THE INFLUENCE OF CEO POWER ON COMPANY PERFORMANCE WITH GOOD CORPORATE GOVERNANCE AS A MODERATING VARIABLE

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Abstract

This research is quantitative research with an explanatory approach, namely an approach that uses several previous studies as the main focus in exploring in more depth the research being carried out. The data used in this research is primary data that researchers distributed to Wulling leaders and employees spread throughout Indonesia. The data distributed using an online questionnaire instrument contains 4 statements out of 16 statements on the dependent variable, 6 questions, the independent variable, 6 questions, and the moderate variable, 4 questions. The data must go through several stages first, starting with the validity test, reliability test and path coefficient. From the characteristics of the explanation that the researcher describes, it can be seen that the analysis tool used is smart PLS 4.0. Thereult show that the CEO Power variable has a positive relationship and has a significant influence on the Company Performance variable because superior policies, superior power, superior networks, and superior behavior can change everything to the point that it has an impact. on Company Performance. The results that the researcher concluded were caused by the P-Values which were positive and were below the 0.05 significance level, namely 0.017. Apart from that, the Good Corporate Governance variable can strengthen the influence of the CEO Power variable on company performance because good policies issued by the leadership are part of Good Corporate Governance and good governance is the result of good superior policies as well. This means that both Good Corporate Governance and CEO Power are two things that influence each other. The results that the researchers concluded were caused by the same thing because the P-Vlaues value was positive and was below the 0.05 significance level, namely 0.017. Thus, the first and second hypotheses in this research can be accepted and proven.

Keywords: *CEO Power, Good Corporate Governance, Company Performance*

1. INTRODUCTION

CEO (Chief Executive Officer) or in Indonesia often referred to as Main Director or President Director is someone who holds the highest position in the company's operational activities, is responsible for strategic plans and decisions and as a supporter between internal and external parties (Sudana, 2017). Investors can assess a company's performance by knowing the company's CEO. Certo, et al in Sudana and Aristina (2017) stated that the CEO has the power to influence the investment decisions of potential investors. The power or authority possessed by a CEO can come from share ownership (ownership Power), formal position (structural Power), expertise (expert Power), and social connections (prestige Power), which is non-financial information that is also used as a consideration for investors to assess the company's future prospects. Ownership is an important source of Power (Windarto, 2021).

Haleblian and Finkelstein; Pfeffer; Adams, et al in (Jay C, 2002) say there is no one definition of CEO power, there is only a common thread in the literature, CEO power is the CEO's ability to overcome obstacles and consistently influence important decisions within the company. According to Yukl in (Yaparto, 2013)power is the ability to influence other people.

CEO power refers to the CEO's ability to exert influence on board members, therefore Chief Executive Officers (CEOs) as top executives who stand at the top of the top-level organizational structure, their decision-making power clearly has a significant impact on company operations (Combs, 2007). The power of the CEO is important to the CEO's ability to maintain control over the company. Executives can only influence company outcomes if they have influence over important company decisions.

According to Combs, et al (2007) CEO power refers to the CEO's potential to utilize ownership or position to pursue his own goals. A CEO whose power remains unchecked by outside directors is likely to take self-serving actions that reduce shareholder wealth. There is much heterogeneity in CEO decision-making authority across companies, attributes such as ownership, status as a founder or as a significant owner and formal positions such as chairman of the board help determine the level of CEO power (Swastika, 2016).

(Lestari & Ghaby, 2018) say the power a CEO has can have significant consequences for a company, which raises the question of how much decision-making power should be given to the CEO. A potential advantage of focusing decision-making power is that the CEO may be able to make quicker decisions. On the other hand, a powerful CEO may act more unilaterally with little input from the board or other managers, resulting in lower decision quality. With overconfidence in his own abilities, the CEO may also allow the company to experience many economic downturns. According to (Nilayanti & Suaryana, 2019)effective board monitoring can help prevent abuse of power and also ensure that the CEO's power is used to benefit the company. Research on CEOs shows that there are many positive benefits to a great CEO, such as clear lines of authority, faster strategic response times, and a focal point for external accountability.

