

Abstract

Not all the companies that have applied corporate governance can always improve its performance each period. It is because in running a company the managers pursue different goals than that of the company owner, whereas the benefit of applying corporate governance principle should has a positive influence on the company's financial performance and profitability.

The research purpose was to determine the influence of corporate governance mechanism on the financial performance of Board of Directors as the intervening variable. The research was a descriptive and verificative (causal) research. Sampling was carried out by a purposive sampling method. The sample was those telecommunication operator companies that were listed in Indonesia stock market for time period of 2010-2014. The data analysis in the research used statistical-descriptive and path analyses.

The research result was that the proportion of independent board of commissioner has no influence on board of directors. The size of audit committee has influence on board of directions. Institutional ownership has no influence on board of directors. Independent commissioner proportion, audit committee, and institutional ownership simultaneously have influence on board of directors.

Board of directors has a significant influence on ROA-projected financial performance by 44.8%, and has insignificant influence on ROE-projected financial performance. The variables of independent board of commissioner proportion, size of audit committee, and size of institutional ownership in the intervening variable of board of directors have an influence on ROA-projected financial performance by -0,061 ,0,268 and -0,133 , while the proportion of independent board of commissioner, size of audit committee, and size of institutional ownership in the intervening variable of board of directors an influence on ROE-projected financial performane by -0,007, 0,031 and 0,015.

Keywords: proportion of independent board of commissioner, size of audit committee, institutional ownership, board of directors, ROA, ROE