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The Good Corporate Governance: Case Study in Indonesia and Philippines

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ABSTRACT

Good corporate governance is critical in reducing conflict between agencies in the workplace. Corporate governance is crucial in developing nations with lax law enforcement. The impact of governance on corporate performance is investigated in this article. This study uses quantitative data from manufacturing companies registered on the Indonesian and Philippine stock exchanges. This study relied on 655 observations from Indonesia and 220 from the Philippines. Corporate governance is measured using independent commissioners, the number of board members, shareholder ownership, and the use of Big Four auditors. This study discovered that independent commissioners, the board size, and block-holders ownership significantly affected the return on assets. Tobin's Q analysis revealed that only Board Size had a significant effect. Unlike Indonesia, the results of this study in the Philippines showed that independent commissioners and block holder ownership significantly impacted the return on assets. On the other hand, this study using Tobin's Q showed that all independent variables, such as independent commissioners, the board size, block-holders ownership, and big four accounting firms, had a significant effect. The practical implication of the study's findings is that management monitoring by independent commissioners and all commissioners is beneficial in avoiding managers' acts that harm the organization. On the one hand, the number of commissioners sends an excellent signal to the market. Block holder ownership and the usage of big four accounting firms can also strengthen monitoring, improving corporate performance. Companies should have a high proportion of independent commissioners, a modest board size, and use big four accounting firms. Companies can increase their performance and investor trust by applying the above governance components.

Keywords: Corporate Governance; Independent Commisioners; Board Size; Ownership; Financial Performance

INTRODUCTION

Research on good corporate governance has been engaging in the last decade. Various inconclusive findings make this research always an exciting topic. Companies with good governance are currently expected to be able to provide value to stakeholders. Information asymmetry between shareholders and company controllers is one of the agency problems where the majority holders also control the company and prioritize interests, causing conflicts of interest (Al Farooque et al., 2019). This problem becomes more complex in developing countries where law enforcement is still not firm (Hermawan et al., 2022), and courts can still be influenced by those who have money. One of the developing countries that are interesting to study is Indonesia and the Philippines. In Indonesia, this agency problem often occurs due to conflicts of interest and weak enforcement of rules by the financial services authority. Therefore, corporate governance becomes an appropriate and interesting discussion because it can be overcome by protecting the interests of shareholders through control instruments and the role of advisors(Nam & Nam, 2004; Vintila & Gherghina, 2012). Not only overcoming conflicts of interest, but corporate governance can also handle information asymmetry problems (Al Farooque et al., 2019; Vintila & Gherghina, 2012).

The Good Corporate Governance (GCG) implementation in Indonesia and the Philippines tends to be considerably lower than in other Asian countries, as proved by the Asian Corporate Governance Association (ACGA) assessment in CG Watch. CG Watch 2020 suggests that Indonesia and the Philippines are in the two lowest positions: the Philippines in position eleventh and Indonesia in position twelve (Allen, 2020). Based on CG Watch 2020, the low level of corporate governance in Indonesia is caused by factors such as regulators and investors. Investors and civil society factors cause the Philippines. The regulator's factor is due to the low authority to investigate governance and the need for more support from the government. The investor factor is due to the Indonesian government's failure to supervise investors, especially institutional investors, and several insurance cases. In the General Meeting of Shareholders (GMS), there are differences in voting practices between institutional investors, both foreign and local. Local institutional investors need to be more proactive in resolving their disagreements. In addition, the ASEAN Corporate Governance Award, organized by the ASEAN Corporate Governance Scorecard (ACGS), announced the nominees for the 2019 ASEAN Top 20 Publicly Listed Companies. No Indonesian companies are on the list, reflecting that Indonesia's general corporate governance level is inferior compared to Southeast Asian countries like Thailand, Singapore, and the Philippines.

Companies that do not have reasonable governance risk allowing CEOs to abuse authority against shareholders and significant shareholders against minority shareholders. Minority shareholders will suffer losses as a result of abuse of power. Furthermore, the adoption of lousy governance allows for executive abuse of authority. Minority investors are vulnerable due to lax enforcement conditions. Companies that practice good governance are required to protect the interests of their shareholders.

