

The impacts of CEO ownership and origin on firm performance: evidence from an emerging economy

M. Edo Suryawan Siregar¹, Oktapiani Oktapiani¹, Gatot Nazir Ahmad^{1,*}

¹Faculty of Economics Universitas Negeri Jakarta, Indonesia

Article info

Article history:

Received: 12 October 2022

Accepted: 23 February 2023

Published: 1 April 2023

Keywords:

CEO ownership;

CEO origin;

firm performance;

Indonesia

Abstract

This study aims to determine the effects of CEO ownership and CEO origin on the performance of non-financial firms listed on the Indonesia Stock Exchange from 2010–2018. The data used in this study were taken from annual reports of firms in non-financial sectors published by the Indonesia Stock Exchange from 2010–2018. This study utilized a purposive sampling technique to obtain 1,976 observations. The research model used is an unbalanced panel data analysis with a fixed-effect model approach. The results show that CEO ownership has a significant effect on firm performance when measured using Tobin's Q as a market proxy. However, CEO origin does not have a significant effect on Tobin's Q.

Citation:

Siregar, M.E.S., Oktapiani, O., and Ahmad, G.N. (2023). The impacts of CEO ownership and origin on firm performance: evidence from an emerging economy. *Global Advances in Business Studies*, 2(1), 25-36. <https://doi.org/10.55584/Gabs002.01.3>

1. Introduction

One of the characteristics of CEOs that are considered to affect the performance of a company is their ownership of shares. According to Jensen and Meckling (1976), shareholders' interests are represented and conflicts of interest between positions decrease as company managers' ownership shares increase. In this case, the CEO, who has a stake in the company, will make decisions and take actions carefully and think about all aspects thoughtfully because the decisions will impact their personal wealth (Booth et al., 2002). If the decisions made by the CEO benefit the company's performance, then the results will also benefit the CEO as a shareholder and vice versa. Therefore, this ownership will encourage the CEO to continue to improve the company's performance. Likewise, investors will be more confident in the company because they perceive a harmony of interests that encourages the company to perform better.

Several studies have found that CEO ownership influences a company's performance. Sudana and Dwiputri (2018) reported that a company's performance is better when the CEO owns shares as proof of ownership of the company in which they work. However, Masidonda et al. (2018) showed opposing results, finding that the ownership of the CEO negatively affects company performance.

According to Rhim et al. (2006), there are also other characteristics of a CEO that can affect a company's performance. One such characteristic is the origin of the CEO. A CEO can have one of two origins. An insider CEO is a CEO who is promoted from within the company's workforce (Saidu, 2019), while an outsider CEO is not appointed from within the company. The origin of a CEO is crucial because it impacts a company's performance. Insider CEOs are appointed because they have special qualities and advantages over other managers. Daily and Schwenk (1996) indicated that insider CEOs can be promoted as a success in dominating insiders. Thus, the existence of an insider CEO reduces the risks related to running the company's internal affairs. However, insider CEOs may lag behind outsider CEOs in terms of new knowledge, skills, and perspectives in managing change effectively (Finkelstein & Hambrick, 1997).

Several studies have presented mixed results. For example, Saidu (2019) revealed that insider CEOs have a positive relationship with company performance. Favaro et al. (2011) also found that insider CEOs are associated with better company performance, as indicated by increased shareholder profits. In contrast, Blandon and Josep (2019) showed that outsider CEOs are associated with better and more consistent company performance. This finding was supported by Ojeka et al. (2017), who found that outsider CEOs can improve company performance; they measured company performance using the same proxy as Blandon and Josep (2019).

The above discussion highlights a contradiction in previous results on the influence of CEO ownership and CEO origin on company performance. This inconsistency encouraged the researchers of the current study to consider variables related to CEO characteristics, namely CEO ownership and CEO origin, to explore how they affect the performance of non-financial companies listed on the Indonesia Stock Exchange. The non-financial sector was investigated because non-financial companies have more issuers than companies in other sectors listed on the Indonesia Stock Exchange; therefore, it is expected that the condition of non-financial companies in Indonesia can be described the most effectively. Furthermore, few studies have used similar samples to examine CEO characteristic variables. As such, this study is expected to contribute to the extant literature.

