PROFIT
JURNAL ADMINISTRASI BISNIS

PROFIT: Jurnal Administrasi Bisnis
Vol. 17. No. 1, 2023
e ISSN: 2338-4654
p ISSN: 1978-743 X
https://profit.ub.ac.id

The Influence of Corporate Governance and Ownership Structure on Competitive Advantage: An Empirical Study in Indonesian Manufacturing Industry

Akhyian Hamimah Linggahua[1*], Nila Firdausi Nuzula[2], Reika Happy Sugiastuti[3]
Universitas Brawijaya Malang, Jawa Timur, Indonesia[1,2,3]
akhyianhl@gmail.com[1], nilafia@ub.ac.id[2], reikahappy.s@ub.ac.id[3]

ABSTRACT

Corporate governance describes the governance used to carry out the business activities of a corporation. This study aims to analyze the influence of Corporate Governance and Ownership Structure on Competitive Advantage. The Corporate Governance variable is explained by the size of the board of commissioners, educational background of the chairman of the board of commissioners, size of the board of directors, educational background of the chairman of the board of directors, and experience of the board of Directors. The competitive advantage variable is explained by capital intensity, market share, receivable turnover, cost of sales, and inventory turnover. This type of research is explanatory research because it explains the influence of corporate governance and ownership structure on competitive advantage. The relationship between variables is explained by testing two hypotheses. The sampling method used purposive sampling and obtained a sample of 36 companies, obtained from 12 companies for 3 years. using secondary data, namely the company's annual report. Data analysis in this study used Partial Least Square (PLS) with WarpPLS 7.0 software. The test results in this study indicate that there is a significant influence of corporate governance and ownership structure on competitive advantage.

Keywords: Corporate Governance, Ownership Structure, Competitive Advantage

ABSTRAK

Corporate governance menjelaskan mengenai tata kelola yang digunakan untuk menjalankan kegiatan bisnis perusahaan.Penelitian ini bertujuan untuk menganalisis pengaruh dari *Corporate Governance* dan Struktur Kepemilikan terhadap *Competitive Advantage*. Variabel *Corporate Governance*dijelaskan oleh Ukuran Dewan Komisaris, Latar Belakang Pendidikan Ketua Dewan Komisaris, Ukuran Dewan Direksi, Latar Belakang Pendidikan Ketua Dewan Direksi dan Pengalaman Dewan Direksi. Variabel *Competitive Advantage* dijelaskan oleh *Capital Intensity*, *Market Share, Receivable Turnover*, *Cost of Sales* dan *Inventory Turnover*. Jenis penelitian ini adalah *explanatory research* karena menjelaskan adanya pengaruh dari *corporate governance* dan struktur kepemilikan terhadap *competitive advantage*. Hubungan antar variabel dijelaskan dengan pengujian dua hipotesis. Metode pengambilan sampel menggunakan purposive sampling dan diperoleh sampel sebanyak 36 perusahaan, yaitu 12 perusahaan selama 3 tahun. menggunakan data sekunder yaitu laporan tahunan perusahaan. Analisis data pada penelitian ini menggunakan *Partial Least Square* (PLS) dengan software WarpPLS 7.0. Hasil pengujian pada penelitian ini menunjukkan adanya pengaruh dari *corporate governance* dan struktur kepemilikan secara signifikan terhadap *competitive advantage.*

Kata Kunci: _Corporate Governance_, Struktur Kepemilikan, _Competitive Advantage_

* *Corresponding author : E-mail : akhyianhl@gmail.com*

1. INTRODUCTION

Economic growth in the current industrial era has triggered intense competition in the business world. The main goal in building a business is to obtain maximum profit so that all stakeholders can prosper. Better company performance will have an impact on the company's competitive advantage. To show the success of the company's performance, the company needs to convey information related to the company's finances for a certain period to stakeholders through financial reports.

In addition to financial reports, company performance is also closely related to the implementation of corporate governance, so the government strongly supports all companies in Indonesia to implement good corporate governance (GCG) to have good performance and increase competitiveness. The implementation of corporate governance that is not optimal is one of the consequences of the lack of transparency from the company's management towards the stakeholders. The Indonesian government has tried to urge all companies to implement good corporate governance, but it turns out that Indonesia is still ranked the lowest in the implementation of corporate governance at the corporate level in Asia, this can be seen through the table of results of the ACGA survey as follows:

Table 1. ACGA Survey Result

Rank	Country	2020
1	Australia	74.7
2	Hongkong	63.5
3	Singapore	63.2
4	Taiwan	62.2
5	Malaysia	59.5
6	Japan	59.3
7	India	58.2
8	Thailand	56.6
9	Korea	52.9
10	China	43.0
11	Filipina	39.0
12	Indonesia	33.6

Source: ACGA, 2020

Good corporate governance is considered the main key for a company to be sustainable and able to win the business competition. Companies need to implement GCG, one of which is by submitting company information to stakeholders through financial reports (Hasnan *et al*., 2017; Tan, 2015). The ability of good governance by agents who are trusted by shareholders can increase synergies which will lead to an increase in the company's competitive advantage (Otungu *et al*., 2011). Companies with poor governance and agency problems give poor valuations in the stock market (Gompers *et a*l., 2003 at He & Luo, 2018).

