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Board Demographics, Ownership Structure, Intellectual Capital and Company Value

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Abstract: This study investigates the impact of board demographics (board demographics), ownership structure, and intellectual capital on firm value. Using 120 samples taken proportionally from each industrial sector in the Indonesia Stock Exchange, this study uses balanced-panel data with the GLS (generalized least square) regression method of Random-Effects analysis. The study results found that Board demographics (gender, age, and ethnicity of the director) affect firm value. On the other hand, the ownership structure (managerial ownership, institutional ownership, and community ownership) has no significant impact on firm value. The insignificant result for this variable could be due to the two-tier board system used in Indonesia. This system distinguishes the responsibility between directors and commissioners; thus, the possibility of a conflict of interest arises. Intellectual capital also has a positive and significant impact on firm value (Tobins' Q).

Keywords: Corporate Governance, Intellectual Capital, Company Value.

1. Introduction

Good corporate governance (GCG) is a company implementation system aiming to achieve sound corporate performance to maximize stakeholders' interests. Good corporate governance itself was only discussed in Indonesia when many companies went bankrupt or went bankrupt when hit by the economic crisis and financial crisis in 1997-1998.

It is believed that the problems faced by most companies during the economic crisis and financial crisis are caused by corporate misconduct. A lack of transparency in financial reporting, financial reporting fraud, and share overvalued are few examples of management misconduct. Several large companies related to corporate mismanagement and auditing institutions emerged in the community, such as the case of PT Lippo Bank, PT Kimia Farma, PT Texmaco, and PT Cibinong (Prassetyantoko, 2008).

Another case of not implementing GCG in Indonesia is PT. Garuda Indonesia, Tbk. regarding manipulation of financial statements in 2018 (Rusmana dan Tanjung, 2019) and in 2019, Misuse of Position by the President Director of PT. Garuda Indonesia and violations of good corporate governance (Shobirin 2020). PT. Jiwasraya Insurance failed to pay for committing the crime of manipulating financial statements (Window Dressing) (Setiawan, 2020).

These problems undoubtedly cannot be separated from the responsibility of company management in managing the company, such as the neglect of corporate governance principles such as transparency, accountability, commitment, and independence. (independency) and the direction of equality and fairness.

Therefore, it is necessary to socialize good corporate governance in various companies, both BUMN and private companies. Not only that, but the government has also actively participated in supporting the existence of good corporate governance in BUMN and private companies by issuing regulations on corporate governance according to the concept of good corporate governance.

One of the active actions taken by the government to implement GCG in BUMN was the issuance of the Decree of the Minister of BUMN No.Kep-117 / M-MBU / 2002 dated July 13, 2002, regarding the Implementation of GCG Practices and Presidential Instruction No. 5 of 2004, which recommends that BUMN implement GCG. Through the Capital Market Supervisory Agency (BAPEPAM) and the Indonesia Stock Exchange (BEI), the government regulates good corporate governance of companies listed on the IDX.

An example of the implementation of good corporate governance is the requirement to have a minimum of 3 (three) commissioners, and at least one of them is an independent commissioner. Indonesian Capital Market Supervisory Board (BAPEPAM) enacted a regulation that required all listed firms to submit an annual report containing a brief description of the implementation of corporate governance that has been and will be implemented by the company in the last financial year reporting period (The regulation number is KEP-134 / BL / 2006).

Management ineffectiveness resulting from a conflict of interest will result in inefficiency, thus impacting company goals. Several state-owned enterprises (BUMNs) are still experiencing losses, which can lead to the potential for bankruptcy. Although the number of BUMNs listed on the IDX is relatively small, the government's decision to privatize BUMN should be highly appreciated because the government changes its status and changes the company management according to the criteria required by the Indonesian Stock Exchange Securities Commission.

Several regulations have been issued to support GCG, but few BUMN still neglect the principle. For example, PT. Kimia Farma Tbk. which practiced earnings management by increasing profits to Rp. 32.7 billion in 2002, then PT. In 2004, Indofarma also practiced earnings management by presenting an overstated net profit of Rp. 28.870 billion in 2004, and due to the valuation of goods in process, which was higher than it should have been, the cost of goods sold for that year was understated (Prassetyantoko, 2008).