2. Literature review and hypotheses development

2.1. Agency theory

According to Jensen and Meckling (1976), agency theory applies to cases when a relationship or contract is established between management as an agent and shareholders as owners. In carrying out the contract, the management has the task of making decisions to use available resources to generate maximum profits for shareholders (owners). The agent, as the party assigned to manage the company, will want to receive a large incentive for the tasks it completes. Based on the description above, the two parties who cooperate in a company have different interests. Thus, the agent might not always act in the interests of the owner (Jensen & Meckling, 1976). This possibility can cause agency conflicts between management and shareholders (Sulistyaningsih & Gunawan, 2018).

According to Kristiono et al. (2014), different kinds of conflicts may arise from agency relationships, including issues with asymmetric information and conflicts of interest between management and company owners. Agency theory assumes that management has more information than owners about the company (asymmetric information), such as information related to the current condition of the company, conditions that the company may face in the future, and potential future opportunities. This discrepancy can cause agency problems. According to Jensen and Meckling (1976), deviant activities in agency relations can be prevented through agency costs, which ensure that management does not take actions that will harm the interests of owners. Meanwhile, according to Wulandari (2006), corporate governance is another alternative to equalizing the interests of management and company owners.

2.2. Upper echelon theory

Hambrick and Mason (1984) revealed that managerial characteristics can predict organizational outcomes since the decisions of top managers are influenced by their cognitive bases and values. According to upper echelons theory, the managerial characteristics possessed by top managers can directly or indirectly affect the performance of a company (Hambrick & Mason, 1984). Hambrick et al. (2005) suggested that there are two moderators in the relationship between managerial characteristics and company performance outcomes: managerial wisdom and the job demands owned by company executives. Specifically, when managerial wisdom is high, the characteristics possessed by managers can be a good predictor of the company's performance. Meanwhile, when executives have high work demands, they have little time to think about decisions and tend to make decisions using mental shortcuts based on their personal backgrounds. Therefore, the relationship between managerial characteristics and company performance results is stronger when the level of challenges faced is high (Hambrick, 2007).

2.3. Hypotheses development

According to Finkelstein (1992), the ownership of the CEO is a source of strength for a company, both in theory and in practice. CEO ownership is the number of company shares owned by a CEO (Sudana & Dwiputri, 2018). The CEO can influence decision-making at board meetings, the determination of member remuneration, the selection of directors, and even the dismissal of their own post (Zhang et al., 2016) due to their status as shareholders.

Masidonda et al. (2018) stated that the ownership of the CEO plays a role in the company and can affect the company's performance. Fan et al. (2019) reported that when the CEO owns shares in a company, it will have a detrimental impact on the company because the CEO can use their power to manipulate revenue data.

Therefore, the ownership of the CEO may influence the performance of the company. This idea is reinforced by the existence of empirical studies by Masidonda et al. (2018) and Fan et al. (2019). They showed that CEO ownership has a negative influence on Tobin's Q, which is a commonly used measure of company performance. This negative relationship indicates that when a CEO is also a shareholder of a company, company performance will suffer.

H1: CEO ownership negatively affects company performance.

According to Huson et al. (2004), CEOs can come either from within a company (insider CEOs) or from outside the company (outsider CEOs). An outsider CEO is a president director who comes from outside the company, has no kinship with the company, and has not previously held any position in the company. Conversely, an insider CEO is a president director who comes from within the company, has previously held a position in the company, or has a kinship relationship with company members.

