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## MANAGERIAL OWNERSHIP STRUCTURE, PRESENCE OF FEMALE DIRECTORS AND INDEPENDENT COMMISSIONERS ON ORGANIZATIONAL PERFORMANCE



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### Abstract

Organizational performance cannot be separated from the role of management that manages and filters every activity of the organization. This study aims to empirically test the relationship between Managerial Ownership Structure, the Existence of Female Directors and Independent Commissioners on Organizational Performance. By using the upper echelon theory that connects organizational strategy and the role of management involved. The data used are secondary data, manufacturing companies in 2021-2023 listed on idx.co.id. The data was processed using Warp-PLs assistance. Based on the results of the analysis, it was concluded that the existence of an independent board of commissioners and ownership concentration did not affect organizational performance, while the presence of female directors did affect organizational performance. Considering the role of women as directors in an organization is one way to improve organizational performance.

**Keywords:** Profit, Managerial Ownership, Director

## INTRODUCTION

In improving company performance, an important role is played by internal owners because they rarely represent other institutions, so that the decisions taken are not influenced by other parties (Al-Janadi, 2021). Managers as owners bear part of the agency costs that are proportional to their percentage of ownership, so the greater the managerial ownership, the more in line with their interests and the lower the agency costs (Rashid, 2016). Board member ownership has an important impact on reducing agency costs and improving company performance after the financial crisis (Allam, 2018). This is in line with Jurnal., et al (2024).

The independent board of commissioners also has a contribution to a more significant supervisory role on company performance. Then, they can limit the negative influence of ownership, for example family ownership, and ownership of disclosure practices. With this, transparency and trust can be increased, and ensure that stakeholder demands are considered. According to the legitimacy perspective, an independent board of commissioners can stimulate the disclosure of social responsibility, so that the sustainability of company activities can be increased. Therefore, an independent board of commissioners is expected to tend to meet the aspirations of various stakeholders, as well as consider ways to ensure the legitimacy of the company in the environment in which the company operates (Al-Amosh & Khatib, 2022).

Gender diversity in companies has become one of the focuses in the last decade. The participation of women in the company's board of directors is suppressed and encouraged by the presence of regulations and regulations issued by several countries. All of this is due to the increasing concern about the issue of gender inequality. In further studies, gender diversity is also one of the important criteria for investors to invest in a company and is one of the considerations in the sustainability index or corporate social responsibility (Ararat & Yurtoglu, 2021). In Indonesia, there is a belief from the community that men are superior to women. This belief can certainly be broken, because there is a probability that in decision-making in the company, women can be more assertive and courageous than men (Saputri, 2021). This study is a replication of Jurnal., et al. (2024). However, there is a difference with the previous study, namely the author added a variable of the existence of women. The lack

of studies related to the existence of women that correlate with organizational performance is the author's motivation to conduct further research.

## **REVIEW OF LITERATURE**

### **Upper Echelon Theory**

According to the upper echelon theory, the efficiency and effectiveness of strategic decision-making by the board of directors can be improved by having broader solutions and perspectives because the board of directors members have diverse demographics. Therefore, the quality of actions to be taken by the company can be improved because it can ease the board of directors to create innovative decisions (Irwansyah et al., 2020).

An independent board of commissioners is also expected to ensure an effective corporate governance system, which in turn will improve the quality of the decision-making process related to economic issues, so that there is a probability that the company will achieve better financial results (Uyar et al., 2021). The results of research from Pham & Nguyen (2020) show that an independent board of commissioners can reduce the negative impact of debt financing on accounting profitability. Based on the description above, a hypothesis can be drawn;

H1= Independent board of commissioners has a positive effect on profitability

Ownership concentration is an important factor influencing companies in taking environmental responsibility. The purpose of Corporate Environmental Responsibility is to maximize stakeholder value, which is committed to achieving sustainable development of the Company. It has been suggested that managerial ownership tends to play an important role in bringing about convergence of views between corporate management and stakeholders that affect corporate performance (Orazalin, N., & Mahmood, M., 2020). Based on the description above, a hypothesis can be drawn.

H2 = concentration of managerial ownership has a positive effect on profitability

The upper echelon theory explains this condition as a phenomenon that underlies performance in various companies, including the value of a company's profitability. A better level of supervision is owned by female top management which will affect company performance and decision making (Lafuente & Vaillant, 2019). There is a tendency that

women have a leadership style that prioritizes democracy and participation will have a positive effect on board of directors' decisions (Adusei & Obeng, 2019). Profitability resulting from financial performance is not constantly stable and requires various considerations in order to generate profits for the Company. Based on the description above, a hypothesis is drawn.

**H3** = The presence of female directors has a positive effect on profitability

## RESEARCH METHOD

In this case, the type of data used in this study is secondary data. The data source for this study is all manufacturing companies listed on the official website of the Indonesia Stock Exchange (IDX) ([www.idx.co.id](http://www.idx.co.id)) for the period 2021-2023. In this case, to obtain an accurate representative sample with limited standards, the sample used will be based on the purposive sampling method. There are also sample standards used, namely:

1. Companies engaged in manufacturing in the period 2021 - 2023.
2. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the period 2021 - 2023.
3. Companies that publish annual reports for the period 2021 - 2023 and have the information needed for the study.

