THE INFLUENCE OF CEO CHARACTERISTICS ON COMPANY PERFORMANCE WITH INSTITUTIONAL OWNERSHIP AS A MODERATING VARIABLE

Abdillah Arif Nasution[1], Lia Nurina[2], Wa Ode Suwarni[3], Eva Purnamasari[4] , Nurganda Siregar[5]
Universitas Sumatera Utara, Indonesia[1] Institut Bisnis dan Ekonomi Indonesia[2] Universitas Dayanu Ikhsanuddin, Indonesia[3] Politeknik Negeri Semarang, Indonesia[4] Universitas Deli Sumatera, Indonesia [5]
Correspondensi Author Email : badinst@usu.ac.id

Abstract
This research is quantitative research with an exploratory approach. The data used in this research is secondary data that researchers obtained from the Indonesian Stock Exchange. The data collected comes from manufacturing companies on the Stock Exchange. The collected data was analyzed using the smart PLS 4.0 analysis tool. The result in this article show that the CEO Charactirstic variable can have a positive relationship and a significant influence on Company Performance and the Institutional Ownership variable can moderate the influence of the Company Performance variable on Company Performance. This is because the P-Values value of the CEO Characteristic variable can have a positive relationship towards Company Performance which is below the 0.05 significance level, namely 0.004, and the P-Values value of the Institutional Ownership moderating variable can strengthen the influence of the CEO Characteristic variable on Company Performance, which is below 0.05, namely 0,000. This is because the CEO has an important role in expanding networks, being a negotiator, issuing policies, and so on which can improve employees which ultimately can influence employee performance. Apart from that, Institutional Ownership can give the CEO freedom in determining policies and so on. Thus, the first and second hypotheses in this study can be accepted.

Keywords: *Ceo Characteristics, Company Performance , Institutional Ownership*

1. INTRODUCTION

Characteristics comes from the word character, the term character itself in the large Indonesian dictionary means psychological traits, morals or manners that can distinguish a person from another person, through the person's own character and character. Overall each individual has different characteristics that set them apart. Sometimes characteristics can also be interpreted as a person's personality, where their way of thinking and behaving becomes a characteristic of each individual (Chung, J. 2003).

Chief Executive Officer or commonly called CEO is the highest position in a company which has full responsibility for everything that happens within a company. The CEO of a company has an important role in achieving the vision and mission of a company. In achieving the company's vision and mission, a CEO must of course pay attention to and understand the conditions that occur within the company, so that a CEO can avoid risks that will occur within his company. Almost most companies in Indonesia have a CEO led by a male CEO, where a male CEO is better known as a CEO who is responsible, firm and braver in contrast to CEOs led by women. However, sometimes there are also CEOs of companies led by women. Therefore, the differences in these characteristics can create gaps and equality between CEOs (Ellyanti & Ignatius 2010).

In Upper Echelon Theory, the experiences of top organizational leaders, the values and personality of a CEO can influence their interpretation of the situations they will face, and can also influence brands in determining their future choices. The characteristics of top management will later produce a strong explanation regarding the outcomes of an organization.

The characteristics of top management are that they have strategic direction or choices and ultimately they determine the performance of an organization (Iskandy Wijaya 2020).

In this theory, it shows that the CEO's age, the CEO's education, the CEO's experience, the CEO's social background, the CEO's economic conditions, and the CEO's personal characteristics are determinants of their ability to handle a complex situation and how the CEO will control the situation within his company (NUR FAUZIAH 2019). According to (Hidayah 2018)stated that the upper management of an organization has special roles and responsibilities for the organization they lead, where the characteristics of upper management and how they will deal with them can of course influence the organization's outcomes. According to him, the main director has full responsibility for the company's strategy function.

Based on the explanation above, researchers believe that CEO characteristics can have a positive relationship and a significant influence on company performance. The company's ability to utilize its resources to achieve its goals is called company performance. The purpose of measuring company performance is to find out whether the business is managed well or not. So, based on the performance achieved in the previous period, top level management can determine future strategies (Lince Bulutoding, Rika Dwi Ayu Parmitasi 2016). Company performance can be measured using Return on Assets (ROA), Return on Investment (ROI), Return on Equity (ROE), and Tobin's Q. However, in this study only ROA and Tobin's Q were used as indicators of company performance. ROA is used to see the extent to which company assets are able to generate profits. So, the greater the ROA value, the greater the profit generated . According to (Iskandy Wijaya 2020), "Tobin's Q or q-theory is the ratio of capital market value to replacement costs and measures all company investment opportunities".