Blandon and Josep (2019) stated that outsider CEOs improve company performance. Furthermore, Ojeka et al. (2017) claimed that outsider CEOs provide new knowledge and perspectives and bring new strategies for managing the company effectively. In other research, Blandon and Josep (2019) showed that outsider CEOs positively influence the performance of companies listed on the S&P Global 1200, while Ojeka et al. (2017) also revealed that outsider CEOs positively affect companies' performance. This positive relationship indicates that companies that employ outsider CEOs will perform well.

H2: Outsider CEOs positively affect company performance.

3. Research methods

3.1. Samples

The sampling criteria used in this research are as follows:

- The companies must be public non-financial companies that were listed on the Indonesia Stock Exchange for at least one year from 2010–2018.
- The companies must have issued financial statements in rupiah currency units.
- The companies must display all the data needed by the researchers related to the variables investigated in this study.

Table 1. Sample selection process

Sample criteria	Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Public non-financial companies listed on the Indonesia Stock Exchange	362	362	362	362	362	362	362	362	362	362
Companies that issue financial statements in a currency other than the rupiah	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)
Companies that do not provide all the data needed by the researchers about the variables examined in this study	(151)	(99)	(61)	(45)	(30)	(41)	(51)	(57)	(72)	
Sample	136	188	226	242	257	246	236	230	215	
Total Sample	1,976									

3.2. Operationalization of research variables

This study included three types of variables: a dependent variable, independent variables, and control variables. These variables are as follows:

1. Dependent variable

The dependent variable used in this study is company performance, which is measured using one indicator:

a. Tobin's Q

According to Hsu et al. (2019), Tobin's Q can be calculated as the market value of a stock plus the market value of debt divided by the total assets owned by a company.

2. Independent variables

The independent variables used in this study are the characteristics of the CEO, which are proxied as follows:

a. CEO ownership

Based on previous research (Saidu, 2019), CEO ownership is measured using a dummy variable; the number code "1" is assigned if the CEO owns shares in the company, and the number code "0" is assigned if the CEO does not own shares in the company.

b. CEO origin

Based on previous research (Saidu, 2019), the CEO origin variable is measured using a dummy variable; the number code "1" is assigned if the CEO is from outside the company (outsider CEO), and the number code "0" is assigned if the CEO is from within the company (insider CEO).

3. Control variables

The control variables used in this study are company size, leverage, dividend policy, liquidity, net working capital, size of the board of directors, size of the board of commissioners, independent commissioner, and foreign commissioner.

a. Firm size

According to Asnawi and Wijaya (2005), a common indicator used to measure firm size is the natural logarithm value of the total amount of assets owned by the company.

b. Leverage

According to Kasmir (2010), the value of this variable is generally measured as the ratio of total debt to total assets.

c. Dividend policy

The dividend payment policy is measured as a dummy variable, which is 1 for companies that pay dividends and 0 for companies that do not pay dividends in the year in question.

d. Liquidity

According to Kasmir (2013), the liquidity ratio can be calculated by dividing current assets by current debt.

e. Net working capital

Sudana (2019) explained that net working capital is the quotient of the amount of current assets that have been reduced by current debt and total assets owned by the company.

f. Size of the board of directors

Masitoh and Hidayah (2018) formulated the size of the board of directors as follows:

$$\text{BOD Size} = \sum \text{Board of directors}$$

g. Size of the board of commissioners

Per the research of Beiner et al. (2004), the size of the board of commissioners is formulated as follows:

$$\text{BOC Size} = \sum \text{Board of commissioners}$$

h. Independent commissioner

Following Masitoh and Hidayah (2018), the proportion of independent commissioners is formulated as follows:

$$\text{INDP_COM} = \frac{\sum \text{Independent commissioner}}{\sum \text{Board of commissioners}}$$

i. Foreign commissioner

In line with Pradono and Widowati (2016), the proportion of foreign commissioners is formulated as follows:

$$\text{FORE_COM} = \frac{\sum \text{Foreign commissioners}}{\sum \text{Board of commissioners}}$$

