

Evolving ownership structures, CEO tenure, and their impact on company value in Indonesia's digital economy

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Abstract

The purpose of this study is to analyze the influence of the relationship between ownership structure (institutional and managerial ownership) and firm value mediated by CEO tenure in Indonesia. Sourced from the IDX, the data used are archive, or secondary, records. From 2019 to 2023, 91 service, trade, and investment firms were included in the sample that the researchers used. This investigation employs a quantitative methodology. Archival data, namely secondary data acquired from the IDX (<https://www.idx.co.id>), are used in this study. This study uses a sample of 154 financial statements from companies listed on the IDX between 2019 and 2023. These companies were listed on the IDX. Institutional ownership is unrelated to firm value, according to the test findings, however managerial ownership is inversely related. There is a positive correlation between CEO duration and company valuation and a negative correlation between CEO term and management ownership, according to the data. Managerial and institutional ownership of a company's value are not moderated by the length of time a chief executive officer is in office.

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1. Introduction

Several studies have looked at how different types of ownership affect a company's worth. A careful evaluation of this literature reveals a number of weaknesses. Researchers such as Lasfer & Faccio (2005); Purba & Africa (2019); Sugosha (2020); Bakhtiar et al. (2021); Budiman & Krisnawati (2021) found an insignificant effect of ownership structure on company value. Researchers on CEOs show that empirically companies with executive committees have lower market values (Vafeas & Vlittis, 2019; Lee, 2020; Popov & Makeeva, 2022). Meanwhile Lin (2010); Ruan & Tian (2011); Thanatawee (2014); Mishra & Kapil (2017); Rashid (2020) found that The worth of a corporation was positively correlated with its ownership structure. Research findings by Xie (2014); Chen & Tsang (2017); Fan et al. (2019) also find

that Since CEO tenure may be indicative of CEO dedication and expertise, it has a substantial effect on business internationalization.

Managers are forced to focus on maximizing the interests of shareholders and preventing their companies from engaging in unprofitable investments as they are expected to increase the value of the company. The maximum performance of the company is influenced by good corporate governance, but whether this condition can be achieved depends on appropriate collaboration between ownership control and protection of investor rights. One of the factors that determines a company's success is its ownership structure, which, together with strong governance, helps to minimize conflicts of interest between minority shareholders and dominant shareholders. Another way to lessen the impact of agency conflicts is to use ownership structures to bring manage-

ment's interests in line with shareholders' (Sun et al., 2016; Abdullah et al., 2017; Tayachi et al., 2023; Puzakov et al., 2024).

The large contribution of service sector companies is a manifestation of the transformation of the Indonesian economy over the last few decades. Initially, the national economy was supported by the primary sector, namely agriculture and mining. Aside from the primary sector, the country's economy is supported by the secondary sector, namely the manufacturing industry. After these two sectors dominated, the Indonesian economy shifted to being supported by service sector companies. These companies have experienced high growth over the last few years. Between 2000-2017 the contribution of service sector companies increased from 45% to 54%. (Hidayatullah, 2018).

In addition, the BPS, in the second quarter of 2018, recorded a current account deficit that reached USD 8.02 billion. This amount was obtained from industrial sector companies with a surplus of USD 288.93 million, and a deficit in the service sector of USD 1,789.56. Based on these data, it can be seen that the contribution of the service sector is greater than the industrial sector. In the second quarter of this year, the service sector contributed 51.8% to gross domestic product (GDP), while companies in the industrial sector contributed only 19.8% (Prima, 2018).

The contribution of service sector companies to the economy in Indonesia illustrates that the financial performances of those companies are good so they can increase company value. The magnitude of the contribution of service sector companies in supporting the Indonesian economy over the last few decades, and there are still gaps in research results are factors for researchers to conduct research on company value in service companies using several variables. Thus, this study aims to examine the role of CEO tenure as a mediator between the ownership of a company's structure by institutions and management and its value in Indonesia.

According to Sartono, (2020), a company's value is its market worth when it is run as a business. The worth of the management group in charge of the firm is the amount by which its selling price exceeds its liquidation price. There is no way to disentangle the CEO and ownership structure from the company's worth. One of the key components that may be used to lessen agency conflicts inside the organization is the ownership structure, particularly with regard to the

payment of dividends to shareholders. The division of labor between corporate management and shareholders gives rise to agency issues. When a business has both internal and external owners, as well as managers and shareholders, as well as creditors, there is likely to be agency conflict. A decline in a company's value may result from this dispute (Sugosha, 2020; Faisal et al., 2020; Yusup et al., 2022).