Company performance is a description of the financial condition of a company which is analyzed using financial analysis tools, so that it can be known about the good and bad financial condition of a company 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 (Fiorincia and Widayati 2020). Performance is a general term used for some or all of the actions or activities of an organization in a period with reference to standard amounts such as past or projected costs, on the basis of efficiency, accountability or management accountability and the like (Lestari and Ghaby 2018) .

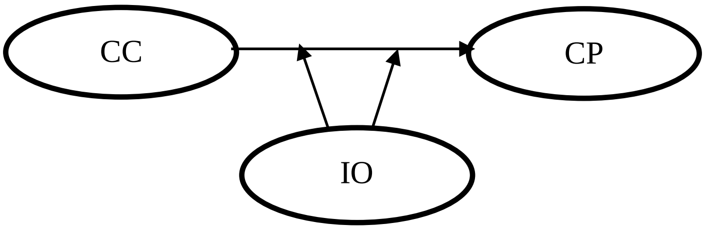
Before understanding the issue of performance appraisal further, there are several definitions of performance. Company performance is the result of many individual decisions made continuously by management (Kusiyah, Kalbuana, and Rusdiyanto 2022) and also according to (Maksum 2020)"Performance is the success of personnel, teams, or organizational units in realizing predetermined strategic goals with the expected behavior ”. According to Stout (in Yuwono, 2002) states that performance measurement is the process of recording and measuring the achievement of implementing activities in the direction of mission accomplishment through the results displayed in the form of a product, service or process (Berliana and Hesti 2021).

Performance measurement which is defined as "performing measurement" is the qualification and efficiency of a company or segment or effectiveness in business operations during the accounting period (Sarirati, Yunianti, and Feriandy 2021). Thus, the definition of performance is a formal effort carried out by a company to evaluate the efficiency and effectiveness of company activities that have been carried out over a period of time. So it can be concluded that company performance is all activities carried out by the company related to achieving management's strategic targets during a certain period (Sukiyah et al. 2021).

A number of studies show .(Cristi and Edi 2022); (MAHARANI 2020); (Silaban and Lumban Gaol 2023); (Haneul 2023) & (VERNANDA 2022) show a positive relationship and a significant influence on company performance. Different from a number of previous studies, this research adds the Institutional Ownership variable as a moderating variable.

2. RESEARCH METHODS

Figure 1
Model



Noted:
CC : CEO Characteristic
CP: Company Performance
IO: Institutional Ownership

Based on the picture above, it can be concluded that the most fundamental topic in this article is analyzing the influence of CEO Characteristics on Company Performance. This is in line with a number of previous studies, namely (Cristi and Edi 2022); (MAHARANI 2020); (Silaban and Lumban Gaol 2023); (Haneul 2023) & (VERNANDA 2022). Different from that research, this research adds the Institutional Ownership variable as a moderating variable. This research is quantitative research with an exploratory approach. The data used in this research is secondary data that researchers obtained from the Indonesian Stock Exchange. The data collected comes from manufacturing companies on the Stock Exchange. The collected data was analyzed using the smart PLS 4.0 analysis tool with the research hypothesis below.

Hypothesis:
H1: The Influence of CEO Characteristic on Company Performance
H2: Institutional Ownership Can Moderates The Influence of CEO Characteristic on Company Performance

3. RESULT AND DISCUSSION

Validity Test

Researchers believe that the CEO Characteristic variable can have a positive relationship and a significant influence on company performance because the CEO has an important role in determining policies, expanding networks, and so on which can ultimately influence company performance. To achieve this, several steps are required first, including those below (Hair 2010):

Tabel 1
Validity Test

Variable	Loading Factor	Noted
CEO Characteristic	0.878	Valid
Company Performance	0.919	Valid
Institutional Ownership	0.956	Valid

Valid > 0.70

Reliability Test

The next stage is the reliability testing stage. This stage is used to ensure each variable used in this research is the CEO Characteristic, Company Value and Tax Sanction variables. Therefore, the following are the results of the reliability test in this article (Ghozali 2016):

Table 2
Reliability Test

Variable	Composite Reliability	Cronbach Alfa
CEO Characteristic	0.882	0.841
Company Value	0.946	0.915
Institutional Ownership	0.987	0.945

