6. Relationship between CEO Power and Firm Value Evidence from Indonesian Non-Financial Companies

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Jurnal Dinamika Akuntansi and Bisnis Vol. 8(1), 2021, pp 15-26

Jurnal Dinamika Akuntansi dan Bisnis

URL: http://jurnal.unsyiah.ac.id/JDAB/index

Relationship between CEO Power and Firm Value: Evidence from Indonesian Non-Financial Companies

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https://dx.doi.org/ 10.24815/jdab.v8i1.17942

ARTICLE INFORMATION

Article history:
Received date: 5 November 2020
Received in revised form: 11 February 2021
Accepted: 14 Februari 2021
Available online: 5 April 2021

Keywords:
CEO power, firm value, ownership power, expert power, prestige power

Citation:
Hamidlal. K. E., & Harymawan. I. (2021). Relationship between CEO Power and Firm Value: Evidence from Indonesian Non-Financial Companies. *Jurnal Dinamika Akuntansi dan Bisnis*, *8*(1), 15-26

Kata Kunci:
Kekuatan CEO, nilai perusahaan, kekuatan kepemilikan, kekuatan keahlian, kekuatan kehormatan

ABSTRACT

This research aims to examine the relationship between the CEO power and firm value of non-financial companies listed on the Indonesia Stock Exchange during the 2014-2018 period. Using purposive sampling method data were collected from 322 firm-year observations. Data was analyzed using multiple linear analysis methods. The results uncovered that ownership power, expert power and prestige power have a positive relationship with firm value. The most probable reason could be that CEO share ownership encourages better decision-making process that contributes to enhanced corporate value. A longer tenure as a CEO signals high professionalism and expertise of the CEO that led to improved decision quality made by the CEO.

ABSTRAK

Tujuan penelitian ini adalah menguji hubungan antara kekuatan direktur utama (CEO Power) dan nilai perusahaan pada perusahaan non keuangan yang terdaftar di Bursa Efek Indonesia selama periode 2014-2018. Dengan mengadopsi metode purposive sampling method, data penelitian terdiri dari 322 observasi (tahun-perusahaan). Studi ini menggunakan metode analisis linear berganda. Hasil penelitian ini menunjukkan bahwa kekuatan kepemilikan, kekuatan keahlian, dan kekuatan kehormatan memiliki hubungan positif dengan nilai perusahaan. Kepemilikan saham CEO berkontribusi terhadap pengambilan keputusan yang dinilai lebih efektif dan efisien guna menciptakan nilai perusahaan yang semakin baik. Semakin lama CEO menjabat dalam perusahaan dapat menjadi sinyal besarnya tingkat profesionalisme dan keahlian CEO, hal ini dapat mempengaruhi keputusan yang dibuat oleh CEO.

1. Introduction

Primary goal of company establishment is to achieve a maximum profit and thus to improve the welfare of its owners or shareholders (Rochmah & Ardianto, 2020). Shareholder welfare can be improved through company value (Setiawan, Bandi, Kee Phua, & Trinugroho, 2016; Tahu & Susilo, 2017). Company value is defined as the company's market price value because it can provide investors or shareholders prosperity if the share price increases (Triani & Tarmidi, 2019). If the company has a high value, investors will be attracted to invest in the company (Setyawan & Devie, 2017). Endri and Fathony (2020) believe that company value results from the company's performance in one period. The better the company's performance, the more likely potential investors will invest. In other words, the firm value will shape investors' perceptions of the company's success rate, which is reflected in the stock price.

Firm value is also part of the achievement of relatively consistent company performance. This consistent performance achievement is the work of the entire board of directors or management in the company. In this context, a chief executive officer (CEO) as the main director has a dominant role in a company decision making process. Thus, CEO performance can contribute to the improvement of company value (Setyawan & Devie, 2017).

