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The Importance of Gender and Family Manager Education Background To CEO Founder's Moderated Company Values

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Abstrak

Family companies are heterogeneous. The heterogeneity of family firms results in reduced predictability of corporate behavior and inconsistent results regarding research on the behavior of family firms. This study aims to examine the influence of the gender of the family manager, the level of education of the family manager on the family firm's value as moderated by the founder of the CEO. The top management team variables as the independent variables are family manager, female family manager, education level, and family ownership. The value of a family company is measured using Tobin's q. This study examines 133 samples from all family companies listed on the Indonesia Stock Exchange (IDX) with annual reports from 2016-2020. Panel regression research (a combination of cross-sectional and time-series data) using PLS version 3.0 application software to facilitate data testing. The test results show that the education level of family managers has a positive effect on a company. While family managers moderated by CEOs, female family managers and family ownership explain no significant impact on Tobin's q measurement.

INTRODUCTION

Family companies are certainly not new and familiar in the company's scope. Family companies have heterogeneous properties. Heterogeneity of family companies results in reduced predictability of corporate behavior and inconsistent results regarding research on family company behavior.

The company's goal in the future in the long term is to maximize the value. The value of a company with a high value can reflect the prosperity of shareholders in the company and the value of the company itself, especially in the public company itself, which will reflect its stock price. There will be a problem in maximizing the company's value, aka conflict of interest between shareholders and the upper management team called agency problems. There was minimal evidence that managers have aims and attractions incompatible with the company's principal objectives and frequently disregard shareholders' interests. (Patrisia, Fitra, & Febrianti, 2020).

In this research, family companies are using the upper echelons theory. According to the top echelon theory, visual demographic elements such as age, education level, gender, skills, and duration in power influence a company's success. The upper echelon theory posits that a company's performance reflects the observable characteristics of such demographic factors as age, education level, gender, skills, and tenure in power (Sumarsono, 2020).

This research examined how the company of a family manager, either in the form of gender or education, will affect the company's value. So that family management in the arrangement of Indonesian companies is interesting to discuss in the education level of a manager and gender to the value of the family company. Family members own the majority of family companies in Indonesia. According to 2010 statistics, the top management teams of 139 companies listed on the Indonesia Stock Exchange were family members. (Chua *et al*., 2012); (Sumarsono, 2020).

The downside of a family business is the conflict that often occurs between the business and family interests. Conflicts often occur between relative family members, not family members, operating business systems in the family, or family businesses between each other. Conflict usually triggers divisions in the family business, affecting the company's viability (Meychella Assanto & H. Mustamu, 2014).

The company's founders exhibit characteristics that set them apart from other family managers. According to a study by Carlos, Pablo, & Paolo (2021), a firm founder tended to sustain the worth of their company by expanding their market value to the family company. It allows you to exert control over family management to better safeguard the value of a family business.

There has never been any research on a family manager where the family manager is still under the leadership of the company's founder. The closest journal about previous research is research conducted by Chee Yoong, Alvan & Devi (2015) about the influence of related party transactions on the value of family companies. This study examines the relationship between related party transactions (RPT) to a family company's value and how its ownership moderates it.

Moreover, Rizqia, Aisjah & Sumiati (2013) researched the influence of managerial ownership, financial leverage, profitability, firm size, investment opportunity on dividend policy and company value. This research aimed to test and analyze the influence of managerial ownership, financial leverage, profitability, company size, and investment opportunities on dividend policies and the effect of all those variables on a company's value.

The point of difference between the two prior studies is that earlier studies deepen the understanding of how the value family company's owner moderating a related transaction party and management ownership. While the present research is ongoing, there is a need to learn how the owner of the firm moderates the impact of a family manager on the value of the family business.

This research expects to provide further information and study theoretically, which is new knowledge of the pattern of relationship between gender and education level of a family manager with the company's value as measured by Tobin's q. It also provides further information on the other relationship pattern between a family manager and its value, where its founder controls the family manager. It is practical to expect to provide a phenomenon and facts both to shareholders and family companies about the indicators of family managers that significantly affect the increase in the value of a company in Indonesia.