The scandals in several developed countries mostly involved people in companies dealing with financial and accounting issues. They carry out financial misstatement practices, inflated revenues and sales and understated earnings, and other practices in finance and accounting.

However, there are different modes of scandal that occurred in developed countries and Indonesia. Large companies in developed countries committed financial reporting fraud because they wanted to get bonuses, and it can only happen if they can increase company profits. In contrast to Indonesia, the model used by

most companies is aimed at avoiding taxes by providing two different financial reports (http://www.bumn.go.id.).

Corporate governance also relates to intellectual capital, namely the implementation of corporate intellectual capital reporting practices. Why is the method of reporting intellectual capital related to good corporate governance ultimately affecting company performance or firm value? Because companies implementing GCG have reported patent rights as one of their intellectual assets; thus, the company's performance has also improved. For example, a company that does research and development (research and development) sustainably has a better level of sustainability than a company that does not. The sustainability of the company will be jeopardized if there is no innovation and creativity.

Intellectual capital disclosure (reporting) is valuable information for investors to reduce uncertainty about the company's prospects in the future. Reporting on intellectual capital can facilitate the accuracy of assessing company value (Bukh, 2003). The existence of intellectual capital accompanied by intellectual capital reporting is an essential part of good corporate governance practice, improving company performance.

Mitton (2001), Wu and Cui (2002), Abdullah (2004), Chen, Firth, Gao and Rui (2006), Haniffa and Hudaib (2006), Cheung, Stouraitis and Tan (2010), Sami, Wang and Zhou (2011), Black and Kim (2012), Connelly, Limpaphayom and Nagarajan (2012), Shukeri, Shin and Shaari (2012), Wan Yusoff and Alhaji (2012) find empirical evidence that corporate governance enhances firm value. These studies were conducted in various countries using methods and sample periods that were relatively different. On the other hand, Garg (2007) found evidence that corporate governance does not increase firm value. Furthermore, Santoso (2008) found evidence that there is no difference in market reaction regarding returns and trading volume between firms with good and bad governance practices. Hence, it can be concluded that investors do not consider perception Index corporate governance (CGPI) to make decisions. Black, Jang and Kim (2006) and, Kyereboah-Coleman (2007) also found similar results with Garg (2007) and Santoso (2008), where the results showed that the implementation of corporate governance did not affect company performance.

In contrast with Chen, Cheng and Hwang (2005), Tseng, Jia and Goo (2005), Tan, Plowman, and Hancock (2007), Gan and Saleh (2008), Makki and Lodhi (2009), Murale and Ashrafali (2010), Maditinos, Chatzoudes, Mehralian, Rajabzadeh, Sadeh and Rasekh (2012) which found that intellectual capital improves firm performance, Bornemann (1999) found contradictory result. Furthermore, Chan (2009) and Mondal and Ghosh (2012) produced inconclusive results. As some empirical studies are inconclusive about corporate governance and intellectual capital on firm performance across countries such as United States, Europe, Asia, and Indonesia, this is an opportunity for researchers to conduct more in-depth empirical studies, both in terms of the number of samples, period, and analytical methods used.

2. Literature Review

Previous studies on corporate governance and corporate value have been carried out in many countries. Some of them examine the relationship between company performance and various corporate governance mechanisms such as board size, the proportion of non-executive directors, the dual role of the chief commissioner, and ownership structure.

Agrawal and Knoeber (1996), Yermack (1996), Barnhart and Rosenstein (1998), Gompers, Ishii and Metrick (2003), and Brown and Caylor (2006, 2009) are some researchers who focus on how corporate governance impacts firm value in companies in the United States. Weir, Laing and McKnight (2002), and Cheung, Connelly, Limphapayom and Zhou (2007) examined companies in Hong Kong, Australia and England. More specific research investigating the part of corporate governance was conducted by Hermalin and Weisbach (1991), Yermack (1996), Eisenberg, Sundgren and Wells (1998), Mak and Kusnadi (2005), and Coles, Daniel and Naveen (2008). For example, Hermalin and Weisbach (1991) investigated the effect of the proportion of independent directors on firm performance, and Yermack (1996) examined how the number of directors affects firm performance.

