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Does the New Revised Code of Corporate Governance Impede Board Diversity? Evidence from Indonesia

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Abstract

This study aims to explore the effect of the code of Indonesia's good corporate governance on the board diversity: ethnic, nationality, gender, qualification, experience, composition, and multiple directorship diversity. The revised Code of corporate governance provides the guidelines for better corporate governance practices. Therefore, board attribute, such as diversity, is one of the best corporate governance practices Two hundred and three of Indonesia's listed companies (1,421 firm-years) are research objects. The data were collected from company annual reports and other internet sources. The data was analyzed by using pair sample t-test and distribution frequency. Based on the pair sample t test, Oversight board ethnicity diversity, nationality diversity, gender diversity, and board composition are significantly difference between pre and post revised code. In addition, Management Board nationality diversity, dan gender diversity is also difference between pre- and post-revised code. Most of the case, update code improves the diversity, except for Oversight board ethnicity diversity. This study also provides us with the detailed average number and percentage of board diversity pre- and post the updated code of good corporate governance. This study implies that the revised code of good corporate governance increases the board diversity of Indonesia listed companies. Since the last revised code was released in 2006, the new updated code of good corporate governance has been demanded.

Keywords: code of corporate governance, board diversity, Indonesia

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1. Introduction

A corporate governance system is a framework that enables the Board of Directors to control the operations of a company based on its shareholders' interests(Pass, 2006). Unfortunately, several business scandals/ affairs have taken place all over the world due to the lack of proper corporate governances (Darmadi, 2013a; Haniffa & Hudaib, 2006; Lukviarman, 2004). To prevent these types of issues from happening in the future, various countries have enacted laws and regulations designed to improve the quality of corporate governance. In Indonesia, the country's Corporate Governance code was published in 2001. The Code of Corporate Governance was established to help businesses and regulators improve the quality of their operations (NCG, 2006). It has two main approaches that are designed to help companies implement effective corporate governance: regulatory and ethics-based methods. The first one is focused on developing a strong relationship with their stakeholders. The other approach is to implement regulations that are designed to encourage companies to follow proper procedures.

Despite the Code's existence, Indonesia's companies still have a long way to go before they can fully adopt effective corporate governance. (Darmadi, 2013b) Despite the country's efforts to improve the corporate governance quality, it is still lower rather than developed country. a study conducted in Indonesia revealed that the country's companies are still not following the Code's guidelines and regulations (Nuryanah & Islam, 2011). They also noted that many of them fail to comply with the percentage of Oversight board members that are following the Code. (Koutoupis, 2012) notes that a study conducted by the Asian Development Bank, the lack of effective corporate governance in the country can lead to business failure and Chief Executive Officers (CEOs) and independent directors are typically poorly chosen, overseen, and replaced by Indonesian directors. (Patrick, 2001) argues that the study also criticized the performance of the Indonesia Stock Exchange (IDX). It noted that it is not strong enough in its self-regulatory capabilities and lacks government monitoring.

Due to the lack of proper corporate governance, many companies have started to adopt new governance structures. One of these is the establishment of a diversity of directors. This concept is designed to improve the financial performance of a company (Carter et al., 2003). The positive relationship between board diversity and performance is underpinned by agency theory and resources dependency theory. Greater diversity among directors has been linked to higher performance (Van der Walt et al., 2006), closer management task monitoring (Zhang, 2012), substantial innovation (Jackson & Joshi, 2004), the possibility of making better decisions (Simons & Pelled, 1998), and an increase in knowledge among a company's board of directors (Wang & Clift, 2009). For this reason, the study focused on the composition of the board of directors of Indonesia companies. It was conducted to improve the country's corporate governance and protect the interests of its shareholders. Most extant literature investigating the directors' diversity using US data (e.g. Carter et al., 2010; Miller & Del Carmen Triana, 2009) and EU data (Olthuis & van den Oever, 2020). The most recent study on the Code of corporate governance (Bravo-Urquiza & Moreno-Ureba, 2021; Lobrij et al., 2020), their research focuses on financial distress and corporate culture. There are few studies that look at the impact of diverse directors in developing nations (see Wellalage et al., 2012, for instance). There is a paucity of research on the variety of directors (e.g., qualification, experience, gender, nationality, and ethnicity), particularly for Indonesia. This study aims to explore the effect of the code of Indonesia's good corporate governance on the board diversity: ethnic, nationality, gender, qualification, experience, composition, and multiple directorship diversity. This study also describes the detailed mean number and percentage of board diversity before and after the update code of good corporate governance. therefore, this study may enrich the corporate governance code and board diversity literature. This paper consists of four sessions: introduction, research design and method, result and discussion, and conclusions.