CEO in Indonesia is an executive officer who has the highest position in a company. CEO is fully responsible on the company performance. The CEO may intervene the company business as the CEO decision has implication on the company's strategy and policies (Kassim, Ishak, & Manaf, 2013; Saidu, 2019; Wei, 2019). Sheikh (2018) found evidence that there is a strong relationship between CEO and company performance. For instance, the role of Steve Jobs as CEO of Apple Inc. was to make the company to be the international leader in technology industry. Apple Inc. became known to the public because it has good corporate values. Apple Inc. also succeeded in becoming a pioneer in technological developments in the world.

Apart from Apple Inc, a problem recently occurred with the CEO of a large airline company in Indonesia, namely PT Garuda Indonesia. The CEO was convicted for smuggling big Harley motorbikes and Brompton bikes [1]. PT. Garuda Indonesia was in the spotlight, which also impacts the company's value. Garuda's shares have begun to enter the red zone at the beginning of 2020. Garuda's share price moved from Rp 498 at the end of the year to a low of Rp 496 per share. Besides, the international rank of Garuda has declined. The Skytrax dropped Garuda to second place for the World Best Cabin category. This might confirm that not all CEOs is able to increase company value; some make company values worse because of their actions. The CEO's actions can have a lot to do with the company's value. So, the CEO is expected to have an excellent reputation for reflecting good values for the company.

The CEO is responsible for setting company goals, making strategies, monitoring, and making decisions that impact the company's running (Daft, 2008).

A CEO also has the authority to inspire those around him to achieve the vision and missions (Hambrick & Mason, 1984). According to the upper echelons theory, the CEO's strategy describes the cognitive values of a CEO because the CEO has a vital role in making decisions that are considered effective. The theory also proves that CEO characteristics have a relationship with company performance. The CEO's role in the company is significant, one of which is to make decisions that the company will execute. With the right decisions, the company can operate well. A CEO must know what strategies should be used so that the company can achieve the vision that has been previously set, both short and long term visions. A vision is a series of goals of a company that want to be realized in the future (Wibisono, 2006).

One of the most important visions in the company is to support the company. Certo, Holmes, and Holcomb (2007) argue that the CEO has the power to impact the investment decisions of investors who have high potential. With his strengths, the CEO can have an impact on employees with the decisions that have been made. Saidu (2019) believe that groups that have companies have a hypothesis that, when managers lead a company, there is a tendency that managers will work to achieve the targets set by the company.

According to Lasswell, Kaplan, and Brunner (2017), power is a relationship between people or groups that can influence the actions of other people or groups according to the wishes of the first party. The power or power possessed by the CEO can come from reputation (prestige power), shares he owns (power held), experience (expert power), formal position (structural power) and other non-financial information that investors also consider to assess the company's future prospects. CEO power

[1] Source: https://www.republika.co.id/berita/q236fj282/menyelundupkan-moge-dan-brompton-di-dalam-perut-garuda

can be defined as the power of the CEO in overcoming obstacles to achieve the desired results (Wei, 2019).

Apart from the strength of the CEO, the CEO can also take advantage of several factors, such as experience, expertise, skills, and knowledge. in making decisions for the company (Hillman & Dalziel, 2003). The experience here can be seen from a CEO in a company. CEOs who have greater powers can increase expertise related to the corporate sector so that companies can compete in their fields (Li & Patel, 2019).

Li, Li, and Minor (2016) also agree with this; the CEO who has led the company for a long time has broader knowledge in his work environment. Besides that, CEOs who have experience from various companies and different industries can also make decisions that benefit the company (Li & Patel, 2019).

Certo (2003) also argues that the board of directors describes non-financial information. Such as experience, abilities and social connections. That is important for investors to make the right investment decisions. This study will use data from non-financial companies for the 2014-2018 period listed on the Indonesia Stock Exchange. Researchers used the 2014-2018 period because, in that year, there was something provided by the Indonesian government for foreign investors who wanted to invest. This was fulfilled with investor investment during 2014-2018 based on data from the Indonesian Investment Coordinating Board (BKPM RI)[2]. The information generated from this period is the latest information which is expected to present this research in accordance with the current state of the company with data from the latest reports.

