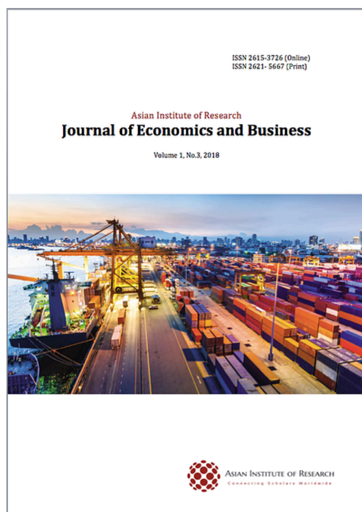

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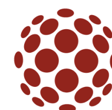

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The Role of Good Corporate Governance in the Association of Family Ownership Structure and Financial Performance-Indonesia Context

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Abstract
In emerging countries like Indonesia, family ownership has greater discretion than those in developed nations in choosing policies to maximize their interest. Moreover, family ownership as a backbone of Indonesia listed companies, more than 95% of registered companies in Indonesia controlled by the family. It is essential to interested parties including government to discern the role of GCG level to minimize the bad side of family ownership. Prior research only assumed the level of GCG as general. This study measures the GCG level in each of the firms to avoid the misleading inferences of the superiority of family ownership in achieving a sound firm performance. All the listed companies in Indonesia Stock Exchange, excluding bank and financial institution sectors, are selected as the research sample. There are 1261 firm-year-observation from the six years of 2010 to 2015. The results support that GCG level has a significant role in the association between family ownership and firm performance.

Key Words: Family Ownership, Firm Performance, GCG Level

1. Introduction

A survey conducted by Price Water House and Coopers (PwC) on 2,800 family-owned firms in 50 countries exposed that about 64% of these companies have recorded the staggering growth at least for the recent year (Barlian, 2016). Family ownership firms have a concern to transmit their firms to their descendants. The companies will act conservatively to avoid the impairment of the firm's reputation. The continuity of the business is the primary focus of the family members so that they endeavor to maximize the long-term value of the firm (Casson, 1999; Chami, 2001). Family ownership firms eliminate the conflict of interest between manager and owner by increasing their monitoring activities to ensure that the management actions align with the owner interest (Fama and Jensen, 1983; Chami, 2001; Lee, 2004). Prior empirical results confirmed the superiority of family ownership over non-family ownership. Among others are (Poutziouris et al., 2015; Komalari and Nor, 2014; Chu, 2009; Martinez et al., 2007; Demsetz and Lehn, 1985; McConaughy et al., 1998; Anderson and Reeb, 2003; Maury and Pajuste, 2005). They found that family ownership has a positive association with the firm performance.

However, these results are still inconclusive, and several other researchers proved the opposite findings in which family firms have a negative association with the performance. Miller et al. (2007) using Fortune 1000 samples for the period 1996 to 2000; Jiang and Peng (2011) using 744 big listed companies in 8 Asia countries; Connelly et al (2012) using go-public companies listed on Stock Exchange of Thailand for the year of 2005 and Juniarti (2015) using big cap companies listed on Indonesia Stock Exchange (IDX) found the negative association between family ownership structure and performance.

Indeed the difference results of the prior studies can be explained by Agency theory. According to the Type I of Agency Theory, family ownership can mitigate the conflict of interest between owner and managers and finally reduce agency cost. Therefore family firms will have superior performance than non-family firms. On the other hand, there is a severe side of family ownership since as the majority; they have an opportunity to expropriate the minority as implied by Agency Theory Type II (Lewis, 1935; Jensen and Meckling, 1976). The majority will exploit minority interest by making policies that maximize their benefit at the expense of others. In the condition where the level of corporate governance is low, the chance of the majority to expropriate minority will be higher and vice versa (Juniarti, 2015). Corporate governance (CG) is as one of the mechanisms that be able to mitigate the negative impact of agency conflict.