Ownership structure determines decision making for implementation corporate governance. Differences in ownership will show different characteristics of the form of behavior and corporate governance, which affects the structure of the company's board (Munisi *et al*., 2014). The ownership structure is also one of the elements of company management that can affect competitive advantage. The ownership structure influences the form of management and is an important indicator for implementing corporate governance (Al-Sartawi & M.A, 2018).

Good governance and the right decisions in determining the company's strategy will affect the competitive advantage. Competitive advantage is the company's ability to be able to compete in the market among competitors, so it becomes an important factor that must be owned by the company. Competitive advantage is a factor supporting the company's performance to show how the company chooses and implements a strategy in operational activities (Mulyono et al., 2020; Ismail *et al*., 2010). GCG is an effort to maximize performance so that the company has a competitive advantage (Barney, 2017).

Autor choose the research variable because the company's competitive advantage shows the company's strength to be able to sustain and compete with competitors facing the development of the industrial world. Companies with a competitive advantage will satisfy consumers more because they can provide different products according to consumer needs. The corporate governance system is the main focus of the company because better cooperation between organs in implementing corporate governance can maximize the company's performance to increase the company competitiveness. The company management process is of course also influenced by the ownership structure, the thing that is most influenced by the ownership structure is decision making. Ownership structure influences choices in running a corporate governance system (Munisi *et al*., 2014).

2. LITERATURE REVIEW

a. Agency Theory

Agency theory discusses problems that arise from the differences in the interests of owners and managers (Panda and Leepsa, 2017). In agency theory, there is a discussion about the implementation of good corporate governance for companies so that they can control the actions of agents in the company. Another element in agency theory is the existence of information asymmetry between the two interested parties. Agency relationship shows the existence of a contractual relationship between the owner and the agent who works for their respective interests. Jensen and Meckling (1976) through Eisenhardt (1989) explain if an agency theory leads to agency relationships where the owner gives work authority to agents or other parties who are trusted by the owner. The contract and division of functions stipulated in agency theory must be clear to both parties and obligations can be balanced and minimize conflicts.

b. Corporate Governance

Corporate governance focuses on the relationship between the board of commissioners, the board of directors, and all stakeholders. Corporate governance is a system formed to direct and control the company's business activities, also is the main thing for sustainable company growth and creating long term value and sustainable competitive advantage (Madhani, 2014). Corporate governance has the main goal of providing the welfare of all stakeholders. Previous studies have shown the effect of corporate governance on competitive advantage (Nginyo *et al*., 2018) and a study by F.Isada & Y. Isada (2019) has found results if the principles of corporate governance are related to make competitive advantage more better. However, another study by Mulyono, *et al*. (2020) states that corporate governance has a negative effect on competitive advantage, but there are other aspects that make competitive advantage that are innovation and e-business. According to Hamdani (2016:31) Good Corporate Governance can be used as a tool and a basis for companies in managing so that the organs within the company can carry out activities according to a predetermined contract. Optimising company performance will have an impact on the competitive advantage which can be seen through the financial statements of company.

c. Principles of Corporate Governance

In the SOE Ministerial Regulation Number: PER-01/MBU/2011, it is explained that corporate governance has five principles, including transparency, accountability, responsibility, independence, and fairness.

d. Transparency

The principle of transparency is the disclosure of information provided by the company in making decisions and delivering relevant and material information about the company. This disclosure of the information is needed by investors to make decisions.

e. Accountability

The accountability principle explains the implementation functions and responsibilities of corporate organs to make corporate governance effective (Saifi, 2019). This principle describes the granting of clear powers to corporate organs. The management of the principle of accountability must consider the interests of shareholders and stakeholders.

f. Responsibility

The company can be told that have implemented the principle of responsibility when the company's management is carried out according to existing regulations. To be sustainable and considered a healthy company, the company must comply with government regulations and carry out environmental responsibilities (Febriani *et al*., 2016).

g. Independence

The principle of independence is the condition that the company is managed without any outside party interests that violate the laws and regulations and company principles. Independence illustrates that organs of company must carry out their duties without any interest from other parties.

h. Fairness

The principle of fairness discusses the company's equality with stakeholders. Equality in this case is that in the decision-making process the company must pay attention to the rights of the stakeholders by the stipulated provisions.

i. Board of Commissioners

In the GCG structure, the board of commissioners has the role of overseeing managerial activities and providing advice to the board of directors. According to Junaedi and Farina (2017) measuring the level of effectiveness of the performance of the board of commissioners can be seen from the proportion, level of activity, competence, and level of independence. Companies with the appropriate composition of the board of commissioners can affect the value of the company and minimize agency costs to improve company performance (Chari et al., 2019; Teece, 2019; Vitolla *et al*, 2020). The proportion of independent commissioners must be formed as well as possible so that companies have the opportunity to be able to make decisions effectively, efficiently, and independently (Sarafina and Saifi, 2017).