Dowell, Shackell, and Stuart (2011) showed that CEO strength has a positive relationship with firm value. Sheikh (2018) also shows that the greater the power the CEO has, the greater the value of the company he leads. Han, Nanda, and Silveri (2016) examined the effect of CEO Power on company performance. The results show that CEO power shows a positive relationship with company performance. This is because the CEO has the power to reduce conflict and solve problems so that he can make decisions more quickly and effectively. Wu, Quan, and Xu (2011) state that taking decisions that are concentrated by the CEO will result in high performance, thus showing good performance variability in the company. In contrast, Bebchuk, Cremers, and Peyer (2011) stated that CEO power has a negative relationship with firm value. Research conducted by Wei (2019) states that CEO power has a positive and negative relationship to company performance.

The existence of inconsistencies in research results, and in Indonesia itself, creates a research gap in this study, so it will be interesting to examine the relationship between CEO power and company value in Indonesia. The purpose of this study is to examine the relationship between the power of the company's president director as proxied by ownership power, expert power and prestige power with firm value. This study uses a quantitative approach. The independent variable of this study is the power of the CEO (CEO power) and the dependent variable is the value of the company.

This study uses secondary data sources from the annual reports of non-financial companies listed on the Indonesia Stock Exchange in 2014-2018, with a total sample of 322 research samples. This study contributes in providing information regarding the relationship between CEO power and firm value as well as consideration for investors to invest in companies that can generate maximum returns from the management side, namely CEO power consisting of ownership power, expert power, prestige power and company value because in the results of this study are the strength of the CEO has a positive relationship with firm value.

The paper structures are as follows: Section 2 describes the theoretical basis and hypothesis

[2] Source: https://www.bkpm.go.id/id/publikasi/siaran-pers/readmore/2408601/65601

development, Section 3 describes the research approach, data sources, sample selection, variables and technical analysis used, Section 4 contains the results of the analysis and discussion of research results, and in Section 5 contains the contents of the research, limitations and suggestions.

2. Theoretical framework

Agency theory

Jensen and Meckling (1976) suggest an agency relationship that becomes a contract between the owner of the capital as principal and the director as the agent. The contract in question is a detailed explanation of what the director must do to manage the funds that investors have provided as well as a balanced distribution of returns so that the contract can be assessed as good. The director here has an obligation to be accountable for what investors have entrusted to him (Arifin, 2005). Agency theory illustrates that strong CEOs use their strengths to fulfil desired goals which in most cases are inconsistent with shareholders (Tien, Chen, & Chuang, 2013). Based on this theory, experts suggest that a company can manage its assets so that it can minimize unnecessary expenses and maximize profits. If the company pays attention to the interests of shareholders so that the company can provide maximum profit as expected by stakeholders.

Upper echelons theory

Upper echelons theory is a theory developed by Hambrick and Mason (1984) which states that organizational outcomes such as strategic choices can be predicted from a managerial background. This means that this theory can predict the future of an organization through its manager organization. This theory also views that top managers can produce organizational results. The results of a good and effective strategy can be seen as a reflection of the values and cognitive bases that have a relationship with the organization (Hambrick & Mason, 1984). Top managers are the main decision-makers in an organization, so the decisions taken have a large and direct impact on the organization. As decision-makers, top managers have responsibility for the organization's organization.

Overall, executives' roles and characteristics will be particularly related to organizational outcomes because they have responsibility for the organization (Hambrick & Mason, 1984). This theory suggests that the organization deals with top executives. Their experiences, values, and personalities have an impact, especially in dealing with situations that will relate to the choices or decisions they will choose. The theory also holds that the executives (top executives) greatly determine their choice of strategy (strategic choice), which ultimately determines its performance.

Relationship between ownership power and firm value

In some companies, there is a main director (CEO) who owns shares in the company he leads. The shares he owns are a form of power that is often referred to as ownership power (Han, Nanda, & Silveri, 2016). The greater the share ownership of a company led by the CEO, the greater the CEO power (Han et al., 2016). The many challenges faced indicate that only CEOs who have the power can easily turn strategy into action, manage processes efficiently, and increase profits to create long-term companies and increase company value (Ulrich, 1998). Ownership power is a formal form of power that can directly impact the CEO's decision-making process. In this case, the strength of the CEO can be shown by how much impact the decisions he makes for the organization.

