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The Influence of Gender, Age, Length of Service and Educational Level of Directors on Company Performance in the Consumer Goods Industry Sector

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ABSTRACT

This research aims to determine the influence of gender, age, length of work and education level of directors on the performance of companies operating in the non-cyclical consumer goods sector. Company performance is proxied by the company's profitability ratio, namely return on assets. The research sample used is companies in the non-cyclical consumer goods sector listed on the Indonesia Stock Exchange for the period 2020-2022. The analysis technique uses the multiple linear regression analysis method. The research sample used was 234 data from 78 sample companies. The research results show that the gender of directors has a significant positive influence on company performance. Meanwhile, the age, length of work and education level of directors didn't have a significant influence on company performance. This research can be used by companies, especially companies in the non-cyclical consumer goods sector, to consider selecting female directors on the board of directors in order to improve company performance.

Keywords: *Gender, Age, Length of Working, Level of Education, Company Performance*

1. INTRODUCTION

Companies in Indonesia are generally classified into several sectors, one of which is the non-cyclical consumer goods sector. The non-cyclical consumer goods sector consists of companies that offer daily needs products such as food, beverages, soap, etc. Companies in this sector tend to have resilience to economic conditions that experience a crisis because people will still need consumer goods products in times of crisis, so the performance of companies in this sector tends to be less influenced by economic conditions.

Company performance is the ability of a company to meet the diverse needs of company stakeholders and maximize profits simultaneously (Aifuwa, Musa, Ojuolape, & Kamaldeen, 2020). One of the financial ratios commonly used to describe company performance is the profitability ratio because the main purpose of establishing a company is to make a profit. Profitability ratio is a calculation technique used to analyze the company's capacity to generate profits from the business operations carried out (Senastri, 2020). One of the profitability ratios that measures the company's profit level in using all investment capital owned by the company is Return on Assets (ROA).

The performance generated by the company can be realized inseparably from the role of the board of directors as the manager of the company. Companies in realizing the level of effectiveness of company performance generally use the role of directors in corporate governance, so that the formation of the board of directors needs to be done to create a better governance structure by combining various competencies and expertise (Winona, Febriany, Haryono, & Chandra, 2020). The board of directors is an internal party of the company that has a colegal duty and has responsibility for the management of the company and losses arising from the negligence of the directors in carrying out their duties (Zulkarnain and Mirawati, 2019). The board of directors can also be interpreted as an organizational structure that has the authority related to policy formulation, strategy setting and decisions in accordance with the company's capabilities and needs to defend against risks and improve the performance obtained by the company (Julyanti and Suparman, 2020). The board of directors generally consists of several board members who have their respective duties and authorities in managing the company. Each board of directors generally has different characteristics due to differences in gender, age, length of service and education level of the directors which can affect company performance.

Directors in making decisions related to company management will generally be influenced by characteristics arising from gender trends. Women tend to use feelings as a consideration in decision-making, while men are more likely to be firm by using logic in decision-making. In addition, women also tend to have a higher attitude of caution, so that directors are not too hasty in the process of making company decisions (Jao, Randa, Holly, & Gohari, 2021). The results of research conducted by EmadEldeen, Elbayoumi, Basuony, & Mohamed (2021) show that gender has a significant positive effect on company performance. The presence of female directors in the company plays an important role in making decisions in uncertain conditions (Julyanti and Suparman, 2020), so that the greater the number of female directors in the company, the company's performance will increase (EmadEldeen et al, 2021).

A person's age generally has an influence on the attitudes and actions taken by that person. Someone who has an older age generally has a lot of knowledge and experience in making decisions, so they are more conservative in facing risks and use a lot of careful consideration before making decisions. On the other hand, someone who has a younger age is generally more courageous in taking big risks and does not use much consideration in decision making, so that the possibility of the rate of return obtained can be higher even though there is a high risk of failure. Companies that have old and young directors are generally considered to have the potential to produce problems that arise due to differences in attitudes and views that make it difficult to work together, so that they can reduce company performance (Lestari and Mutmainnah, 2020). The results of research conducted by EmadEldeen et al (2021) show that the age of the board of directors has a significant negative effect on company performance, meaning that a young board of directors is better able to improve company performance through developing its knowledge and abilities.