Reliable > 0.70

Path Coefisien

The stages that researchers mean in the validity test section are the validity test, reliability test and path coefficient stages. The validity test and reliability test stages have been passed in this research and showed good results. The following are the results of the Path Coefficient test in this research (Sarstedt et al. 2014):

Table 3
Path Coeifisien

	Variable	P-Values	Noted
Direct Influence	CC->CP	0.004	Accepted
Indirect Influence	IO* CC->CP	0.000	Accepted

Significant Level < 0.05

The third table of Path Coefficients in this research shows that the CEO Charactirstic variable can have a positive relationship and a significant influence on Company Performance and the Institutional Ownership variable can moderate the influence of the Company Performance variable on Company Performance. This is because the P-Values value of the CEO Characteristic variable can have a positive relationship towards Company Performance which is below the 0.05 significance level, namely 0.004, and the P-Values value of the Institutional Ownership moderating variable can strengthen the influence of the CEO Characteristic variable on Company Performance, which is below 0.05, namely 0,000. This is because the CEO has an important role in expanding networks, being a negotiator, issuing policies, and so on which can improve employees which ultimately can influence employee performance. Apart from that, Institutional Ownership can give the CEO freedom in determining policies and so on. These results are in line with previous research (Cristi and Edi 2022); (MAHARANI 2020); (Silaban and Lumban Gaol 2023); (Haneul 2023) & (VERNANDA 2022). Thus, the first and second hypotheses in this study can be accepted.

4. CONCLUSION

The third table of Path Coefficients in this research shows that the CEO Charactirstic variable can have a positive relationship and a significant influence on Company Performance and the Institutional Ownership variable can moderate the influence of the Company Performance variable on Company Performance. This is because the P-Values value of the CEO Characteristic variable can have a positive relationship towards Company Performance which is below the 0.05 significance level, namely 0.004, and the P-Values value of the Institutional Ownership moderating variable can strengthen the influence of the CEO Characteristic variable on Company Performance, which is below 0.05, namely 0,000. This is because the CEO has an important role in expanding networks, being a negotiator, issuing policies, and so on which can improve employees which ultimately can influence employee performance. Apart from that, Institutional Ownership can give the CEO freedom in determining policies and so on. These results are in line with previous research (Cristi and Edi 2022); (MAHARANI 2020); (Silaban and Lumban Gaol 2023); (Haneul 2023) & (VERNANDA 2022). Thus, the first and second hypotheses in this study can be accepted.

REFERENCES

Berliana, Gracela, and Theresia Hesti. 2021. "Peran Intellectual Capital Terhadap Nilai Perusahaan (Kaitan Antara Nilai Tambah, Kinerja Keuangan Dan Nilai Perusahaan)." *Jurnal Syntax Admiration* 2(5): 843–62.

Chung, J., & Monroe. 2003. "A Research Note on the Effect of Gender and Task Complexity on Audit Judgment." *Journal of Behavioral Research* 2(1): 17.

Cristi, and Edi. 2022. "Pengaruh Karakteristik Ceo Terhadap Manajemen Laba Pada Perusahaan Yang Terdaftar Di Bursa Efek Indonesia Periode 2016-2020." *Jurnal Ilmiah Akuntansi Dan Keuangan* 4(3): 1689–1703.

Ellyanti & Ignatius. 2010. "Peran Diversitas Gender Terhadap Pengambilan Keputusan Pendanaan Pada Perusahaan Indeks Kompas 100." *Jurnal Manajerial Dan Kewirausahaanewirausahaan* 3(2): 16.

Fiorincia, and Nurti Widayati. 2020. "Pengaruh Gaya Kepemimpinan , Beban Kerja , Dan Job Insecurity Terhadap Turnover Intention Karyawan." *Jurnal Ilmu Manajemen* 1(1): 1–7.

Ghozali, I. 2016. *Aplikasi Analisis Multivariete Dengan Program (IBM. SPSS)*. Diponergoro: Univrsitas Dipenogoro.

Hair. 2010. *Multivariate Data Analysis, Seventh Editions*. Prentice Hall: New Jersey.

Haneul. 2023. "Pengaruh CEO Characteristics Terhadap Firm Performance Pada Masa Pandemi COVID-19." *Jurnal Bisnis, Manajemen, dan Keuangan* 4(1): 88–100.

Hidayah, Nurul. 2018. Marketing "Analisi Strategi Digital Marketing Dalam Membantu Penjualan Living Space Dan Efo Store."