3.3. Analysis method

The researchers used panel data to analyze the influences of the independent (free) variables on the dependent (bound) variable. The regression equation model in this study is as follows:

$$\begin{aligned} \text{PERFORMANCE}_{it} = & \beta_0 + \beta_1 \text{CEO_OWN}_{it} + \beta_2 \text{CEO_ORIGIN}_{it} + \beta_3 \text{SIZE}_{it} + \beta_4 \text{LEV}_{it} \\ & + \beta_5 \text{DIV}_{it} + \beta_6 \text{LIQUID}_{it} + \beta_7 \text{NWC}_{it} + \beta_8 \text{BOD_SIZE}_{it} \\ & + \beta_9 \text{BOC_SIZE}_{it} + \beta_{10} \text{INDP_COM}_{it} + \beta_{11} \text{FORE_COM}_{it} + \varepsilon_{it} \end{aligned}$$

Description:

PERFORMANCE	= Tobin's Q
CEO_OWN	= CEO ownership
CEO_ORIGIN	= CEO origin
SIZE	= Firm size (Ln total asset)
LEV	= Leverage
DIV	= Dividend policy
LIQ	= Liquidity
NWC	= Net working capital
BOD_SIZE	= Size of the board of directors
BOC_SIZE	= Size of the board of commissioners
INDP_COM	= Independent commissioner
FORE_COM	= Foreign commissioner

4. Results and discussion

4.1. Descriptive statistics

Descriptive statistics provide the results of the data in an understandable way. The information presented includes the mean, median, maximum value, minimum value, and standard deviation obtained from each sample of non-financial companies listed on the Indonesia Stock Exchange from 2010–2018. Overall, 272 companies and 1,976 observational data points were examined.

Table 2. Descriptive statistics

	Mean	Median	Max.	Min.	Std. Dev	Obs
TOBIN'S Q (%)	155.45	72.61	7234.82	-64.590	363.03	1,976
CEO OWN (dummy)	0.2753	0.0000	1.0000	0.0000	0.4467	1,976
CEO ORI (dummy)	0.0870	0.0000	1.0000	0.0000	0.2819	1,976
SIZE	14.4687	14.4586	19.5046	6.9421	1.7697	1,976
LEV (%)	63.63	46.71	1997.01	0.0100	235.17	1,976
DIV (dummy)	0.4519	0.0000	1.0000	0.0000	0.4978	1,976
LIQUID (%)	229.77	146.24	4648.76	0.07	366.19	1,976
NWC (%)	9.69	13.84	1389.52	-778.87	164.16	1,976
BOD SIZE	4.7130	4.0000	18.0000	2.0000	2.0056	1,976
BOC SIZE	4.2211	3.0000	22.0000	1.0000	1.9891	1,976
INDP_COM (%)	40.65	33.33	100.00	0.0000	10.780	1,976
FORE_COM (%)	9.70	0.0000	100.00	0.0000	19.570	1,976

Table 2 shows the descriptive analysis of Tobin's Q as a dependent variable and CEO ownership (CEO_OWN), and CEO origin (CEO_ORI) as independent variables. The control variables consisted of of company size (SIZE), leverage (LEV), dividend policy (DIV), liquidity (LIQUID), net working capital (NWC), board of directors size (BOD_SIZE), board of commissioners size (BOC_SIZE), the proportion of independent commissioners (INDP_COM) and the proportion of foreign commissioners (FORE_COM).

1. Multicollinearity test

In this study, the multicollinearity test was carried out by considering the correlation coefficients between variables. If an intervariable correlation is greater than 0.8, then there is a high degree of multicollinearity (Næs, 2002).

