesis testing criteria that H₀ is rejected and H₁ is accepted. This means, partially AGE have a significant effect on TOBIN. The t_{value} of COM variable is 11.504 > t_{table} (1.965), according to the hypothesis testing criteria that H₀ is rejected and H₁ is accepted. This means partially, COM have a significant effect on TOBIN.

4.4 Research Discussion

4.4.1 The Influence of Board Diversity to Firm Value

4.4.1.1 The Influence of Women Existence on Proportion of Board of Commissioners to Firm Value

The test results indicate that the proportion of female members of the Board of Commissioners in the composition of the Board of Commissioners has a significant negative effect to firm value as measured by Tobin's Q. The result confirms the previous research conducted by Kusumastuti, Supatmi, and Sastra (2008), Darmadi (2011). Negative correlations indicate that the greater percentage of female commissioner's member will have an impact on the declining value of the company.

However, the negative result is very low so there are several approaches that can be used to explain these negative findings. Firstly, most companies analyzed in this research do not have female members of the Board of Commissioners (11,8% in 2013 and 11,2% in 2014), thus affecting the low number of women in the sample. Secondly, according to the phenomenon raised, the companies listed in IDX mostly are the family business and the existence of women to the Board of Commissioners based on family relationships with controlling shareholders, not because of skills or experience.

4.4.1.2 The Influence of Foreign Citizenship on Proportion of Board of Commissioners to Firm Value

The test results indicate that the proportion of Board of Commissioners member who is a foreign citizen has positive and significant influence on firm value as measured by Tobin's Q. The result is contrary with the previous research conducted by Darmadi (2011), Wijaya and Suprasto (2015) that showed negative results. Positive correlation indicates that the greater percentage of members of the Board of Commissioners, who are foreigners, will have a positive impact on the increase in firm value. According to the phenomenon raised, the foreigners

is considered more disciplined and detailed in solving the problems.

4.4.1.3 The Influence of Members of Board of Commissioners Having Accounting Background or Accounting Certification to Firm Value

The test results show that members of the Board of Commissioners with an Accounting background or Accounting Certification have a positive and significant influence on the firm value as measured by Tobin's Q. The results of this test is similar to the hypothesis that was formed at the beginning of this study, however different result has been drawn. A positive correlation indicates that the greater percentage of members of the Board of Commissioners with an accounting background or Accounting Certification will have an impact on the increase in firm value.

According the phenomenon raised, every company from cooperative to multinational company, needs the accountant. Decision-making or company policy is highly dependent on information provided by an accountant.

4.4.1.4 The Influence of the Age of the Board of Commissioners on Firm Value

The test results indicate that the age group of members of the Board of Commissioners has a negative and significant influence on firm value as measured by Tobin's Q. This results confirms the previous research conducted by Kusumastuti, Supatmi, and Sastra (2008), which provides results that the age group of members of the Board of Commissioners has no significant effect on profitability ratios and corporate value.

Negative correlation indicates that the greater the average age of the Board of Commissioners or the older members of the board of commissioners, will have an impact on the declining of firm value. Due to the negative effect of old age on the firm value, it is allegedly that the older a person, more health problems are encountered, which in turn will lead to decreased intellectual ability (Kusumastuti, Supatmi, and Sastra, 2008). In Indonesia, there is a phenomenon that the position of commissioner is also held by the owner of the company or the controlling shareholder who has entered the old age, which often less attention and less effective monitoring frequency for the development of the company.

4.4.2 The Influence of Board Compensation to Firm Value

The test results show that the presence of board compensation will give positive and significant influence on the value of the company as measured by Tobin's Q.

The test results support the predefined initial hypothesis by Darmadi (2011). A positive correlation indicates that the greater the board compensation given to the Board of Commissioners will have an impact on the firm value.

The results of this study support the assumption that providing higher compensation to the Board of Commissioners or the Board of Directors can improve the performance of board members so as to provide added value to the company. Thus, the company should provide compensation equal to the Board of Commissioners so that the board members feel well appreciated so that their performance will increase.

It can also be linked to the theory of motivation, that every individual will be affected by a certain motivation, in this context is earning a higher income.

4.4.3 The Influence Board Diversity and Board Compensation Simultaneously to Firm Value

The test results show that the existence of board diversity and board compensation will give a significant effect on the value of the company as measured by Tobin's Q. The results of these tests show that the board diversity to the firm value gives a positive influence on the existence of members of the Board of Commissioners who are foreigners and accounting education background and accounting certification. However, it negatively affects the existence of female council members and the age group of members of the Board of Commissioners. Test results show that board compensation has a positive and significant influence on firm value, and simultaneously board diversity and board compensation have a positive and significant affect to firm value.