Corporate governance has become a dominant issue (topic) in policies in developed and transition countries. The fundamental thing of corporate governance is how to solve agency problems (agency problems). Jensen and Meckling (1976) say that the agency problem is crucial due to the separation between ownership and management where management may act inconsistently with the interests of the company owners. For such conditions, corporate governance mechanisms, both internally and externally, play an essential role in minimizing conflicts between principals (company owners) and agents (managers). Researchers have conducted many studies on the topic of corporate governance such as (Puni and Anlesinya, 2020; Shahwan and Habib, 2020; Liedong and Rajwani, 2017; Casavecchia, 2016; Kowalewski, 2016; Basyith, Fauzi and Idris, 2015; Lattemann, 2014).

Corporate governance mechanisms include ownership structure, the board size, board independence, board meetings, auditor selection, etc. No less important, the thing that gets attention in the corporate governance mechanism is how the compensation and incentives given to board members or top executives can minimize agency conflicts (Dong and Ozkan, 2008). Compensation is considered significant for (1) motivating top executives to work in line with the interests of company owners, (2) recruiting and retaining high-quality managers (Anderson and Bizjak, 2003).

Corporate governance (CG) is an instrument of governance that helps stakeholders match their priorities with organizational objectives (Blair & Stout, 2017). Claessens, Djankov, Fan and Lang (2002) say that the framework of good corporate governance impacts easier access to financing, lower capital costs, increases stakeholder sympathy, and overall better company performance. Gompers et al. (2003) found that better corporate governance is associated with higher firm value as measured by Tobins' q. In line with Gompers et al. (2003), Brown and Caylor (2006, 2009) also emphasize that US companies with better-governed companies have higher returns on investment and performance.

Hermalin and Weisbach (1991, 2003), Agrawal and Knoeber (1996), Yermack (1996), Klein (1998), Dalton, Daily, Johnson and Ellstrand (1999), Bhagat and Black (2002), Gompers et al. (2003), Brown and Caylor (2006, 2009), Dittmar and Mahrt-Smith (2007), Harjoto and Hoje (2008), and Drakos and Bekiris (2010) are some of the researchers investigating the impact of the different parts of good corporate governance mechanisms in the United States. Meanwhile, Dehaene, De Vuyst and Ooghe (2001), who investigated companies in Belgium, Schmid and Zimmerman (2005) who studied companies in Switzerland, Klapper and Love (2003) who investigated companies in 14 countries, Krivogorsky (2006) investigated companies in Eastern Europe, and Choi, Park and Yoo (2007) and, Dahya, Dimitrov and McConnell (2008) who investigated developed countries other than the United States. In several other countries, the study of corporate governance characteristics has been conducted by many researchers, such as Puni and Anlesinya (2020), Ajili and Bouri (2018), Farhan, Obaid, and Azlan (2017), Elvin and Abdul Hamid (2016). However,

the results are inconclusive because some studies yielded significant positive results (Hermalin and Weisbach, 1991, 2003; Dalton et al., 1999; Dehaene et al., 2001; Gompers et al., 2003; Klapper and Love, 2003; Brown and Caylor, 2006, 2009; Krivogorsky, 2006; Dittmar and Mahrt-Smith, 2007; Choi et al., 2007; Dahya et al., 2008; Harjoto and Hoje, 2008), some studies yielded significant negative results (Agrawal and Knoeber, 1996; Yermack, 1996; Eisenberg, Sundgren and Wells, 1998; Klein, 1998; Bhagat and Black, 2002; Drakos and Bekiris, 2010), and some studies yielded insignificant results (Schmid and Zimmermann, 2005).

