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Corporate Firm Value: CEO Characteristic Factors (Gender) and CEO Age

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Abstrak

Nilai perusahaan menjadi salah satu faktor yang sangat penting bagi pihak korporasi yang sudah *Go Publik* ataupun yang belum dalam menjaga citra informasi yang ada terhadap para investor. Serta menjadi salah satu acuan para investor dalam memutuskan tindakan investasinya. Dengan demikian sebagai pihak praktisi akademisi dan juga investor pasar modal, maka tema penelitian ini menjadi topik yang urgensi dalam perspektif CEO (Gender) dan usia CEO untuk diangkat. Tujuan khusus penelitian ini untuk menganalisis perbedaan nilai perusahaan di antara perusahaan-perusahaan sektor energi yang terdaftar di Bursa Efek Indonesia, dengan fokus pada karakter CEO (Gender), dan usia CEO korporasi. Teknik analisa data penelitian menggunakan uji beda rata-rata independen untuk pengujian hipotesis dalam penelitian ini, yang pertama dilakukan terlebih dahulu ialah uji asumsi atau kelayakan model data penelitian. Hasil penelitian menunjukkan yang pertama bahwa tidak ada perbedaan yang signifikan pada Perusahaan yang dipimpin oleh CEO Perempuan dan CEO laki-laki terhadap nilai perusahaan, hasil yang kedua menunjukkan bahwa tidak ada perbedaan yang signifikan Perusahaan yang dipimpin oleh CEO kurang dari 45 tahun dan CEO yang lebih dari 45 tahun usianya terhadap nilai perusahaan.

Kata Kunci: *Nilai Perusahaan, CEO, Usia CEO, Gender*

Abstract

Firm value is a very important factor for corporations that have gone public or not in maintaining the image of existing information to investors. As well as being one of the references for investors in deciding their investment actions. Thus, as an academic practitioner and also a capital market investor, this research theme is a topic of urgency in the perspective of the CEO (Gender) and the age of the CEO to be raised. The specific purpose of this study is to analyze the difference in firm value among energy sector companies listed on the Indonesia Stock Exchange, with a focus on the character of the CEO (Gender), and the age of the CEO of the corporation. The research data analysis technique uses an independent mean difference test for hypothesis testing in this study, the first thing to do first is the assumption test or the feasibility of the research data model. The results showed the first that there was no significant difference in the Company led by Female CEO and male CEO on firm value, the second result showed that there was no significant difference in the Company led by CEO less than 45 years and CEO more than 45 years of age on firm value.

Keywords: *Firm Value, CEO, CEO Age, Gender*

INTRODUCTION

Upper Echelon Theory in the opinion of (Finkelstein & Hambrick, 1990) the main strategic decision making in the company is carried out by top management, as the overall responsible for the results that have been carried out. A director's experience in overseeing the company's operations significantly influences strategic policies, including those related to the company's capital structure (Eisenhardt, 1989). Various kinds of strategic policies in the company cannot be separated from the CEO's policy in its formation. Some explorations from previous research related to the impact of CEO characteristics on various strategic policies of a Company, such as Company sustainable performance, investment cash flow policy, CSR, dividend distribution, bank risk reduction efforts, investment in R&D, corporate governance, capital information, innovative performance, financial statement quality, financial reporting quality, and IPO performance.

As the highest and most powerful leader, the CEO can influence the Company's decision making (Cardillo et al., 2021). In addition, the CEO's influence on investment and financial decisions, his characteristics and preferences for risk factors affect the Company's debt policy (Dwekat et al., 2020). The wrong combination of funds can cause serious damage affecting the performance and survival of business firms (Greene et al., 2020), In corporate finance, the leverage effect is a very important part of fund selection because it affects the rate of return on equity and the risks associated with ownership and the market value of shares (Fernández-Temprano & Tejerina-Gaite, 2020). While no single characteristic

of the best teams has been studied in depth to understand its complete influence on organizational outcomes, the organizational tenure of team members may qualify as the most theoretically significant of all demographic variables (Hurley & Choudhary, 2020).

Discussion related to capital structure policy is a topic that is often discussed, as well as studies that discuss the relationship between CEO characteristics and the Company's capital structure (Asiamah et al., 2023). Various findings are obtained from the results of studies in various countries, for example one study in Nigeria with 116 companies as samples in the 2011-2021 period, the findings explained that the characteristics of male CEOs tend to often use more debt in company operations than the characteristics of female CEOs. And the age of the CEO turns out to have a negative effect, in the sense that older CEOs tend to be lower in the use of the Company's debt ratio, and vice versa CEOs with younger ages tend to be high in the use of the Company's debt ratio (Awen & Yahaya, 2023). Furthermore, research in Pakistan with 179 Company samples with a time period of 2009-2015 found that the characteristics of male CEOs were greater in using the debt ratio than the characteristics of female CEOs, then it was found that tenure had a positive effect, which meant that CEOs with longer tenure were more dominant in using high debt ratios (Naseem et al., 2020).