Table 3. Pearson correlation

	1	2	3	4	5	6	7	8	9	10
1. CEO OWN	1	-	-	-	-	-	-	-	-	-
2. CEO ORI	-0.162	1	-	-	-	-	-	-	-	-
3. SIZE	0.015**	-0.017**	1	-	-	-	-	-	-	-
4. LEV	0.000***	-0.002***	-0.171	1	-	-	-	-	-	-
5. DIV	0.111	-0.035**	0.381	-0.068*	1	-	-	-	-	-
6. LIQ	0.028**	-0.019**	-0.097*	-0.055*	0.022**	1	-	-	-	-
7. NWC	0.023**	0.010**	0.130	-0.840	0.071*	0.103	1	-	-	-
8. BOD SIZE	0.012**	-0.048**	0.578	-0.040**	0.371	-0.053**	0.048**	1	-	-
9. BOC SIZE	-0.107	0.021**	0.502	-0.056*	0.275	-0.067*	0.040**	0.483	1	-
10. INDP_COM	-0.085*	0.007***	0.017**	0.036**	-0.035**	-0.026**	-0.079*	-0.013**	-0.062*	1
11. FORE_COM	-0.101	0.079**	0.140	-0.023**	0.142	0.029**	0.035**	0.267	0.263	-0.004***

The *, **, *** sign signifies significance levels of 10%, 5% and 1%

Table 3 shows that there is no relationship between variables, as indicated by the absence of any intervariable correlation coefficient values above 0.8. Therefore, no problem of high multicollinearity exists between the independent variables used in this study.

4.3. Regression results

Table 4 shows the results of the panel data regression regarding the effects of the independent variables of CEO ownership and CEO origin on the dependent variable of company performance while considering the control variables of company size, leverage, dividend policy, liquidity, net working capital, size of the board of directors, size of the board of commissioners, proportion of independent commissioners, and proportion of foreign commissioners.

Three regressions were carried out with dependent variables: Regression 1 is Tobin's Q, which considers two variables of CEO characteristics and control variables to determine their

effects on company performance. Regression 2 considers one variable characteristic of the CEO, namely the ownership of the CEO, and its control variable to determine its effect on company performance. Regression 3 considers one other CEO characteristic variable, namely the origin of the CEO, and its control variables to determine its effect on company performance.

The interpretation of the regression equation, with Tobin's Q serving as the dependent variable, can be explained as follows:

1. The regression coefficient of CEO_OWN is -0.6187. CEO_OWN influenced Tobin's Q since the value of Prob. (0.0101) is less than 5%.
2. The CEO_ORI regression coefficient is 0.1158. CEO_ORI did not influence Tobin's Q because of the value of Prob. (0.6222) is greater than 10%.

Table 4. Panel data regression results

	TOBIN'S Q		
	Regression 1	Regression 2	Regression 3
	Fixed-effect	Fixed-effect	Fixed-effect
Intercept	(9.8695) <i>0.0000***</i> [6.0420]	(9.8688) <i>0.0000***</i> [6.0430]	(9.7257) <i>0.0000***</i> [5.9476]
CEO_OWN	(-0.6187) <i>0.0101**</i> [-2.5769]	(-0.6340) <i>0.0078***</i> [-2.6638]	- - -
CEO_ORI	(0.1158) <i>0.6222</i> [0.4927]	- - -	(0.1943) <i>0.4053</i> [0.8324]
SIZE	(-0.5973) <i>0.0000***</i> [-5.3240]	(-0.5962) <i>0.0000***</i> [-5.3167]	(-0.5969) <i>0.0000***</i> [-5.3119]
LEV	(0.4150) <i>0.0000***</i> [8.6274]	(0.4156) <i>0.0000***</i> [8.6430]	(0.4146) <i>0.0000***</i> [8.6033]
DIV	(-0.0368) <i>0.8304</i> [-0.2142]	(-0.0351) <i>0.8382</i> [-0.2042]	(-0.0307) <i>0.8587</i> [-0.1780]
LIQUID	(-0.0880) <i>0.0000***</i> [-5.0778]	(-0.0881) <i>0.0000***</i> [-5.0810]	(-0.0873) <i>0.0000***</i> [-5.0305]
NWC	(0.4863) <i>0.0000***</i> [7.1311]	(0.4873) <i>0.0000***</i> [7.1506]	(0.4836) <i>0.0000***</i> [7.0808]
BOD_SIZE	(-0.0692) <i>0.3690</i> [-0.8985]	(-0.0697) <i>0.3655</i> [-0.9051]	(-0.0724) <i>0.3486</i> [-0.9376]
BOC_SIZE	(-0.0101) <i>0.9044</i> [-0.1200]	(-0.0087) <i>0.9177</i> [-0.1033]	(-0.0125) <i>0.8827</i> [-0.1475]
INDP_COM	(1.5893) <i>0.0368**</i> [2.0897]	(1.5803) <i>0.0378**</i> [2.0789]	(1.5346) <i>0.0440**</i> [2.0152]
FORE_COM	(1.2257) <i>0.1282</i> [1.5219]	(1.2083) <i>0.1333</i> [1.5020]	(1.2705) <i>0.1154</i> [1.5752]
R-Squared	0.6358	0.6358	0.6344
Adj. R-Squared	0.5752	0.5754	0.5738
F-Statistic	10.4840	10.5252	10.4629
Sig. F-Statistic	0.0000	0.0000	0.0000
Observations	1,976	1,976	1,976