If the CEO owns shares in the company, then the interests of the CEO will be the same as other owners of capital. The greater the number of shares the CEO has in the company, the more power the CEO has in the company he leads. So that in this case, the CEO will try to make decisions that can increase company value and increase the wealth of shareholders, including himself.

Based on the description above, the hypothesis in this study can be proposed as follows.
H1: Ownership power is positively related to firm value

Relationship between expert power and firm value

Expert power is the CEO's power, which is based on knowledge and experience in relevant fields and in accordance with the company to gain access related to company information. This knowledge and experience is the source of strength for the CEO to gain trust so that he has the confidence to get advice from the CEO (Sudana & Aristina, 2017).

CEOs who have more experience can assist companies in obtaining and providing information. (Han et al., 2016). stated that the longer the CEO's tenure, the more knowledge the CEO has. The longer the CEO has been able to signal that they have a high level of professionalism and expertise that can influence the decisions he makes. CEOs who have experience are better able to increase company value because they can make more effective decisions. The CEO's own experience can be seen from his presence in a company. The longer the new CEO, the greater the experience he has, the greater his power to make decisions that can increase company value. Based on the description above, the hypothesis in this study can be stated as follows.
H2: Expert power is positively related to firm value

Relationship between prestige power and firm value

Prestige power is the CEO's strength which can be seen from the positive perceptions that the CEO has (Wu et al., 2011). A good reputation can be obtained from an educational background and relationships with external parties such as the government, politics and other influential people. The CEO has a connection that allows them to gain access to information that is beneficial in decision making for the company (Pennings, 1980).

CEOs who have a good educational background are qualified in managing companies (D'Aveni & Kesner, 1993). By having a good reputation, the CEO will not trust employees and related outsiders. With this belief, decision-making will be easier to make. The reputation that the CEO can see from the awards he gets for being CEO. The more awards the CEO gets, the better the reputation he gets and the easier the decision-making process to increase company value. Based on the description above, the hypothesis in this study can be stated as follows.
H3: Prestige power is positively related to firm value

3. Research method

Types and sources of data

This research uses quantitative types and data in the form of secondary data and time-series data from 2014-2018. Sources of data are the annual reports of all non-financial companies listed on the Indonesia Stock Exchange for the 2014-2018 period, which are obtained from the official website of the Indonesia Stock Exchange and the company's website.

Population and sample

The population of this study is non-financial companies listed on the Indonesia Stock Exchange during the 2014-2018 period. The data source used is secondary data in the form of annual reports and financial reports of all financial sectors listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period except for sector-8 companies, namely financial sector companies, because they have different financial reporting criteria and standards so that they cannot be compared.

Table 1. Sample Selection

Information	2014	2015	2016	2017	2018	Total
Population: The number of companies listed on the IDX in 2014-2018	425	439	449	483	530	2326
Disqualified: - Non-financial companies that did not publish financial reports in 2014-2018 - There is no share ownership by the CEO - Non-financial companies that did not report financial statements ended December 31st	(362)	(368)	(387)	(389)	(498)	(2004)
Total Observations	63	71	62	94	32	322

The sample used in this study was selected by purposive sampling method by selecting samples that meet certain criteria in accordance with the research objectives. Based on data found on the Indonesia Stock Exchange (IDX), the total of all non-financial companies listed as of December 31 2018, is 530 companies, so there are 2,326 research population, but based on the sample selection criteria, namely non-financial companies listed on the IDX and not delisted for the 2014-2018 period, companies that have CEO shares owned by that time and the information required regarding data relating to the complete variable obtained a total sample of 322 observations from 530 companies.

