

ABSTRACT

The companies listed in Indonesia Stock Exchange (BEI), in general, is a company that already has a separate organizational structure between the owners and managers. This can lead to the existence of agency conflict between owners and managers as well as its organizer. Pooling of interests between managers and owners can be done through the implementation of corporate governance. This study aimed to investigate the effect of ownership structure within the company as a dimension of corporate governance mechanisms on corporate performance improvement. Understanding of the structure of ownership is very important in the company because it deals with operational control of the company.

This research uses secondary data, namely the annual financial statements of listed manufacturing companies in Indonesia Stock Exchange for the years 2006, 2007 and 2008. The sampling method used was purposive sampling and data analysis model used was multiple regression analysis.

Results from this study indicate that institutional ownership and foreign ownership in a company has a positive and significant effect on firm performance. Meanwhile, the managerial ownership and public ownership has no effect on firm performance.

Keywords: Agency theory, Ownership structure, Return on assets (ROA), Firms performance