LITERATURE REVIEW

The agency problem is one of the problems often faced in companies between agents and principals because individuals or groups hold company ownership in the form of shares, where shareholders will delegate authority to managers to carry out operational activities on their behalf. However, agency problems often escalate because managers only run the company for personal gain and do not prioritize the interests of shareholders (Jensen & Meckling, 1976). Good corporate governance standards can help to lower agency expenses. Corporate governance can be proxied by various approaches, but in this study, what represents governance is independent commissioners, the board size, block holder ownership, and auditor's quality.

When conducting business operations, it is critical to have a benchmark or corporate performance to determine whether the actions taken fit the firm's objectives so companies can evaluate performance in the previous period and become a company strategy in the future. In the view of Taouab and Issor (2019), firm success is a product of management, economics, and marketing that delivers competitiveness, efficiency, and effectiveness. Company performance can provide important information to monitor management performance, report on each process, increase motivation and communication and find problems (Benková et al., 2020; Waggoner et al., 1999). According to Gimbert et al. (2010) explain that the company's performance measurement system is a short and precise measure in financial or non-financial terms to support the company's decision-making process by collecting, processing, and analyzing performance information. As a result, there are two types of corporate performance measurement: accounting-based and market-based (Lukito et al., 2024). Return on Assets (ROA) represents an appropriate accounting-based achievements metric because ROA is one of the indicators most often used by companies to reveal how companies use assets to generate income. The greater the percentage of the ROA, the better the organization utilizes its assets to produce income. Market-based measurement can use Tobin's Q measurement. The corporation's success in leveraging investment to build the company in terms of market value compared to book value is indicated by a high Tobin's Q (Kapopoulos & Lazaretou, 2007; Vo, 2019).

The presence of independent commissioners has a positive impact on firm performance (Al Farooque et al., 2019; Darko et al., 2016; Kao et al., 2019). Following agency theory, independent commissioners play an essential role in reviewing firm performance. A higher share of independent commissioners in the corporation will improve oversight of the board of directors' activity. A more significant percentage of independent commissioners will minimize fraud and abuse of scarce resources (Darko et al., 2016). Independent commissioners also have a neutral role in mediating between shareholders and managers to provide neutral decision-making. Therefore, the more independent commissioners in the company increase, the more they can improve supervision and implementation of corporate governance and company performance.

Many individuals sitting on the board of commissioners hurts the firm's performance (Kao et al., 2019). The Commissioners' Board can supervise management operations; however, the larger the Board of Commissioners, the lower the quality of oversight (Guest, 2009) due to the low quality and process of communication, coordination, and decision-making of the Board of Commissioners, which can cause agency problems. The negative effect of the large board of commissioners also reflects the company's problems in carrying out an advisory role (Guest, 2009). The emergence of various problems from the large size of the board of commissioners can reduce the implementation of corporate governance (Murhadi, 2021), which impacts company performance.

Blockholder ownership has a positive effect on company performance (Al Farooque et al., 2019; Darko et al., 2016; Kao et al., 2019). Darko et al. (2016) state that blockholder ownership positively affects company performance. Blockholder ownership in the company can prevent the company from the domination of interests by any party because decision-making is based on company activities (Farooq & Masood, 2016). According to Jensen and Meckling (1976), blockholder ownership also provides a strong impetus for monitoring managers and collecting information to maximize shareholder wealth. In addition, company performance will improve with changes in blockholder ownership that align with the interests of management and shareholders (Jensen & Meckling, 1976). As a result, the greater the blockholder ownership in the business, the stronger the supervisory function, affecting the company's performance.

Audit quality, as measured by using BIG4, positively affects company performance (Al Farooque et al., 2019; Kao et al., 2019) because BIG4 can improve the supervisory function of management and the board of directors. Companies using BIG4 for the audit process have better quality than non-BIG4. By being an independent party, BIG4 has no dependency on the company, hence being able to maintain objectivity in the financial statements. According to DeAngelo (1981), companies that use BIG4 auditors have a higher incentive to maintain their reputation and image to avoid litigation risk. The high audit quality using the BIG4 will detect manipulations that can reduce the quality of the company's financial statements (Berglund et al., 2018). In addition, BIG4 also has an audit system and professionalism in auditing financial statements (Choi et al., 2017) to improve the financial performance of companies that use BIG4 services.

