

ABSTRACT

The aims of implementation of good corporate governance are to minimize agency problem and to increase firm valuation. This research is to examine the effect of corporate governance mechanism to corporate performance.

Sample of the research is 80 manufacturing company listed in BEI during 2006 – 2008. The data is taken from annual report. Five variables of corporate governance such independent commissioner, managerial ownership, foreign ownership, debt and audit quality are used to explain company performance that are measured with Tobin's Q. Regression analysis is applied to examine the effect corporate governance mechanism to the company performance.

The result of the analysis shows that independent commissioner proportion do not positively effect the company performance. Managerial ownership do not positively effect the company performance but it effect negatively. Foreign ownership do not positively effect the company performance but it effect negatively. Debt do not effect to company performance and audit quality positively effect company performance. Company that audited by Big 4 audit firm tends to have bigger performance.

Keywords : corporate governance mechanism, company performance.