Based on the explanation above, researchers believe that the CEO Power variable can have a positive relationship and have a significant influence on company performance. Performance comes from the words job performance or actual performance, namely the work results achieved by an employee in carrying out or completing their duties in accordance with the responsibilities they have been given (Natonis, 2019). Performance is the result of work that is related to the organization's strategic goals, customer satisfaction and can make an economic contribution (Sparta & Reska, 2022). According to Helfert, "company performance is the achievements or results that are influenced by the company's operational activities in utilizing the resources it has" (Faishol, 2016). According to Moerdiyanto in (Wardianda & Slamet Wiyono, 2023), company performance is the result of a series of business processes at the expense of various human and financial resources of the company. Company performance can be seen from how intensively the company's activities are in order to generate maximum profits.

Company performance is a description of the company's financial condition which is analyzed using financial analysis tools, so that it can be seen whether the financial condition of a company is good or bad which reflects work performance in a certain period. This is very important so that resources are used optimally in facing environmental changes. Financial performance assessment is one way that management can fulfill its obligations to funders and also to achieve the goals set by the company (Sukiyah et al., 2021).

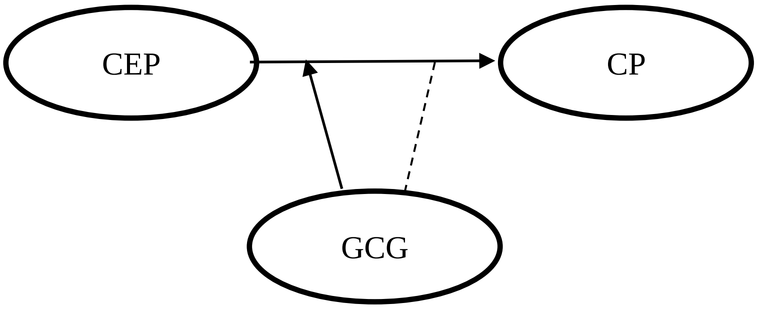
Price to Earning Ratio (PER) is the most popular and most important method for analyzing the market value of a stock. Of course, PER cannot fully describe the condition of a company. However, investors and analysts consider PER as the ratio that best reflects a company's performance. PER information indicates the amount of rupiah that investors must pay to obtain one rupiah of company earnings. In other words, PER shows the price of each rupiah of company earnings. Apart from that, PER is also a measure of the relative price of a company's shares (Hermiyetti, 2017).

There are a number of previous studies (Septiyana, 2023); (Hamidlal & Harymawan, 2021); (Natonis, 2019); (Athallah, 2023) & (Noval, 2015) which shows the direction of a positive relationship and a significant influence on company performance. In contrast to a number of previous studies, this research adds the Good Corporate Governance variable as a moderating variable which is believed to strengthen the influence of CEO Power on Company Performance.

2. METHOD

Figure 1

Model



Noted:
CEP: CEO Power
CP: Company Performance
GCG: Good Corporate Governance

The results of the first image of the research model above show that the purpose of the image above is to find out the influence of CEO Power on Company Performance and the Good Corporate Governance variable can strengthen the influence of the CEO Power variable on the Company Performance variable. In fact, in previous research there were a number of previous studies (Septiyana, 2023); (Hamidlal & Harymawan, 2021); (Natonis, 2019); (Athallah, 2023) & (Noval, 2015) have the same object, namely analyzing the influence of CEO Power variables on Company Performance. The difference is that this research uses the Good Corporate Governance variable as a moderating variable (Jonathan Sarwono, 2016). This research is quantitative research with an explanatory approach, namely an approach that uses several previous studies as the main focus in exploring in more depth the research being carried out (Sugiyono, 2019). The data used in this research is primary data that researchers distributed to Wulling leaders and employees spread throughout Indonesia (Ilahiyyah & Harti, 2022). The data distributed using an online questionnaire instrument contains 4 statements out of 16 statements on the dependent variable, 6 questions, the independent variable, 6 questions, and the moderate variable, 4 questions (Hair, 2010). The data must go through several stages first, starting with the validity test, reliability test and path coefficient (Abdurahman, 2016). From the characteristics of the explanation that the researcher describes, it can be seen that the analysis tool used is smart PLS 4.0 with the hypothesis below.