The length of work that directors have undertaken will generally affect their loyalty to the company. The longer a person works as a board of directors can create a sense of loyalty and responsibility towards the company, so that the directors try to provide maximum results. Directors who have served for a long time in a company can increase the competence and commitment of the directors, and can reduce the potential for fraud in the preparation and reporting of the company's financial statements (Winona et al, 2020). The length of service that has been undertaken by directors is generally also considered capable of increasing experience, competence and commitment to the company to produce better performance through knowledge related to the company and the business environment (Lestari and Mutmainnah, 2020). The results of research conducted by Fatimah (2019) show that a person's length of service in a position can have a significant positive effect on company performance in generating profits. Directors who have been working for more than five years generally have the ability to do earnings management well, so that company profits can increase (Fatimah, 2019).

Directors can generally come from various educational backgrounds. Even so, the level of education of directors can affect the ability to perform their duties and responsibilities well. Educational qualifications are highly considered as a criterion for selecting board members because of the need that companies have for board members who have a certain level of cognitive capacity (EmadEldeen et al, 2021). However, in developing countries such as Jordan, many family companies carry out the process of appointing directors based on high academic degrees who have close kinship relationships, but do not pay attention to the skills and experience required by the business, which has a negative impact on company performance (Kanakriyah, 2021). The level of education of directors can affect the capacity and ability to think in finding solutions to solve problems that occur in the company (Aifuwa et al, 2020). The results of research by Aifuwa et al (2020) show that the level of education has a significant positive effect on company performance. Diverse educational backgrounds can generate a variety of new insights and stimulate new ideas and skills in company practice.

2. RESEARCH METHODS

This study uses an explanatory research design that aims to explain the relationship between gender, age, length of service and education level of directors on company performance based on predetermined provisions. This study also uses an observational research design in which data collection is carried out by observing the company's performance that has been published through the company's official website or the Indonesia Stock Exchange. This research is also designed based on data panel study research conducted on a population of 118 primary consumer goods companies listed on the Indonesia Stock Exchange in the 2020-2022 time span with the aim of seeing variations between samples. The research sample was obtained using purposive sampling technique with the criteria that primary consumer goods sector companies listed on the Indonesia Stock Exchange in the period 2020-2022 and publish annual reports along with the required information in full regarding the directors and company performance.

In this study, data analysis was carried out using multiple linear regression analysis techniques to see the cause-and-effect relationship between variables where the test was carried out using more than one independent variable on the dependent variable. The data used is secondary data which is quantitative in nature in the annual report published through the company's official website or the Indonesia Stock Exchange which is taken using the documentation data collection method obtained from the company's annual report published through the company's official website or the Indonesia Stock Exchange. The analysis model used in this study is as follows.

$$CP = \alpha + \beta_1 GD + \beta_2 AD + \beta_3 LSD + \beta_4 ELD + \beta_5 LC + \beta_6 TAC + e \quad (1)$$

Table 1. Variable Measurement

Variable	Measurement
Company Performance	Net Income / Total Assets
Gender of Directors	Number of Female Directors / Number of Directors
Age of Directors	Number of Directors >40 Years of Age / Number of Directors
Length of Service of Directors	Number of Directors with Length of Service ≥5 Years / Number of Directors
Education Level of Directors	Number of Directors with Postgraduate Degrees / Number of Directors
Leverage of the Company	Total Company Debt / Total Company Assets
Total Assets of the Company	ln(Total Assets of the Company)

3. RESULT AND DISCUSSIONS

3.1 RESULT

Table 2. Descriptive Analysis

	Min	Max	Mean	Std. Dev.
Company Performance	-0.3154	0.5990	0.0475	0.1170
Gender of Directors	0.0000	0.6667	0.1326	0.1696
Age of Directors	0.0000	1.0000	0.8825	0.2110
Length of Service of Directors	0.0000	1.0000	0.5596	0.3367
Education Level of Directors	0.0000	1.0000	0.3562	0.2682
Leverage of the Company	0.0004	2.3119	0.5162	0.2918
Total Assets of the Company	25.2518	32.8264	28.7370	1.6439

