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The Effect Of Ceo Popularity On Firm Performance With Free Cash Flow As A Moderating Variable

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Abstract

This research is a quantitative study with an explanatory approach, namely an approach that supports previous research as the main reference for building a foundation for the research being carried out. The data used in this study are secondary data that researchers obtained from credible sources such as the Indonesia Stock Exchange from 2013 to 2023. The data were analyzed using the smart PLS 4.0 analysis tool. The result in this article show that the CEO Popularity variable can have a positive relationship direction and a significant influence on Company Performance because the P-Values are positive and below the significance level of 0.05, namely 0.009. This is because a polished CEO can make negotiations easier, the company profile is increasingly well-known, and ultimately can improve Company Performance. These results are in line with research. In the next row, it can be concluded that the Free Cash Flow variable can moderate the influence of the CEO Popularity variable on Company Performance because the P-Values are positive and below the significance level of 0.05, namely 0.000, which is more significant than direct testing of 0.09. Thus, it can be concluded that the first and second hypotheses in this article can be proven and accepted.

Keyword: *Firm Size, Company Performance, Sales Growth*

Abstrak

Penelitian ini merupakan penelitian kuantitatif dengan pendekatan eksplanatori, yaitu pendekatan yang mendukung penelitian-penelitian terdahulu sebagai acuan utama untuk membangun landasan bagi penelitian yang dilakukan. Data yang digunakan dalam penelitian ini merupakan data sekunder yang peneliti peroleh dari sumber yang dapat dipercaya seperti Bursa Efek Indonesia pada tahun 2013 hingga 2023. Data tersebut dianalisis menggunakan alat analisis smart PLS 4.0. Hasil pada artikel ini menunjukkan bahwa variabel Popularitas CEO dapat mempunyai arah hubungan positif dan pengaruh signifikan terhadap Kinerja Perusahaan karena P-Values bernilai positif dan dibawah tingkat signifikansi 0,05 yaitu 0,009. Sebab, CEO yang tersohor dapat mempermudah negosiasi, profil perusahaan semakin terkenal, dan pada akhirnya dapat meningkatkan Kinerja Perusahaan. Hasil ini sejalan dengan penelitian. Pada baris berikutnya dapat disimpulkan bahwa variabel Free Cash Flow dapat memoderasi pengaruh variabel Popularitas CEO terhadap Kinerja Perusahaan karena P-Values bernilai positif dan dibawah tingkat signifikansi 0,05 yaitu 0,000 lebih signifikan dibandingkan dengan variabel Popularitas CEO. pengujian langsung sebesar 0,09. Dengan demikian, dapat disimpulkan bahwa hipotesis pertama dan kedua pada artikel ini dapat dibuktikan dan diterima.

Kata Kunci: *Ukuran Perusahaan, Kinerja Perusahaan, Pertumbuhan Penjualan*

INTRODUCTION

Company performance is a picture of a company's financial condition analyzed using financial analysis tools, so that it can be known about the good or bad financial condition of a company that reflects work performance in a certain period (Lestari & Ghaby, 2018). This is very important so that resources are used optimally in facing environmental changes (Natonis, 2019).

Financial performance assessment is one way that can be done by the management to fulfill its obligations to the funders and also to achieve the goals set by the company (Maksum, 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, responsibility or accountability of management and the like (Ranty Sapitri, 2019).

Before understanding the problem of performance assessment further, there are several definitions of performance. Company performance is the result of many individual decisions made continuously by management and also according to (Situmorang, 2019)"Performance is the success of personnel, teams, or organizational units in realizing previously determined strategic goals with expected behavior". According to (Zaky, 2021) stated that performance measurement is the process of recording and measuring the achievement of the implementation of activities in the direction of achieving the mission

(mission accomplishment) through the results displayed in the form of products, services or a process (Hermiyetti, 2017).

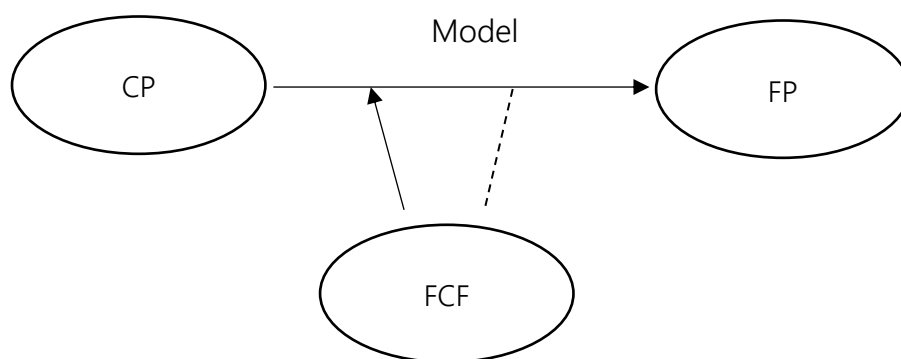
Performance measurement defined as “performing measurement” is the qualification and efficiency of a company or segment or effectiveness in operating a business during an accounting period (Dien Sandra Rosuliana et al., 2022). Thus, the definition of performance is a formal effort carried out by a company to evaluate the efficiency and effectiveness of the company's activities that have been carried out in a period of time. So it can be concluded that company performance is all activities carried out by the company related to achieving strategic management targets during a certain period (Prasetio et al., 2022).