Hypothesis:
H1: The Influence of CEO Power on Company Performance

H2: Good Corporate Governance Can Moderates The Influence of CEO Power on Company Performance

3. RESULT AND DISCUSSION

Validity Test

In line with the researcher's explanation above, data collected from online questionnaires distributed to Wulling leaders and employees throughout Indonesia must go through several stages, namely validity tests, reliability tests and path coefficients. In accordance with the sequence, the initial stages that are passed are the validity test and the following are the results of the validity test in this research (Sarstedt et al., 2014):

Table 1
Validity Test

Variable	Question Item	Loading Factor
CEO Power (X1)	Company leaders have a vital role in the company	0.824
	Leaders' decisions in the company are useful in improving company performance	0.817
	Company leaders must have strong power	0.822
	The power of company leaders must always be increased	0.842
	The power of leaders in a company is the key to a company's success	0.827
	CEO Power can improve Company Performance	0.825
Company Performance (Y)	Company performance can be achieved in line with the policies of the leadership	0.878
	Company performance can be boosted by leadership power	0.899
	Company performance depends on superior policies	0.885
	Company performance can also be influenced by good corporate governance	0.868
	Company performance can be significantly influenced by superior policy regulations and company governance	0.874
	Company performance is something that must be improved by a company	0.871
	Good governance depends on	0.945

Good Corporate Governance (Z)	the policies of superiors	
	Good policies from superiors are part of good governance	0.938
	Good policies from the company must combine to improve company performance	0.944
	Good governance is the key to the success of a company	0.918

Valid > 0.70

Reliability Test

Of the 16 question items distributed to 50 Wulling Company leaders and 300 Wulling employees in Indonesia, they have been answered, validated, and the results show that the questions asked are valid. The next stage is to ensure that the variables used, in this case CEO Power, Company Performance and Good Corporate Governance, are reliable with the reliability test results below (Ghozali, 2016).

Table 2

Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
CEO Power	0.895	0.845	Reliable
Company Performance	0.942	0.902	Reliable
Good Corporate Governance	0.985	0.945	Reliable

Reliable > 0.70

Path Coefisien

In line with the research explanation in the validity test section above, the path coefficient path stage can be passed if the researcher has passed the validity and reliability test stages. The validity test results show that all the question items distributed through the questionnaire and the reliability test results show that the three variables used are also reliable. Therefore, the following are the results of the path coefficients in this research (Anggara & Andhaniwati, 2023):

Table 3

Path Coefisien

	Variable	P-Values	Noted
Direct Influence	CEP-> CP	0.017	Accepted
Indirect Influence	GCG* CEP-> CP	0.000	Accepted

Significanti Level < 0.05

Based on the statistical results presented by researchers in the third table of path coefficients above, it can be concluded that the CEO Power variable has a positive relationship and has a significant influence on the Company Performance variable because superior policies, superior power, superior networks, and superior behavior can change everything to the point that it has an impact. on Company Performance. The results that the researcher concluded were caused by the P-Values which were positive and were below the 0.05 significance level, namely 0.017. These results are in line with a number of previous studies (Septiyana, 2023); (Hamidlal & Harymawan, 2021); (Natonis, 2019); (Athallah, 2023) & (Noval, 2015) . Apart from that, the Good Corporate Governance variable can strengthen the influence of the CEO Power variable on company performance because good policies issued by the leadership are part of Good Corporate

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4. CONCLUSION

Based on the statistical results presented by researchers in the third table of path coefficients above, it can be concluded that the CEO Power variable has a positive relationship and has a significant influence on the Company Performance variable because superior policies, superior power, superior networks, and superior behavior can change everything to the point that it has an impact. on Company Performance. The results that the researcher concluded were caused by the P-Values which were positive and were below the 0.05 significance level, namely 0.017. These results are in line with a number of previous studies (Septiyana, 2023); (Hamidlal & Harymawan, 2021); (Natonis, 2019); (Athallah, 2023) & (Noval, 2015) . Apart from that, the Good Corporate Governance variable can strengthen the influence of the CEO Power variable on company performance because good policies issued by the leadership are part of Good Corporate Governance and good governance is the result of good superior policies as well. This means that both Good Corporate Governance and CEO Power are two things that influence each other. The results that the researchers concluded were caused by the same thing because the P-Vlaues value was positive and was below the 0.05 significance level, namely 0.017. Thus, the first and second hypotheses in this research can be accepted and proven.

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