4 RESEARCH METHODOLOGY

This study employed a linear regression analysis method. It also sed panel data of manufacturing companies in 2016-2018 with criteria of at least 5% of family ownership. The population in this study was 143 companies. The samples were selected by purposive sampling, and 45 manufacturing companies were obtained. The regression equation is:

$$Y = \alpha + \beta 1(FMO) + \beta 2(FMOD) + \beta 3(FCEO) + \beta 4(SIZE) + \beta 5(AGE) + \beta 6(DAR) + \varepsilon$$

The dependent variable in this research is company performance using Tobin's Q formula. The independent variables are family ownership (FMO), the proportion of family members on the board of directors (FMOD), family CEO (FCEO). Also, control variables include company size (SIZE), company age (AGE), and leverage (DAR).

5 DISCUSSION AND IMPLICATION

A study by Bambang and Hermawan (2013) found that family ownership contributes negatively to the company's market valuation. In addition, this type of company has less financial performance, more possibility of profit manipulation, weak governance laws, and a high possibility of wealth takeover to the majority and family shareholders (Beuren, Politelo, and Martins, 2016). The more shares held by certain families will cause family control. Thus, this circumstance can cause conflicts between controlling shareholders (family ownership members) and minority shareholders. For example, the results of final decision voting tend to side with family ownership members. Thus, based on the discussion above, it is believed that family ownership has a negative effect on company performance.

Furthermore, family-owned companies create value if combined with family control in company management (Villalonga and Amit, 2006). Family management then will add more value if the company founder becomes the CEO or chairman of the company. According to Pukthuanthong et al. (2013), a family company with a founder working as the CEO will be preferable since she or he is able to assist in resolving agency conflicts between shareholders and management to increase the company value. Once the company can run good corporate governance and improve its performance, it will create a good image in the eyes of investors. Thus, the above discussion indicates that the proportion of family directors and family CEO has a positive influence on company performance.

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