In corporate finance, the enterprise value effect is a very important part for fund selection because it affects the rate of return on equity and the risks associated with ownership and the market value of shares (Apochi et al., 2022). However, the wrong combination of funds can cause serious damage that affects the performance and survival of business enterprises (Adhikari et al., 2019). As the highest and most powerful leader, the CEO can influence the Company's decision making (Hurley & Choudhary, 2020). In addition, the CEO's influence on investment and financial decisions, his characteristics and preferences for risk factors affect debt policy and firm value (Fernández-Temprano & Tejerina-Gaite, 2020). Risk-averse managers can use price gap gains to drive higher earnings, while risk-loving managers tend to hold more capital to avoid financial pressures from leverage, which can damage reputation. In response to this, researchers began to examine individual characteristics, including investor characteristics (Nadeem et al., 2019).

RESEARCH METHOD

This research will be carried out for one year, namely 2024. This research is comparative quantitative research, according to (Sugiyono, 2017) explaining that it is research with the aim of comparing one or more variables with different populations, times and samples or a combination of the whole. Among them are CEO characteristics (Gender),

CEO age, and CEO tenure with corporate debt policy. The method in quantitative research is a method based on the philosophy of positivism in evaluating research and certain samples (Gujarathi, 2022).

This study uses the documentation method in data collection and sampling. All data used is sourced from the Indonesia Stock Exchange (BEI) website and the investing.com website. Data such as CEO (President Director) profile information, facilitating data collection on gender and CEO tenure and tenure, as well as data on the Company's Debt to Equity ratio. The sampling method used is purposive, which is guided by certain criteria, including: (1) Non-financial companies in the energy sector listed on the Indonesian stock exchange. (2) Non-financial companies in the energy sector that have complete financial reports and the necessary data for complete financial and necessary data. (3) Companies with positive retained earnings during the study period. (4) Companies that present financial statements in rupiah and US dollars.

The research data analysis technique uses an independent mean difference test for hypothesis testing in this study, the first thing to do first is the assumption test or the feasibility of the research data model. This test includes normality test and variance homogeneity test (Breusch & Pagan, 1979). If the assumptions of normality and homogeneity are not met, then a nonparametric difference test, such as the Mann-Whitney test, is carried out. nonparametric, such as the Mann-Whitney test which is then used, the following is a flow chart of the research to be carried out.

RESULT AND DISCUSSION

Results

The initial stage before testing the difference in the average company value of Companies with Gender (CEO) factors, and CEO Age first conducts assumption testing, in this assumption testing includes testing the normality of research data and testing the homogeneity of variance in data groups.

Table 1. Normality test of firms value variable based on CEO Gender

		Tests of Normality					
		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Gender_CEO	Statistic	df	Sig.	Statistic	df	Sig.
Firm_Value	Laki-laki	.360	46	.000	.417	46	.000
	Perempuan	.260	2	.			

a. Lilliefors Significance Correction

Table 1 is the result of testing the normality of the company value variable data based on the CEO Gender factor, these results show that there are 45 companies led by male CEOs, and there are 2 companies led by female CEOs in energy sector companies. The results of the test obtained the significance value of Kolmogorov-Smirnov (KS) and Shapiro-Wilk (SW) is smaller than the 5% alpha value, namely 0.000, and $0.000 < 0.005$, so the conclusion from the test results is that the company value variable with the CEO Gender factor is not normally distributed, in accordance with the provisions, it can be continued at the next stage.

Table 2. Normality test of firm value variable based on CEO Age

		Tests of Normality					
		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Usia_CEO	Statistic	df	Sig.	Statistic	df	Sig.
Firm_Value	< 45	.428	7	.000	.557	7	.000
	> 45	.368	41	.000	.414	41	.000

a. Lilliefors Significance Correction

Table 2 is the result of testing the normality of company value variable data based on the CEO age factor, these results show that the CEO's age is less than 45 years old in 7 companies, and the CEO's age is more than 45 years old in 40 energy sector companies. The results of the test obtained the significance value of Kolmogorov-Smirnov (KS) and Shapiro-Wilk (SW) is smaller than the 5% alpha value, namely 0.021, and $0.000 < 0.005$, so the conclusion from the test results is that the company value variable with the CEO age factor is not normally distributed, in accordance with the provisions, it can be continued at the next stage.

Table 3. Variance Homogeneity Test

		Test of Homogeneity of Variances				
			Levene Statistic	df1	df2	Sig.
Firm_Value	Gender CEO	Based on Mean	.574	1	46	.452
	Usia CEO	Based on Mean	.610	1	46	.439

Table 3 is the result of testing the homogeneity of variance of the CEO gender variable, and the age of the CEO through Levene's Test with different groups of variance data, such as the significant value of the CEO gender variable, CEO age, and tenure above the 5% alpha value, or the significant value > from 0.05, these results indicate that these variables

are homogeneous. The test of normality of research data and homogeneity of variance has been carried out, then the next is hypothesis testing, namely the difference in independent means using a non-parametric approach, specifically through Mann Whitney testing.