5 CONCLUSIONS

There is significant influence of board diversity on company value on companies listed on IDX in 2013 and 2014. There is a negative and significant influence on the existence of female members of the Board of Commissioners on the firm value listed on the IDX in 2013 and 2014. There is a positive and

significant influence on the presence of members of the Board of Commissioners who are foreigners against the firm value listed on the IDX in 2013 and 2014. There is a positive and significant influence on members of the Board of Commissioners with accounting or accounting certification background on the firm value listed on the IDX in 2013 and 2014. There is a negative and significant influence on the age group of members of the Board of Commissioners on the firm value listed on the IDX in 2013 and 2014. There is a positive and significant influence of the board compensation on the firm value of the company on companies listed on the IDX in 2013 and 2014. Simultaneously, the board diversity and board compensation have a positive and significant influence on the firm value in companies listed on the IDX in 2013 and 2014.

REFERENCES

- Ararat, M., Aksu, M. H., Tansel Cetin, A., 2010. *The impact of board diversity on boards' monitoring intensity and firm performance: evidence from the Istanbul Stock Exchange*. Available at <http://papers.ssrn.com/>.
- Barker III, V. L., Mueller, G. C., 2002. CEO characteristics and firm R&D spending. *Management Science*, 48(6), 782-801.
- Carter, D. A., Simkins, B. J., Simpson, W. G., 2003. Corporate governance, board diversity, and firm value. *Financial review*, 38(1), 33-53.
- Darmadi, S., 2010. Board diversity and firm performance: the Indonesian evidence. *Corporate Ownership and Control Journal*, 8.
- Darmadi, S., 2011. The Determinants of Board Compensations: Evidence from Indonesia. *The Indonesian Journal of Accounting Research*, 14(2).
- Earley, C. P., Mosakowski, E. 2000. Creating hybrid team cultures: An empirical test of transnational team functioning. *Academy of Management Journal*, 43(1), 26-49.
- Herrmann, P., Datta, D. K., 2005. Relationships between top management team characteristics and international diversification: An empirical investigation. *British Journal of Management*, 16(1), 69-78.
- Hurst, D. K., Rush, J. C., White, R. E., 1989. Top management teams and organizational renewal. *Strategic Management Journal*, 10(S1), 87-105.
- Ittner, C. D., Larcker, D. F., Meyer, M. W., 2003. Subjectivity and the weighting of performance measures: Evidence from a balanced scorecard. *The accounting review*, 78(3), 725-758.
- Keller, S., Price, C. 2011. Organizational health: The ultimate competitive advantage. *McKinsey Quarterly*, 2, 94-107.
- Krishnan, H. A., Park, D., 2005. A few good women—on top management teams. *Journal of business research*, 58(12), 1712-1720.
- Kusumastuti, S., Supatmi, S., Sastra, P. 2008. Pengaruh Board Diversity Terhadap Nilai Perusahaan dalam Perspektif Corporate Governance. *Jurnal Akuntansi dan Keuangan*, 9(2), 88.
- Lehman, C. M., DuFrene, D. D., 2008. Achieving active learning through a service learning podcast project. *Journal of Business and Training Education*, 17, 41-44.
- Oxelheim, L., Randøy, T. 2003. The impact of foreign board membership on firm value. *Journal of Banking & Finance*, 27(12), 2369-2392.
- Putri, O. I., 2015. *The Influence of Board Diversity on Financial Companies and Manufacturing Companies to Firm Value*. Surakarta: Sebelas Maret University.
- Rahmawan, M., 2016. *Challenges and Employment Opportunities Welcoming MEAs in Indonesia*. Accessed on February 2, 2016. Available at http://www.kompasiana.com/mauludinr/tantangan-dan-peluang-ketenagakerjaan-menyambut-mea-di-indonesia_5674bef54623bd8f05cc7fc8
- Reed, R., DeFillippi, R. J., 1990. Causal ambiguity, barriers to imitation, and sustainable competitive advantage. *Academy of management review*, 15(1), 88-102.
- Salancik, G. R., Pfeffer, J., 1978. A social information processing approach to job attitudes and task design. *Administrative science quarterly*, 224-253.
- Suisse, C., 2012. *Gender diversity and corporate performance*. Credit Suisse Research Institute.
- Tirtarahardja, U., La Sulo S.L., 2005. *Introduction to Education*. Jakarta: Rineka Cipta.
- Tuggle, C. S., Schnatterly, K., Johnson, R. A., 2010. Attention patterns in the boardroom: How board composition and processes affect discussion of entrepreneurial issues. *Academy of Management Journal*, 53(3), 550-571.
- Wijaya, P. C., Suprasto, B., 2015. The Influence of Two Tier Board Deposits at the Value of the Financial Sector Companies. *E-Journal of Accounting*, 722-734.