Another thing that needs to be considered regarding the board of commissioners is the education level of the chairman of the board of commissioners. According to Chang *et al*. (2015); Harjoto *et al*. (2014); Oh *et al* (2019) differences in the educational background affect the quality of resources to understand the desires of various stakeholders.

j. Board of Directors

The board of directors is responsible for monitoring and disciplining management (Jensen and Meckling, 1976). The board of directors in the company is entrusted with making decisions for all day-to-day business activities. The board of directors will be supervised by the board of commissioners in carrying out their duties. The board of directors is tasked with overseeing the running of the company and has an important role in the company (Syafitri *et al*., 2018). In theory Hambrick and Mason (1984) explain if the company's performance is assessed by the decisions made by the company's board of directors. The size of the board of directors of each company is determined based on the needs of a company to carry out the performance of the board of directors properly.

The educational background of a company leader will have an impact on the leader's perspective on internal and external problems and in making a decision (Hambrick and Mason, 1984). Wu *et al*. (2016) and Saidu (2019) stated that leaders with a good education and strong experience can improve managerial abilities which will provide guarantees for company sustainability.

The experience of members of the board of directors can improve the controlling ability and strategic role of the board of directors (Garcia-Torea, *et al*., 2016). In certain circumstances, the experience can influence directors in the decision-making process (Bolton and Dewatripont, 1994 at Rossignoli, *et al*., 2020). A board of directors with sufficient work experience is expected to be able to contribute to determining the company's decision-making strategy.

H_1 : Corporate Governance has effect on Competitive Advantage

k. Ownership Structure

The ownership structure is an important mechanism in corporate governance that plays an important role in reducing conflicts of interest. The ownership structure is a description of the share of the company's shareholders in the form of a percentage (Lestari and Juliarto, 2017). The company's board structure is influenced by differences in ownership, as indicated by differences in behavior and decision-making regarding corporate governance (Munisi *et al*., 2014). One of the main ways that can be used to control agency problems is to form a company board that will carry out the management and supervision of the company (Budiarti and Sulistyowati, 2014). The composition of the appropriate ownership structure will balance the interests of management and shareholders. The results of decision making about company's strategy are influenced by the suitability of the size of the company board because company board is the executor of corporate governance activities.

l. Institutional Ownership

Institutional ownership indicates ownership of company shares by banks, insurance, investments by companies, pension funds, and large financial institutions (Ullah *et a*l., 2012). previous study has shown the effect of institutional ownership has a significant effect on competitive action that's can improve competitive advantage of company (Cnnely, *et al*., 2010). The percentage of institutional ownership is higher because the resources owned are also larger. According to (Kusuma and Hermuningsih, 2011) the greater the institutional ownership will affect the reduced opportunistic behavior of managers to minimize agency costs so that the value of the company will increase.

m. Managerial ownership

Share ownership by company management is called managerial ownership. Differences in interests often arise due to differences in objectives with shareholders. This conflict of interest, which has great potential, has resulted in the need for the application of a mechanism as a form of protection for the interests of all shareholders (Jensen and Meckling, 1976). The larger the company's management shares will equalize the level between company managers and shareholders which will have an impact on improving management performance (Nugroho, 2014)

.

n. Foreign Ownership

The proportion of foreign ownership in developing countries can encourage better governance (King and Schroeder, 2013). Bakermeyer (2007) explains that the stakeholders' profitability in companies with foreign ownership structures can be increased. Companies with foreign ownership value all stakeholders because they are considered part of the company's strategy. Companies with foreign ownership will demand companies be transparent to minimize information asymmetry and prevent opportunistic acts (Wulandari and Setiawan, 2021).

H_2 : Ownership Structure has effect on Competitive Advantage

o. Competitive Advantage

Competitive advantage is all the efforts made by the company to be better than its competitors (David, 2013). Sustained competitive advantage can be realized if the company continues to develop strategies so that competitors cannot imitate it quickly, perform activities better than competitors, or by doing things that are impossible for competitors to do (Hitt et al., 2012). The company is said to have a competitive advantage when it reaches the highest point because of the success of the strategy carried out and it is difficult to match. Companies that can create and implement strategies appropriately can add value to the company so that it will attract the attention of investors and can achieve a market advantage. The combination of resources and the ability to see the situation by continuing to maintain the stability of the company is very important for industrial products and markets that will affect the competitiveness of the company (Porter, 1980).

3. RESEARCH METHOD

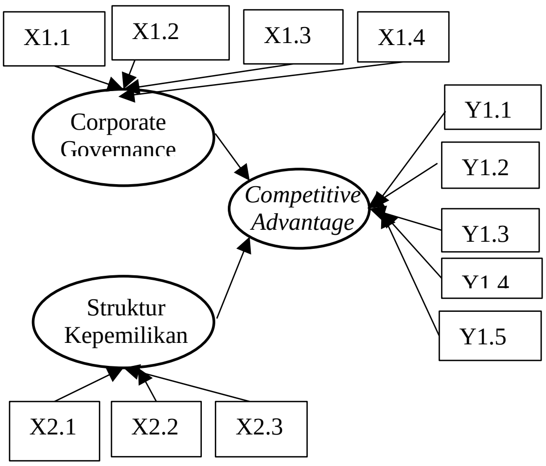
This type of research is explanatory research using quantitative measurements. Explanatory research aims to explain the position of each variable studied and the relationship between variables (Siregar, 2014:14). Quantitative approach is a method of testing data by calculating the numbers and statistical methods. Purposive sampling was used as a sampling technique and data collection. The data analysis method uses Partial Least Square (PLS) with the help of WarpPLS software. This study uses Manufacturing Industry Sector Companies listed on the Indonesia Stock Exchange from 2018-2020. The research population based on the data obtained amounted to 162 companies which were then drawn into the sample using purposive sampling with three criteria. The sample criteria used in this study include:

a. Companies registered in the manufacturing industry sector during 2018-2020.
b. Manufacturing industry companies that publish annual report data for 2018-2020.
c. Manufacturing industry companies with institutional, managerial, and foreign ownership structures throughout 2018-2020.