Performance measurement systems are grouped into three systems, namely (Noval, 2015): 1. First Group "Fully Integrated" The performance measurement system in this group is the best measurement system (advanced), which has many needs that must be met. This system is able to explain the causal relationship that crosses the organization. The needs of all stakeholders are considered. The database and reporting system must be integrated with each other. 2. Second Group "Balanced" This system is able to see performance from a multidimensional view, from different perspectives and time horizons. This system supports innovation and learning and is customer-oriented. The purpose of this system is more to improve than to monitor it. 3. Third Group "Mostly Financial" The third group represents a performance measurement system based on traditional performance measurements, such as ROI, cash flow, and employee productivity. This system is oriented towards profit and optimization based on cost efficiency and generally the results are short-term (Hajar, 2019).

There are several things that can affect Company Performance, one of which is CEO Popularity. Research (et al., 2022) shows a positive relationship direction and significant influence on Company Performance. In contrast to research (et al., 2022), this study adds the Free Cash Flow variable as a moderating variable.

RESEARCH METOHDS:

Figure 1
Model



Noted:

CP : CEO Popularity

FP : Firm Performance

FCF: Free Cash Flow

Based on the explanation above, it can be concluded that the main objective of this article is to analyze the influence of CEO Popularity on Company Performance. This study is in line with research (et al., 2022) which analyzes the influence of Popularity on Company Performance. Unlike research (et al., 2022), this study adds the Free Cash Flow variable as a moderating variable. This research is a quantitative study with an explanatory approach, namely an approach that supports previous research as the main reference for building a foundation for the research being carried out (Sparta & Reska, 2022). The data used in this study are secondary data that researchers obtained from credible sources such as the Indonesia Stock Exchange from 2013 to 2023 (Jonathan Sarwono, 2016). The data were analyzed using the smart PLS 4.0 analysis tool with the hypothesis below. Moderation (Sugiyono, 2019).

Hypothesis:

H1: The Influence of CEO Popularity on Firm Performance

H2: Free Cash Flow Can Moderates The Influence of CEO Popularity on Firm Performance

RESULT AND DISCUSSION

Background Analysis

Company performance is a picture of a company's financial condition analyzed using financial analysis tools, so that it can be known about the good or bad financial condition of a company that reflects work performance in a certain period (Lestari & Ghaby, 2018). This is very important so that resources are used optimally in facing environmental changes (Natonis, 2019).

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Validity Test

The first stage when using the smart PLS 4.0 analysis tool is the validity stage. The validity stage is used to validate each data used in this article, whether the researcher uses primary data or secondary data from existing research. The validity stage is a prerequisite for continuing or not the researcher's stage in the next section, namely the reliability test

and path coefficient section. Here are the results of the validity test in this article (Gujarati, 2013):

Table 1
Validity Test

Variable	Loading Factor	Noted
CEO Popularity	0.852	Valid
Firm Performance	0.895	Valid
Free Cash Flow	0.921	Valid

Valid > 0.70

Realibility Test

After ensuring that the validity stage has been successfully passed because the loading factor value is above 0.70, the data successfully obtained from the Indonesia Stock Exchange from 2013 to 2023 can be continued to the next stage, namely the reliability test. The following are the results of the reliability test in this article (Sarstedt et al., 2014):

Table 2
Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
CEO Popularity	0.872	0.840	Valid
Firm Performance	0.952	0.911	Valid
Free Cash Flow	0.965	0.920	Valid

Reliable > 0.70

Path Coefisien

The last stage is the Path Coefficient stage which can only be passed after the researcher has passed the validity test stage and the reliability test stage. This stage is the most important stage and also determines whether the hypothesis formulated in the introduction and research methodology has been proven or not. The following are the results of the Path Coefficient in this article (Ghozali, 2016):

Table 3
Path Coefisien

	Variable	P-Values	Noted
Direct Influence	CP-> FP	0.009	Accepted
Indirect Influence	FCF* CP-> FP	0.000	Accepted

Signifianct Level < 0.05

Based on the results of the third table above, it can be concluded that the CEO Popularity variable can have a positive relationship direction and a significant influence on Company Performance because the P-Values are positive and below the significance level of 0.05, namely 0.009. This is because a polished CEO can make negotiations easier, the company profile is increasingly well-known, and ultimately can improve Company Performance. These results are in line with research (et al., 2022). In the next row, it can be concluded that the Free Cash Flow variable can moderate the influence of the CEO Popularity variable on Company Performance because the P-Values are positive and below the significance level of 0.05, namely 0.000, which is more significant than direct testing of 0.09. Thus, it can be concluded that the first and second hypotheses in this article can be proven and accepted.

CONCLUSION

Based on the results of the third table above, it can be concluded that the CEO Popularity variable can have a positive relationship direction and a significant influence on Company Performance because the P-Values are positive and below the significance level of 0.05, namely 0.009. This is because a polished CEO can make negotiations easier, the company profile is increasingly well-known, and ultimately can improve Company Performance. These results are in line with research (et al., 2022). In the next row, it can be concluded that the Free Cash Flow variable can moderate the influence of the CEO Popularity variable on Company Performance because the P-Values are positive and below the significance level of 0.05, namely 0.000, which is more significant than direct testing of 0.09. Thus, it can be concluded that the first and second hypotheses in this article can be proven and accepted.

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