The difference in results using the same research subjects, namely companies in the United States and other state companies, can be caused by several factors. The factors that can influence can be divided into two parts: technical and non-technical aspects. Technical factors such as the number of samples used, the period used and the method of analysis used. Meanwhile, non-technical factors include differences in economy, systems, environment, culture, politics, and other differences.

Several studies were conducted in several countries in Asia and ASEAN such as Indonesia (Basyith, Fauzi, Idris, 2015; Basyith, 2016.a), China (Sami, Wang and Zhou, 2011; Chen et al., 2006; Wu and Cui, 2002;), Hong Kong (Cheung, Stouraitis and Tan, 2010), India (Bansal and Singh (2021); Garg, 2007), Thailand (Connelly et al. 2012), Korea (Black and Kim, 2012), Malaysia (Abdullah, 2004; Haniffa and Hudaib, 2006; Shukeri, Shin and Shaari, 2012; Wan Yusoff and Alhaji, 2012), and a mixture of several countries such as Korea, Malaysia, Indonesia, Philippines and Thailand (Mitton, 2001). From Jordan such as Dakhlallh, Rashid, Wan Abdullah, Dakhlallh, (2021).

Some of the above studies revealed a significant positive relationship, as has been done by Dakhlallh et al. (2021), Meah and Chaudhory (2019). Basyith (2016.a) Basyith, Fauzi, Idris (2015), Mitton (2001), Wu and Cui (2002), Abdullah (2004), Chen et al. (2006), Haniffa and Hudaib (2006), Cheung et al. (2010), Sami et al. (2011), Connelly et al. (2012), Black and Kim (2012), Shukeri, Shin and Shaari (2012), Wan Yusoff and Alhaji (2012). Some results revealed negative and significant relationships Palaniappan (2017), Arora and Sharma (2016), and Garg (2007), and some results showed insignificant results. As previously described, the absence of consistent results in Asian and ASEAN countries was caused by technical and non-technical factors. For research on corporate governance and corporate performance in Indonesia, Mitton (2001) examines the impact of corporate governance on corporate performance in several countries, including Indonesia, and concludes that corporate governance impacts company performance.

Intellectual Capital

Intellectual capital is a vital source for shaping company value which is a competitive advantage (Drucker, 1993). Intellectual capital plays an essential role in determining the value of a firm's company and is also the root of the company, which is a determining factor for the strength and growth of the company now and in the future (Choudhury, 2010).

Several methods have been used to measure, assess and report intellectual capital. Those methods include the economic concept of the production function (Lim and Dallimore, 2004), the financial and non-financial reports such as the balanced scorecard (Kaplan and Norton, 1992), a content analysis approach which is believed to understand better the types of intellectual capital information (Guthrie, Petty, Yongvanich, and Ricceri, (2004).

Most of the literature on intellectual capital uses accounting and financial approach in their analysis (Bontis, 2001) because some companies have a higher market value than their book value (Sharabati, Jawad and Bontis, 2010). The calculation of value-added intellectual capital (VAIC) is a method that uses financial

reports, which is the model developed by Pulic (2000, 2004). Most researchers believe that the VAIC model has higher precision because it uses audited financial reports (Andreissen, 2004; Firer and Williams, 2003). The VAIC model is calculated based on several variables used to measure the final indicators (Pulic, 2004). The computation process was initially developed by Pulic (2004) and then reaffirmed by Kujansivu and Lonnqvist (2007b), which was later extended by Nazari and Herremans (2007).

The VAIC model has several advantages (Chan, 2009). First, the VAIC model uses a relatively explicit and straightforward procedure in calculating the required items and is easier for all parties to understand (managers, employees, stakeholders, investors, government, and suppliers) than traditional accounting reports. Second, the VAIC model minimizes subjective bias and provides quantitative objectives and indicators. Third, the VAIC model uses standard indicators, which can be used both internally and externally as a comparison. Fourth, the VAIC model uses audited financial data to increase the validity of the measurement. Fifth, the VAIC model has been used in intellectual capital studies in listed companies in several countries globally, especially in the Asian region, where the results can be used as a comparison with other countries.