Code and Indonesia's business environment

The National Committee on Corporate Governance (NCCG), which was established in 1999, served as a marker for the Code's growth in Indonesia. The Committee's main objective was to develop guidelines that would help companies improve their practices. In 2004, it was renamed to the NCG. In 2001, it published the Code's first version. The organization then produced a revised version of the Code in 2006. Compared to the revised Code, the old one had fewer provisions that deal with the various stakeholder groups, such as principals and agents. It also lacked a comprehensive framework for corporate governance. The new Code was more structured and understandable. The updated Code provides guidelines that help companies improve their practices. It can be implemented through either a regulatory-based or ethics-based approach. The Code also has a set of principles and procedures that deal with the multiple stakeholder groups. The goal of the Code is to help companies improve their internal governance(Davies & Schlitzer, 2008). This is done through the establishment of a set of standards that help companies comply with international best practices.

The Code was also updated by the government to enhance its effectiveness and long-term stability. A survey was conducted to evaluate the corporate governance standards in various Asian countries (Hasan et al., 2008). The study used eight different factors to measure the quality of corporate governance in different countries. These include transparency, the rule of law, the availability of anti-director rights, and the legal system's efficiency. The study categorized the eight factors into three indices. Transparency, the Rule of Law, and the Legal System's Efficiency were the most common factors that were used to evaluate the quality of governance in various countries. The study found that the higher scores that were obtained from the various factors were indicators of the country's overall corporate governance. The data show that Indonesia's corporate governance ranking was the second lowest in the region, behind Korea. Besides, the study found that Singapore is the best place in Asia to do business in terms of corporate governance.

Board diversity

The scholars are still debating the definition of director diversity (Rose, 2007). However, the idea of diversity in director structure has been used by many experts. Van der Walt et al. (2006), for instance, make the case that diversity is regarded to different composition of directors' skills, qualities, and attributes that board members subscribe to with relation to director procedures and decision-making. Directors' diversity is defined by other researchers (Coffey & Wang, 1998) as the intrinsic variability of the Board's. In addition, Pelled (1996) argue that task-related and relationship-oriented features are frequently used to define diversity characteristics. Examples of task-related diversity qualities include tenure, functional background, and education, according to Ruigrok et al. (2007). Diversity in nationality, gender, and age is a relational quality. However, Milliken and Martins (1996) make a distinction between observable and less visible forms of diversity. Racial, ethnic, and gender variety are a few observable examples. Functional, educational, and occupational backgrounds as well as a variety of industry experience are less obvious examples. As a result, there are several ways to assess the diversity of directors, including through their ethnicity, country, age, experience, gender, organizational participation, and education (Campbell and Mínguez-Vera, 2008).

According to Wanous and Youtz (1986) group diversity in organizations improves the standard of judgments. Additionally, diversity is thought to have a number of positive effects on performance (Carter et al., 2003). They go on to say that there are several ideas surrounding diversity. First, variety fosters creativity and innovation. Second, problem-solving is improved by diversity. Third, diversity makes corporate leadership more successful. Finally, variety promotes more productive partnerships across the globe. Therefore, these ideas might result in improved business performance. As a result, Miller & Del Carmen Triana (2009) observe that the diversity of the board of directors has a higher impact on the ideas and viewpoints that are provided to identify and develop solutions for the company's success. According to Arfken et al. (2004), gender, age, and ethnic diversity will help a company produce better goods, solve problems more creatively, and improve strategic arrangement. Hence, Van der Walt et al. (2006) demonstrate a positive correlation between profit and a higher level of director diversity.