H1: Independent commissioners have a positive impact on firm performance.
H2: The number of members of the board of commissioners hurts firm performance.
H3: Block holder ownership improves firm performance.
H4: BIG4 auditors have a positive effect on firm performance.

RESEARCH METHOD

This study uses secondary data on companies in the Indonesian and Philippine stock exchange sectors. The data source is the 2016-2020 Fact Book on the IDX website, while companies listed on the PSE can be found on the official PSE website. A representative group of manufacturing-based companies traded on the IDX, which is Indonesia's stock exchange. The Philippine Stock Exchange (PSE) with the following characteristics was used for this study from 2016 to 2020: (1) exhibited on both the Indonesia Stock Exchange (IDX) and the Philippine Stock Exchange (PSE) between 2016 and 2020; (2) publishing audited company financial reports every year in the 2016-2020 period; and (3) having complete company data availability for research. After the number of companies is filtered through 3 criteria, the total number of samples included in the study is 131 in Indonesia and 44 in the Philippines. There are 655 observation data in Indonesia and 220 in the Philippines.

In this study, the dependent variables are ROA and Tobin's Q, while the independent factors are independent commissioners, board size, block holder ownership, and BIG4. Furthermore, as control variables, the size of the business, firm age, and leverage are included. ROA and Tobin's Q are used to measure company performance, with ROA being an accounting-based measurement indicator and Tobin's Q being a market-based measurement indicator. The number of commissioners who are not linked with members of the board of directors, stakeholders, or essential shareholders of the corporation is the independent variable of the number of independent commissioners (IC). The number of commissioners in each company measures board size (BS). Blockholder ownership (BL) is measured by the share ownership of shareholders with a proportion of shares of at least 5% of the total number of common shares. Big Four accounting firms are the four largest accounting firms in the world; if the company's audit process uses the services of the BIG4, then a value of 1 is given, and non-big4 is given a value of zero. The firm size, firm age, and leverage are all control factors. Firm size (Size) is calculated using the natural log of total assets; firm age (AGE) is calculated using the natural log of the research year minus the year of establishment; and leverage (LEV) is calculated using the debt ratio. This study employs EViews software to test panel data using linear regression models with conventional presumptions and the Chow and Hausman test to choose the best model.

RESULTS AND DISCUSSION

Table 1 is a descriptive data display. One can see the distribution of data and the accuracy of data input. Table 1 displays descriptive statistics from the data of manufacturing sector companies listed on the Indonesia Stock Exchange (IDX). The amount of observation data in Indonesia is 655 observation data or 131 companies. At the same time, the data of manufacturing sector companies listed on the Philippine Stock Exchange (PSE) with the amount of observation data in the Philippines is 220 observation data or 44 companies.

Table 1. Summary of Descriptive Statistics for Indonesian and Philippines

Variables	Mean	Median	Max.	Min.	Std. Dev.
Indonesia					
Return on Asset	0.038	0.029	0.921	-1.049	0.111
Tobin's Q	1.554	1.028	14.622	0.164	1.673
Independent Commissioners	0.415	0.375	1.000	0.200	0.113
Board Size	4.125	3.000	12.000	2.000	1.715
Blockholder Ownership	0.747	0.800	0.997	0.249	0.157
BIG4	0.400	0.000	1.000	0.000	0.490
Size	28.648	28.448	33.495	25.216	1.564
Age	39.382	39.000	103.000	2.000	13.734
Leverage	0.538	0.486	5.168	0.003	0.500
Philippines					
Return on Asset	0.051	0.047	0.655	-0.205	0.077
Tobin's Q	1.467	1.157	7.969	0.558	0.979
Independent Commissioners	0.315	0.286	0.818	0.167	0.136
Board Size	9.236	9.000	16.000	5.000	2.313
Blockholder Ownership	0.598	0.629	0.954	0.064	0.229
BIG4	0.723	1.000	1.000	0.000	0.449
Size	23.718	23.659	27.101	18.972	1.873
Age	44.023	38.000	102.000	6.000	24.973
Leverage	.492	0.484	1.192	0.034	0.217

Tables 2 and 3 display the correlation between Indonesia and the Philippines variables. Table 2 shows that the most significant correlation coefficient is between the number of commissioners (BS) and company size (Size), which is 0.61; the more significant the company, the more commissioners function as company supervisors. Moreover, many companies in Indonesia have subsidiaries.