RESEARCH METHODS

Population, Sample, and Data Collecting Techniques

Based on the purpose of the research, the method in analyzing data was using regression analysis methods in the form of panel regression. The purpose of using this method was to find out the relationship between independent variables and mediation variables to dependent variables based on longitudinal data (the incorporation of cross-sectional and time-series data). SmartPLS was used to process the data (Partial Least Square).

The population was a family company listed on the Indonesia Stock Exchange in 2016-2020 with 133 family companies. The sample consisted of 133 family firms listed on the Indonesia Stock Exchange from 2016 to 2020, with 665 data analyzed. Firms that submitted annual reports from 2016 to 2020, audited, and family corporations listed on the Indonesia Stock Exchange from 2016 to 2020 provided all of the information or corporate financial data required.

The research objects were the value of companies as dependent variables and family managers, female family managers, the education level of family managers, and family ownership as independent variables—the variables labeled as quantitative data. In addition to dependent and independent variables, there were also control variables consisting of leverage, company size, growth, and age of companies classified as quantitative data and industries classified as qualitative data.

Research Variables and Operational Definitions

Company Value (*Tobin's Q*)

The definition and function of Tobin's Q ratio can show the current financial market forecast of the return on every dollar from additional investments (Chandra & Deviesa, 2017), with the following formula: :

$$Tobin's\ Q = \frac{Market\ Capitalization + Total\ L}{Total\ Asset} \ldots\ldots\ldots\ldots\ldots\ldots(1)$$

Family Manager (MK)

Family managers are employees of family companies that have relationships with their superiors whose job is to coordinate the activities of company employees. The expected goals are the company's goals, such as increasing sales and expanding the business or other purposes (Pandita, 2021). The following formula is to calculate the family manager variables, which is in the annual report of the company's board of directors:

$$MK = \frac{Number\ of\ board\ of\ directors\ family}{Number\ of\ board\ of\ directors} \ldots\ldots\ldots\ldots(2)$$

Female Family Manager (MKP)

Female family managers are female employees in a family company that has a relationship with their superiors whose job is to coordinate the activities of company employees. The expected goals are the company's goals, such as increasing sales and expanding the business or other purposes (Pandita, 2021). The following formula is to calculate the female family manager variables, which is in the annual report of the company's board of directors:

$$MKP = \frac{Number\ of\ female\ members\ of\ the\ family\ board\ of\ \ldots}{Number\ of\ board\ of\ directors} \ldots\ldots\ldots(3)$$

Family Manager Education Level (TPMK)

The level of education of the family manager is a stage of family manager education based on the level of development of the family manager with goals to be achieved and abilities developed. The following formula is to calculate the family manager's education level variables, which is in the annual report of the company's board of directors:

$$TPMK = \frac{Number\ of\ board\ of\ directors\ family\ members\ who\ have\ post\ldots}{Number\ of\ board\ of\ directors} \ldots\ldots\ldots(4)$$

Family Ownership

Family ownership is the involvement and influence of the family on the company. The ownership structure reflects the level of concentration of ownership in the company. The percentage of share ownership measures the ownership structure by the controlling shareholder. Family ownership is by estimating what percentage of the family company owns in the company.

Founder CEO

CEO founder is a dummy moderating variable. The purpose of this variable is to see if the company's founder is still serving as CEO in the year of the report. If the company's founder is still a director or commissioner, the value is 1. If it isn't, the value is 0.

Data Analysis

Based on the purpose of the research, the method in analyzing data was using regression analysis methods in the form of panel regression. The purpose of using this method was to find out the or absence of relationships between independent variables and moderation variables to dependent variables based on longitudinal data (the incorporation of cross-sectional and time-series data). SmartPLS was used to process the data (Partial Least Square).

In SmartPLS, the purpose of the Path Coefficients test is to see the effect of the independent variable on the dependent variable positively or negatively. A variable was said to have a positive result if the original sample value ranged from 0-1, while if <0, it was said to have a negative effect.