According to Simons & Pelled (1998), diversity among directors sometimes undermines a company's success while improving performance. They contend that because diverse directors bring a larger range of skills, experience, knowledge, and viewpoints to the table, diversity's positive benefits typically contribute to a decision-making/information system. When it comes to social categorization and attraction, people prefer to feel more at ease around others who are like them, which has negative effects on the diversity of directors. Ancona & Caldwell's (1992) argument that varied groups have greater creativity for decision making and problem-solving but perform less well on execution because they lack the workability and collaboration of homogenous groups also lends credence to this idea. The following is how the hypothesis is formed considering the given justification.

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H1: Board diversity post revised code of corporate governance is higher than pre-revised Code.

2. Research Design and Method

This study tries to describe Indonesian company's Board Diversity. The firms listed on the IDX in 2004 make up the population for the current study. Therefore, the study's time frame is from 2004 to 2010. The sample is split into pre-revised Code of Corporate Governance (2004-2006) and post-revised Code of Corporate Governance (2007-2010) since this study compares Board Diversity before and after the revision. The endmost sample for the current study, then, is 283 (67.70%) businesses during a seven-year period (2004 to 2010). According to Krejcie & Morgan (1970), the sample number should consist of at least 201 businesses if the population is 420. As a result, the sample number for this research is exceeds the recommendation level (Krejcie & Morgan, 1970). The Blau index (Blau, 1977), which measures five factors, is a suitable indicator of heterogeneity (Miller & Del Carmen Triana, 2009). Diversity divides ethnicity into three divisions: Javanese, Chinese, and other groups. Local directors and non-local directors are the two different sorts of nationality diversity. In addition, there are two groups in gender diversity: man and woman(Campbell & Mínguez-Vera, 2008). Additionally, the experience director focuses on business, government services, academia, accounting, law, and other fields. Finally, qualification variety emphasizes levels doctorate, master's, bachelor's and below bachelors. According to Haniffa & Hudaib, (2006), the Oversight Board independence ratio is used to determine the board composition. The balance of the both Boards holding more than one Board relative to the total number of directors is another indicator of multiple directorships (Cooper & Uzun, 2012). The pair sample t-test and the distribution frequency of each Board before (2004–2006) and after the amended Code (2007–2010) were used to examine the data.

3. Results and Discussion

This session discusses board diversity, divided into ethnic, nationality, gender, qualification, experience, composition, and multiple directorship diversity. The result of the pair sample t-test demonstrates in Table 2. Board diversity consists of two directors: Oversight Board and Board of Director, except for board composition. Ethnicity diversity for the Oversight board indicates a difference between the pre-revised and post-revised Code of corporate governance (at α=10%). The diversity during pre-revised Code (0.42) is higher compared to post-revised Code (0.40). In this case, the revised Code of corporate governance in 2006 reduced the ethnic diversity for the Oversight board. The level of ethnic diversity for the board of directors increased from 0.35 to 0.36, but it did not show any significant difference between pre- and post-revised Codes. Second board diversity is nationality diversity. National diversity for both Oversight board and board director significantly differ between pre-and post-revised Code of corporate governance at α=1%. Also, nationality diversity for the Oversight board was higher in the post-revised Code of corporate governance (0.11) rather than the pre-revised Code (0.09). Nationality diversity for board directors was also higher in the post revised Code of corporate governance (0.10) than the pre-revised Code (0.08). Based on this data, it can be concluded that the effort to change the Code of corporate governance do not impede the board nationality diversity.

Third board diversity is gender diversity. Regarding gender diversity for the Oversight board, there is a significant difference in gender diversity between the post-update good corporate governance code and the pre-update Code at 10%. However, the diversity index decreased from 0.13 to 0.12. based on the data, it can summarize that code revision impede the gender diversity of the Oversight board. In contrast to Oversight board gender diversity, the gender diversity index of the board of directors increases from 0.13 (pre-revised Code) to 0.15 (post revised). The paired t-test indicates that the difference is significant at 1%. In brief, it can conclude that revision code brings mixed results. Fourth, board diversity is experience diversity. In this study, Experience diversity has five categories. The result shows no significant difference in experience diversity between pre-revised code and posts revised code for both the Oversight and board of directors. Besides, experience diversity for the Oversight board increase from 0.49 in the pre-revised Code to be 0.50 in post revise. However, experience diversity for the board of directors does not change (0.49) in the pre and post revised corporate governance Code.