Intellectual Capital has a vital role in improving company performance because it can provide a competitive advantage (Xu & Wang, 2018). Edvinsson and Malone (1997) were the first to develop IC efficiency elements through the Skandia model. Skandia model has four components; people, processes, customers, and development (Abdul Rashid, Kamil Ibrahim, Othman, & Fong See, 2012). Furthermore, it further expands to investors, suppliers, and location as external capital factors (Pearse, 2009). At the initial stage, the crucial components of creating corporate value are human resources and structural capital (Alhassan & Asare, 2016; Rehman, Usman & Asghar, 2012; Syah Aji & Kurniasih, 2015). During the last two decades, most researchers conceded that the core elements of intellectual capital are human resource efficiency (HCE), structural capital efficiency (SCE), and relational capital efficiency (RCE) (Haris, Yao, Tariq, Malik, and Javaid, 2019; Nawaz, 2019; Aslam, Ahmad, Amin, Usman, and Arif, 2018; Jetmiko, 2018; Khairiyansyah&Vebtasvili, 2018; Rochmadhona, Suganda, & Cahyadi, 2018; Tahir, Shah, Khan & Afridi, 2018; Jamei, 2017; Widowati&Pradono, 2017; Basyith, 2016.b; Singh & Narwal, 2015; Rehman et al., 2012).

Several researchers from various countries have investigated the relationship between intellectual capital and firm value. Eric Sveiby (1997) and Bornemann (1999) studied Australia, Bontis (1998) explored Canada, Maditinos et al. (2011) examined Greece Stewart (1994), Bassi and Van Buren (1999) who discussed the United States (US). Research is not only focused on the US, Europe, and other British Commonwealth countries, and research is also focused on countries in Asia, such as Indonesia (Ilhan, 2019, Irawanto, Gondomono, and Husein, 2017, Basyith, 2016.b), Taiwan (Chen, Cheng and Hwang, 2005; Tseng et al. 2005), Hong Kong (Chan, 2009), Iran (Mehralian, Rajabzadeh, Sadeh, and Rasekh, 2012), Singapore (Tan et al., 2007), Malaysia (Gan and Saleh, 2008), India (Murale and Ashrafali, 2010; Mondal and Ghosh, 2012). Aftab, Khurshid, and Yousaf, (2019) Olayiwola (2018) Aslam et al. (2018) However, there is relatively little empirical evidence that presents the relationship between intellectual capital and firm performance. The main factor that causes the lack of empirical evidence is the difficulty in constructing constructs related to the measurement of problems in which the construct cannot be directly identified and observed.

There is still little empirical evidence for the relationship between intellectual capital and firm performance. There is also relatively little empirical evidence on the relationship between corporate governance,

intellectual capital, and firm performance. Most of the research that links intellectual capital and corporate governance is how corporate governance affects disclosure of intellectual capital reporting (Hidalgo, Gracia-Meca and Martinez, 2011). Not only that, although the impact of intellectual capital on company performance has been studied in the last ten years, it is important to know that so far, the effect of intellectual capital on company performance is indirect. Therefore, it is essential to examine the relationship (link) between intellectual capital and firm performance.

From several existing studies, Chen et al. (2006), Mehralian et al. (2012), Tan et al. (2007), Gan and Saleh (2008), Makki and Lodhi (2009), Maditinos et al. (2011), Tseng et al. (2005), Murale and Ashrafali (2010) found positive results between intellectual capital and firm performance while Bornemann (1999) found negative effects. Furthermore, Mondal and Ghosh (2012) and Chan (2009) produced inconclusive results. More interestingly, Kujansivu and Lonnqvist (2007a) found a non-linear relationship between investment in intellectual capital measured by VAIC and profitability.

3. Method

The data used are data obtained from reliable sources. In this study, secondary data sources are financial reports and annual reports of companies listed on the Indonesia Stock Exchange (BEI) following the financial reports obtained through the IDX website.