Higher quality of CG practices will better disciplines managers and concentrated owners to expropriate insubstantial parties (Byun et al., 2008). According to them, sound CG practices will reduce the cost of equity. The role of corporate governance in the association of family firms and firm performance has been overlooked in some prior studies. Suspecting the conflicting results of previous researchers caused by agency problem type I or type II will be misleading, because of the results potentially different when the CG level is weak or strong. Besides that, it cannot directly be observed which agency problems type that exists. This research fills this gap by proposing Good Corporate Governance (GCG) level in investigating the association between family ownership and firm performance. The probability of GCG level in moderating this relationship should be considered to achieve the robust results.

Compared to the developed countries where the CG level is quite high, the level of GCG in developing countries is relatively low. Firms in emerging countries like Indonesia have greater discretion than those in developed nations in choosing policies to maximize their interest. Prior research only assumes the level of GCG as general (Juniarti, 2015), this study will measure the GCG level in each of firm to avoid the misleading inferences of the superiority of family ownership performance. Moreover, family ownership as a backbone of Indonesia listed companies, more than 95% of registered companies in Indonesia controlled by family (Barlian, 2016). It is essential to interested parties including government to discern the role of GCG level in the association of family ownership and firm performance.

2. Literature review

2.1 Agency Theory

Agency theory assumes that there is a conflict of interest between principal and agent, where each party wants to maximize their benefit at the expense of another party (Jensen and Meckling, 1976). The principal has an authority to mandate the agent, whereas the agent, as the parties carrying out this order (Eisenhardt, 1989). Agency conflict produces agency cost, therefore it should be mitigated (Hill and Jones, 1992; Jensen and Meckling, 1976; Fama and Jensen, 1983). Agency cost includes monitoring cost, bonding cost, and residual loss (Jensen and Meckling, 1976; Fama and Jensen, 2003). Monitoring costs are as the expenses that be borne by the principal to monitor, measure, search and control agents'behavior. Bonding costs are costs to assure that the agents comply with the rules, policies and other regulations that have been established in contracts. The last is the residual loss as the sacrifice of the principal to let their

wealth reduced due to the different decisions between agent and principal (Jensen and Meckling, 1976). Villalonga and Amit (2006) distinguish agency conflicts as the type I and type II of agency conflict. The first one is the conflict between shareholders and management and the later, involves the majority and minority investors.

Agency conflicts can be minimized through the increase of insiders ownership (Bathala et al., 1994). Insiders ownership are as the owner who is also as the managers. Managers who are also the owners will be careful in deciding since they will bear the impact of their adverse decision (Dempsey and Laber, 1992; Jensen and Meckling, 1976). Insider ownership is expected to match the interest of the principal and the agent. The higher the insider ownership, the higher the alignment level and the control ability in the interest of managers and owners. Finally, it will reduce the level of conflict of interest between them (Jensen and Meckling, 1976; Dempsey and Laber, 1992).

In addition to insider ownership, family ownership can also be a useful tool to reduce the agency conflict between principal and agent. According to Anderson and Reeb (2003) and (Dyer, 2006), one of the advantages of family ownership is to reduce the agency conflict type I. The involvement of family in the company enabling them to effectively and efficiently monitor the activities of managers. The alignment of owner and manager can be achieved easily (Fama and Jensen, 1983). In the long-term, it will minimize the chance of managers to expropriate the owners'interests; the business will be operated efficiently, thus the companies performance boost (Jensen and Meckling, 1976).

Even though the family ownership is expected to reduce the agency problem type I, on the other hand, this ownership potentially produces agency conflict type II (Shleifer and Vishny, 1997; La Porta et al., 2002) The agency problem will switch from principal-agent to majority-minority. Families as the majority have the opportunity to maximize their interest in the minority expenses. They have a great chance to make a policy that aimed to maximize their wealth by sacrificing the minority welfare (La Porta et al., 2002; Villalonga and Amit, 2006). The potential of type II of agency conflict to worsen the company'performance should be considered in the firm where the family has the majority ownership (La Porta et al., 2002; 41; Claessens et al., 2000).