Fifth board diversity is qualification diversity. Qualification diversity for the Oversight board increases from 0.45 (pre-revised code) to be 0.46 (post revised Code). However, the paired t-test indicates no significant difference in qualification diversity before and after the revised corporate governance Code. Further, Management Board qualifications diversity does not change before and after the revised corporate governance Code (0.39). Based on this data, we conclude that the revised corporate governance Code does not affect board qualification diversity. Sixth board diversity is board composition. This diversity is measured by the number of independent Oversight board members divided by a Oversight board member. The result shows a significant difference in Oversight board composition before and after revising the corporate governance code at 1%. The board composition increases from 0.37 (pre-revised code) to 0.40 (post revised Code). Last board diversity is multiple directorship diversity. The result shows no significant difference in diversity between pre and post revised code of corporate governance for both the Oversight board and management board.

Table 2. Descriptive statistic and paired difference

Board Diversity	Code Status	Mean	Std. Deviation	t stat	p-value
Oversight board	pre-revised code	0.42	0.19	1.83	0.07*
Ethnicity	post-revised code	0.40	0.20		
Management Board	pre-revised code	0.35	0.22	-1.24	0.21
Ethnicity	post-revised code	0.36	0.22		
Oversight board	pre-revised code	0.09	0.17	-3.08	0.00***
Nationality	post-revised code	0.11	0.19		
Management Board	pre-revised code	0.08	0.16	-3.27	0.00***
Nationality	post-revised code	0.10	0.17		
Oversight board	pre-revised code	0.13	0.19	1.71	0.09*
Gender	post-revised code	0.12	0.19		
Management Board	pre-revised code	0.13	0.19	25.84	0.00***
Gender	post-revised code	0.15	0.19		
Oversight board	pre-revised code	0.49	0.17	-1.46	0.14
experience	post-revised code	0.50	0.17		
Management Board	pre-revised code	0.45	0.16	-0.61	0.54
experience	post-revised code	0.45	0.16		
Oversight board	pre-revised code	0.45	0.20	-0.98	0.33
Qualification	post-revised code	0.46	0.20		
Management Board	pre-revised code	0.39	0.20	0.14	0.89
Qualification	post-revised code	0.39	0.20		
Oversight board	pre-revised code	0.37	0.13	-3.60	0.00***
Composition	post-revised code	0.40	0.13		
Oversight board	pre-revised code	0.56	0.26	1.08	0.28

multiple directorship	post-revised code	0.56	0.28		
Management Board multiple directorship	pre-revised code	0.40	0.32	0.74	0.46
	post-revised code	0.41	0.32		

Note: The result in table was retrieved from statistic software output.

The allocation of Board in terms of ethnic diversity is seen in Table 3. According to Table 3, the Board's ethnic diversity-based composition for the two periods is quite similar. In the years 2004 to 2006, there were 27.65% Javanese, 45.88% Chinese, and 26.47% other ethnic members of the Oversight Board. The percentages for Javanese (26.93%), Chinese (44.88%), and other ethnicities (28.19%) are very close to those in the amended Code. Surprisingly, Chinese (53.34%) make up the majority of the Board of Directors members, with other ethnic groups (24.74%) and Javanese (21.92%) following. Because they are members of the Chinese family, it demonstrates that during the years 2004 to 2010, the Chinese dominated the board.

Table 3. Board Ethnic diversity

Ethnicity	Pre-revised code				Post- revised code			
	Oversight Board		Management Board		Oversight Board		Management Board	
	Average	(%)	Average	(%)	Average	(%)	Average	(%)
Java	329.00	27.65	265.00	21.27	321.00	26.93	279.00	21.92
China	546.00	45.88	675.00	54.17	535.00	44.88	679.00	53.34
Other	315.00	26.47	306.00	24.56	336.00	28.19	315.00	24.74
Total director	1190	100	1246	100	1192	100	1273	100

Notes: Average is the average number of boards from the pre-revised code and post- revised code periods. Data is taken from the company annual report from 2004 to 2010.