Operational definition

We use control variables to explain the phenomenon optimally because other variables can also influence the dependent variable. The control variables in this study are company size, leverage and ROA. We chose this variable because previous research has been shown to have a significant effect on firm value (Adiputra & Hermawan, 2020; Tien et al., 2013; Wu et al., 2011). We use control variables to explain the phenomenon optimally because other variables can also influence the dependent variable. Each of these variables will be described in Table 1 below:

Table 2. Operational definition

Variable	Definition	Measurement	Sources of Data
Dependent Variable			
F Value	Nilai Perusahaan	Tobin's Q (Han et al., 2016; Sheikh, 2018)	Annual Reports and Financial Reports
Independent Variable			
Own	Ownership Power	Percentage of CEO shares in the company (Han et al., 2016)	Annual Reports and Financial Reports
Ten	Expert Power	The number of years the CEO has served at the company (Han et al., 2016; Sheikh, 2018)	Annual Reports
Pres	Prestige Power	Dummy variable, given a value of 1 if the CEO received an award during his tenure; otherwise, it will be given a value of 0 (Wu et al., 2011)	Annual Reports
Control Variable			
FIRMSIZE	Firm size	Natural logarithm of total assets (Han et al., 2016; Rochmah & Ardianto, 2020; Utami & Inanga, 2011)	Annual Reports and Financial Reports
LEV	Leverage	Total debt divided by total assets (Han et al., 2016; Rochmah & Ardianto, 2020; Utami & Inanga, 2011)	Annual Reports and Financial Reports
ROA	Returns on Asset (ROA)	Net income divided by total assets (Han et al., 2016; Rochmah & Ardianto, 2020; Utami & Inanga, 2011)	Annual Reports and Financial Reports

Data analysis technique

The data analysis technique in this study used statistical calculations with the help of STATA 14. The test was carried out with descriptive statistical analysis, Pearson correlation test, and multiple linear analysis test. A multiple linear analysis test is a test conducted to determine the relationship between the dependent and independent variables. The regression model for this study is as follows:

$$\textbf{Fvalueit} = \alpha + \beta 1OWNi,t + \beta 2TENi,t + \beta 3PRESi,t + \beta 4ROAi,t + \beta 5LEVi,t + \beta 6SIZEi,t + \varepsilon i,t$$

4. Results and discussion

Statistical descriptive variables

The firm value, which is proxied by using Tobin's Q, shows that the firm value in this study has an average of 0.93, a standard deviation of 0.86, which indicates that the data are well spread. The highest company value is 4.81, and the lowest company value is 0.01. CEO power in this study is proxied by three measurements, namely ownership power, expert power and prestige power. Ownership power which is proxied by ownership, has an average of 0.04, a standard deviation of 0.10. The highest value is 0.95, and the lowest value is 0.00, which indicates that there are still CEOs who do not have power through share ownership in the company where they work. Expert power, which is proxied by tenure, has an average of 12.61, which explains that the average length of time as a CEO in the study sample is 12 years and a standard deviation of 10.69. The maximum value is 48, and the minimum value is 1. Prestige power is proxied by the interlock, which is measured by a dummy; if the CEO gets an award during his tenure will be given a value of 1 and, if not given 0. The total frequency is 322 with a frequency value of 1 of 131 with a percentage of 40.7% and a frequency of 0 values of 191 with a percentage of 59.3%; this shows that CEOs who received awards during their tenure were fewer than those who did not receive awards during their tenure.

Table 3. Descriptive test results

	N	Minimum	Maximum	Mean	Std. Deviation
Tobin's Q	322	0.01900	4.81318	0.9374953	0.86459621
Ownership	322	0.00001	0.95570	0.0472796	0.10335933
Tenure	322	1	48	12.61	10.679
Prestige	322	0	1	0.41	0.492
Firm Size	322	24.72953	33.47373	28.7594546	1.60888888
LEV	322	0.03873	0.98948	0.4993035	0.20528745
ROA	322	-0.39184	0.24558	0.0279020	0.07853341

Profitability has a standard deviation of 0.07 with an average of 0.02, a maximum value of 0.24, and a minimum value of -0.39. The standard deviation of leverage is 0.20, with an average of 0.49. The highest leverage is 0.98, and the lowest is 0.03. The company's size has a mean of 28.75 and a standard deviation of 1.60. In this study, the largest company size was 33.47, while the smallest value was 24.72.