2.2 Family Ownership Structure and Firm Performance

The family firm is a firm where the family or family members own the majority of the substantial interests. Prior studies employed many proxies to define whether a business is a family firm or not, among others are family members hold a majority of company'assets (Lee, 2004), some of CEO or important positions are occupied by the family members (Claessens et al., 2000; Anderson and Reeb, 2003; Lee, 2004; Barontini and Caprio, 2006 Villalonga and Amit, 2006; Chu, 2011), and the significant control in companies are embedded in family (Morck and Yeung, 2004; Miller et al., 2007). This study uses the following criteria to identify whether a firm as family ownership or not, first, the family owns at least 10% of companies' interest and second, one of the family members are in managerial position.

The involvement of family will enhance the control of the firm managers and will align the interest of principal and agent; therefore, it will reduce the agency costs and ceteris paribus, the firm performance will increase. However, the good side of family ownership will go hand in hand with its negative side. Families as the majority have an opportunity to expropriate the minority to maximize their interest as stated by Agency Theory Type II. The family may keep their relatives in managerial position even though their competencies and capabilities are in question, in addition, they might be set up the discretion which benefits their interest but harms others. In the long term, it will undermine the firm performance and bring the companies to the sustainability problems.

Unlike developed have the high law enforcement, in Indonesia and many other developing countries, the law enforcement is quite low (Jiang and Peng, 2011; Shyu, 2011; Juniarti, 2015). The power of the majority to expropriate the minority is enormous. By ignoring the level of good corporate governance (GCG) in each company, the existence of family ownership would negatively affect the achievement of the company's performance. The probability of family ownership to diminish the firm performance is high in developing countries, mainly if the role of GCG is ignored. Therefore the first hypothesis is as follow:

Hypothesis 1: There is a negative association between family ownership and firm performance.

2.3 The Level of Good Corporate Governance, Family ownership, and Firm Performance

The essential factors that need to be considered in the association between family ownership and firm performance are the level of GCG. The inclusion of this variable in the model is expected to give a better explanation. The role of GCG is essential since it can be used to mitigate the bad side of the family firm. Managerial ownership and institutional ownership are the manifestations of the transparency principle of GCG. A manager who owns the company's stock will inevitably align interests with the importance of shareholders. The same mechanism is also occurred through the institutional ownership, according to (Chaganti and Damanpour, 1991) the institutional investors will reduce the selfish behavior of managers. Shleifer and Vishny (1997) stated that institutional investors have a critical role in enforcing the rule. In managing the company according to the general principles of GCG, the part of the commissioner independent is also indispensable. According to Vafeas (2000), the role of the board of commissioners is expected to improve the quality of profit by limiting the opportunity for managers to manage earnings for their purposes. Besides that, the existence of audit committees in the company is also expected to enhance the corporate governance level. Audit committees help the board of commissioners to oversight managers tightly. Their expertise and educational background in accounting and financial will sharp them to conduct effective and efficient monitoring of the company (Klein, 2006).

Companies with the high level of GCG imply that the level of control implementation is strong. It will minimize family members to act unproperly with other's expenses. Some prior research found that there is a positive association between the level of GCG implementation and firm performance (Sheikh et al., 2013; Needles et al., 2012; Morck et al., 1988). Therefore, companies with a higher level of GCG are expected to minimize the bad side of family ownership and boost its performance.

Thus, the interaction of GCG and family ownership are predicted to moderate the association between family ownership and firm performance.

Hypothesis 2: At the high level of implementation of good corporate governance, the better the performance of the firm.

3. Research Method

3.1 Data

All the public companies that have listed in Indonesia Stock Exchange (IDX) at least in 2010 are selected as the research sample. However, bank and financial institution are excluded from the samples, since they do not have some data needed in this study. There are 1261 firm-year-observation from the six years of 2010 to 2015. As many as 796 samples (63.1%) are family ownership firms, while the remaining 465 samples (36.9%) are identified as non-family firms.