The diversity of directors' nationalities is the second type of diversity. Between 2004 and 2006, 66.00 (23.32%) and 61.00 (21.56%) respectively had at least one non-local representative on both their management and oversight boards. It is a little higher: from 2007 to 2010, there were 71.00 (25.09%) and 73.00 (25.80%) enterprises with non-local representatives on the Management board and the Oversight board, respectively. Further analysis of the research data show that there were only 143.00 (12.02%) seats on the Oversight Board for non-local directors during the years 2004–2006, with a marginal rise of around 13.59% over the years 2007–2010. As shown in Table 4, the non-local Management board was 143.00 (11.48%) for the years 2004 to 2006 and significantly grew to 165.00 (12.96%) for the years 2007 to 2010.

Table 4. Board Nationality diversity

Nationality	Pre-revised code				Post- revised code			
	Oversight Board		Management Board		Oversight Board		Management Board	
	Average	(%)	Average	(%)	Average	(%)	Average	(%)
Australia	11.00	7.69	10.00	6.99	10.00	6.17	6.00	3.64
Belgium	3.00	2.1	3.00	2.1	2.00	1.23	2.00	1.21
Brazil	2.00	1.4			3.00	1.85	2.00	1.21
China	11.00	7.69	4.00	2.8	5.00	3.09	3.00	1.82
Denmark					1.00	0.62		
Ecuador			1.00	0.7	1.00	0.62	1.00	0.61
Finland			1.00	0.7				
France	1.00	0.7	1.00	0.7	5.00	3.09	2.00	1.21
Germany	8.00	5.59	9.00	6.29	5.00	3.09	5.00	3.03

Hungary							1.00	0.61
India	11.00	7.69	13.00	9.09	13.00	8.02	18.00	10.91
Italy	1.00	0.7			1.00	0.62		
Japan	13.00	9.09	29.00	20.28	17.00	10.49	32.00	19.39
Korea	2.00	1.4					2.00	1.21
Malaysia	13.00	9.09	12.00	8.39	23.00	14.2	22.00	13.33
New Zealand			4.00	2.8	1.00	0.62	2.00	1.21
Netherlands	3.00	2.1	5.00	3.5	4.00	2.47	3.00	1.82
Norway			1.00	0.7			1.00	0.61
Philippines	10.00	6.99	16.00	11.19	10.00	6.17	17.00	10.3
Poland							1.00	0.61
Qatar					2.00	1.23		
Singapore	22.00	15.39	7.00	4.89	19.00	11.73	8.00	4.85
South Africa	2.00	1.4						
Switzerland	1.00	0.7	2.00	1.4	1.00	0.62	3.00	1.82
Taiwan	1.00	0.7	3.00	2.1	1.00	0.62	6.00	3.64
Thailand							2.00	1.21
Turkey	1.00	0.7			4.00	2.46	5.00	3.03
UK	13.00	9.09	9.00	6.29	14.00	8.64	12.00	7.27
US	14.00	9.79	13.00	9.09	20.00	12.35	9.00	5.45
Non-local	143.00	100.00	143.00	100.00	162.00	100.00	165.00	100.00
Local	1047.00		1103.00		1030.00		1108.00	
Total director	1190.00		1246.00		1192.00		1273.00	

Notes: Average is the average number of boards from the pre-revised code and post- revised code periods. Data is taken from the company annual report from 2004 to 2010.

The majority of foreign directors are from Asian nations including Singapore, Malaysia, and Japan. US and UK citizens adhere to it. However, the majority of the Oversight Board (87.98%) and Management board (88.52%) were local directors under the previous Code, and this percentage slightly decreased under the new Code (86.41% and 87.04%, respectively). Thus, it can be deduced that local directors make up most of both Boards. Table 5 shows that from 2007 to 2010, there were 8.81% fewer women serving on the Oversight Board than there was overall, with an average of 9.08%. Additionally, the average percentage of female board seats is 9.14%, with a slight increase of 10.68% between 2007 and 2010. In addition, the proportion of women looks to be very low in comparison to the overall quantity of women, and there aren't many corporations with female directors. A thorough analysis reveals that from 2004 to 2010, there were no women on the Oversight board or Management board of 190 (67.14%) and 179 (63.25%) of 283 firms, respectively. This suggests that fewer women than men possess board positions on both.