Iskandy Wijaya. 2020. "PENGARUH FINANCIAL KNOWLEDGE, FINANCIAL SATISFACTION, FINANCIAL CONFIDENCE TERHADAP FINANCIAL BEHAVIOR." *Corporate Governance (Bingley)* 10(1): 54–75.

Kusiyah, Kusiyah, Nawang Kalbuana, and Rusdiyanto Rusdiyanto. 2022. "Pengaruh Narsisme Ceo Dan Arus Kas Bebas Terhadap Kinerja Perusahaan." *Jurnal Riset Akuntansi Politala* 5(1): 36–45.

Lestari, Endah Rahayu, and Nur Kholifatul Fithriyah Ghaby. 2018. "The Influence of Organizational Citizenship Behavior (OCB) on Employee's Job Satisfaction and Performance." *Industria: Jurnal Teknologi dan Manajemen Agroindustri* 7(2): 116–23.

Lince Bulutoding, Rika Dwi Ayu Parmitasi, Muhammad Auliya'a Dahlan. 2016. "NPENGARUH RETURN ON ASSET (ROA) DAN DEBT TO EQUITY RATIO

(DER) TERHADAP HARGA SAHAM DENGAN KEBIJAKAN DIVIDEN SEBAGAI VARIABEL INTERVENING (Studi Empiris Pada Perusahaan Yang Terdaftar Di Jakarta Islamic Index (JII) Periode 2010-2016).” *Jurnal Ilmiah Akuntansi Peradaban* IV(2): 1–14.

MAHARANI, HENNY. 2020. 21 “KARAKTERISTIK CEO DALAM PENGAMBILAN KEPUTUSAN PENDANAAN DAN PENGARUHNYA TERHADAP KINERJA KEUANGAN PERUSAHAAN FOOD AND BEVERAGE TERDAFTAR DI BURSA EFEK INDONESIA.” FAKULTAS EKONOMI UNIVERSITAS ISLAM RIAU PEKANBARU.

Maksum, Ikhsan. 2020. “Kepemimpinan Islami Dan Etika Kerja Islami: Pengaruhnya Terhadap Kinerja Karyawan.” *Li Falah: Jurnal Studi Ekonomi dan Bisnis Islam* 5(1): 90.

NUR FAUZIAH. 2019. 53 Jurnal Sains dan Seni ITS “PENGARUH PENGGUNAAN KREDIT USAHA RAKYAT (KUR) TERHADAP PENDAPATAN USAHA KECIL MENENGAH(UKM) MASYARAKAT KOTA BANDA ACEH.” https://www.infodesign.org.br/infodesign/article/view/355%0Ahttp://www.abergo.org.br/revista/index.php/ae/article/view/731%0Ahttp://www.abergo.org.br/revista/index.php/ae/article/view/269%0Ahttp://www.abergo.org.br/revista/index.php/ae/article/view/106%0A.

Sarirati, Putri, Kristin Yunianti, and Feriandy Feriandy. 2021. “Pengaruh Good Corporate Governance Terhadap Profitabilitas Perusahaan Pada Pt. Bank Central Asia, Tbk Periode Tahun 2015-2020.” *Aliansi : Jurnal Manajemen dan Bisnis* 16(1): 65–70.

Sarstedt, Marko et al. 2014. “Partial Least Squares Structural Equation Modeling (PLS-SEM): A Useful Tool for Family Business Researchers.” *Journal of Family Business Strategy* 5(1): 105–15.

Silaban, Adanan, and Manatap Berliana Lumban Gaol. 2023. “Pengaruh Karakteristik CEO Terhadap Kinerja Bagian Keuangan (Akuntan) Perusahaan.” *JPPI (Jurnal Penelitian Pendidikan Indonesia)* 9(2): 1057.

Sukiyah, Nurindah Dwi Antika, Mujita Fajar Elok Venanda, Elok Venanda, and Jojok Dwiridotjahjono. 2021. “Pengaruh Motivasi Kerja Dan Displin Kerja Terhadap Kinerja Karyawan Di Perusahaan PTPN X Pabrik Gula Lestari Kertosono.” *Jurnal Manajemen dan Organisasi* 12(2): 99–108.

VERNANDA, EFELYN YULIA. 2022. “HE INFLUENCE OF CEO ATTRIBUTES, GENDER DIVERSITY, AND BOARD STRUCTURE ON FIRM PERFORMANCE.” FAKULTAS BISNIS UNIVERSITAS KATOLIK WIDYA MANDALA SURABAYA.