3.2 Variables Operationalization

3.2.1 Family Ownership

Two criteria used to classify whether the firm is as a family firm or not, are the number of ownership, and the family position is managerial. If family own at least 10% of the total ownership or have one or more family members or their relatives in the managerial area, the company is grouped as family ownership. This identification is searched manually based on information available in the annual reporting, company's website and other publicly available information regarding the firm ownership. If the first criteria are fulfilled, no need to continue to search the second criteria. In this study, one of the two criteria is satisfied enough to classify whether companies as a family owned firm or not (La Porta et al., 2002; Faccio and Lang, 2002; Barontini and Caprio, 2006). Family ownership is binary variable in this study, score one if companies qualify one of the two criteria and 0, otherwise.

3.2.2 Firm Performance

Firm performance in this research is measured by return on assets (ROA) following the prior studies (Sraer and Thesmar, 2007; Allouche et al., 2008; Kowalewski et al., 2010). ROA is one of the general techniques to measure the capability of firms to generate financial performance since it collaborates two item of financial statements that is balance sheet and income statement simultaneously. The equation to calculate ROA is below:

$$\text{Return On Asset (ROA)} = \frac{Net\ Income\ After\ Tax}{Total\ Asset} \ldots\ldots\ldots(1)$$

3.3.3 Good Corporate Governance (GCG) Level

GCG is measured using the self-assessment method. This method has been adopted by several institutions such as Bank of Indonesia, The Indonesia Financial Services Authority (IFSA), Ministry of State-Owned Enterprise. They usually adjust this method according to their particular need. Indonesia Corporate Governance Forum (FCGI) have designed the general self-assessment tool that can be applied to all companies (FCGI, 2010). This study employs self-assessment method to measure GCG score, following FCGI method and adjusted by the Act of Limited Corporation No. 40, 2007, by focusing on the three aspects of GCG, i.e., Ownership Structure, Board of Commissioners and Audit Committee.

Ownership structures (weight 40%)

Ownership structures are measured based on managerial and institutional ownership structure.

1. Managerial ownership is the proportion of share owned by managerial to total outstanding share. According to (Morck et al., 1988), the ownership of managerial in the range of 0% - 5% will align the interest of managers and owners. Therefore, if the managerial ownership in that range will be scored by 1 and 0, otherwise.
2. Institutional ownership. Institutional ownership is the proportion share ownership by institutional to total outstanding share. Morck et al. (1988) stated that the existing institutional ownership more than 25% will motivate the institutions to oversight tightly to the firms. Therefore, if the institutional ownership more than 25% will be scored by 1 and 0, otherwise.

Board of Commissioners (weight 35%)

1. The Proportion of Board to Directors

   The effectiveness of the board of commissioners in the company can be denoted from the composition of the number of being supervised and the number of those supervise or directors. According to Muntoro (2006), at least, the structure of them should be balanced, to assure the effectiveness of monitoring. Therefore, if the proportion of board of commissioner to the directors equal to or above one will be scored 1 and 0 if the percentage of them is below 1.

2. The proportion of Independent Board of Commissioners

   In the good corporate mechanism, the existence of independent commissioners in the Board of Commissioners is expected to enhance the effectiveness of the monitoring process. IFSA requires that the proportion of independent commissioners at least 30% of the number of Board of Commissioners. According to this requirement, score 1 is applied to the companies that satisfy the condition and 0,

otherwise.

Audit Committee (weight 25%)

Committee of Audit is one of the vital mechanism in good corporate governance, the existence of this committee is expected to strengthen the overall control of a company. Three items of Audit Committee will be scored that is the number of the audit committee, the proportion of independent audit committee and their competence.