The number in parentheses is the value of the coefficient. Italicized numbers are probabilities. The numbers in square brackets are t-statistical values. *, **, and *** represent significance levels of 10%, 5%, and 1%;

4.4. Discussion

This study aimed to determine the effect of CEO ownership and CEO origin on company performance. The significance levels used in this study were 0.01, 0.05, and 0.10 ($\alpha = 1\%$, 5%, and 10%). The effects of the independent variables on the dependent variable (while considering several control variables) in a sample of non-financial companies listed on the Indonesia Stock Exchange from 2010–2018 are explained as follows:

1. The effect of CEO ownership on company performance (Tobin's Q)

Table 4 shows that the value of the CEO_OWN coefficient at regression 1, with Tobin's Q as the dependent variable, is -0.6187 with a probability value of 0.0101. This probability value is less than 0.05 (5%), which indicates that CEO ownership negatively affects company performance as measured by Tobin's Q. This means that H₁, which states that CEO ownership negatively affects company performance, is accepted. The value of the CEO_OWN coefficient at regression 2 is -0.6340, with a probability value of 0.0078. Since the probability value is less than 0.01 (1%), CEO ownership negatively affects company performance. Thus, H₁ is accepted. Both of the above regression results are in line with the research conducted by Fan et al. (2019), who found that CEO power, when proxied by CEO ownership, has a negative relationship with company performance. When CEOs own shares in a company, it has a detrimental impact on the company because these CEOs can manipulate revenue data. Furthermore, CEOs who own shares in a company can influence decision-making at board meetings; for instance, they can determine member remuneration, select directors, and even cancel decisions for their dismissal (Zhang et al., 2016). This understanding is in line with agency theory, which proposes that the agent (in this case, the CEO) and the owner (the investor) have different goals and that each seeks to maximize their own interests. When a CEO owns shares in a company, they have more power than CEOs who do not own company shares. This power allows CEOs to achieve their goals, which often conflict with the goals of the company owners.

2. The effect of CEO origin on company performance (Tobin's Q)

Table 4 shows that the value of the CEO_ORI coefficient at regression 1 is 0.1158 with a probability value of 0.6222. The probability value is greater than 0.10 (10%), indicating that CEO origin does not affect company performance. Thus, H₂, which states that CEO origin has a positive effect on company performance, is rejected. The value of the CEO_ORI coefficient at regression 3 is 0.1943 with a probability value of 0.4053, which is greater than 0.10 (10%). This result also indicates that CEO origin has no effect on company performance and rejects H₂. These results align with previous research conducted by Setiaji and Junarsin (2014), who found that changing to either an insider CEO or an outsider CEO does not affect company performance. This may be because outsider CEOs tend to make the same decisions as insider CEOs; therefore, no drastic changes occur that would boost company performance (Setiaji & Junarsin, 2014).