Table 2. Correlation in Indonesia

	IC	BS	BL	BIG4	SIZE	AGE	LEV
IC	1.000	-0.054	0.088	-0.002	0.094	0.127	0.016
BS	-0.054	1.000	-0.107	0.414	0.606	0.206	0.039
BL	0.088	-0.107	1.000	0.090	-0.205	0.150	-0.070
BIG4	-0.002	0.414	0.090	1.000	0.429	0.217	-0.169
SIZE	0.094	0.606	-0.205	0.429	1.000	0.168	-0.033
AGE	0.127	0.206	0.150	0.217	0.168	1.000	-0.028
LEV	0.016	0.039	-0.070	-0.169	-0.033	-0.028	1.000

Table 3 for companies in the Philippines shows that the highest correlation is also consistent in the size and board size variables, which reach 0.33.

Table 3. Correlation in the Philippines

	IC	BS	BL	BIG4	SIZE	AGE	LEV
IC	1.000	-0.239	-0.043	0.039	0.008	0.052	-0.028
BS	-0.239	1.000	0.104	0.089	0.328	0.148	0.232
BL	-0.043	0.104	1.000	0.208	0.255	0.129	-0.217
BIG4	0.039	0.089	0.208	1.000	0.241	0.305	-0.099
SIZE	0.008	0.328	0.255	0.241	1.000	0.029	0.435
AGE	0.052	0.148	0.129	0.305	0.029	1.000	-0.137
LEV	-0.028	0.232	-0.217	-0.099	0.435	-0.137	1.000

Table 4 presents panel data processing with the dependent variable ROA. From Table 4, in Indonesia, there are five significant variables, namely independent commissioners, board size, block holder ownership, company age, and debt, that affect performance. For the Philippines, the influential variables are independent commissioners, block holder ownership, company size, company age, and debt.

Table 4. Regression Analysis Results for ROA Variables

Variable	Indonesia		Philippines	
	Coefficient	t-Statistic	Coefficient	t-Statistic
C	0.356	2.41**	-1.794	-13.53***
IC	0.055	2.50**	0.032	2.15**
BS	-0.002	-1.73*	-0.001	-0.86
BL	0.049	3.47***	0.089	4.33***
BIG4	-0.0002	-0.03	0.003	1.13
SIZE	-0.002	-0.42	0.111	13.79***
AGE	-0.006	-7.40***	-0.015	-15.93***
LEV	-0.105	-6.61***	-0.319	-13.83***
R-squared	0.935		0.956	
Adjusted R-squared	0.918		0.944	
F-statistic	54.61		75.03	
Prob(F-statistic)	0.000***		0.000***	

Note: ***significant at 1%; ** significant at 5%; * significant at 10%

Table 4 shows that independent commissioners, the board size, and block holder ownership significantly impact RoA performance. Meanwhile, the "Big 4" audit firm variable did not affect RoA-measured corporate performance. The independent commissioner variable has a considerable beneficial effect on RoA in both Indonesia and the Philippines. The research results on ROA, which has a significant positive effect, are supported by Cho and Kim (2007) and Fuzi et al. (2016), stating that independent commissioners can minimize agency problems regarding majority and minority shareholders. This finding is consistent with the duties of independent commissioners, who prioritize the interests of both majority and minority shareholders (Rashid, 2018). By monitoring directors' conduct as majority shareholders, independent commissioners are thought to be capable of moderating the link between directors' interests and corporate performance (Kallamu, 2016). Independent commissioners carry out this supervision to ensure that directors make decisions for the benefit of the company as a whole and not for personal gain. Independent commissioners in the company has been recommended in the international corporate governance code of ethics, which can supervise governance, internal control, and risk management (Fuzi et al., 2016; Rashid, 2018). In addition, independent commissioners aim to assist management with external information and knowledge, especially in financial aspects (Abor & Biekpe, 2007).