There is a correlation between the ownership structure and its surrounding environment. This includes managerial, institutional, foreign, and family ownership. Conversely, this study is based on the idea that CEO tenure mediates the relationship between institutional and management ownership and business value (Abdullah et al., 2017; Setiyowati et al., 2020; Kamardin et al., 2020).

When other institutions possess a larger percentage of the shares than the total number of outstanding shares, this is called institutional ownership. The term "institutional ownership" describes situations in which large groups or organizations own a majority stake in a corporation (Thanatawee, 2014). An increase or reduction in the number of shares held by institutions has no effect on the size of the firm value, according to the findings of the institutional ownership study (Sukmawardini & Ardiansari, 2018). The study's findings on institutional ownership have no bearing on the company's value, therefore changing the percentage of shares held by institutions has no effect on the company's worth (AL-Najjar, 2015). In spite of the fact that the results of the model are unable to provide proof that institutional ownership leads to an increase in business value, the findings are made evident by the fact that there is a positive but small effect of institutional ownership on firm value. (Setiany et al., 2020). Company value is unaffected by institutional ownership (Sugosha, 2020; Lasfer & Faccio, 2005 and Abdullah et al., 2017). Which suggests that other factors may regulate managerial actions that impact the value of a firm.

The impact of managerial ownership on firm value is negligible and negative (Sugosha, 2020; Lasfer & Faccio, 2005). The authors' finding of a negative correlation between management ownership and firm value runs counter to agency theory and lends credence to Demsetz's claim that managers with a vested interest in seeing the business fail might be the result of excessive managerial ownership (Mandacã & Gumus, 2010; Wang & Shailer, 2015; Amin & Hamdan, 2018;

Javeed & Lefen, 2019). The same findings also demonstrate that management ownership does not significantly impact the success of the organization (Ruan & Tian, 2011; Mardnly et al., 2018; Faisal et al., 2020; Maryanti & Dianawati, 2024). Managerial ownership has a modest correlation with firm value, suggesting a cubic connection. When other possible impacts on firm value are considered, however, the authors find no correlation between management ownership and business value. Similarly, in the subsample when growth is minimal, there is little correlation between firm value and management ownership (Lasfer & Faccio, 2005). Furthermore, as assessed by Tobin's Q, the value of the firm is negatively impacted by the low degree of management ownership, due to the entrenchment effect (Hatem, 2015).

The modest correlation between management ownership and firm value suggests a cubic connection. After taking into account all of the other factors that may have an effect on value, the authors discover that there is no connection between management ownership and corporation value. In addition, there is a lack of evidence in this subsample to suggest that there is a connection between management ownership and the value of the firm (Abdullahi et al., 2018). There is no significant intervening influence of tenure on this relationship, as shown by the fact that the findings of the research on the role of CEO tenure on the link between board structure and performance of financial institutions in Kenya were not rejected (Mandala et al., 2017).

One of the key demographic factors that might impact organizations' strategic decisions, according to upper echelon theory, is the length of time a CEO has been in their position (Xie, 2014). As a measure of the CEO's dedication and expertise, the length of time in office has a major bearing on the extent to which a firm expands internationally. Those CEOs who have larger tenures are more knowledgeable and more powerful. This research focuses on the tenure of CEOs because of the significant influence it has on a company's strategic decisions. Another rationale for the authors' emphasis on CEO tenure is that, depending on the theoretical framework used, it may be positively, negatively, or inversely related to a company's propensity to take risks (Xie, 2014; Chen & Tsang, 2017). The boards of directors play an important role in terms of corporate governance. They provide advice and suggestions as well as oversee and monitor the behavior of CEOs

on behalf of companies' shareholders and wider stakeholders (Fan et al., 2019). Research on independent directors can contribute more to company value (Zhu et al., 2016). Different results have been yielded by some research (Fan et al., 2019) according to which there is a negative and statistically significant correlation between the friendship relationships between board members and the worth of their companies, even if the effect of these bonds being more extensive seems to be greater. The results of the same study show that there is strong empirical evidence that companies with executive committees have lower market values (Vafeas & Vlittis, 2019). The same findings also explain why, generally speaking, in more dynamic sectors, company valuations start to fall after a few years of a CEO's term, when the CEO is less nimble and there is less friction in the labor market (Markus, 2019; Francois et al., 2019).