The targets or subjects of this research are all companies that register their shares on the Indonesia Stock Exchange (IDX). In 2015, the number of companies that have registered their shares on the IDX was 520 companies. The population is chosen from nine industrial categories, namely (1) Crops Industry, (2) Coal Mining Industry, (3) Basic Industry and Chemical Industry, (4) Machinery and Heavy Equipment Industry, (5) Consumer Goods Industry, (6)) Property, Real Estate and Building Construction Industry, (7) Infrastructure, Utilities and Transportation Industry, (8) Finance Industry, (9) Trade, Services and Investment Industry. The samples are selected from those nine industries in which all samples are non-financial firms and have a complete financial report for the observation periods. Of 520 companies, 86 companies are in the financial sector; hence the population is 434 companies. The sample is determined using the Isaac and Michael formula, and the sample size is 120 firms. As for Isaac and Michael's formula. After the number of samples is determined, sample selection is carried out in the following stages:

a. Samples were taken from each industry on the IDX

b. The sampling technique for each industry is selected proportionally.

c. The sample unit for each industry is taken randomly (random sampling)

The dependent variable in this study is financial performance as measured by Tobin's Q. Tobins' q is the ratio used to measure the company's assets against its market value. The value of Tobins' q, which is greater than one, illustrates that the market value is greater than the book value of the company's assets. Furthermore, it also demonstrates that the company gets a higher return compared to the cost of assets. Tobins' q does not describe the company's intellectual assets such as goodwill, knowledge, technology, and other intangible assets.

The dependent variable in this study is corporate governance and intellectual capital. Board demographics and board leadership measure corporate governance. The indicators of the board demographics are the gender of the director, the age of the director, and the director's ethnicity. The indicator of board

leadership is through inside ownership, blockholders ownership, and public ownership. Intellectual capital is measured using value-added intellectual capital (VAIC).

The analysis model to be used in this research is the Random-Effects GLS Regression, with the following equation models:

$$Y_{it} = \beta_0 + \beta_{1it}Sex + \beta_{2it}Age + \beta_{3it}Ethnic + \beta_{4it}InsOwn + \beta_{5it}BlockOwn + \beta_{6it}PublicOwn + \beta_{7it}VAIV + \varepsilon_{it}$$

Y_{it} = Financial performance
X_{1it} = Gender
X_{2it} = Director age
X_{3it} = Director etnic
X_{4it} = Persentace inside ownership
X_{5it} = Persentaceblockholders' ownership
X_{6it} = Persentace public ownership
X_{71t} = VAIC
C_{it} = control Variable (size, type industry)

4. Findings and Discussions

Table 1 and Table 2 present descriptive statistics and correlations between independent variables, while Table 3 presents the regression results using the Random-Effects GLS Regression. Tobins' Q's mean value is 10.0547 with a range from -1.7660 to 16.3760, indicating that most companies have good firm values. A high Tobins' Q suggests that the stock price is valued higher than its value (overvalued). Stock that is considered overvalued often occurs in companies that do not have a stable income, inconsistent return on equity, and low-income growth compared to the market average growth. The mode value of the director's gender is as much as 2213 times or as much as 97.10%, and this is equivalent to 116 companies from a total of 120 companies that were sampled in this study. This indicates that male directors dominate almost one hundred percent of the companies in this study. This is in line with the small number of female directors in point 12, which is only 0.1116.

The mean age of directors is 53.8800 with a range from 32.0000 to 75.0000, which indicates that the average director is approaching retirement, but at this age, the level of thinking is more mature in making decisions. The director's ethnic mode score is as much as 1892 times or 82.99%, and this is equivalent to 100 companies out of a total of 120 companies sampled in this study. This indicates that as many as 82.99% of directors are Indonesian citizens.

The mean value of managerial ownership is 1.6413 with a range from 0.0000 to 0.7419, which indicates that the management has few direct (personal) company shares. The mean value of blockholder ownership is 67.4779, with a range of 0.0000 to 100.0000, which indicates that institutions own most companies at about 67%. The average value of community ownership is 30.8826 with a range from 0 to 94.5480, which indicates that the community owns some companies at 30.88%.