5. Conclusions, implications, and suggestions

5.1. Conclusions

This study aimed to determine the effect of CEO ownership and CEO origin on the performance of non-financial companies (proxied with Tobin's Q) listed on the Indonesia Stock Exchange from 2010–2018. The conclusions drawn from the results are as follows:

1. CEO ownership affects the performance (using Tobin's Q as a proxy) of non-financial companies listed on the Indonesia Stock Exchange from 2010–2018.
2. CEO origin does not affect the performance (proxied by Tobin's Q) of non-financial companies listed on the Indonesia Stock Exchange from 2010–2018.

5.2. Implications

1. For companies

This research is expected to provide alternative recommendations and scientific considerations for non-financial companies in Indonesia, especially in terms of making the best decisions regarding hiring CEOs based on the amount of shares they own in the company. The characteristics of a CEO cannot optimize a company's performance as proxied by Tobin's Q.

2. For investors

This research provides information for investors to consider when making investment decisions, especially in non-financial companies in Indonesia. Investors can make decisions based on the characteristics of the CEO—specifically, whether the CEO has ownership status in the company—which was found to negatively affect company performance.

5.3. Suggestions for future research

Based on the outcomes of the current study, the following suggestions for further research can be made:

1. Future studies could use other proxies related to CEOs, such as CEO tenure and CEO education.
2. This study could be expanded to consider financial companies listed on the Indonesia Stock Exchange.

References

- Asnawi, S. K., & Wijaya, C. (2005). *Financial research testing – empirical testing*. Gramedia Library.
- Beiner, S., Drobetz, D. W., Schmid, F., & Zimmermann, H. (2004). Is board size an independent corporate governance mechanism? *Kyklos*, 57(3), 327–356. <https://doi.org/10.1111/j.0023-5962.2004.00257.x>
- Blandon, J. G., & Josep. (2019). Exploring the relationship between CEO characteristics and performance. *Journal of Business Economics and Management*, 20(6), 1064–1082.
- Booth, J. R., Cornett, M. M., & Tehranian, H. (2002). Boards of directors, ownership, and regulation. *Journal of Banking and Finance*, 26(10), 1973–1996. [https://doi.org/10.1016/S0378-4266\(01\)00181-9](https://doi.org/10.1016/S0378-4266(01)00181-9)
- Daily, C. M., & Schwenk, C. (1996). Chief executive officers, top management teams, and boards of directors: congruent or countervailing forces? *Journal of Management*, 22(2), 185–208. <https://doi.org/https://doi.org/10.1177/014920639602200201>
- Fan, Y., Boateng, A., King, T., & MacRae, C. (2019). Board-CEO friendship ties and firm value: Evidence from US firms. *International Review of Financial Analysis*, 65, 1–17. <https://doi.org/10.1016/j.irfa.2019.101373>
- Favaro, K., Karlsson, P.-O., & Neilson, G. L. (2011). CEO succession 2010: the four types of CEOs. *Booz & Company*, 62.
- Finkelstein, S. (1992). Power in top management teams: dimensions, measurement, and validation. *Academy of Management Journal*, 35(3), 505–538.
- Finkelstein, S., & Hambrick, D. C. (1997). Strategic leadership: top executives and their effects on organizations. *The Academy of Management Review*, 22(22), 802–805. <https://doi.org/10.2307/259414>
- Hambrick, D. C. (2007). Upper echelons theory: an update. *Academy of Management Review*, 32(2), 334–343. <https://doi.org/10.2307/20159303>