In addition, the purpose of the t-statistics test is to see the level of significance of each independent variable on the dependent variable. A variable was said to have a significant effect if the t-statistic value was > 1.96 and the P-Values value was < 0.05.

Hypothesis Development

Family Manager Against Corporate Values Moderated Founder CEO

Family involvement in the top management team contributes to the family (the pool of resources and capabilities resulting from system interactions), influencing the company's performance and value. Controversy still exists on the influence of family ownership on corporate value, with a series of literature showing the potential benefits of family control and supporting the positive effects of this type of organizational structure (Martinez & Requejo, 2016; Sumarsono, 2020).

Several studies have used family manager variables (top management teams) as independent variables. Sacristán-Navarro & Maria (2015) and Martinez & Requejo (2016) found a significant positive relationship in the variables of the manager (top management team) family to the value of the company.

H_1: There is a positive relationship between family managers and family firm value moderated by the founder CEO.

Female Family Manager Against Corporate Values

Female representatives still have essential indicators of the company's success, as female representatives from senior management will enrich the information and the Social Diversity Council. Arguments favor a more substantial presence of women on corporate boards typically emphasize two types of benefits: ethical and economic. One set of viewpoints stems from the concept of equal opportunity and representation for all people in society. It is morally wrong to take individuals out of the business world based on gender (Isidro & Sobral, 2015; Sumarsono, 2020).

Women bring unique and valuable skills to the board, and board performance increases positively, impacting the company's value. For non-REIT examples, empirical evidence of female directors' impact on firm value and performance was inconsistent. For example, some studies have found that the inclusion of female directors increases a company's value (Isidro & Sobral, 2015; Noguera, 2020).

H_2: Female family managers harm the value of family firms.

Family Manager Education Level on Company Values

The level of education can improve an individual's ability to enhance managerial skills. A good level of education will also make it easier to understand complex problems. This perspective connects to the achievement of the previous three views, namely generating growth and learning at a good educational level. Not only thinking about investing in equipment to produce a product there is a company but also crucial for the company to innovate the growth and learning of human resources, systems, and operations of the company itself (Sariwulan & Aryati, 2020; Sumarsono, 2020).

Sariwulan & Aryati (2020) found a significant positive relationship in the education variables of family managers to a company's values. Based on in-depth and extensive reviews of the studies mentioned above, researchers propose that the education level of the upper echelons is positively related to financial performance.

H_3: The level of education in a family manager has a positive effect on the value of the family company.

Family Ownership Against Company Value

Family ownership in a company is family members who control the company, established by the owner and then continued to be replaced by successors so that that family members will share the profits. Very tight family ownership can trigger disputes within the company itself, namely between majority and minority shareholders. (Juniarti, 2015)

Several researchers' research uses family ownership variables as independent variables in the researcher's journals. Juniarti (2015) found a significant negative relationship between family ownership variables on the value of a company. Meanwhile, the journal Masulah (2019) found a crucial positive relationship between the variable of family ownership and a company's value.

H_4: Family ownership harms the value of the family company.

RESULT AND DISCUSSION

Descriptive Statistics

Tabel 1. Descriptive Statistical Test Results – Non-Dummy Variables

	N	Min	Max	Mean	Std Deviation
TOBINSQ	665	1.00	325.00	52.76	37.23
MNKG	665	0.00	100.00	24.23	25.26
MNKGP	665	0.00	50.00	3.26	8.80
TPMNKG	665	0.00	100.00	22.77	23.79
KPKL	665	9.00	98.00	62.48	18.75
LEV	665	1.00	325.00	51.75	37.08
UMPR	665	700.00	7,300.00	3,374.13	1,249.43
PRTHN	665	-397.00	970.00	6.70	60.84
UKPR*	665	14,007	163,136,516	11,596.493	20,262,725

* = Presented in rupiah

Table 1 showed the results of non-dummy descriptive statistical tests, of which Tobin's Q was a dependent variable. The table above shows that the highest value of Tobin's Q corporation was 325, shown in PT. Austindo Nusantara Jaya Tbk indicated that the company's management could maximize total assets to increase the value of the company's market capitalization, while the lowest value of Tobin's Q corporation was 1.00, indicated to PT. Indoritel Makmur Internasional Tbk and PT. Perdana Karya Perkasa Tbk suggested that the company's management could not make maximum use of total assets to increase the value of the company's market capitalization.