The mean value of VAIC is 13.2696, with a range from 4.0780 to 21.2660, which indicates that some companies in this study have relatively sufficient VAIC. This means that companies have been able to create added value in terms of intellectual capital to grow and develop.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev	Min	Max
TobinsQ	2280	10.055	2.927	-1.766	16.376
Sex	2280	.971	.168	0	1
Age	2280	53.896	7.456	15	75
Ethnic	2280	.830	.375	0	1
InsOwn	2280	1.641	6.298	0	74.19
BlockOwn	2280	67.488	21.140	0	100
PublicOWn	2280	30.882	20.685	0	94.548
VAIC	2280	13.270	2.202	4.078	21.266

Table 2 presents the correlation between the independent variables where only the correlation between public ownership and blockholder ownership has a correlation value greater than 0.7. The low correlation value for most of the independent variables indicates a low indication of multicollinearity problems.

Table 2: Correlation

Variable	Sex	Age	Ethnic	InsOwn	BlockOwn	Publick
Sex	1.0000					
Age	0.1962	1.0000				
Ethnic	-0.0783	-0.0225	1.0000			
InsOwn	0.0295	-0.0764	0.1118	1.0000		
BlockOwn	-0.0081	0.0343	-0.2417	-0.2202	1.0000	
Public Own	-0.0007	-0.0118	0.2130	-0.0792	-0.9549	1.0000

Table 3 presents the regression output using the GLS Regression Random-Effects. Director gender variable has a positive and significant effect on firm value (Tobins' Q), meaning that the greater the number of male directors, the higher the firm value (Tobins' Q). This is contrary to the concept of gender diversity, stating that the more gender diversity in the composition of the board of directors, the better the company's value. From the perspective of agency theory, the more gender diversity in the board of directors, the more balanced the composition of the board of directors. Hence it ensures that no single individual can dominate in terms of decision making (Hampel, 1998); it also provides additional sources (Keasey Thompson & Wright, 1997) and increases value through different perspectives (Huse & Solberg, 2006). Male directors dominate almost 98%, the board of directors, which indicates the absence of gender diversity in the management ranks, so that gender diversity is not optimal in contributing to improving the quality of company management that is more optimal.

The director's age variable has a positive and significant effect on firm value (Tobins' Q), meaning that the more mature (mature) the age of the director, the higher the firm value (Tobins' Q). The result of this study supports that most companies have directors with a mean age of 53 years with a maximum age of 75 years. This result is not in line with Wiersema and Bantel (1992), who found a negative relationship between the age of directors and changes in corporate strategy. They also found that younger directors were more tolerant of taking risks and were more open to accepting changes than older directors. The results of this study are not necessarily following the characteristics of the culture in Indonesia, where large companies tend to have directors who are mature (mature) both in terms of knowledge and experience so that older directors are better able to handle company management issues. The director's ethnic variable has a positive and significant effect on firm value (Tobins' Q), meaning that the greater the number of non-foreign directors, the higher the firm value (Tobins' Q).

Managerial ownership has a negative and non-significant effect on firm value (Tobins' Q), which means that the greater the managerial share ownership, the lower the firm value (Tobins' Q). The result is contradictory with the agency theory of Jensen and Meckling (1976), which states that there is a concentration of interests between shareholders and managers when managers have large enough shareholdings. Thus, it is expected to reduce agency costs due to the lack of conflicts of interest (Morck, Shleifer &Vishny, 1988 ; McConnell & Servaes, 1990). The institutional ownership variable has a negative and insignificant effect on firm value (Tobins' Q), meaning that the greater the number of institutional shareholdings, the lower the firm value (Tobins' Q). This indicates that the greater the institutional ownership, the greater the conflict between majority shareholders and minority shareholders, as stated in the principal-principal agency theory. The variable of community ownership has a negative and insignificant effect on firm value (Tobins' Q), meaning that the greater the number of community shareholdings, the lower the firm value (Tobins' Q).