1. The number of audit committee
   According to the guideline of GCG implementation, companies required to have at least 3 members of the audit committee, therefore if the amount of the audit committee of the firm equal to or above 3 will be scored 1 and 0, otherwise.
2. The proportion of independent audit committee
   Companies are also required to have at least one member of an independent audit committee. The portion of the independent audit committee should be equal to or above 0.33 if the requirement is satisfied, the score 1 is applied and 0, otherwise.
3. The competence of Audit Committee members
   The capability of audit committee members is also considered in this scoring. According to the Bapepam Decree No.29/PM/2004 article IX.1.5 stated at least that one member of the audit committee should have particular educational background or experience related to accounting or finance. If one of the members qualify, this requirement will be scored 1 and 0, otherwise.

Then, all the above assessment will be calculated using the following equation to get the score of GCG of each company. The higher the score implies, the higher the level of GCG implementation in an organization.

$$\boldsymbol{GCG\ score} = \left(\frac{\boldsymbol{score\ of\ ownership\ structure}}{\boldsymbol{maximum\ score}} \times \boldsymbol{40}\%\right) + \left(\frac{\boldsymbol{score\ of\ the\ board\ of\ directors}}{\boldsymbol{maximum\ score}} \times \boldsymbol{35}\%\right) + \left(\frac{\boldsymbol{score\ of\ audit\ committee}}{\boldsymbol{maximum\ score}}\ \boldsymbol{X\ 25}\%\right) \quad (2)$$

3.3.4 Control Variables

Firm Size. Firm size can be associated with the firm's capability to achieve the financial performance of companies. It usually related to one of the following indicators such as the number of assets owned by the company, the number of sales, number of employees or the amount of the net assets of the firm. Companies that have large size will be more accessible to achieve good performance compared with a small one. They can utilize their assets efficiently so that their financial performance increase (Andres, 2008; Chu, 2009; Shyu, 2011). Firm size is used to differentiate company as a big or small company [8]. This study uses natural log of assets to measure the firm size (Shyu, 2011; Hamberg et al. 2013; Poutziouris et al., 2015; Anderson and Reeb, 2003; Maury and Pajuste, 2005).

Firm Size: Ln (Total Asset) (3)

Industrial Sectors, this study includes the industrial sector in the model, to anticipate whether the industrial areas provide the different explanation. A dummy variable is applied to industrial sectors.

3.3 Analysis

To analyze panel data, several steps are run to determine the best model of panel data, whether pooled least square (PLS), fixed effect or random effect models. The fixed effects are dummy variables for each year of the sample and companies code. Panel data are finally satisfied with the fixed effect model. To detect heteroscedasticity, this study uses the Breusch-Pagan /Cook-Weisberg test for heteroscedasticity test. Generalized least square is also referred to resolve the problem of heteroscedasticity.

Below is model of analysis of this study:

$$ROA_{i,t} = \alpha + \beta_1 FMO_{i,t-1} + \beta_2 GCG_{i,t-1} + \beta_3 FMO * GCG_{i,t-1} - 1 + \beta_4 LOGTA_{i,t-1} + \beta_5 IDSEC_{i,t-1} + \varepsilon \quad (4)$$

Where:

$ROA_{i,t}$ = Return on asset firm i for the period of t
$FMO_{i,t-1}$ = Family ownership firm i for the period of t-1
$GCG_{i,t-1}$ = Score of good corporate governance firm i for the period of t-1
$LOGTA_{i,t-1}$ = Firm size measured by natural log of total assets firm i for the period of t-1
$IDSEC_{i,t-1}$ = Industrial sector firm i for the period of t-1
ε = *Error term.*

4. Results and Discussion

Data consist of 240 firms, each has five to six years of observations, so that the panel data is unbalanced. There are 1261 firm-year-observation from the six years of 2010 to 2015. In panel data, the time variant and individual variant is possible, by assuming that all the variants are constant, data are analyzed using PLS. Next, the fixed effect model is employed for data analysis. To decide whether common model (PLS) or uncommon model (fixed effect) is more fitting, then Chow test is applied. The result shows that the probability F test is less than 0.05, thus fixed effect model is more appropriate than PLS. A further test is run to determine whether a fixed effect or random effect model is the best for data analysis. Based on the Hausman test, H_0 cannot be rejected, since the probability of Chi2 is less than 0.05, it is mean that the fixed effect model is the best model in this study.