The independent variables in table 1 were family managers, women's family managers, family manager education levels, and family ownership. The table shows that the highest value of corporate family managers was 100% indicated in PT. Eka Sari Lorena Transport Tbk and PT. Roda Vivatex Tbk suggested that the company's board of directors comprises 100% of the total board members. In comparison, the lowest value of corporate family managers was 0%, indicated to PT. Sarana Menara Nusantara Tbk , PT. SOURCE Alfaria Trijaya Tbk, PT. Indorama Synthetics Tbk, PT. JAPFA Comfeed Indonesia Tbk and other companies suggested that the company's board of directors comprises 0% of the total board members within the company.

In addition to family managers, there were other independent variables, namely female family managers, where the highest value of corporate female family managers was 50% shown in PT. Bukit Darmo Property Tbk indicated that the company's female board members comprise 50% of the total board members in the company. In comparison, the lowest value of corporate female family managers was 0%, indicated to PT. Gudang Garam Tbk, PT. Indofood CBP Sukses Makmur Tbk, PT. Sarana Menara Nusantara Tbk, PT. Mayora Indah Tbk, PT. Mayora Indah Tbk and other companies suggested that the company's female board members comprise 0% of the total board members in the company.

Then another independent variable, namely the level of education with the highest value of the education level of corporate family managers, was 100% indicated in PT. Roda Vivatex Tbk suggested that the education level of the company's board of directors who were graduates of at least undergraduate (Bachelor) consisted of 100% of the total board members in the company. In comparison, the lowest value of the education level of corporate family managers was 0%, indicated in PT. Gudang Garam Tbk, PT. Sarana Menara Nusantara Tbk, PT. Salim Ivomas Pratama Tbk, PT. Asahimas Flat Glass Tbk, PT. Tigaraksa Satria Tbk and other companies suggested that the education level of the company's board of directors who were graduates of at least undergraduate (Bachelor) comprised 0% of the total board members in the company.

The last independent variable was family ownership, where the highest value of corporate family ownership was 98% indicated in PT. MNC Sky Vision Tbk suggested that a company was owned by its own family, amounting to 98% of the composition of other shareholders. The lowest value of corporate family manager education level was 9%, indicated to PT. Wicaksana Overseas Internation Tbk suggested that a company was owned by its own family, amounting to 9% of the composition of other shareholders.