Table 5. Board Gender diversity

Gender	Pre-revised code				Post- revised code			
	Oversight Board		Management Board		Oversight Board		Management Board	
	Average	(%)	Average	(%)	Average	(%)	Average	(%)
Women	108.00	9.08	114.00	9.14	105.00	8.81	136.00	10.68
Man	1082.00	90.92	1132.00	90.86	1087.00	91.19	1137.00	89.32
Total director	1190.00	100.00	1246.00	100.00	1192.00	100.00	1273.00	100.00

Notes: Average is the average number of boards from the pre-revised code and post- revised code periods. Data is taken from the company annual report from 2004 to 2010.

The allocation of Boards in terms of experience diversity is shown in Table 6 regarding experience diversity. Directors who have professional experience outside of business, public service, academia, accountancy, and law are classified into six categories in the current study: business, public service, academic, accounting, legal, and others. In this regard, the Oversight Board's business experience dropped from 47.56% in 2004–2006 to 43.96% in 2007–2010. Public service is the second experience metric. Among the 1,190 members of the Oversight Board, 194.00 (16.30%) have experience in the public sector, 62.00 (5.21%) in academia, 61.00 (5.13%) in accountancy, 20.00 (1.68%) in law, and 287.00 (24.12%) have experience in fields other than law, accountancy, academics, public service, and business that slightly changed between 2007 and 2010. Table 6 demonstrates that many Oversight Board members are from a business background.

Table 6. Board Qualification diversity

Qualification	Pre-revised code				Post- revised code			
	Oversight Board		Management Board		Oversight Board		Management Board	
	Average	(%)	Average	(%)	Average	(%)	Average	(%)
Less bachelor	246.00	20.67	193.00	15.49	228.00	19.12	157.00	12.33
Bachelor	581.00	48.82	695.00	55.78	544.00	45.64	707.00	55.54
Master	250.00	21.01	336.00	26.97	298.00	25.00	381.00	29.93
Doctorate	113.00	9.50	22.00	1.76	122.00	10.24	28.00	2.20
Total director	1190.00	100.00	1246.00	100.00	1192.00	100.00	1273.00	100.00

Notes: Average is the average number of boards from the pre-revised code and post- revised code periods. Data is taken from the company annual report from 2004 to 2010.

Qualification is the next component of a diverse board of directors. According to Table 7, for the years 2004 to 2006, the proportion of Oversight Board members with education levels doctorate level (9.50%), master's (21.01%), bachelor's (48.82%), and below bachelor's (20.67%) changed slightly during the years 2007 to 2010 for doctorate qualification (10.24%), master's (25.00%), bachelor's (45.64%), and lower than bachelor's (19.12%). In addition, this study reveals that over the years of 2004 to 2006, the majority of the Management board (55.78%) held bachelor's degrees, followed by 15.49% with degrees below the 1.76% with doctoral degrees, and bachelor's, 26.97% with master's degrees with a little decrease and an increase for the years of 2007 to 2010. Finally, during the sample periods, just 9.50% of Oversight Board members and 1.76% of the Board of Directors had doctoral backgrounds during the sample periods. Unfortunately, from 2004 to 2010, more than half of both boards' members have degrees below a master's.

Table 7. Board Experience diversity

Experience	Pre-revised code				Post- revised code			
	Oversight Board		Management Board		Oversight Board		Management Board	
	Average	(%)	Average	(%)	Average	(%)	Average	(%)
Business	566.00	47.56	524.00	42.06	524.00	43.96	517.00	40.61
Public service	194.00	16.3	47.00	3.77	200.00	16.78	51.00	4.01
Academic	62.00	5.21	15.00	1.21	76.00	6.38	20.00	1.57
Accountancy	61.00	5.13	93.00	7.46	78.00	6.54	92.00	7.23
Law	20.00	1.68	8.00	0.64	27.00	2.27	14.00	1.1

Other	287.00	24.12	559.00	44.86	287.00	24.07	579.00	45.48
Total director	1190.00	100.00	1246.00	100.00	1192.00	100.00	1273.00	100.00

Notes: Average is the average number of boards from the pre-revised code and post- revised code periods. Data is taken from the company annual report from 2004 to 2010.