The purpose of this study is to analyze the influence of the relationship between ownership structure and firm value mediated by CEO tenure in Indonesia. The contribution of this study provides new evidence regarding the influence of ownership structure on firm value mediated by CEO Tenure. Ownership structure plays an important role in achieving the company's main objectives, namely the survival and welfare of shareholders.

2. Hypotesis Development

Effect of Ownership Structure on Company value

In a company, the ownership structure is fundamental to good corporate governance. What makes up a company's ownership structure is the breakdown of its shareholders into several categories, such as family, management, foreign, institutional, or public entities. Because the ownership structure is mirrored in both debt and equity instruments, agency issues might arise via this arrangement. The success of this business is contingent upon its ability to raise capital via the sale of shares. A business may raise capital from its own resources, such the sale of shares or retained profits, or from outside sources, like banks, to finance its operations (Setiany et al., 2020).

Jensen & Meckling et al., (1976) claim that various groups' ownership of shares impacts corporate performance in different ways. This highlights the need to investigate how different types of institutional ownership affect the value of businesses. The existence of efficient supervision

shows that institutional ownership has more expertise to monitor management at a lower cost compared to other shareholders (Bhattacharya & Graham, 2007; AL-Najjar, 2015; Lin & Fu, 2017; Ozdemir, 2020). In addition, institutional ownership is basically not directly involved in decision making. Institutional ownership adheres to the 'exit policy', namely institutional investors will sell their shares if they are not satisfied with the decisions made by management or management's performance, so it will suppress share prices. This makes it easier for institutional ownership to voice disagreements with management. This means that institutional investors are now playing a more active role in monitoring companies, although in a roundabout way, by trying to sway senior management to act in the best interests of shareholders over the long run. The existence of effective monitoring can improve company performance so that company value increases (Antia et al., 2010; Charfeddine & Elmarzougu, 2010; and Kyere & Ausloos, 2021). Consequently, this argument shows a positive relationship between institutional ownership and company value (Rose, 2007; Bhattacharya & Graham, 2007; Singh & Kansil, 2018; Kao et al., 2019; Din et al., 2021; and Abedin et al., 2022).

This finding strengthens research conducted by Xia (2008); Lin (2010); Thanatawee, (2014); Schmidt & Fahlenbrach (2017); Drobetz et al. (2021) that explain the ways institutional investors affect company value. Some research suggests that when domestic institutional investors have a larger stake in a business, its value goes up, and when there is a larger foreign institutional ownership stake, the value goes down. These results imply that domestic institutional investors improve corporate governance and value by acting as competent supervisors, whereas their overseas counterparts do nothing to keep management in check and may even steal from minority owners.

Mandacä & Gumus (2010) argue that, with increasing managerial ownership, There will be less friction and more productivity between owners and managers. There is a common agency issue in contemporary businesses, and managerial ownership has been suggested as a way to address it. Another value-damaging consequence of management ownership is the transfer of risk to managers, which is well-documented in addition to the alignment effect. Specifically, managers may choose to forego innovative initiatives with high company-specific risk in favor of more con-

ventional ones with higher aggregate market or industry risk (hedging) in order to lower the exposure of their personal portfolio to essentially unprotected company-specific hazards. In companies facing serious risk substitution issues, this action might reduce the value of the firm by offsetting the impact of management ownership alignment (Florackis et al., 2020).

Furthermore, the total number of shares held by members of the company's board of directors is known as management ownership, insider ownership, or director's share ownership. While managerial ownership can help keep agency costs down by bringing managers' interests in line with those of shareholders, too much ownership on the part of managers may have the opposite effect and make management even more powerful, which hurts business results (Abdullahi et al., 2018).

It has been shown via empirical research that corporate governance has a more significant impact on market-based measurements (Tobin's Q) than it does on accounting-based approaches (Al-Ahdal et al., 2023). The success of a business is favorably associated with the ownership of its promoters. This finding adds to the growing body of evidence showing that the degree to which promoter ownership correlates with company success varies. (Mishra & Kapil, 2017; Ducassy & Guyot, 2017; Wang, 2018).