Table 1 presents the profile of sample firms. Family firms show different characteristic from those of non-family firm. The size of family firms, on average is relatively smaller than non-family firms. The performance of family firms is slightly lower than non-family firm, the mean, a minimum and maximum score of ROA is smaller than those on non-family firms. The level of GCG in both firms is equal to each other. However, family firms have the minimum score of GCG (0.25) higher than min score of GCG in the non-family firm (0.175). Family firms on average have more concern for the GCG implementation than non-family firm. Results of the hypothesis 1 testing, indicates the FMO variable.

Table 1. Descriptive Statistic
Panel A. Summary Statistic for The Full Sample

Variable	All Firms	FMO	Non FMO
ROA			
mean	0.04754	0.02843	0.08026
std dev	0.32543	0.16852	0.48707
min	-1.72905	-1.72905	-0.86921
max	9.74302	1.85171	9.74302
GCG			
mean	0.67871	0.68085	0.67534
std dev	0.17585	0.17133	0.18346
min	0.17500	0.25000	0.17500
max	1.00000	1.00000	1.00000
LOGTA			
mean	4.52465	3.99638	5.42897
std dev	1.80202	2.10060	0.95088
min	5.01650	5.01650	6.15216
max	13.96299	13.96299	13.91678
Obs	1261	796	465

Panel B. Correlation Data

	ROA	FMO	GCG	FMOGCG	LOGTA	IDSEC
ROA	1					
FMO	-0.0769	1				
GCG	-0.0449	0.0147	1			
FMOGCG	-0.0573	0.9239	0.3097	1		
LOGTA	0.0351	-0.1184	-0.1833	-0.1665	1	
IDSEC	-0.0564	0.0835	0.1942	0.1057	-0.8568	1

Table 2 shows that FMO has a negative and significant at level 1%, this result confirms the prior studies Shyu, 2011, Juniarti, 2015; Jiang and Peng, 2011) that in developing countries, the existence of family ownership harms the firm performance. The switching conflict of interest to the majority-minority interest has occurred as predicted by Agency Theory Type II. The incentive of the majority to abuse the minority for their benefit will be costly for the companies as a whole. Greediness to immediately attract short-term profits makes the majority justify ways to do it. The developing country situation that is weak minority protection, low law enforcement and lack of adequate internal control to protect all parties makes the majority have the discretion to prosper their own at the expense others.

The presence of family-dominated controls makes families more likely to retain family members in managerial positions even though they lack adequate competence (Andres, 2008; Dyer, 2006; Shleifer and Vishny, 1997). The family effort to keep family members in the managerial position will result in ineffective and inefficient decision making. Further, it will lead to other costs that are detrimental to the company and will decrease company performance (Andersen and Reeb, 2003).

It is also interesting to see that GCG alone, has a negative association with the firm performance. GCG implementation only burdens the company costs thus lowering firm performance. Overall, GCG practices have the negative relationship to the firm performance in both hypothesis 1 and 2; this result is possible to mislead the conclusion of the role of GCG, it seems that GCG just increase cost and has no impact to the performance. However, further testing in each of the sample groups (Table 3) proves that GCG has a positive effect on the performance of family firms. This result is opposed to what happened in non-family firms, where GCG consistent has a negative association with firm performance.