The outcome shows that the typical Oversight Board composition (SC) percentage is 0.39. This outcome agrees with (Yammeesri & Kanthi Herath, 2010; Chen et al., 2005). They discovered that the makeup of board members does not exceed 0.32 percent. Few Indonesian firms do not have a Board composition on their Oversight Board, despite the fact that it is required to have a Board composition that includes at least one independent board member for companies listed on the Indonesia Stock Exchange. Additionally, an examination reveals that 9.00 (3.18%) companies did not have an Oversight Board composition during the three-year (2004-2006) period.

Table 8. Board composition

Composition	Pre-revised code		Post- revised code	
	Average	(%)	Average	(%)
< 30%	39.00	13.78	35.00	12.37
30%	156.00	55.12	117.00	41.34
> 30%	88.00	31.1	131.00	46.29
Total	283.00	100.00	283.00	100.00

Notes: Average is the average number of boards from the pre-revised code and post- revised code periods. Data is taken from the company annual report from 2004 to 2010.

Table 8 reveals that the Oversight Board composition of more than 35 (10%) listed companies is less than what is required by the Code. In the years 2007 to 2010, there appeared to be a decline in the number of companies on the Oversight board, to about six (2.12%). One of the listed businesses, though, designated all of the Oversight Board members as the Board composition from 2004 to 2006, increasing to four companies from 2007 to 2010. Approximately 0.41 (41%) of the board of directors' director members are deemed to be overcommitted in terms of their multiple directorships (MD). A company's multiple directorships can range from 0.00 to 1.00. In addition, the maximum value denotes that every member of a company's board of directors holds two or more directorships in other businesses. Further investigation reveals that 33.00 (11.66%) of the enterprises are managed and overseen by active Oversight Board members. For the years 2007 through 2010, it slightly rises to 38.00 (13.43%). But between 2007 and 2010, the quantity of businesses run by busy directors fell from 33.00 (11.66%) in the previous three years to 28.00 (9.89%).

Table 9. Board Multiple directorships

Number of Multiple Directorships	Pre-revised code				Post- revised code			
	Oversight Board		Management Board		Oversight Board		Management Board	
	Average	(%)	Average	(%)	Average	(%)	Average	(%)
1	528.00	44.37	782.00	62.76	528.00	44.3	797.00	62.61
2	257.00	21.6	209.00	16.77	263.00	22.06	222.00	17.44
3	163.00	13.7	100.00	8.03	154.00	12.92	96.00	7.54
4	93.00	7.82	49.00	3.93	87.00	7.3	56.00	4.4
5	66.00	5.55	56.00	4.49	61.00	5.12	48.00	3.77
6	28.00	2.35	19.00	1.53	38.00	3.19	18.00	1.41
7	18.00	1.51	8.00	0.65	21.00	1.76	14.00	1.1
8	17.00	1.43	10.00	0.8	21.00	1.76	11.00	0.86

9	9.00	0.75	3.00	0.24	5.00	0.42	2.00	0.16
10+	11.00	0.92	10.00	0.8	14.00	1.17	9.00	0.71
Total	1190.00	100.00	1246.00	100.00	1192.00	100.00	1273.00	100.00

Note: Average is the average number of boards from the pre-revised code and post- revised code periods. Data is taken from the company annual report from 2004 to 2010.

Table 9 shows how the Board is divided up into various directorships. Out of 1,190.00 Oversight Board fellow, 528.00 (44%) possess just one seat, 257.00 (21%) handle two, 163.00 (13%) grip three, and 93.00 (7%), while 149.00 (12.52%) Oversight Board have held five or more positions over the past 3 years. Furthermore, there is no difference between the two time periods (2004–2006 and 2007–2010) in terms of the percentage of boards with multiple directorships. In the years 2004 to 2006, there were 1,246.00 Management board for 283.00 companies. Of the 1,246.00 directors, 782.00 (62%) hold just one position, while the remaining 209.00 (17%) and 100.00 (8%), respectively, possess two and three positions. Over the years 2004–2006, about 49.00 (4%) board members own four directorships, and 106.00 (9%) possess five or more. They discover that directors can hold a maximum of five directorships in US corporations.