Meanwhile, the results of one study Ali et al. (2018); Huang & Kang (2017); Benson et al. (2020); Liwu et al. (2024) show that managerial ownership is more effective in reducing manager-shareholder agency conflict in rural companies and this ultimately affects company value. These results are supported by other research results (Abdullah et al., 2017) and this proves that there is a strong correlation between institutional ownership and management turnover and firm value. The study's findings were reported by Wajdi et al. (2019), Company value is positively impacted by institutional ownership and significantly negatively impacted by managerial ownership. One school of thought is that a firm's ownership structure may have an effect on its capture, which in turn influences how well the company does in reaching its value maximization objectives (Tran et al., 2020; Setiany et al., 2020).

H_{1a}: Institutional ownership has a positive relationship with company value.

H_{1b}: Managerial ownership has a positive relationship with company value.

Effect of Ownership Structure on CEO Tenure

Chen & Tsang, (2017) explain that the negative relationship between CEO tenure and corporate social responsibility (CSR) reporting is mainly driven strongly by companies with intermediary information, such as higher levels of media coverage, more followers among analysts, greater institutional ownership, and companies with higher rate of discretionary accruals. Denis et al. (1997) and Cheng et al. (2017) state that CEO turnover has a high level of sensitivity to ownership structure. Institutional investors feel they have more potential relationships with companies to align themselves with incumbent managers. The existence of a potential relationship between institutional investors and companies increases the monitoring of those companies. The existence of a high degree of monitoring increases the company's performance. The increase in the performance of the companies makes institutional investors more confident in the performance of the CEO so the CEO's tenure becomes longer.

Successor in the Nigerian corporate landscape (Abdullahi et al. 2018). Meanwhile, according to Dang et al., (2017) an older CEO will have an effect on equity ownership. As explained by the research of Ali & Zhang (2015) During his first few years on the job, a new CEO makes an effort to shape how the market views his skills. In addition, the research by Abdullahi et al., (2018) demonstrates that the choice of the country of origin for the next chief executive officer in Nigerian enterprises is heavily influenced by block holders and management ownership. With such a large percentage of management ownership, managers' interests are on par with shareholders'. It can therefore increase the tenure of CEOs to protect their interests. If there is a change of CEO, the existence of equality allows managers to have equal control over the company and thus they can influence decisions about the appointment of their successor who is likely to be an insider in the company which will maintain their interests and control over the company (Abdullahi et al. 2018). Mandala et al. (2017) It should be noted that the duration of a CEO's tenure did not play a moderating role in this association. Additionally, it is important to note that the makeup of the board of directors and the tenure of a CEO both have substantial impacts on the performance of the whole organization. The relevance of CEO tenure in this connection has been highlighted by these studies, which have helped to lessen the scarcity of re-

search on the structure and performance of boards of directors.

H_{2a}: Institutional ownership has a positive relationship with CEO Tenure.

H_{2b}: Managerial ownership has a positive relationship with CEO Tenure.

Effect of CEO Tenure and Company Value

In general, the CEO becomes a major power in terms of decision making. The CEO is the main factor in the company's innovation strategy that can create company value for shareholders and stakeholders. Decision making and the selection of the right strategy by the CEO make the company more advanced, more able to increase profits and distribute dividends to shareholders, and increase share prices which can make the company value increase (Mandala et al. (2017); Mulyati et al., 2021) highlight that further findings on the length of time a CEO has been in office do not constitute a substantial intervening variable in this association; rather, the board of directors' composition and the CEO's tenure together have a substantial impact on performance. Javeed & Lefen (2019) find that CSR with CEO power interaction has a positive relationship with company performance. Mandala et al. (2017) clarify that the performance is greatly impacted by joint ownership of the CEO. The relevance of CEO tenure in this connection has been highlighted by these studies, which have helped to lessen the scarcity of research on the structure and performance of boards of directors. Meanwhile, according to Fan et al., (2019), An organization's worth is negatively and substantially correlated with the strength and variety of the friendship ties among its board of directors, even if the impact of broad linkages seems to be larger. According to other findings, the board's cordial connection with the CEO impacts firm value via the principal channel of board counsel and monitoring. Based on this description, the research hypothesis is as follows:

H₃: CEO Tenure has a positive relationship with Company Value.