The average value of company performance is 4.75 percent, meaning that the average company in the noncyclical consumer goods industry sector has the ability to generate profits in managing its business. The minimum value of company performance is -31.54 percent by WICO in 2022. The maximum value of company performance is 59.90 percent by AISA in 2020. Gender of directors is the proportion presence of the female gender on the board of directors. The average value of the gender of directors is 13.26 percent, meaning that the proportion of male directors is more dominant in the company's board of directors. The minimum and maximum value of gender shows that there are several companies that do not have female directors directors like AISA, PALM, and CPRO, but there are two companies that are dominated by female directors women in their board of directors, namely RANC in 2020 and UNVR in 2020. Average value age of the board of directors is 88.25 percent, meaning that the proportion of directors aged more than 40 years more dominant in the company's board of directors. directors of the company. The minimum and maximum value of age of director shows that there are companies that do not have directors aged more than 40 years in the board of directors board of directors, namely HERO in 2020 and 2021 but there are several companies that have directors aged more than 40 years old only, such as RANC, UNVR, and AGAR. Average value length of service of directors is 55.96 percent, meaning that the proportion of directors with as directors of five years or more tends to be slightly dominant in the the company's board of directors. The minimum and maximum length of service of director shows that there are several companies whose board of directors don’t have directors with tenure as directors of five years or more such as ALTO, WAPO, and AISA, but there are some companies are only filled by directors with a tenure as a director of five years or more such as RANC, TGKA, DSNG. The average value of the level of education level of directors is 35.62 percent, meaning that directors with education below postgraduate education are more dominant in the the company's board of directors. The minimum and maximum value of education level education level shows that there are several companies that don’t have directors with postgraduate education such as HOKI, ULTJ, and STTP, but that there are several companies that are only managed by directors with postgraduate education or above, such as BEEF, EPMT and WAPO.

Table 3. Multiple Linear Regression Test Results

	B	Std. Error	t	Sig.	r^2
(Constant)	-0.444	0.131	-3.388	0.001	
Gender of Directors	0.089	0.044	2.047	0.042	1.82%
Age of Directors	0.046	0.035	1.298	0.196	0.74%
Length of Service of Directors	0.017	0.022	0.783	0.434	0.27%
Education Level of Directors	-0.011	0.027	-0.404	0.686	0.07%
Leverage of the Company	-0.124	0.024	-5.056	0.000	10.11%
Total Assets of the Company	0.017	0.005	3.769	0.000	5.90%
F-Statistic	7.921				
F Sig.	0.000				
R^2	0.173				
Number of Observations	234				

Based on the results of the linear statistical test which can be seen in table 3, the regression equation can be obtained as follows:

$$CP = -0.444 + 0.089GD + 0.046AD + 0.017LSD - 0.011ELD + 0.017LC - 0.124TAC + e \qquad (2)$$

The results of the F test show that the calculated F value is 7,921> 2,139 and a significant value of 0.000 <0.050, meaning that gender, age, length of service and education level of directors simultaneously have a significant influence on company performance.

The results of the t test show the effect of the independent variables on the dependent variable partially as follows. Gender of directors has a significant value of 0.042 <0.05 and has a B value of 0.089, meaning that the gender of the board of directors has a significant positive effect on company performance. The age of the board of directors has a significant value of 0.196 > 0.05, meaning that the age of the board of directors does not have a significant effect on company performance. The length of service of the board of directors has a significant value of 0.434 > 0.05, meaning that the length of service of the board of directors does not have a significant effect on company performance. The level of education of the directors has a significant value of 0.686 > 0.05, meaning that the level of education of the directors does not have a significant effect on company performance. The company's total assets have a significant value of 0.000 < 0.05 and has a B value of 0.017, meaning that total assets have a significant positive effect on company performance. Corporate leverage has a significant value of 0.000 < 0.05 and has a B value of -0.124, meaning that corporate leverage has a significant negative effect on company performance.

Based on the data in table 3, the R Square value shows that gender, age, length of service and education level of directors simultaneously have a proportion of influence on company performance of 17.3 percent, while the remaining 82.7 percent is influenced by other variables that aren't in the linear regression model. The results of testing the partial determination coefficient show the contribution of the influence of the independent variables on the dependent variable partially as follows, that Gender of Directors partially has a 1.82 percent, Age of Directors partially has a 0.74 percent, Length of Service of Directors partially has a 0.27 percent, Education Level of Directors partially has a 0.07 percent, Total Assets of the Company partially has a 5.90 percent, and Leverage of the Company partially has a proportion 10.11 percent of influence on Company Performance.

3.2 DISCUSSION

Gender of directors has a significant positive influence on the performance of companies engaged in the consumer industry sector. These results indicate that the greater the proportion of female directors in the board of directors, the positive effect on company performance. The existence of female directors who have a tendency to use intuition and feelings in the board of directors is able to provide a different view of the company's decision-making process, resulting in business decisions that can improve company performance, especially in companies in the non-cyclical consumer goods sector which generally have many female customers. Female directors are generally also considered to be inclined to analyze and develop strategies that encourage disclosure of intellectual capital information, so that it can help improve company performance (Zulkarnain and Mirawati, 2019). In addition, female directors are generally more sensitive in undergoing relationships and building good ties with stakeholders, so as to encourage company performance (Fikri and Elfiswandi, 2019). The results are supported by EmadEldeen et al (2021). However, this result is inconsistent with previous research by Fikri and Elfiswandi (2019) and Ali and French (2019) which show a significant negative effect on company performance. In addition, the results of this study are also inconsistent with previous research by Kanakriyah (2021), Jao et al (2021), and Zulkanain and Mirawati (2019), which show no significant effect on company performance.