Discussion

There is a small difference between the boards' ethnic diversity before and after the amended rules of corporate governance. This result is in line with earlier research. In actuality, the Oversight board and Management board ethnic diversity decreased because the new code. Additionally, (Ahmad-Zaluki, 2012) reported that the average nationality diversity for 228 Malaysian companies prior to the IPO was slightly higher than 8%, which is lower than the 11% average revealed by Simpson et al. (2010) for one thousand five hundred US firms. This outcome is comparable to the US case (Siciliano, 1996) finding that 58.2% of board members have backgrounds in business in terms of experience diversity. The other group (44.86% of the Board of Directors are employees), business (42.06%), accounting (7.46%), public service (3.77%), academicians (1.21%), and attorneys (0.64%) are the groups with the most experience. The US study (Siciliano, 1996) which discovered that 58.2% of board members come from the corporate sector, found comparable results for gender diversity. The group of others (44.86%) has the most experience on the Board of Directors, followed by business (42.06%), accountants (7.46%), the public sector (3.77%), academicians (1.21%), and attorneys (0.64%).

This study's conclusion on multiple directorships is that during the sample period, more than half (56%) of the Oversight Board (MS) members served on more than one Board in other companies. This finding is consistent with a previous study (Kamardin & Haron, 2011), which discovered that over 50% of independent directors hold at least one directorship in publicly traded businesses in Malaysia. In contrast to the US, Indonesian boards tend to have a smaller proportion of Oversight board members. For instance, a 2005 study by Erickson et al. (2005) in the US discovered that the average percentage of directors on the Board is roughly 0.69. Contrary to a study conducted in Australia by Kiel and Nicholson (2006), there is a relatively high level of multiple directorships within Indonesian companies, which found that 81% of directors in the Top 100 Australian companies possess no other directorships, 13% possess two directorships, and only 6% have less than five directorships. Additionally, it is backed up by Cooper and Uzun (2012). The NACD (1996) rule in the US, however, suggests that the Board of Directors (oversight board in Indonesia) limit their number of directorships to three. The Board of Directors in Malaysia is permitted to hold a maximum of 10 directorships for listed businesses and 15 directorships for unlisted companies. However, there is no law in Indonesia that restricts the quantity of directorships a person may possess.

4. Conclusions

This study aims to explore the effect of the code of Indonesia's good corporate governance on the board diversity: ethnic, nationality, gender, qualification, experience, composition, and multiple directorship diversity. The result shows that Oversight board ethnicity diversity, nationality diversity, gender diversity, and board composition are significantly difference between pre and post revised code. In addition, Management Board nationality diversity, dan gender diversity is also difference between pre- and post-revised code. Most of the case, revised code improves the diversity, except for Oversight board ethnicity diversity. This study also provides us with the detailed mean number and percentage of board diversity before and after the revised code of good corporate governance.

According to this finding, the board diversity of Indonesian listed businesses has increased because of the updated good corporate governance code. Therefore, it requires more reforms. By considering the proportion of women on the board of directors (for example, 30%), the government can quickly make corrections to the current Code of Corporate Governance. Due to their greater independence and access to a larger pool of human capital than men, women should be represented on both Boards (Simpson et al., 2010). Less than 15% of the Oversight Board and Management board's members are non-local, which is a small amount. The diversity of nationalities among the directors has established itself as a crucial component of the board. Because non-local Boards offer broader industry experience, it could also likely be included in the upcoming revision of the Code of Corporate Governance (Ujunwa et al., 2012). Due to the limitations of the data, there are fewer companies participating in the current study. The companies that disclose information on the diversity of their board of directors are used to choosing the sample. Moreover, there are only a few different types of diversity on the board. Other diversities, such as religious diversity (also recommended by Carter et al., (2010), could be used to further future study on the role of diverse directors. To determine whether Indonesian director diversity differs from that of other nations, more research must be done. As a result, a study using data at the country level needs to be investigated.

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