The Effect of Ownership Structure on Company Value Through CEO Tenure

Institutional ownership and managerial ownership is one of the descriptions of ownership structure (Setiany et al., 2020). Institutional ownership refers a stakeholder who actively supervises a company to increase the value of their equity investment in it. This situation reduces problems between principals and agents which can reduce opportunities for managers to control pro-

fits. In addition, institutional ownership is also thought to maintain the liquidity of their holdings (Kao et al., 2019; Rashid, 2020). With high supervision, management must be more careful and precise in making decisions. It takes experience, insight and sufficient information to make the right decisions. This accuracy can be obtained with a CEO who has had a long term of office. The longer the term of office of the CEO, the more experienced he or she will be in decision making. If the correct decisions are taken, then the company will get high profits. High profits will mean the dividends that are distributed will be higher as well. This situation means the company's main goals are achieved and the value of the company is increasing. Therefore, the length of tenure of the CEO and the role of institutional ownership will increase the value of the company. In addition, the change of CEO has a high level of sensitivity to the ownership structure (Cheng et al., 2017). This study is not supported by Mandala et al. (2017) who explain that a further finding of CEO tenure is not a significant intervening variable in this association.

There is research Benson et al. (2020) which shows that managerial ownership is more effective in reducing manager-shareholder agency conflict in rural companies and, ultimately, this affects company value. High CEO tenure will create a high level of managerial ownership, so the possibility of company performance will increase (Chakraborty & Sheikh, 2008; Yin et al., 2022; Al-Matari et al., 2022; Chijoke-Mgbame et al., 2023). According to Denis et al. (1997), the existence of low managerial ownership causes the company's performance to decline, added to which, the presence of a low CEO tenure will result in the company's performance decreasing, and vice versa. In addition, it is likely that changes to the top management are less sensitive to company performance if managers hold 5 to 25 percent of their company's shares (Din et al., 2021; Shan, 2019; and Moudud-UI-Huq et al., 2020). High managerial ownership makes it difficult for managers to remove CEOs who have poor performance because they have large equity in the company, so the CEO's tenure will be longer (DeAngelo & DeAngelo, 1985). Managerial ownership is closely related to effectiveness in internal monitoring (Morck et al., 1988; Al-Hayale, 2017; Cao, 2024; Arianpoor et al., 2025). Mikkelsen & Partch (1997) show that management turnover and managerial ownership of shares are negatively related. (Dedman, 2003) find that managerial ownership

reduces the likelihood of turnover in companies in the U.K. The authors expect the relationship between managerial ownership and CEO tenure to increase company value. Based on this description, the research hypothesis is as follows:

H_{4a}: The connection between institutional ownership and firm value is mediated by CEO tenure.

H_{4b}: The link between management ownership and firm value is mediated by CEO tenure.

3. Data and Methods

This investigation employs a quantitative methodology. Archival data, namely secondary data acquired from the IDX. This study uses a sample of 154 financial statements from companies listed on the IDX between 2019 and 2023. The businesses operate in the service, trade, and investment sectors. Purposive sampling is the approach used for the sample. The criteria used to select the sample are as follows: (a) Service trading and investment companies listed on the IDX between 2019 and 2023; (b) service, trading and investment sector companies that published financial reports consecutively between 2019 and 2023; (c) service, trading and investment sector companies whose shares are owned institutionally or managerially; and (d) service, trading and investment sector companies have CEO tenure during the 2019-2023 period.

The research hypothesis testing model is as follows: The impact of management ownership and institutional ownership on business value is elucidated by the Model 1 direct test, which incorporates leverage and firm size as control variables.

$$Q_{it} = \beta_0 + \beta_1 \text{Instown}_{it} + \beta_2 \text{Mgrown}_{it} + \beta_3 \text{Debt}_{it} + \beta_4 \text{Fsize}_{it} + \varepsilon_{it} \quad (1)$$

Model 2 direct test explains the effect of institutional ownership and managerial ownership on CEO tenure with the control variables leverage and firm size.

$$\text{CEOtnr}_{it} = \beta_0 + \beta_1 \text{Instown}_{it} + \beta_2 \text{Mgrown}_{it} + \beta_3 \text{Debt}_{it} + \beta_4 \text{Fsize}_{it} + \varepsilon_{it} \quad (2)$$