In Indonesia, the board size variable significantly negatively affects RoA. At the same time, the size of the board of commissioners has no effect on RoA in the Philippines. The results of research on Indonesia's ROA, which has a significant negative effect, are supported by Mak and Kusnadi (2005), who argue that companies with large board sizes are associated with less efficient use of assets and low levels of profitability, such as high remuneration costs. This negative result is also tied to the giant board of commissioners, which will result in higher salaries and incentives (Haniffa & Hudaib, 2006; Raboshuk et al., 2023). In addition, a large board size tends to add members rather than replace less qualified commissioners (Mak & Kusnadi, 2005).

Furthermore, Dalton et al. (1999) claimed that a big board size would result in poor interaction and decision-making processes. Chen (2010) also explained that the larger the size of the Board of Commissioners will increase problems related to the communication process, decision-making, and coordination, while the ability of the Board of Commissioners to control management decreases and causes agency problems. It will undoubtedly reduce company performance. The Philippines' ROA research's unimpressive results are backed by Vaidya (2019), Bennedsen et al. (2008), and Murhadi et al. (2021), declaring that the size of the board of commissioners does not affect ROA. The large number of Board of Commissioners members causes the Board of Commissioners to be ineffective in supervising management; therefore, the size of the Board of Commissioners cannot ensure corporate performance. The size of the board of commissioners is not a determining factor in improving company performance, but rather how effective and efficient the board of commissioners is (Murhadi et al., 2021).

The effect of the block holder ownership variable is significantly positive in both Indonesia and the Philippines. Both regression results follow the hypothesis contained in this study. The research results on ROA, which has a significant positive effect, are supported by Shome and Singh (1995), stating that blockholder ownership improves accounting performance. The increase in block holder ownership will increase the block holder's function as a monitor of managers who can minimize agency problems (Ibrahimy & Ahmad, 2020) because block holders have a high incentive to supervise managers and collect company information to maximize the wealth of shareholders, both majority and minority (Ibrahimy & Ahmad, 2020). In addition, the increase in block holder ownership in the company will encourage block holders to minimize the actions of directors who want to maximize their interests (Chen, 2010). According to Zhuang (1999), block holders' role in corporate governance is related to the high turnover rate of directors who have poor performance and are replaced with more qualified directors.

The Big4 variable showed that, in both Indonesia and the Philippines, RoA had no significant effect. Both research results on insignificant ROA are supported by Elewa and El-Haddad (2019) and Nindita and Siregar (2013), which state that BIG4 does not affect company performance because auditor independence has a negligible effect on company profitability. In addition, companies only use BIG4 auditors to divert attention from poor report quality and company performance. BIG4 auditors also charge higher service fees than Non-BIG4 auditors but provide the same quality as Non-BIG4 auditors (Kabir et al., 2011). Nindita and Siregar (2013) found a need for uniformity in audit quality among BIG4 auditors, so companies that use BIG4 may not necessarily have superior company performance. In addition, the performance of BIG4 and Non-BIG4 auditors is more or less the same, so there is only a slight difference in audit quality.

The test results for Tobin's Q variable appear in Table 5. Table 5 presents the results of panel data processing with the dependent variable being Tobin's Q. Table 5 shows that in Indonesia, there are three significant variables, including board size, company age, and debt, that affect Tobin's Q. while for the Philippines the influential variables are independent commissioners, the board size, block holder ownership, big four accounting firms, company size, company age, and debt.

Table 5. Regression result for Tobin's Q

Variable	Indonesia		Philippines	
	Coefficient	t-Statistic	Coefficient	t-Statistic
C	0.315	0.13	11.751	5.98***
Independent Commissioners	0.087	0.15	-0.372	-1.79*
Board Size	0.104	1.91*	0.076	4.06***
Blockholder Ownership	0.571	1.22	0.795	4.00***
BIG4	0.273	1.52	0.230	4.06***
Size	-0.037	-0.45	-0.418	-4.73***
Age	0.022	2.65***	-0.043	-6.43***
Leverage	0.729	4.10***	0.635	5.24***
R-squared	0.049		0.910	
Adjusted R-squared	0.039		0.883	
F-statistic	4.847		34.21	
Prob(F-statistic)	0.000***		0.000***	