From these three criteria, available 12 criteria for this study.

This study uses secondary data types. The research data use the annual report of companies in the manufacturing industry sector for the 2018-2020 period on the Indonesia Stock Exchange. The observations in this study at manufacturing industry sector companies listed on the IDX by visiting the website www.idx.co.id. IDX was used as the research location because IDX provided the data needed for this research. The required information related to the annual report going public has been audited by a public accountant so that it is considered accurate.

Research data is obtained by the method of documentation from website. The documentation method collects data through the retrieval of information or data related to the research topic (Sugiyono, 2015:329). Using the method of data analysis approach Structural Equation Model (SEM) with the basis of Partial Least Square (PLS) assisted with WarpPLS 7.0 software. PLS is a model for measuring SEM without any assumptions related to data distribution (Vinzi et al., 2010). The purpose of data analysis is to convey data in a simpler and easier-to-understand manner. Analysis method uses the Outer Model and Inner Model, Outer Model uses significance of weights and multicollinearity then for Inner Model use R-Square and Path Coefficient.



Source: Author, 2022
Figure 1. Research Model

a. Measuring Corporate Governance:
In this study, indicator of corporate governance are:

Board of Commissioner size (BoC size)
BOC size = ∑ total number of the company's BoC
(Chams dan Garcia-Blandon, 2019; Chong et al., 2018; Hussain et al., 2018)

The educational background formula for head of BoC and BoD,
Scoring = Bachelor +2 x Master +2 x MBA+ 3 x PhD
(Papadimitri et al., 2020):

The calculation of the educational background of the chairman of the board of commissioners uses a dummy variable with Bachelor's, Master's, MBA, and Ph.D. degrees measured by a value of 1, if there are other educational backgrounds then it is measured by a value of 0.

Board of director size (BoD size)
BOD size = ∑ total number of the company's BoD
(Hussain et al., 2018; Zahid et al., 2020; Zaid et al., 2020)

BoD experience

$$\frac{\text{The total member who had experience in either industry or financial}}{\text{Total member}}$$

(Garcia-Torea, et al., 2016)

b. Measuring Ownership Structure:
In this study, indicator of ownership structure are:
Institutional Ownerships

$$\text{INST} = \frac{\text{Total shareholding of institutional investors}}{\text{Total company shares}}$$

(Al-Sartawi dan M.A, 2018)

Manageral Ownership

$$\text{MNG} = \frac{\text{Total shareholding of managerial investors}}{\text{Total company shares}}$$

(Al-Sartawi dan M.A., 2018)

Foreign Ownership

$$\text{Foreign} = \frac{\text{Total shareholding of foreign investors}}{\text{Total company shares}}$$

(Al-Sartawi dan M.A., 2018)

c. Measuring Competitive Advantage:
In this study, indicator of competitive advantage measure from study are:

Capital Intensity:

$$CapInt = \frac{Asset\ Depreciation}{Net\ Sales}$$

(Dickinson dan Sommers, 2012),

Market Share

$$\mathrm{MS} = \frac{Sales\ Revenue}{Total\ Sales\ Revenue\ Industry}$$

(Dickinson dan Sommers, 2012),

Receivable Turn Over

$$\mathrm{RTO} = \frac{Account\ Receivables}{Net\ Sales}$$

(Dickinson dan Sommers, 2012),

Cost of Sales:

$$\mathrm{CoS} = \frac{\mathrm{HPP}}{Net\ Sales},$$

(Dickinson dan Sommers, 2012),

Inventory Turnover:

$$\mathrm{ITO} = \frac{\mathrm{HPP}}{Inventory}$$

(Dickinson dan Sommers, 2012),

4. RESULT

Descriptive Statistical Analysis

Descriptive statistics was used to describe the effect of Corporate Governance and Ownership Structure variables on Competitive Advantage. The results of the descriptive statistics are follows:

Table 2. Descriptive Statistical Analysis

Variable	N	Min	Max	Mean	Std. Dev
BoC_Size	36	2	10	4.417	2.430
BoC_Edu	36	0	3	1.167	1
BoD_Size	36	3	13	6.083	3.120
BoD_Edu	36	0	3	0.972	0.446
BoD_Exp	36	0	10	3.972	2.741
Inst Own	36	32.215	96.011	67.322	18.094
Man Own	36	0.016	20.649	3.690	6.007
Foreign Own	36	10.728	78.822	54.227	18.021
InstCap	36	0.075	107.717	5.864	22.352
MS	36	0.000	0.227	0.026	0.060
RTO	36	0.001	0.407	0.183	0.107
CoS	36	0.107	6.189	1.014	1.159
ITO	36	0.067	48.090	6.326	10.395

The Evaluation of Outer Model

Outer Model is a test that must be carried out before testing the hypothesis to verify the model on indicator. Test Outer Model used substantive content.