- Hambrick, D. C., Finkelstein, S., & Mooney, A. C. (2005). Executive job demands: new insights for explaining strategic decisions and leader behaviors. *The Academy of Management Review*, 30(3), 472–491. <https://doi.org/10.2307/20159139>
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: the organization as a reflection of its top managers. *The Academy of Management Review*, 9(2), 193–206. <https://doi.org/10.2307/258434>
- Hsu, S., Lin, S. W., Chen, W. P., & Huang, J. W. (2019). CEO duality, information costs, and firm performance. *North American Journal of Economics and Finance*, 101011. <https://doi.org/10.1016/j.najef.2019.101011>
- Huson, M. R., Malatesta, P. H., & Parrino, R. (2004). Managerial succession and firm performance. *Journal of Financial Economics*, 74(2), 237–275. <https://doi.org/10.1016/j.jfineco.2003.08.002>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure. *Journal Of Financial Economics*, 3(10), 305–360. <https://doi.org/10.1177/0018726718812602>
- Kristiono, K., Zulfahridar, Z., & A., A.-A. (2014). Effect of ownership structure, capital structure and company size on risk management disclosure in banking companies listed on the Indonesia Stock Exchange. *Online Journal of Students of the Faculty of Economics, Riau University*, 1(2).
- Masidonda, J. La, Hariyanti, D., Asrida, W., Musaid, S. A., & Hehanussa, S. J. (2018). Effect of CEO ability, CEO ownership and profitability on corporate value mediated by capital structure. *International Journal of Mechanical Engineering and Technology*, 9(6), 1056–1066.
- Masitoh, N. S., & Hidayah, N. (2018). The effect of the implementation of good corporate governance on company performance. *Journal of Accounting and Business Studies*, 1(1), 49–59. <https://doi.org/10.22441/tekun.v8i1.2596>
- Næs, T. (2002). A User-friendly guide to multivariate calibration and classification. NIR Publications.
- Ojeka, S. A., Adetula, D. T., Mukoro, D. O., & Kpokpo, O. P. (2017). Does chief executive officer succession affect firms financial performance in Nigeria? *International Journal of Economics and Financial Issues*, 7(2), 530–535.
- Pradono, N. S. H., & Widowati, E. H. (2016). The influence of foreign commissioners, foreign directors and foreign ownership on the performance of intellectual capital. *Performance*, 20(2), 132–148. <https://doi.org/10.24002/kinerja.v20i2.840>
- Rhim, J. C., Peluchette, J. V., & Song, I. (2006). Stock market reactions and firm performance surrounding CEO succession: antecedents of succession and successor origin. *American Journal of Business*, 21(1), 21–30. <https://doi.org/10.1108/19355181200600002>
- Saidu, S. (2019). CEO characteristics and firm performance: focus on origin, education and ownership. *Journal of Global Entrepreneurship Research*, 9(1). <https://doi.org/10.1186/s40497-019-0153-7>
- Setiaji, B., & Junarsin, E. (2014). The effect of chief executive officer change on company performance in Indonesia. *Thesis SI, FEB UGM*.
- Sudana, I. M. (2019). *Financial management theory and practice*. Airlangga University Press.
- Sudana, I. M., & Dwiputri, E. (2018). CEO characteristics and performance of non-financial companies listed on the Indonesia Stock Exchange. *Indonesian Journal of Management and Business*, 5(3), 299–314. <https://doi.org/10.31843/jmbi.v5i3.169>
- Sulistyaningsih, S., & Gunawan, B. (2018). Analysis of factors affecting risk management disclosure. *Indonesian Accounting and Finance Research*, 1(1), 1–11. <https://doi.org/10.23917/reaksi.v1i1.1973>
- Wulandari, N. (2006). Effect of corporate governance mechanism indicators on the

performance of public companies in Indonesia. *Economic Focus*, 1(2), 120–136.

Zhang, X., Tang, G., & Lin, Z. (2016). Managerial power, agency cost and executive compensation—an empirical study from China. *Chinese Management Studies*, 10(1), 119–137. <https://doi.org/https://doi.org/10.1108/CMS-11-2015-0262>