Note: ***significant at 1%; ** significant at 5%; * significant at 10%

Table 5 shows that for the Philippines sample, independent commissioners, the board size, block holder ownership, and "big 4" accountants significantly influence performance, as evaluated by Tobins Q. In Indonesia, only board size has a favorable effect on Tobins Q. In Indonesia, the independent commissioner's variable does not affect Tobins Q. The insignificant results of research on Indonesian TBQ are supported by (Hermalin & Weisbach, 1991). According to Nguyen et al. (2014), independent commissioners in the company are merely a formality to follow the code of ethics, and the quality of independent commissioners provides no value to the company. The results of research on TBQ Philippines, which has a significant negative effect, are supported by García Martín and Herrero (2018), revealing that more independent commissioners in the company will reduce company performance.

According to García Martín and Herrero (2018), the high level of monitoring with many independent commissioners indicates that the company needs help managing management efficiently. With information asymmetry and business knowledge, directors are more capable of making decisions than independent commissioners (García Martín & Herrero, 2018; Kallamu, 2016; Rashid, 2018). Kallamu (2016) mentioned that independent commissioners are not an excellent supervision mechanism because directors participate more actively and can lessen agency difficulties. The Independent Commissioner variable has different regression results than the TBQ dependent variable. In Indonesia, it is insignificant, and in the Philippines, it has a significant negative effect. CG Watch 2020 data shows that the independence of the board of commissioners in the Philippines still needs to improve, and many companies do not have independent commissioners. Although regulations to regulate the independence of the Board of Commissioners have been enforced, practices still need to meet the rules. According to Octosiva et al. (2018) and Wulandari (2006), independent commissioners do not affect company performance in Indonesia because the reason for selecting independent commissioners is not from ability, expertise, and experience but from a personal interest in subjective directors. In addition, independent commissioners who work part-time and can work in other companies need to understand the company's operational activities in detail (Octosiva et al., 2018; Wulandari, 2006). Therefore, independent commissioners are considered unable to provide trust to shareholders.

The effect of the board size variable on Tobins Q is significantly positive in both Indonesia and the Philippines. Both research results on TBQ, which have a significant positive effect, are supported by Darko et al. (2016), who state that a large board size will improve company performance. A large board size allows for diverse backgrounds, such as gender, experience, skills, nationality, and expertise. The number of members of the board of commissioners is considered to create better monitoring with members' diverse expertise and experience (Kalsie & Shrivastav, 2016; Ntim et al., 2015). Fauzi and Locke (2012) state that a large board size will create a quality supervisory system, increase the independence of the board of commissioners, and counter the actions of directors who want to prioritize personal interests. Goodstein et al. (1994) stated that the size of the board of commissioners would reduce the dominance of directors, who usually make special agreements with certain parties to maximize personal interests.

The effect of blockholder Ownership on Tobins Q is insignificant in Indonesia. The results of research on Indonesian TBQ are supported by Thomsen et al. (2006), who said that blockholder ownership does not contribute to improving company performance due to conflicts of interest between blockholders and minority shareholders. According to Fauzi and Locke (2012), blockholder ownership is not influenced because the shareholder structure of any company varies depending on corporate variables such as regulation, economic scale, and environmental stability. The results of research on Philippine TBQ, which has a significant positive effect, are supported by Ahmed and Hadi (2017) and Hu and Izumida (2008), which state that with a significant block holder shareholding, they have the authority to monitor the company's operational activities compared to retail shareholders. In addition, blockholders can receive and process helpful information to minimize agency problems.