Significance Weight Test

Table 2. Result of Significance Weight Test

Latent Variable	Indicator	Weight	*P-Value*	Description
Corporate Governance	BoC_Size	0,338	0,012	*Significant*
	BoC_Edu	0,223	0,074	*Insignificant*
	BoD_Size	0,342	0,011	*Significant*
	BoD_Exp	0,346	0,021	*Significant*
	BoD_Edu	-0,045	0,393	*Insignificant*
Ownership Structure	Inst Own	0,354	0,009	*Significant*
	Man Own	-0,469	<0,001	*Significant*
	Foreign	0,451	0,001	*Significant*
Competitive Advantage	CapInt	0,309	0,020	*Significant*
	MS	-0,384	0,005	*Significant*
	RTO	0,281	0,032	*Significant*
	CoS	0,286	0,029	*Significant*
	ITO	-0,163	0,150	*Insignificant*

Form table 2 shows that the indicators of variables corporate governance are not significant for competitive advantage, but the WarpPLS software shows an order if these indicators do not need to be removed. WarpPLS user manual version 7.0 presented by Kock (2014a) if latent variables with formative types do not need to eliminate criteria are not significant because the assessment of the indicator is on the P-Value contained in the indicator of weights.

Multicollinearity Test

The assessment of the multicollinearity test is seen from the value of VIF (Variance Inflation Factor).

Table 3. Result of VIF Test

Latent Variable	Indicator	VIF	Description
Corporate Governance	BoC_Size	2,988	Accept
	BoC_Edu	1,265	Accept

	BoD_Size	**3,211**	**Accept**
	BoD_Exp	**1,936**	**Accept**
	BoD_Edu	**1,105**	**Accept**
Ownership Structure	**Kep._Inst**	**1,154**	**Accept**
	Kep._Man	**1,605**	**Accept**
	Kep._Asing	**1,526**	**Accept**
Competitive Advantage	**CapInt**	**3,676**	**Accept**
	MS	**3,067**	**Accept**
	RTO	**2,718**	**Accept**
	CoS	**7,495**	**Accept**
	ITO	**5,202**	**Accept**

The VIF value according to Primadasa and Muharam (2015) can be used if it has a value of less than 10. Based on table 3, it is known that the entire VIF value is <10, this indicates that there is no high multicollinearity between indicators.

Inner Model Test Results

The inner model test is assessed by looking at the R-Square value and path coefficient.

R-Square Test

Table 4. Result of R-Square Test

	R Square	*R Square Contribution Ratio*
Governance and Ownership Structure on *Competitive Advantage*	0,58	1,000

The results of the R-Square test show that this study has an R-Square value of 0.58 where this value indicates that the two independent variables used, namely corporate governance and ownership structure, can explain the competitive advantage of 58%. With an R-Square contribution ratio of 1 which indicates the ideal value.

Path Coefficient Test

Path coefficient test results show the influence value between latent variables.

Table 5. Result of Path Coefficients Test

No	**Variable Relationship**	***Path Coefficient***	***P-Value***	**Description**
1	*Corporate Governance* (X_1) to *Competitive Advantage* (Y_1)	-0,589	<0,001	Significant
2	Ownership Structure (X_2) to *Competitive Advantage* (Y_1)	0,288	0,028	Significant

The path coefficient test results explain the contribution between latent variables and the p-value test results explain the significance level between latent variables. Based on Table 5. It is known that corporate governance has a significant influence on competitive advantage in a negative direction. The negative direction means when there is an increase in corporate governance followed by a decrease in competitive advantage caused by one of the indicators. Ownership structure has a significant influence with a positive direction on competitive advantage, which means that the better the form of the ownership structure of a company can increase its competitive advantage.

Hypothesis Test Results

Hypothesis testing in PLS analysis is seen from the results of the p-value test. The following is a picture of the results of hypothesis testing in this study:

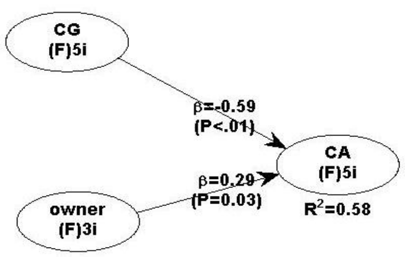


Figure 2. Result of Hypothesis Test
Source: WarpPLS 7.0, 2022

The results of the H1 test on the path coefficient show that the corporate governance variable (X1) has a path coefficient of 0.589 with a negative correlation to the competitive advantage variable (Y1) and a P-Value <0.001 which means that it has a significant effect so that the hypothesis can be accepted. Then the results of the H2 test on the path coefficient state that the ownership structure variable (X2) has a path coefficient of 0.288 with a positive correlation and a P-Value value of 0.028 on the competitive advantage variable (Y1), which means that the X1 variable on Y1 has a significant influence so that the hypothesis can be concluded.

5. DISCUSSION

a. Effect of Corporate Governance on Competitive Advantage

Research with WarpPLS uses the P-Value test which aims to see the effect of the independent latent variables, namely corporate governance (X1) and ownership structure (X2) on competitive advantage (Y1). The results of the P-Value test show that corporate governance has a significant effect on competitive advantage with a probability value of <0.001 below the tolerance limit of p<0.05). However, the results of the path coefficient between corporate governance and competitive advantage show a negative direction, so it is necessary to examine the shape of the influence between variables.