The results showed that intellectual capital had a positive and significant impact on firm value (Tobins' Q). This is in line with the research of Bontis, Chong Keow and Richardson (2000), Pulic (2000), Chen et al. (2006), Tseng et al. (2005), Li, Pike and Haniffa (2007), Tan et al. (2007), Gan, Saleh and Abessi (2008), Makki and Lodhi (2009), Murale and Ashrafali (2010), Daryaee, Pakdel, Easapour and Khalaflu (2011), Maditinos et al. (2011),. Mehralian et al. (2012) also found that Tobins' q has a significant positive relationship with IC. Thus it can be concluded that (1) intellectual capital not only increases firm value but also increases firm / organizational value (Roos and Roos, 1997, Bontis, Chong Keow and Richardson, 2000), (2) in developing countries, the efficiency of physical capital that most significantly affects firm value and increases firm productivity compared to other components of intellectual capital (Gan and Saleh, 2008; Chan, 2009), (3) for European countries such as Greece, human capital efficiency is a factor which is vital in increasing firm value (Maditinos et al., 2011)

Table 3: Regression

Random-effect GLS regression Group Variabel: id R-sq Within = 0.1288 Between = 0.1883 Overall = 0.1786	Number of obs = 2280 Number of groups = 120 Obs per group: min = 19 Avg = 19.0 Max = 19

				Wald chi2(15) = 327.58 Prob > chi2 = 0.0000		
TobinsQ	Coef	Std. Err.	z	P>|z|	95% conf	Interval
Sex	.5809	.3129	1.86	.063	-.0324	1.1942
Age	.0242	.0078	3.11	.002	.0090	.0395
Ethnic	.9870	.3829	2.58	.010	.2366	1,7375
InsOwn	-.1273	.3609	-0.35	.724	-.8347	.5801
BlockOwn	-.1110	.3592	-0.31	.757	-.8151	.5931
PublicOWn	-.1231	.3593	-0.34	.732	-.8273	.5811
VAIC	.0808	.0235	3.42	.001	0.0345	.1270
FirmSize	-.6594	.0488	-13.52	.000	-.7550	-.5638
Ind_1	2.1902	.8598	2.55	.011	.5050	3.8753
Ind_2	1.0178	.9038	1.13	.260	-.7535	2.7991
Ind_3	.1575	.7629	.21	.836	-1.3378	1.6529
Ind_4	.3173	.9619	.33	.741	-1.5679	2.2026
Ind_5	4.3723	.6735	6.49	.000	3.0524	5.6923
Ind_6	-2.5301	1.0962	-2.31	.021	-4.6788	-.3815
Ind_7	1.9947	.6249	3.19	.001	.7699	3.2196
Ind_8	0	(omitted)				
_cons	26.4155		.73	.463	-44.0610	96.8920
Sigma_u	2.5107					
Sigma_e	.9408	(fraction of variance due to u_i				
rho	.9769					

5. Conclusion

As measured by Board demographics (gender, age, and ethnicity of the director), corporate governance affects firm value. On the other hand, board leadership (managerial ownership, institutional ownership, and community ownership) has no significant effect on firm value. The non-significant result could be due to the two-tier board system used in Indonesia. This system distinguishes between directors and commissioners; thus, the possibility of a conflict of interest arises. Intellectual capital also has a positive and significant impact on firm value (Tobins' Q).

In Indonesia, most large companies tend to be owned by certain groups (families) and companies. The placement of directors is often based on kinship. In this case, most of them are mature, which causes the weak implementation of effective management. Corporate governance includes four main things, namely fairness, transparency, accountability, and responsibility. The existence of a fair distribution of results to all shareholders indicates fairness. Then the increase in an information disclosure to shareholders relating to various policies and how the executives are responsible for implementing the mandate assigned. Furthermore, the executive must be equipped with adequate authority so that there is a certain degree of

flexibility in developing a business with a clear mechanism. It acts as a control line over the company management, which aims to safeguard stakeholders' interests, which can create a competitive advantage.

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