Table 4. Pearson correlation test

	Tobin's Q	Tenure	Ownership	Prestige	Size	Lev	Roa
Tobin's Q	1.0000						
Tenure	0.3390*** (0.0000)	1.0000					
Ownership	0.1259** (0.0239)	0.1392** (0.0124)	1.0000				

Prestige	0.3463***	0.3542***	0.0518	1.0000			
	(0.0000)	(0.0000)	(0.3544)				
Size	-0.0332	-0.1853***	-0.1927***	0.1165**	1.0000		
	(0.5524)	(0.0008)	(0.0005)	(0.0367)			
Lev	-0.2272***	-0.0722	-0.0717**	-0.1138**	0.3144***	1.0000	
	(0.0000)	(0.1960)	(0.0412)	(0.0412)	(0.0000)		
ROA	0.3222***	0.1526***	-0.1175**	0.1996***	0.0654	-0.3058***	1.0000
	(0.0000)	(0.0061)	(0.0351)	(0.0003)	(0.2419)	(0.0000)	

p-value in parentheses ***p<0.01, **p<0.05, *p<0.1

The Pearson correlation test is a test to measure the relationship between two random variables (Booth & Zhou, 2017). From the results of the Pearson test, it can be seen that expert power (tenure) and prestige power (prestige) have a positive relationship with firm value (Tobin's Q) at a significance level of 1%, while for ownership power (ownership) and firm value (Tobin's Q) there is a positive relationship at the 5% significance level.

Multiple linear regression results

This test is carried out to assess whether or not there is a functional relationship between the dependent and independent variables. As shown in Table 2 shows the results of the regression model. From this table, it can be seen that ownership power and firm value indicate a relationship. This is evidenced by the p-value of 0.004, which is smaller than the significance level of 0.01. Thus, the HI can be accepted.

Table 2 also shows the relationship between expert power and firm value is existed as a positive relationship between expectancy power (tenure) and firm value at a significance of 1% is approved. Thus, H1 is accepted, and H0 is rejected. Moreover, a relationship between prestige power and firm value is also found in this study. The Table 2 shows that prestige power also has a positive relationship with firm value at a significance of 1%.

For the control variable, ROA has a positive relationship with firm value for the regression model above at a significance level of 1%, while for the control variable leverage has a negative relationship with firm value for the above regression model at a significance level of 5% for ownership power, 1% for expert power and 10% for prestige power. The control variable firm size has no relationship with the firm value for the regression model above.

Table 5. Multiple linear regression analysis

Variable		Firm Value	
Ownership	1.298***		
	(0.004)		
Tenure		0.0246***	
		(0.000)	
Prestige			0.515***
			(0.000)
Roa	3.297***	2.476***	2.579***
	(0.000)	(0.000)	(0.000)
Lev	-0.548**	-0.650***	-0.450*
	(0.026)	(0.006)	(0.060)
Firmsize	0.00968	0.0306	-0.0264
	(0.749)	(0.298)	(0.365)
Constant	0.779	0.00280	1.640**
	(0.354)	(0.997)	(0.041)
Observations	322	322	322
R-squared	0.145	0.209	0.203

p-value in parentheses, *** p<0.01, ** p<0.05, * p<0.1

Based on the research results, it is known that ownership power has a positive and significant positive relationship with firm value. This can be interpreted that the greater the ownership power of the president director or CEO in the company, the company value will also increase. This is evidenced by the ownership power value of 0.004 with a significance level of 0.01. Ownership power referred to here is the shares owned by the CEO in the company he holds. In stewardship theory, a high commitment to the company will make the CEO act as a steward (servant) to serve the interests of the company and create wealth and maximize the company's future opportunities for shareholders (Tien et al., 2013).

