DIVERSITY OF THE BOARD OF DIRECTORS ON THE PERFORMANCE OF FOOD AND BEVERAGE COMPANIES ON THE INDONESIA STOCK EXCHANGE (IDX)

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ABSTRACT:

This study aims to analyze and analyze the influence of gender diversity and the age of the Board of Directors on The Company's Performance. The research design uses quantitative descriptive research by looking for causality relationships. The population in this study is all company data in the food and beverage industry listed on the Indonesia Stock Exchange (IDX) as many as 11 companies. The results of the study may show that the Gender Diversity of the Board of Directors negatively affects the Company's Performance and the Age Diversity of the Board of Directors has no effect on the Company's Performance.

Keywords: Gender University of the Board of Directors, Age Diversity of the Board of Directors, and Company Performance.

I. INTRODUCTION

Company performance (Companies performance) is something produced by a company. Measurement of financial performance activities is designed to estimate and predict. The purpose of the establishment of a company is to make a profit, almost the entire company measures performance with finance. Measurements by financial methods or aspects will be used more often due to potential comparative standards, either in the form of financial statements in the previous year or with other similar financial statements (Mowen Hansen, 1997).

The company's performance can be influenced by a variety of factors both from the company's internals. The company's managerial decisions can be in the form of policies in corporate funding. One of the factors that affect the company's performance is corporate governance.

The mechanism provides effective control to direct operational activities and identify. Pemilik capital that the manager does the best for the interests of the company by giving a return or return on the investment he planted (Sheilfer and Vishny, 1997).

In a company, the board of directors plays a very significant role even the leading role in determining the company's strategy (Wardhani, 2007). This can help companies identify and capitalize on opportunities to improve production, provide services, attract, retain, motivate, and use human resources effectively, improve decision-making processes at all levels of organization, and other benefits obtained because it is considered as an organization that has social and modern awareness (Wicaksana, 2010).

Eboard's fektivitas affects the way the board performs its role, resulting in the company's performance becoming strong (Abatecola et al, 2013). Agrawal and Knoeber (1996) have investigated the influence of board diversification on the company's performance in terms of employee percentage.

Other researchers (Campbell and Minguez-Vera, 2008; Masuliset al, 2012; Menst-Klarbach, 2014; Ntim, 2015; Rose, 2007; Wynarzyk, 2007) has investigated whether the diversity of the board improves the effectiveness of the board and the consequences on the company's performance.
Low, Roberts and Whiting (2015) researched and proved that an increasing number of female directors on the board of directors. Female directors have a better understanding of the company's market segment compared to men and this can develop quality in the company's decision-making process (Singh and Vinnicombe, 2004). Darmadi (2013) by conducting cross-sectional regression analysis based on a sample consisting of 92.4% of public companies registered with IDX.

Hurlock (1999) a person's adulthood can be divided into three stages, namely early adulthood starting from the age of 18-40 years, middle adulthood beginning at the age of 40-60, and late adulthood (advanced) which begins at the age of 60 until the time of death. Levinson and Peskin (1981) as cited by Santrock (1995) stated that 34- to 50-year-olds are the healthiest, quietest, most self-controlling, and most responsible age group.

Darmadi (2011) indicates that there is a positive correlation between members of the board of directors under the age of 50 years and the company's performance. Obbins (2007), the relationship between age and job performance is likely to be an issue.

In Indonesia, companies listed on the Indonesia Stock Exchange (IDX) numbered 635 companies and there are Consumer Good Industry Companies that have 5 sub-sectors. One of the sub-sectors of Consumer Good Industry Company there is a sub that contributes the most to economic growth in Indonesia, namely the food and beverages sub-sector.

From that information, the purpose of this research is to know and analyze the influence of gender diversity and the age of the Board of Directors on the Company's Performance.

II. LIBRARY REVIEW

a. Agency Theory

Jensen and Meckling (1976) mentioned there are three types of agency costs. The value of money equivalent to welfare is experienced by the principal which is also a cost. This kind of cost is called residual cost.

The relationship between the principal and this agent, is fundamental to the practice of implementing corporate governance.

Shareholding theory manyatakan that the company was founded and run for the purpose. Meanwhile, stake holding theory, states that the company is an organ related to other parties.