	CG	owner	CA
CG			
owner			
CA	Warped	Warped	

Figure 3. Effect Between Variables
Source: WarpPLS 7.0, 2022

Figure 3 above shows that the influence of corporate governance and ownership structure on competitive advantage takes the form of warped. The warped form is shown from the graph of the influence of corporate governance on competitive advantage as follows:

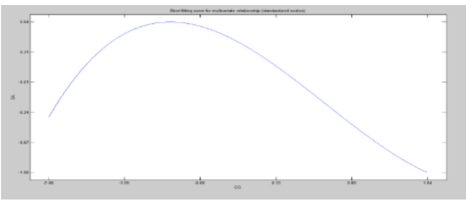


Figure 4. Influence Graph
Source: WarpPLS 7.0, 2022

From the graph, it can be seen that corporate governance has increased and the competitive advantage has also increased. However, at a certain point corporate governance reaches the top position and the addition of corporate governance is followed by a significant decrease in competitive advantage. Further analysis of these findings was carried out by looking at the data from the outer model test, the data from the weight test results showed that the most influential indicator was the experience of the board of directors with a value of 0.346 and the educational background indicator of the board of directors was negative (See Table 2.). As stated by Wu et al. (2016) and Saidu (2019) if the higher the education and the stronger the experience of a leader, can improve managerial abilities which will provide guarantees for the company's sustainability in achieving its goals. The results of research by Mulyono et al. (2020) support the results of the study because it shows that corporate governance harms competitive advantage with an R-Square value of 64%. The negative effect indicates that an increase in corporate governance is followed by a decrease in competitive advantage. From the results of the significance of weight, it is known that the educational background indicator of the chairman of the board of directors shows a negative value, which means that the indicator does not support the improvement of corporate governance, which is also supported by descriptive statistics which show an average The average education of the chairman of the board of directors is a bachelor.

b. Effect of Ownership Structure on Competitive Advantage

Based on the results of the P-Value test, the latent independent variable of ownership structure is proven to have a significant effect where the error probability value is 0.025 (smaller than the error limit with probability p <0.05). The results of the path coefficient of ownership structure on competitive advantage show a positive direction, with indicators of Managerial Ownership (X21), Institutional Ownership (X22), and Foreign Ownership (X23) having a significant influence on competitive advantage.

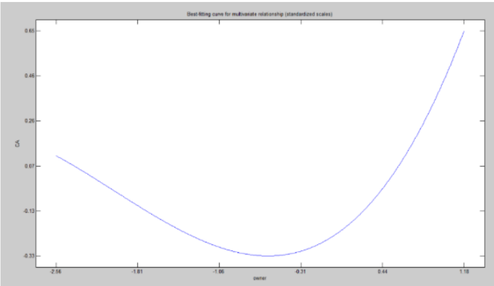


Figure 5. Influence Graph
Source: WarpPLS 7.0, 2022

The results of the path coefficient of ownership structure on competitive advantage show a positive direction. Figure 4 shows that the ownership structure and competitive advantage have a positive direction. From the graph, it can be seen that the movement of ownership structure data is followed by a decrease in competitive advantage, but at a certain point, an increase in ownership structure is followed by an increase in competitive advantage. The researcher then conducted further analysis of these findings by using the data from the outer model test. The most influencing indicator of ownership structure is foreign ownership with the highest weight value of 0.451 (See Table 2). This study is by the research of Bruque et al. (2003) which shows that ownership structure can affect competitive advantage. Bena and Xu's research (2017) can also support this research because the results of the research conducted show that competitiveness has a causal relationship with the ownership structure. The ownership structure has an impact on the company's performance process to avoid conflicts of interest and improve company performance. Ownership structure and competitive advantage have a positive relationship, where the better the ownership structure value, the better the company's competitive advantage value

6. CONCLUSION AND RECOMMENDATION

Conclusion

This study analyzes and explains the influence between corporate governance, ownership structure, and competitive advantage in companies in the manufacturing industry sector. The corporate governance system is the main focus of the company, because with good cooperation between organs in implementing corporate governance it can maximize the company's performance in order to increase the company's competitiveness. The process of managing the company is of course also influenced by the ownership structure, the thing that is most influenced by the ownership structure is decision making. Implementation of corporate governance can be constrained because there are differences in the interests of the parties who participate in the company. The influence of corporate governance and ownership structure on competitive advantage is interesting to discuss, because the competitive advantage possessed by a company shows the company's strength to be able to survive and compete with competitors in facing world industrial developments. Companies with competitive advantages will satisfy consumers more because they can provide different products, but according to consumer needs.

Recommendation

The author realizes that there are limitations in this study, because the criteria and indicators used so that many companies in the manufacturing industry sector in Indonesia are not suitable because of that the sample obtained is limited. In addition, future researchers should explore more indicators for corporate governance and ownership structure variables. Future researchers are also expected to use other objects that are more recent and add time so that research results are more accurate in disclosed with the current situation.

REFERENCES

Al-Sartawi, A. M. (2018). Ownership structure and intellectual capital: evidence from the GCC countries. Journal Learning and Intellectual Capital, 15(3), 277-291.