The data analysis technique in this study used Warp-PLS 8. Partial Least Squares-Structural Equation Modeling (PLS-SEM) processing with SmartPLS software requires several stages, namely: 1) Creating a model concept, 2) The specified algorithm analysis method. 3) The specified resampling method, 4) Drawing a path diagram, 5) Evaluating the model. Measurement using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with Warp-PLS.

## RESULTS AND DISCUSSION

**Tabel 1.**  
**Sample Criterion**

Description	Quantity
Manufacturing companies in the period 2021 – 2023	170

Manufacturing companies not listed on the IDX period 2021 – 2023	(0)
Manufacturing companies that do not publish annual reports for the period 2021 – 2023	(27)
Manufacturing companies that do not load the required variables completely	(81)
Number of company samples	60
Number of years of research	3
Number of observation data	180

Source: Data Process, 2024

Thus, this study obtained a sample of 60 manufacturing companies and 180 company data samples.

Average path coefficient (APC)=0.130, P=0.038  
 Average R-squared (ARS)=0.116, P=0.051  
 Average adjusted R-squared (AARS)=0.092, P=0.079  
 Average block VIF (AVIF)=1.023, acceptable if  $\leq 5$ , ideally  $\leq 3.3$   
 Average full collinearity VIF (AFVIF)=1.034, acceptable if  $\leq 5$ , ideally  $\leq 3.3$   
 Tenenhaus GoF (GoF)=0.340, small  $\geq 0.1$ , medium  $\geq 0.25$ , large  $\geq 0.36$   
 Sympton's paradox ratio (SPR)=0.667, acceptable if  $\geq 0.7$ , ideally = 1  
 R-squared contribution ratio (RSCR)=0.999, acceptable if  $\geq 0.9$ , ideally = 1  
 Statistical suppression ratio (SSR)=1.000, acceptable if  $\geq 0.7$   
 Nonlinear bivariate causality direction ratio (NLBCDR)=0.833, acceptable if  $\geq 0.7$

**Figure 1.**  
**Model Fit**

The model fit test was conducted to determine the multicollinearity test. VIF values between 5-10 can be said that the indicator has multicollinearity. However, the results show that the Average Full Collinearity VIF (AFVIF) value is 1.034 and the Average Block VIF (AVIF) value is 1.023 which can be concluded that the variables used in this study are free from multicollinearity.

**Hypothesis Test**

H1: Independent board of commissioners has a positive effect on profitability

Based on the results of the hypothesis test, the path coefficient ( $\beta$ ) value is 0.05 and the P value is 0.27. This indicates that Hypothesis one is rejected. It can be concluded that the board of commissioners has no effect on profitability. The results of the hypothesis test data processing can be seen in Figure 2.

H2: Concentration of manager ownership has a positive effect on profitability

Based on the results of the hypothesis test, the path coefficient ( $\beta$ ) value is 0.00 and the P value is 0.49. This indicates that Hypothesis two is rejected. It can be concluded that the concentration of manager ownership does not affect profitability. The results of the hypothesis test data processing can be seen in Figure 2.

H3: The presence of female directors has a positive effect on profitability

Based on the results of the hypothesis test, the path coefficient ( $\beta$ ) value is 0.32 and the P value is  $<0.01$ . This indicates that Hypothesis three is accepted. It can be concluded that the presence of female directors affects profitability. The results of the hypothesis test data processing can be seen in Figure 2.



**Figure 2.**  
**Research Model**

### **Independent board of commissioners has a positive effect on profitability**

Corporate governance recommends that the board should consist of a majority of independent board of commissioners who do not perform management functions in the organization and its subsidiaries. Reduced agency costs and increased board monitoring will be realized if there is more independence of the board of commissioners. Ensuring an effective corporate governance system is expected from an independent board of commissioners, which in turn can improve the quality of the decision-making process related to economic issues. Therefore, there is a possibility that the company will achieve better financial results (Uyar et al., 2021). This study states that board independence does not have a positive effect on the company's economic performance. Another study with similar results, namely research from Shan (2019), shows that independent board of commissioners is inversely related to profitability.

### **Concentration of manager ownership has a positive effect on profitability**

Alabdullah (2018), and Amin and Hamdan (2018) who stated that management must have shares in the company to prevent it from working for its own interests. Management that owns shares in the company generally takes the initiative in designing strategies to improve company performance (Chabachib et al., 2020). However, Allam's (2018) research states that board member ownership only has a significant impact on reducing agency costs and improving general company performance but not only on financial performance. This study is in accordance with the findings of Adamu and Haruna (2020), Hassan Bazhair and Naif Alshareef (2022), Hossain et al., (2021), Siddique et al. (2022) showing that managerial ownership is negatively correlated with the company's financial performance.

### **The presence of female directors has a positive effect on profitability**

The presence of female directors in the company has a positive and significant effect on the company's profitability. This is mainly due to exogenous factors in the study, on the other hand, if many endogenous factors are added, the relationship between female directors and profitability tends to be negative. Research with the same results was also found by Xing et al. (2021) in companies in China. The study found that the existence of female directors in a company has a positive influence on the company's profitability compared to companies that only have male directors.

## **CONCLUSION**

Based on the results and discussion, it can be concluded that the existence of an independent board of commissioners and ownership concentration does not affect organizational performance, while the existence of female directors affects organizational performance. This study has implications for the importance of management in considering the role of women in company management and increasing the value of women in the organization. The limitations of this study are that it does not consider family and foreign ownership structures, so it can be a consideration for further studies.

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