Corporate Governance relates to how stakeholders (principal). Dalam narrow meaning, agency theory as the basis of the application of corporate governance is expected to serve to reduce or lower agency costs. Broadly speaking, corporate governance is expected to provide confidence to investors.

b. Board of Commissioners

Based on the Law of PT No. 40 of 2007 article 1 paragraph 6, the Board of Commissioners is an Organ of the Company in charge of conducting general and/or special supervision in accordance with the articles of association and advising the Board of Directors.

Duties and Authorities of the Board of Commissioners according to the Law of PT No. 40 of 2007 article 108, namely:

1. Supervision of management policy, the course of management in general, both regarding the company and the company's business, and;

2. Advising the board of directors as referred to in paragraph (1) shall be conducted for the benefit of the Company and in accordance with the purposes and objectives of the Company.

c. Board of Directors

Based on the Law of PT No. 40 of 2007 article 1 paragraph 5, the Board of Directors is the Organ of the Company that is authorized and fully responsible for the management of the Company for the benefit of the Company, in accordance with the purposes and objectives of the Company and representing the Company.
The duties and authorities of the Board of Directors according to the Law of PT No. 40 of 2007 are as follows:

1. The Board of Directors represents the Company both inside and outside the court (article 98 paragraph 1).
2. The Board of Directors carries out the management of the Company for the benefit of the Company and in accordance with the purposes and objectives of the Company (article 92 paragraph 1).
3. Authorized to carry out the management as referred to in paragraph (1) in accordance with the policy deemed appropriate, within the limits specified in this Law and/or the articles of association (article 92 paragraph 2).

**d. Diversity**

Darmadi (2011), there are several different arguments on the relationship between gender diversity and the competitive advantage of the company. Some arguments argue and support that gender diversity can bring advantages to companies namely the opinion that female gender has a “felling” cognitive style that focuses on alignment (Hurst et al, 1989) and the ability to facilitate the dissemination of information (Earley and Mosakowsky, 2000).

In addition, with gender diversity will lead to increased creativity and innovation (Campbell and Mingez-Vera, 2008). Female board members usually also perform their roles more seriously and better in preparing for meetings (Izraeli, 2000).

Dagson and Larsson (2011) some examples of the advantages of a more diverse age of board members, among others, in this modern era the group of young people who grow and develop with computers and gadgets or the internet, with the presence of a younger generation on board members will allow for a lot of information and better experience in the company's online business.

**e. Company Performance**

The company's performance is an indicator of the level of achievement that can be achieved. Measurement of financial performance based on accounting that is quite often used is to use financial ratios.

There are many ways to measure the company’s financial performance. But the most commonly used are ROA and ROE. As research conducted carter *et al* (2007), Darmadi (2011), Ararat *et al* (2010). However, because accounting-based measurements are not entirely precise, to ensure that some researchers recommend measuring performance based on market performance.

**III. PREVIOUS RESEARCHERS**

Darmadi (2011) explained that gender is negative to nationality, while age has a positive impact on the younger generation. Kusumaastuti *et al* (2007) explained that board diversity of the company's value has an impact on corporate governance.

**IV. FRAME OF MIND**

1. **Hypothesis**

H₁: Gender diversity of the Board of Directors affects the company's performance.

H₂: Diversity of Age of the Board of Directors affect the company's performance.
2. Research methodology

This study uses one type of quantitative data in the form of secondary data obtained by accessing www.idx.co.id website.

For sampling, in this study researchers used food and beverages industry companies listed on the Indonesia Stock Exchange (IDX).

Sampling techniques using probability sampling method, which is sampling technique by not providing equal opportunities in all parts of the population (Kuncoro, A & Sudarman, 2018).

3. Results of the study

a. Descriptive Statistics

The data that has been collected in the research is processed and analyzed using statistical tools, namely descriptive statistics. Descriptive statistical analysis is used to describe the variables contained in the study.

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<th>Table 1. Descriptive Statistical Test Results</th>
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<tr>
<td>Gender</td>
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<td>Age</td>
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<tr>
<td>CFROA</td>
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<td>Valid N (listwise)</td>
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Gender ratio data obtained from 55 observation data has a minimum value of 0% and a maximum value of 48%. Then, the average value is 13.77% and the standard deviation value is 0.17414. The standard deviation value greater than the average value indicates that there is a pattern of dissemination of diffuse data (heterogeneous), thus becoming a variation in gender values.