Al-Qatawneh, A. S. (2015). The Impact of Corporate Governance in Achieving Competitive Advantage - A Field Study of Jordanian Pharmaceutical Companies. European Journal of Business and Management, 7(35), 9-17.

Bakemeyer, R. (2007). legitimacy as a Key Driver and Determinant of CSR in Developing Countries. Paper for the 2007 Marie Curie Summer School on Earth System Governance.

Barney, J. (1991). Firm resources and sustained competitive advantage. Journal of Management, 17(1), 99-120.

Bena, Jan., Xu, Ting. (2017). Competition and Ownership Structure of Closely Held Firms. The Review of Financial Studies, 30(5), 1583-1626.

Bruque, S., Moyano, J., Vargas, A., & Hernandez, M. (2003). Ownership Structure, Technological Endowment, and Competitive Advantage: DO Democracy and Business Fit? Technology Analysis & Strategic Management, 15(1), 65-79.

Budiarti, E., & Sulistyowati, C. (2014). Struktur Kepemilikan dan Struktur Dewan Perusahaan. Jurnal Manajemen Teori dan Terapan, 7(3), 161-177.

Camara, S. B., Fuentes, J. M, Ortiz, M. J. H., Sanchez, A. V. (2003).Information Technology and Competitive Advantage. The Role of the Ownership Structure.

Chams, N., & Garcia-Blandon, J. (2019). Sustainable or not sustainable? The role of the board of directors. Journal of Cleaner Production, 226, 1067-1081.

Chang, Y. K., Oh, W., Park, J. H., & Jang, M. G. (2015). Exploring the relationship between board characteristics and CSR: Empirical evidence from Korea. Journal Business Ethics, 140(2), 225-242.

Chari, M., David, P., Duru, A., & Zhao, Y. (2019). Bowman's risk-return paradox: an agency theory perspective. Journal Business Resources, 95, 357-375.

Chong, L.-L., Ong, H.-B., & Tan, S.-H. (2018). Corporate risk-taking and performance in Malaysia: the effect of board composition, political connections, and sustainability practices. Corporate Governance: The International Journal of Business in Society, 18(4), 635-654.

David, F. R. (2013). Strategic Management: Concepts and Cases (Vol. 14 Edition). Pearson Education.

Eisenhardt, K. M. (1989). Agency Theory: An Assessment and Review. Academy of Management Review, 14(1), 57-74.

Febriani, J. I., Musadieq, M. A., & Afrianty, T. W. (2016). Pengaruh Good Corporate Governance Terhadap Kinerja (Studi pada Karyawan PT. Pos Indonesia (Persero) Tuban). Jurnal Administrasi Bisnis, 32(1), 82-89.

Garcia-Torea, N., Fernandez-Feijoo, B., & Cuesta, M. (2016). Board of director's effectiveness and the stakeholder perspective of corporate governance: Do effective boards promote the interests of shareholders and stakeholders? Business Research Quarterly, 19, 246-260.

Hakim, M. F., & Nuzula, N. F. (2018). Pengaruh Corporate Governance dan Struktur Modal terhadap Profitabilitas (Studi pada Perusahaan Perbankan yang Terdaftar di BEI Periode 2012-2016). Jurnal Administrasi Bisnis, 61(1), 191-200.

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: the organization as a reflection of its top managers. Academy of Management, 9(2), 193-206.

Hamdani. (2016). Good Corporate Governance Tinjauan Etika dalam Praktik Bisnis. Jakarta: Mitra Wacana Media.

Harjoto, M., Laksamana, I., & Lee, R. (2014). Board Diversity and Corporate Social Responsibility. Journal Business Ethics, 132(4), 641-660.

Hasnan, S., Marzuki, H., & Shuhidan, S. (2017). Effects of board characteristics on financial restatement in Malaysia. Pertanika Journal of Social Sciences and Humanities, 25, 259-268.

He, W., & Luo, J.-h. (2018). Agency problems in firms with an even number of directors: Evidence from China. Journal of Banking and Finance, 139-150.

Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2012). Strategic Management: Concepts Competitiveness and Globalization (Vol. 10 Edition). Cengage Learning.

Hussain, N., Surti, C., & Searcy, C. (2018). Corporate governance and sustainability performance: analysis of triple bottom line performance. Journal Business Ethics, 149(2), 411-432.

Ismail, A. I., Rose, R., Abdullah, H., & Uli, J. (2010). The relationship between organizational competitive advantage and performance is moderated by the age and size of firms. Asian Academy of Management Journal, 15(2), 157-173.

Jensen, M., & Meckling, W. (1976). Theory of the firm: managerial behavior, agency cost ,and ownership structure. Journal of Financial Economics, 3, 305-360.

Junaedi, A., & Farina, K. (2017). pengaruh Efektivitas Dewan Komisaris dan Komite Audit, Struktur Kepemilikan Perusahaan dan Kualitas Audit Terhadap Perataan Laba. Jurnal Manajemen Bisnis Krisnadwipayana, 5(1), 1-17.

King, L., & Schroeder, H. (2013). Principal Findings, Applications, and Research Frontiers. Institutions and Environmental Change.