Table 2. Descriptive Statistical Test Results – Dummy Variables

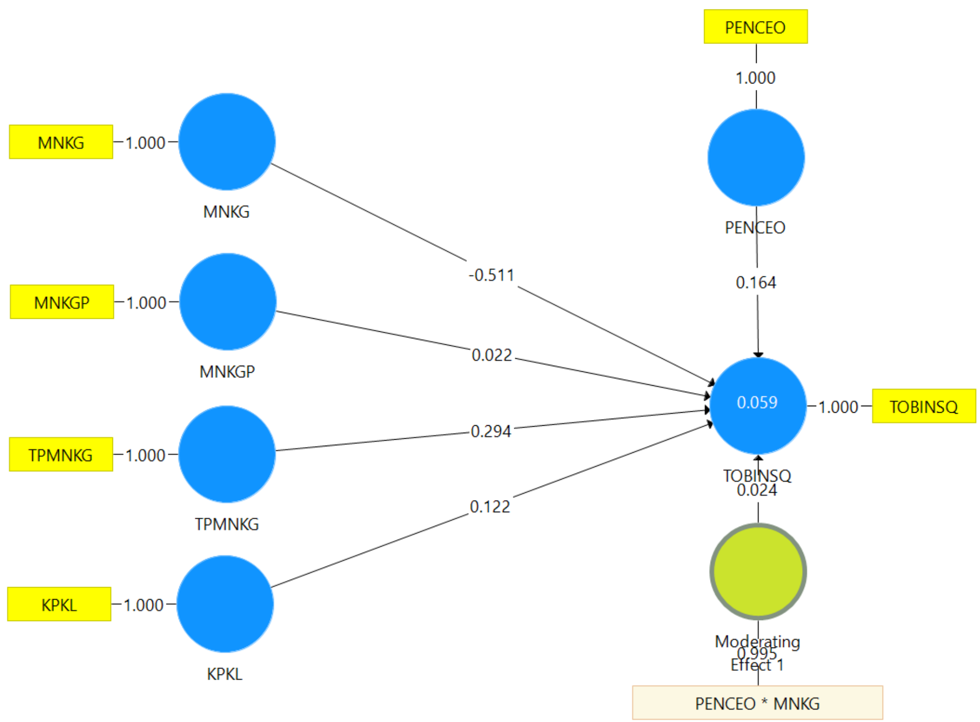
Category	Frequency	Percentage	Cumulative Percentage
Founder serves as CEO	290	44%	44%
Founder don't serve as CEO	375	56%	100%
Total	665	100%	

Table 2 above shows the results of the reclusive test for dummy variables, namely CEO Ownership. Table 2 showed 44% or as much as 290 company data in research samples that the company's founder still served as a member of the company's board of directors until the year of data taken. In comparison, as much as 56% (375 company data) in research samples, the company's founder had not served as a member of the company's board of directors until the year of data taken. The results show that most of the founders in the research sample did not serve as members of the board of directors.

Evaluation of Regression Structural Equation Model Approach

The results of calculations in this research model using the SmartPLS application for longitudinal data testing (combination of cross-sectional and time-series data) were as follows:

Figure 1. Research Model Diagram – PLS Algorithm Calculation Results



Based on the results of the structural equation research model using the SMART PLS application, it shows that there were two test results, namely the outer model test (discriminant validity) and the inner model test (structural model).

Outer Model Test (*Discriminant Validity*)

Discriminant Validity test is a step taken to determine whether the variable or indicator in the research conducted has a unique value and is only related to the variable or indicator itself, not external variables or indicators. If the research model has good discriminatory validity, there are 2 (two) steps: the results of cross loading and the Fornell larcker criteria.

Cross-loading results should show that the indicator loading value of each construct should have a higher value than the indicator loading value on other constructs. If the loading value of each construct indicator is higher than the loading value on another construct, then the construct has an adequate discriminant.

Table 3. Cross Loading Test Results

	KPKL	MNKG	MNKGP	MNKG*PNCEO	PNCEO	TPMNKG	TOBINSQ
KPKL	1.000	0.094	-0.064	0.031	-0.240	0.059	0.017
MNKG	0.094	1.000	0.348	0.156	0.309	0.973	-0.166
MNKGP	-0.064	0.348	1.000	0.195	0.268	0.353	-0.039
MNKG* PNCEO	0.031	0.156	0.195	1.000	0.080	0.143	-0.016
PNCEO	-0.240	0.309	0.268	0.080	1.000	0.312	0.108
TPMNKG	0.059	0.973	0.353	0.143	0.312	1.000	-0.147
TOBINSQ	0.017	-0.166	-0.039	-0.016	0.108	-0.147	1.000

Based on table 3 above, each indicator in the research variable had the largest cross-loading on the variables it formed compared to the cross-loading value on other variables. Table 3 shows that the indicators used had good discriminant validity in compiling their respective variables.

In addition to cross-loading, the Fornell-Larcker Criterion can also be used to test the discriminant validity. The Fornell Larcker criterion compares the root value of the AVE with the correlation of the latent variables. The root value of AVE should be more significant in each construct than the correlation with other constructs.