The overall Age ratio value data has a minimum value of 0% i.e. the company and a maximum value of 50%. Then, the average value of 30.12% and the standard deviation of 0.17730. The standard deviation value is smaller than the average value indicating that there is a pattern of data dissemination that collects (homogeneous), thus becoming a variation of low age values.

The cfoa ratio value data obtained as a whole has a minimum value of 11% and a maximum value of 108.7%. Then, the average value is 34% and the standard deviation value is 0.29080. The standard deviation value is smaller than the average value indicating that there is a pattern of diffuse (heterogeneous) data dissemination, thus becoming a high variation in CFROA values.

b. Regression Equation

The results of multiple regression calculations with SPSS programs are shown as follows:

\[
\text{CFROA} = 0.405 - 0.505 \text{ Gender} + 0.040 \text{ Age} + e
\]

A constant value of 0.405 can mean that if the variable is gender and age then the CFROA value is 0.405.

The negative value of the gender-multiple linear regression coefficient of -0.505 means that if the gender increases by 1% it will reduce the CFROA by -0.505.

The value of the linear regression coefficient of multiple ages of 0.040 is positive, meaning that if the age increases by 1% it will increase the CFROA value by 0.040.

c. Test Model
Sig value. That's 0.000. Due to the sig value. It is smaller than 0.05, so the regression model can be used to predict cfroa or it can be said that gender and age together affect the company's performance.

The results of the coefficient of determination by looking at the adjusted R square (R2) value of 0.357 showed that the role or contribution of independent variables to the Company's Performance (CFROA) was 35.7% while the remaining 64.3% was explained by other variables not included in the regression model.

Diknow that partial gender testing has a negative but significant effect on the company's performance, this can be seen from the probability of significance for Gender of 0.000 and this result is below 0.05. Thus, hypothesis 1 that states gender affects the company's performance is accepted despite having a negative direction.

Partially the age positively but insignificantly affects the company's performance, this can be seen from the probability of significance for Age of 0.672 and this result is above 0.05. Thus, hypothesis 2 that states age affects the company's performance is Rejected.

V. DISCUSSION

Hypothetical test results show that gender variables are negative to the company's performance. Thus the hypothesis that gender diversity affects the company's performance is accepted despite having a negative direction. This is similar to Setia Eka and Etna Nur's research (2017) which stated that gender diversity has a significant influence with negative directions. This means that increased gender diversity will result in a decrease in performance company. Gender diversity in perspective allows for increased potential conflicts within a company. Prolonged conflicts within the company will result in a decrease in the company's performance and will result in a low valuation of the investor's company.

Hypothetical test results show that age variables have an insignificant positive effect on the company's performance. Thus the hypothesis that gender diversity affects the company's performance is rejected. The results are similar to research conducted by Bonn (2004) and Ercan (2017) which stated that the age of members of the board of directors had no significant effect on the company's performance. The effect of age on the company's performance is very possible due to many things. Young directors who are considered more dynamic in thinking, open in taking risks are not necessarily able to give a positive effect on the company's performance. The excellence of the young board members can not necessarily encourage better performance of the company, it can be a boomerang against the company if it is not accompanied by careful calculation and control of emotions or selfishness in stable thinking. Similarly, older members of the board of directors (>50), who are considered to have more experience in dealing with a problem and a more stable level of emotions, but not necessarily can have a significant influence on performance company. Due to the absence of significant influence of age diversity on the company's performance is thought to be the older a person is, the more health problems faced, which will ultimately lead to a decrease in his intellectual abilities (Siegler and Costa in Kusumastuti et al, 2007).

Inferred

Gender Diversity Of the Board of Directors negatively affects the company's performance. The Diversity of Age of the Board of Directors has no effect on the company's Performance.

Suggestion

For investors and analysts, the results of this study are expected to provide input in the making and decision making of investments by considering the selection of the board of directors of the company.

Future research may try to use more complex company performance calculations to see the consistency of research results using stockprices

DAFTAR PUSTAKA


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