Table 4. Firm value difference test results based on CEO Gender using Mann Whitney

Test Statistics ^a	
	Firm_Value
Mann-Whitney U	31.000
Wilcoxon W	34.000
Z	-.774
Asymp. Sig. (2-tailed)	.439
Exact Sig. [2*(1-tailed Sig.)]	.482 ^b
a. Grouping Variable: Gender_CEO	
b. Not corrected for ties.	

Table 4 shows the results of the Mann-Whitney test, the significant value in the test is 0.313 greater than the 5% alpha value (0.005), so it can be concluded that the first hypothesis in the study is rejected, namely that there is no significant difference in the CEO gender variable, namely Female CEO and male CEO on firm value. In the Z column shows a negative value, this result assumes that the Company with the leadership of the Female CEO has a low company value compared to the Company led by the male CEO.

Table 5. Firm value difference test results based on CEO Age using Mann Whitney

Test Statistics ^a	
	Firm_Value
Mann-Whitney U	117.000
Wilcoxon W	145.000
Z	-.774
Asymp. Sig. (2-tailed)	.439
Exact Sig. [2*(1-tailed Sig.)]	.456 ^b
a. Grouping Variable: Usia_CEO	
b. Not corrected for ties.	

Table 5 shows the results of the Mann-Whitney test, the significant value in the test is 0.588 which is greater than the 5% alpha value (0.005), so it can be concluded that the second hypothesis in the study is rejected, namely that there is no significant difference in the CEO age variable, namely CEO less than 45 years and more than 45 years of age on firm

value. In the Z column shows a negative value, this result is assumed that companies with CEO leaders aged less than 45 years have low company value, and vice versa for Company CEOs with more than 45 years of age tend to have good company value.

Discussion

CEO Gender on Firm Value

The findings in table 4 conclude that there is no difference between companies led by female CEOs and companies led by male CEOs on firm value. The Z value is negative with the assumption that the Female CEO has a lower company value than the male CEO in taking towards the company value. Basically, companies in the energy sector have fluctuating company values, seen in the situation in 2023 is an improvement and economic recovery from the co-19 pandemic, so that the company's value in economic recovery has a positive effect on decreasing corporate value. Of the total sample in this study, there are only two companies led by female CEOs, namely PT Rig Tenders Indonesia Tbk and PT Alfa Energi Investama Tbk. Furthermore, there are 45 companies led by male CEOs. Regarding the value of the company, female CEOs tend to maintain risk so that the value of the company is relatively stable, this is indeed the natural basis of women in policies in the short or long term. The results of this study are in line with the results of research from (Nadeem et al., 2019), (Asiamah et al., 2023), and (Fernández-Temprano & Tejerina-Gaite, 2020) mentioning that female CEOs are wiser in decisions compared to male CEOs who tend to be more aggressive which has an impact on company value.

CEO Age on Firm Value

The findings in table 5 conclude that there is no difference between companies led by CEOs under 45 years of age and companies led by CEOs over 45 years of age on firm value. The Z value is negative with the assumption that CEOs under 45 years of age have a low company value compared to CEOs over 45 years of age who have a higher company value so that it has an impact on investor investment decisions. In the results of this study there is no significant difference related to the age of the CEO on firm value with the assumption that from the research the average value of the Company in the energy sector in the study period tends to fluctuate. So that there is no significant difference in the leadership style of CEOs under 45 years of age with CEOs over 45 years of age on firm value. Although there is no significant difference, there is an imbalance between CEOs with an age above 45 years old who have better policies from their experience in leading so that the debt ratio is lower than CEOs with an age above 45 years old who are more at risk in making debt decisions,

this is evidenced by the negative Z value and in the research data. The results of this study are in line with the results of research from (Nadeem et al., 2019), (Greene et al., 2020) and (Dwekat et al., 2020) which state that CEOs or Company leaders over 45 years of age are better and wiser in making decisions so that they have a positive impact on company value.

CONCLUSION

The purpose of this study was to examine the differences in corporate value of the CEO gender factor, and the age of the CEO. The sample in the study was the CEO or managing director of the companies in the energy sector listed on the Indonesia Stock Exchange. This type of research is causality associative research with a quantitative approach. The data analysis technique uses a simultaneous mean difference test. The results showed the first that there was no significant difference in companies led by female CEOs and male CEOs on firm value, the second result showed that there was no significant difference in companies led by CEOs of less than 45 years and CEOs of more than 45 years of age on firm value. The implications of the results of this study can be for the reference of academics and researchers in measuring firm value, investors in choosing investment decisions in the capital market, and in general for references and references in the theme of firm value.

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