Table 4. Fornell-Larcker Criterion Test Results

	KP KL	MN KG	MN KGP	MNKG* PNCEO	PN CEO	TPM NKG	TOBI NSQ
KPKL	1.000						
MNKG	0.094	1.000					
MNKGP	-0.064	0.348	1.000				
MNKG*PNCEO	0.031	0.156	0.195	1.000			
PNCEO	-0.240	0.309	0.268	0.080	1.000		
TPMNKG	0.059	0.973	0.353	0.143	0.312	1.000	
TOBINSQ	0.017	-0.166	-0.039	-0.016	0.108	-0.147	1.000

Based on table 4 above, it was possible to determine that the root value of the most critical AVE in the created variable was higher than the root value on other build variables for each research variable. Table 4 shows that the variables utilized in generating their respective construct variables have a high level of discriminant validity.

Reliability Test

Construct reliability and validity test is a step to determine whether the variable or indicator in the research conducted has a unique value until the variable can be said to be reliable data. Suppose the variables of the research model are reliable data. In that case, construct reliability and validity must be considered that 2 (two) tests are the results of the Cronbach alpha test and the results of the composite reliability test.

Table 5. Reliability Test Results

	Cronbach`s Alpha	Composite Reliability
KPKL	1.000	1.000
MNKG	1.000	1.000
MNKGP	1.000	1.000
PNCEO	1.000	1.000
MNKG*PNCEO	1.000	1.000
TPMNKG	1.000	1.000
TOBINSQ	1.000	1.000

The Cronbach alpha test was required to achieve the criteria with >0.6 to pass the test, while the composite reliability test reached >0.7. From table 5, the results of the Cronbach alpha test met the criteria above the number 0.6 and the results of the composite reliability test above the number 0.7, which stated that the variable data of the research model are reliable.

Structural Model Analysis Test (R-Square and Q-Square)

Structural model testing shows the relationship between constructs, significance values, and r-squares and research models. R-square testing determines how far independent variables can explain independent variables.

Table 6. R-Square Test Results

	R Square	R Square Adjusted
TOBINSQ	0.068	0.059

Based on table 6 above, Tobin's Q could be explained by the founder CEO by 5.9%, while other variables outside the research model explained 94.1%. With the following formula, the Q-Square calculation is to measure the variety of study data:

$Q^2 = 1 – (1 – R^2)$

$Q^2 = 1 – (1 – 0.059)$

$Q^2 = 1 – 0.941$

$Q^2 = 0.059$

The calculations above showed that the q square was 0.059, greater than 0, which meant the model had a predictive value.

Hypothesis Test (T-Statistic)

Table 7. T-Statistic Test Results

	Original Sample	Std. Deviation	T Statistics	P Values	Hypo thesis
KPKL -> TOBINSQ	0.097	0.056	1,717	0.087	Rejected
MNKG -> TOBINSQ	-0.536	0.097	5,500	0.000	Rejected
MNKGP -> TOBINSQ	-0.011	0.057	0,191	0.848	Rejected
MNKG*PNCEO -> TOBINSQ	0.007	0.042	0,158	0.874	Rejected
PNCEO -> TOBINSQ	0.203	0.043	4,774	0.000	Accepted
TPMNKG -> TOBINSQ	0.309	0.101	3,042	0.002	Accepted

Based on table 7 above, the results are:

1. Family Ownership -> Tobin's q: had a positive relationship and had no significant effect.
2. Family manager -> Tobin's q: had a negative and significant influence.
3. Female family manager -> Tobin's q: had a negative relationship and had no significant effect.
4. Family Manager*Founder CEO -> Tobin's q: had a positive relationship and had no significant effect.
5. Founder CEO -> Tobin's q: had a positive relationship and a significant influence.
6. Family Manager Education Level -> Tobin's q: significant influence and positive relationship.

Discussion of the results of hypothesis testing 1:

H_1 = There is a positive relationship between family managers and family firm value moderated by the founder CEO.