According to Ahmed and Hadi (2017), blockholders also have many voting rights to influence the company's operational performance. Blockholder ownership also affects the company's compensation system, which minimizes agency problems between shareholders and managers (Fauzi & Locke, 2012). In the Blockholder Ownership variable, there are different regression results on the TBQ dependent variable, whereas in Indonesia, they are insignificant. In the Philippines, it has a significant positive effect. Yuliani and Muizuddin (2014) revealed that blockholder share ownership in Indonesia is insignificant to company performance at a certain level, which can create deviations in management actions that harm minority shareholders. This result is negligible if the stockholders do not perform their functions actively. In addition, Wirawardhana and Sitardja (2019) also found that block holders in Indonesian companies are often affiliated and cause conflicts of interest that can reduce investor confidence in the company. The blockholder ownership structure in the Philippines is dominated by family ownership. Although family ownership tends to hurt company performance, it has advantages over non-family companies. According to Chu (2011), family ownership that dominates company share ownership will improve company performance if the family owns all top management positions without interfering with non-family parties. This argument is because the presence of the family will make it easier to align interests and increase company supervision.

The effect of Big Four accounting firms on Tobins Q is insignificant in Indonesia, while it is positively significant in the Philippines. The findings of this study on the inconsequential Indonesian TBQ are reinforced by Elewa and El-Haddad (2019) and Nindita and Siregar (2013), who found that BIG4 has little effect on audit quality or company performance. According to Kabir et al. (2011), audit quality is the same for BIG4 and Non-BIG4 due to the competitive audit market and low demand for audit quality, particularly in developing nations. However, Non-BIG4 companies are also considered to have the same audit quality as BIG4 auditors, so the market is not affected by the selection of BIG4 and Non-BIG4 auditors (Perdana & Rahardja, 2014). TBQ Philippines, which had a significant positive effect, is supported by Taufiq and Fadila (2021), stating that companies that use Non-BIG4 have lower audit quality. The high percentage of companies using BIG4 can improve the company's reputation and the trust of shareholders (Taufiq & Fadila, 2021). BIG4 companies carry out the audit process by fulfilling internationally applicable rules and regulations. According to Sattar et al. (2020), using BIG4 companies will improve the implementation of corporate governance principles, which is called transparency. BIG4 companies can find errors and detect fraud from internal parties openly because they are not directly involved in the company's operational activities (Sattar et al., 2020). Afza and Sajid Nazir (2014) revealed that shareholders have more confidence in reports issued by BIG4 companies. According to Khan et al. (2021), companies that use BIG4 can increase transparency and accountability to achieve better company performance and gain shareholder trust to conduct and plan investment activities.

CONCLUSION

This study examines the impact of independent commissioners, board size, block holder ownership, and audit quality (Big Four accounting firms) on financial performance. Financial success will be monitored using an accounting-based approach represented by return on asset and a market-based approach represented by Tobin's Q. In this study, the Independent Commissioner variable significantly affected company performance, especially on return on assets in Indonesia and the Philippines. The function of independent commissioners in the company as management supervisors is to avoid the actions of managers that harm the company. For the Board of Commissioners, the Size variable had a significant negative effect on company performance, especially on return on assets in Indonesia. Many commissioners are usually associated with communication, coordination, and decision-making problems. The Blockholder Ownership variable significantly positively affected company performance, especially in terms of return on assets in Indonesia and the Philippines. The amount of blockholder ownership increased the supervision of managers and voting rights over the company's operational activities. The Big Four Accounting Firm variable had a significant positive effect on firm performance, especially on Tobin's Q in the Philippines. Companies that use Big Four accounting firms had higher audit report quality than non-Big Four accounting firms. Companies have international-quality financial reports that can reduce fraud. Using Big Four accounting firms certainly improves company performance, reputation, and investor confidence. Investors get a sense of security and confidence in the stocks that use Big Four accounting firms with international standard audit quality.

The practical implication of the study's findings is that management monitoring by independent commissioners and all commissioners is beneficial in avoiding managers' acts that harm the organization. On the one hand, the number of commissioners sends an excellent signal to the market; on the other hand, many commissioners raise wage costs, which hurts financial performance. Blockholder ownership and the usage of Big Four accounting firms can also strengthen monitoring and improve corporate performance. Companies are advised to pay close attention to corporate governance implementation. Companies should have a high proportion of independent commissioners, a modest board size, and use big four accounting firms. Companies can increase their performance and investor trust by applying the above governance components.

This study still has several limitations. The research variables used do not cover corporate governance but are limited to independent commissioners, the board size, Big Four accounting firms, and blockholder ownership. Future research is expected to use other variables that also represent governance.

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