Kusuma, D., & Hermuningsih, S. (2011). Pengaruh Struktur Kepemilikan terhadap Nilai Perusahaan Dengan Kinerja Keuangan dan Kebijakan Hutang sebagai Variabel Intervening. Jurnal Siasat Bisnis, 15(1), 27-36.

Lestari, N. P., & Juliarto, A. (2017). Pengaruh Dimensi Struktur Kepemilikan Terhadap Kinerja Perusahaan Manufaktur. Diponegoro Journal of Accounting, 6(3), 1-10.

Madhani, P. M. (2014). Corporate Governance from Compliance Competitive Advantage. The Accounting World, 7(8), 26-31.

Munisi, Gibson, & dkk. (2014). Corporate Boards and Ownership Structure: Evidence from Sub-Saharan Africa. Jurnal Bisnis Internasional, 23(1), 785-796.

Mulyono, Manurung, A., Alamsjah, F., & Hamsal, M. (2020). The Effect of Corporate Governance, E-Business and Innovation on Competitive Advantage and Implication on Financial Performance. Pertanika J. Soc. Sci. & Hum., 28(1), 1-13.

Nugroho, P. A. (2017). Pengaruh Struktur Kepemilikan Manajerial, Struktur Kepemilikan Institusional, Set Kesempatan Investasi, Ukuran Perusahaan terhadap Nilai Perusahaan. Jurnal Ekonomi dan Bisnis Airlangga, 27(1).

Oh, W. Y., Chang, Y. C., & Jung, R. (2019). Board Characteristics and Corporate Social Responsibility: Does family involvement in management matter? Journal Business resource, 103, 23-33.

Otungu, O. A., Nyongesa, W., Ochieng, O., & Simeon, K. (2011). Strategic Management: The Link Between The Agency Theory and The Company's Competitive Advantage. International Journal of Business and Social Science, 2(23), 232-237.

Panda, B., & Leepsa, N. M. (2017). Agency theory: Review of Theory and Evidence on Problems and Perspective. Indian Journal of Corporate Governance, 10(1), 74-95.

Papadimitri, P., Pasiouras, F., Tasiou, M., & Ventouri, A. (2020). The effects of the board of directors’ education on firms credit ratings. Journal Business Resource, 116, 294-313.

Porter, M. (1980). Competitive Strategy: Techniques for Analyzing Industries and Competitors. New York: NY: The Free Press.

Primadasa, D. G., & Muharam, H. (2015). Analisis Faktor-Faktor yang Mepengaruhi Dividend Payout Ratio pada Perusahaan Manufaktur yang Listed di BEI Tahun 2008-2012. DIponegoro Journal of Management, 4(2), 1-15.

Rossignoli, F., Lionzo, A., & Buchetti, B. (2020). beyond corporate governance reporting: the usefulness of information on board member profiles. Journal of Management and Governance.

Saidu, S. (2019). CEO characteristics and firm performance: focus on origin, education and ownership. Journal of Global Entrepreneurship Research, 9(1).

Saifi, M. (2019). Pengaruh Corporate Governance dan Struktur Kepemilikan terhadap Kinerja Keuangan Perusahaan. Jurnal Profit, 13(2), 1-11.

Sarafina, S., & Saifi, M. (2017). Pengaruh Good Corporate Governance Terhadap Kinerja Keuangan dan Nilai perusahaan (Studi pada BUMN yang terdaftar di BEI Periode 2012-2015). Jurnal Administrasi Bisnis, 50(2), 108-117.

Siregar, S. (2014). Metode Penelitian Kuantitatif Dilengkapi Dengan Perbandingan Perhitungan Manual dan SPSS. Jakarta: Kencana.

Syafitri, T., Nuzula, N. F., & Nurlaily, F. (2018). Pengaruh Good Corporate Governance terhadap Nilai Perusahaan (Studi pada Perusahaan Industri Sub Sektor Logam dan Sejenisnya yang Terdaftar di BEI Periode 2012-2016). Jurnal Administrasi Bisnis, 56(1), 118-126.

Teece, D. (2019). A capability theory of the firm: an economics and (strategic) management perspective. New Zealand Economic Paper, 53, 1-43.

Ullah, H., A., F., & S., K. (2012). The Impact of Ownership Structure on Dividend Policy Evidence from Emerging Markets KSE-100 Index Pakistan. International Journal of Business and Social Science, 3(9), 298-307.

Vitolla, F., Raimo, N., & Rubino, M. (2020). Board characteristics and integrated reporting quality: an agency theory perspective. Corporate Social Responsibility Environment Management, 27(2), 1152-1163.

Wu, S., Quan, X., Xu, L. (2011). CEO power, disclosure quality and the variability of firm performance. Nankai Business Review International, 2(1), 79-97.

Wulandari, T. R., & Setiawan, D. (2021). Ownership concentration, foreign ownership and tunneling in Indonesia. Rajagiri Management Journal.

Zahid, M., Rahman , H., Ali, W., Khan, M., Alharthi, M., Qureshi, M. I., & Jan, A. (2020). Boardroom gender diversity: implications for corporate sustainability performance. Journal of Cleaner Production, 244.

Zaid, M. A., Wang, M., Adib, M., Sahyouni, A., & Abuhijleh, S. T. (2020). Boardroom nationality and gender diversity: implications for corporate sustainability performance. Journal of Cleaner Production, 251, 119652.