The share ownership he owns will make him have the same goal as the shareholders, namely the company's profit. The CEO will make decisions that are considered effective and efficient in order to create better corporate value so that the company can continue to run. The greater the share ownership the CEO has, the better the CEO will make decisions to increase company value so that shareholders will be more prosperous. This can be a positive signal to investors that the CEO can lead the company in a good direction. With this, the CEO has the ability to convince investors to invest in the company. A high stock value also reflects that the company has a high corporate value. This research is also in line with research conducted by Dowell et al. (2011) and Sheikh (2018), which states that CEO power has an influence on firm value. However, this result is not in line with the research of Chiu, Chen, Cheng, and Hung (2019), which explains that the positive results are not significant, where although strong CEOs tend to cause higher agency costs, they can create more benefits for the company by increasing organizational efficiency and resource utilization.

Expert Power has a positive and significant relationship to firm value so that H1 is accepted. Expert Power is the CEO's strength that we can see from the experience and knowledge the CEO has. CEOs who have more experience are considered to be able to assist companies in obtaining and providing information. The longer the CEO's position can be a signal that the level of professionalism and expertise of the CEO is getting greater and can increase his power in influencing the decisions he makes. CEOs who have more experience are considered to be able to increase company value. The longer the CEO is in office, the more experience he has, so the greater his power to make decisions that are considered to increase the value of the company.

Prestige power is positively related to firm value. Prestige power is the CEO's strength that comes from the positive perceptions he has because of his reputation. This reputation can come from an educational background and relations with external parties, as well as other parties, such as the government, politicians and other related people. By having a good reputation, the CEO will be trusted by employees and related external parties. With this belief, decision-making will be easier to make. The reputation that the CEO has can be seen from the awards he gets for being CEO. The more awards the CEO gets, the better the reputation he gets so that decision-making will be easier to increase firm value.

In this study, there are several control variables used, including leverage, ROA and firm size. Based on the multiple linear regression tests that have been carried out, the results show that ROA has a significant positive relationship with firm value. Leverage is negatively related to firm value. Firm size is not related to firm value. These results are in line with research from Li Ju and Shun Yu (2011), which also confirms a positive relationship between ROA and firm value and a negative relationship between leverage and firm value. Several other studies (Ibhagui & Olokoyo, 2018; Olokoyo, 2013). also found a significant relationship between leverage and firm value, where a higher level of leverage in the company's capital structure is associated with stronger firm value. On the other hand, the results of this study are not in line with research from Qiu, Shaukat, and Tharyan (2016) and Hirdinis (2019), who found that firm size is positively related to firm value, which indicates that large company size will be able to attract investors to invest so that company value increases.

5. Conclusions

This study aims to determine whether there is an influence between CEO power and firm value. Ownership power, which is proxied by share ownership, has a positive effect on firm value. This means that, in Indonesia, the CEO who owns shares in the company he leads is able to influence the value of the company. Expert power, which is proxied by CEO tenure, has a positive effect on company value. This means that the longer the CEO has served in a company, the CEO will have power because they have received information and the ability to lead a company. This information and ability are obtained from the experience of the CEO, who had led the company. The longer the CEO is in office, the more it will increase the company's value. Prestige power, as measured by the CEO's dummy, has a positive effect on firm value. This means that the CEO who gets an award as long as he leads the company will have a positive influence on the company so that it can increase company value. This can be explained because prestige power will make the CEO have high competence recognized by other parties so that the CEO can maximize firm value.

This study provide empirical evidence on the relationship between CEO power and company value as well as consideration for investors to invest in companies that can generate maximum returns from the management side, namely CEO power consisting of ownership power, expert power, prestige power and company value. The results of this study show CEO power is proven to have a positive relationship with firm value.

The limitation of this study is that the researcher only uses three measurements to measure CEO power using and does not use other measurements due to the limitations of sampling in Indonesia. The proxies used also have many shortcomings and do not describe all the variables assessed for the sample period of this study using only a five-year time span, namely 2014-2018. Researchers suggest using another measure in measuring CEO power in order to obtain comprehensive results about the effect of CEO power on firm value.

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