The age of directors has an insignificant positive effect on the performance of companies engaged in the consumer goods industry sector. This result shows that the greater the proportion of directors aged more than 40 years in the company's board of directors, the less significant the effect on company performance. Maturity of thinking, wisdom and openness to innovation cannot be seen only based on numbers on age. This is because a person's maturity is not always the same as age. Zulkarnain and Mirawati (2019) argue that not only a certain age required, but directors of various ages in order to work together in producing quality, characteristics and expertise that can improve company performance. This is also applies to industrial sector companies consumer goods industry sector companies that have consumers of various ages, so that directors with various ages are able to provide mutual views in making business decisions decisions to produce better company performance better company performance. The results are supported by Zulkarnain and Mirawati (2019). However, this result is inconsistent with previous research by Ali and French (2019), as well as Naseem, Lin, Rehman, Ahmad and Ali (2019) which show a significant positive effect on company performance. In addition, the results is inconsistent with previous research by EmadEldeen et al (2021), and Lestari and Mutmainnah (2020) which show a significant negative effect on company performance.

The length of service of directors has an insignificant positive effect on the performance of companies engaged in the consumer goods industry sector. These results indicate that the greater the proportion of directors who have a length of service of five years or more as directors in a company, it will not have a significant effect on company performance. The length of service as a director that is considered capable of improving company performance through loyalty to the company, as well as the directors' understanding of the culture and business environment may not be in accordance with its application. Loyalty or understanding of directors related to culture and business environment may not only arise when they have served as directors, but can also arise while working in the same company. On the other hand, the level of adaptation of directors in understanding the culture and business environment can vary, so directors with a length of service of five years may still not understand the culture and business environment well. Winona et al (2020) argue that directors whose tenure new and old positions are still new have a balanced position in relationship with the level of performance of the performance level of the company. This also applies to companies in the consumer goods industry sector sector companies, which have perceptions and trends that are perceptions and trends that are easy to change, so that directors with old and new terms of office will face new market situations. The results are supported by Winona et al (2020), Jao et al (2021), Lestari and Mutmainnah (2020). Mutmainnah (2020). However, this result is inconsistent with previous research by Fatimah (2019) which shows a significant positive effect on company performance. In addition, the results is inconsistent with previous research by conducted by Naseem et al (2019) which shows a significant negative effect on company performance.

The education level of the board of directors has negative influence that is not significant on the performance of companies engaged in the consumer goods industry sector. This result shows that the more proportion of board members with education in the composition of the board of directors, it will not have a significant effect on company performance of the company. Education level of directors in this study measure education education related to the knowledge of a director of a theory in the form of hard form of hard skills, while directors also need to have practical skills that are generally obtained from experience practice or work experience, so that the level of education of the board of directors does not can determine the ability of directors in improving company performance. In addition, the high level of education of directors education level in a field cannot show that the directors are experts in all fields. Databoks Katadata (2022) shows that, currently people with postgraduate and doctoral education postgraduate and doctoral education is only 0.33%, so there is a possibility that companies difficult to get directors with postgraduate graduate degrees, especially directors with education that is in line with their position. This also applies to consumer goods industry sector companies that need directors who understand regulations and strict supervision from various institutions such as BPOM and MUI to be able to gain public trust in order to produce better performance. The results are supported by Fikri and Elfiswandi (2021). However, this result is incosistent with previous research by EmadEldeen et. al (2021) and Kanakriyah (2021) which showed a significant negative significant negative effect on company performance, as well as previous research by Aifuwa et al (2020) which shows a significant positive significant positive effect on company performance.

4. CONCLUSION

This study aims to determine the effect of gender, age, length of service and education level of directors on the performance of companies in the consumer goods industry sector for the 2020-2022 period. The sample used in this study was 234 data from the observation of 78 companies during the period 2020-2022. The results of this study indicate that the gender of directors has a significant positive effect on company performance in the consumer goods industry sector. Meanwhile, the age and length of service of directors have an insignificant positive effect on company performance in the consumer goods industry sector. On the other hand, the level of education of directors has an insignificant positive effect on company performance in the consumer goods industry sector.

This research can be utilized for companies, especially those engaged in the consumer goods industry sector in order to consider the presence of female directors in the board of directors who have intuition in understanding the feelings of female consumers, so as to improve company performance.

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