Table 2. Ownership, Firm Performance and GCG

Variable	Hypothesis 1	Hypothesis 2
	ROA	ROA
Intercept	0.24776	1.17896
	(3.09) ***	(0.81)
FMO	-0.05184	-0.84655
	(-2.28) **	(-3.05) ***
GCG	-0.10099 *	-1.23254
	(-1.68)	(-6.33) ***
FMOGCG		1.27980
		(5.23) ***
LOGTA	-0.00382	-0.01317
	(-1.06)	(-0.70)
IDSEC	-0.019239	-0.05909
	(-1.53)	(-0.17)
Rq-within	0.013	0.036
between	0.028	0.014
overall	0.011	0.013
F	11.55 ***	8.180 ***

Notes: *, * * and * * * denote statistical significance at the 10, 5 or 1 percent level, respectively.

Table 3. GCG and Performance in FMO and Non-FMO

Variable	FMO	Non-FMO
	ROA	ROA
Intercept	0.16500	0.33824
	(0.75)	(2.47) **
GCG	0.07673	-0.27653
	(-2.14) **	(-2.06) **
LOGTA	-0.02414	-0.00023
	(-0.93)	(-0.03)
IDSEC	-0.970404	-0.01722
	(0.75)	(-0.37)
Rq	0.0091	0.01840
F	2.41 *	2.88 **

As predicted, the interaction of GCG and FMO shows the positive association with firm performance and significant at level 1%, it means that GCG has been successfully reducing the negative impact of family ownership. The implementation of GCG in the family firms alter the negative side of family ownership into the positive side. The higher level of GCG practices reduces the opportunity for the majority to expropriate minority. Family behaves reasonably in decision making to avoid the negative consequences of their behavior. Besides, the majority is required to treat the minority. Equally, it will minimize the cost to expropriate minority. The mechanism of appointing the president director and other managerial positions must be through a transparent and accountable process. Family cannot keep underperformed family managers in the managerial position because the excellent governance practices make impossible to do that. It will cut unnecessary expenditures including irrational compensation to their relatives; thus the use of resources become efficient and effective, as a result, firm performance increases.

Family companies have a number of advantages in addition to some weaknesses. In such condition, GCG just shifts the bad side to reinforce the excellent of the family firm. Unlike non-family firms that have the scattered interests and even conflicting with each other, family firm has the same vision to prosper their families and to handover it to their successor. The favorable circumstances in the family firm make it easier to be controlled than non-family firm.

The authority of Indonesia should note this finding to lessen the negative impact of family ownership. Also, family ownership is the backbone of Indonesia listed companies; it is needed an integrated panacea to eliminate the adverse effects of family ownership.

5. Conclusion

The primary goal of this research is to highlight the role of GCG in the association between family ownership and firm performance. GCG is expected to reduce the bad side of family ownership in expropriating the minority. In developing countries like Indonesia, the negative impact of family ownership is more dominant than the positive ones. This study confirms the previous finding that family ownership tends to lower firm performance. Circumstances in developing countries such as the lack of law enforcement, low minority protection, and other various factors are inspiring family to expropriate minority. Interestingly, as it is hypothesized, the existence of GCG at the firm level successfully switches the negative side of family ownership to the positive one. The higher the level of GCG implementation the higher the chance of family firm achieves a sound financial performance. GCG has a significant role in limiting the family to expropriate the minority. IFSA should note this finding to lessen the negative impact of family ownership. As reported by the PWC survey, that family ownership is the backbone of Indonesia listed companies; it is needed an integrated panacea to eliminate the negative impact of family ownership.

This finding underlines the urgency to continuously support the implementation of GCG since a robust application implies that the control mechanisms in the entities are going well. Therefore, the policy of The Authority of Financial Services as the custodian of code and principles of GCG in Indonesia that required the companies to implement GCG is on the right track (IoD Report, 2016). This policy has also resulted in a good trend of GCG implementation in Indonesia. According to the IoD Report, Indonesia has been in a group of countries with a good implementation ranking.

This study does not differentiate the status of the family in family ownership, whether they are founder or successor. Their spirit could be different. Usually, the founders have more concern and struggle to make the companies exist and grow than that of their successors. Further exploration of the kind of family

whether as the founder or the successors can be considered in the future research, to have a comprehensive insight on the role of family ownership in keeping a higher firm performance.

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