Based on the results of hypothesis testing 1 in table 7 above, the moderating variable of family managers in Tobin's q, which the CEO owner moderated, had a positive relationship and had no significant effect on the variables. The original sample number showed a result of 0.097, indicating that the impact was positive. And from the T-Statistic, which showed the number 1.717, which was < 1.96; and P Values which led to the number 0.087, which was > 0.05, explaining that the variable had no significant effect on the dependent variable.

It rejects the hypothesis testing results because they contradicted several existing studies researched by Sacristán-Navarro & Maria (2015) and Martinez & Requejo (2016). Investors want the firm's founder to serve as a director or commissioner, which might increase the company's worth due to the trust element in family company control.

Discussion of the results of hypothesis testing 2:

H_2 = Female family managers harm the value of the family company.

Based on the results of hypothesis 2 in table 7 above, the variables of female family managers had negative relationships and had no significant effect. Could be seen from the original sample numbers that showed the result -0.011, which showed that the impact was negative, and from the T-Statistic, which showed the number 0.191, which <1.96, and P Values which led to the number 0.848, which > 0.05 explained that the variable had no significant effect on the dependent variable.

The results were contrary to existing research studied by Isidro & Sobral (2015), where there was a significant positive relationship in the variables of female family managers to a company value. In comparison, Noguera (2020) found a critical negative relationship in female family manager variables to a company's values. In conclusion, investors did not care about the gender or gender of a family director in controlling or running the company's operations, so the company's value could increase.

Discussion of the results of hypothesis testing 3:

H_3 = The level of education in a family manager has a positive effect on the value of the family company.

Based on the results of hypothesis 3 in table 7 above, the variable level of education of family managers had a positive relationship and had a significant effect on Tobin's q. Could be seen from the original sample number that showed the result of 0.309, which showed that the impact was positive, and from the T-Statistic, which showed the number 3.042, which >1.96, and P Values which led to the number 0.002, which < 0.05 explained that the variable had a significant effect on the dependent variable.

The results were in line with the research-tested by Sariwulan & Aryati (2020), who found a significant positive relationship in the education variables of family managers to the value of a company. Based on in-depth and extensive reviews of the studies mentioned above, researchers proposed that the education level of the upper echelons was positively related to a company's financial performance. It also stated that investors view a board of directors' last education, reflecting their performance in managing or operating the family company.

Discussion of the results of hypothesis testing 4:

H_4 = Family ownership harms the value of the family company.

Based on the results of hypothesis 4 in table 7 above, family ownership variables had a negative relationship and had no significant effect on Tobin's q. Could be seen from the original sample numbers that showed the results of 0.097, which showed that the results were positive, and from the T-Statistic, which showed the number 1,717, which <1.96, and P Values which showed the number 0.087, which > 0.05 explained that the variable had no significant effect on the dependent variable.

The results were contrary to the research studied by Juniarti (2015), where there was a significant negative relationship of family ownership variables to the value of a company. While in the journal of Masulah (2019) found a crucial positive relationship in family ownership variables to the value of a company.

CONCLUSION

The purpose of this inquiry report was for readers to learn more about the variables that influence Tobin's q dependent variables as corporate value variables. After conducting tests and analysis, researchers concluded that family managers had no significant effect on Tobin's q moderated by the founder's chief executive. However, based on the results studied, there was a considerable influence that produced a positive nature to the value of a company without any moderation of the founder of the family company's CEO. Likewise, female family managers and family ownership of a company produced an insignificant influence on Tobin's q, which indicated that a company did not look at the gender or right of a family to increase the value. At the same time, research on the education level of family managers had a significant positive influence on Tobin's q, which indicated that a company needed a family manager who has a graduate education level (Bachelor), so leadership could increase the value of a company.

There are also limitations found by researchers in this research where the selection of samples was only 133 companies from 634 entities registered with the IDX due to time constraints in working. The limit in taking the number of examples is because there are only five years, namely from 2016 to 2020, and some companies whose financial statements are incomplete so that researchers do not take the data as this research.

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