Model 3 indirect test aims to analyze institutional ownership and managerial ownership effect on company value through CEO tenure.

$$Q_{it} = \beta_0 + \beta_1 \text{Instown}_{it} + \beta_2 \text{Mgrown}_{it} + \beta_3 \text{Debt}_{it} + \beta_4 \text{Fsize}_{it} + \beta_5 \text{CEOtnr}_{it} + \varepsilon_{it} \quad (3)$$

Where: Q is company value, Instown is institutional ownership, Mgrown is managerial ownership, Ceonr

is CEO tenure, Debt is leverage, and Fsize is firm size, and is the estimated model error.

The research variables consist of dependent variables, independent variables, moderating variables, and control variables. The operationalization of the research variables is presented in Table 1.

Table 1 Operationalization variables

Dependent Variable	
Tobin's Q	Company value is expressed by total market value plus total book value of liabilities divided by total book value of assets. (Al-Ahdal et al., 2023) and (Abdullah et al., 2017)
Independent Variables	
Instown	Institutional ownership of company i in year t is measured by the proportion of shares owned by the largest institutional investor. (Mishra & Kapil, 2017) and (Abdullah et al., 2017)
Mgrown	Managerial ownership of company i in year t is measured by the proportion of shares owned by executive directors and non-independents. (Abdullah et al., 2017)
Mediating Variable	
CEOTnr	The term of office of the CEO of company i in year t is measured by the number of years the manager has served during his tenure. (Xie, 2014; Ali & Zhang, 2015)
Control Variables	
Fsize	Company size of company i in year t is measured by the logarithm of total assets. (Abdullah et al., 2017)
Debt	Leverage of company i in year t is measured by dividing total debt by total assets. (Abdullah et al., 2017)

4. Result

The sample used in this study consisted of 91 companies in the service trading and invest-

Table 3 Correlation

	Tobin's Q	Instown	Mgrown	CEO tenure	Firm size	Leverage
Tobin's Q	1.000					
Instown	0.958	1.000				
Mgrown	0.339	0.001	1.000			
CEO tenure	0.719	0.627	0.348	1.000		
Firm size	0.001	0.799	0.008	0.001	1.000	
Leverage	0.672	0.683	0.245	0.745	0.016	1.000

Notes: P-Value < 0.05

To determine the relationship between each independent variable to the dependent one can use multiple regression tests, namely institutional ownership, managerial ownership of company value, institutional ownership, managerial ownership of CEO tenure, and CEO tenure of company

ment sectors listed on the IDX during 2019-2023. The summary statistics in table 3 for the variables pooled with respect to each of the firms that make up part of the final sample are presented in Table 2. Table 2 shows the resulting company values ranging from 0.053 to 195.457, with a mean of 2.350. The average institutional ownership is 0.547 with a Max of 1.000 and a Min of 0.000. The average managerial ownership is 0.073 with a maximum of 0.600 and a minimum of 0.000. Another important characteristic is the CEO tenure, an average of 6.646 in the sample, indicating that the firms in the study of CEO tenure ranged from 7 years, that as they age, CEOs often have the requisite business acumen, more experience, and improved risk management skills to make prudent financial choices (De Silva & Banda, 2022).

Table 2 Descriptive Statistic

Variabel	Mean	Min	Max	Stdev
Company value	2.350	0.053	195.457	12.220
Institutional ownership	0.547	0.000	1.000	0.301
Managerial ownership	0.073	0.000	0.600	0.132
CEO Tenure	6.646	0.000	38.00	8.094
Firm Size	21.364	16.530	25.479	1.691
Leverage	0.510	-0.740	0.998	0.266

Notes: P-Value < 0.05

The correlation between the variables was evaluated for significance at a 5% level of significance, and the comprehensive findings of the study are shown in Table 4. The table shows that institutional ownership, managerial ownership, and CEO tenure variables have a positive relationship to company value. Meanwhile, institutional and managerial ownership also has a positive relationship to CEO tenure (Table 3).

Furthermore, the present research investigates the mediating role of CEO tenure in the relationship between management ownership and institutional ownership of firm assets. Table 4 presents the outcomes of the tests.

Table 4 Hypothesis Testing Results

Variabel	Path coefficients	P-values	Description
H _{1a} : INSTOWN → FV	0.031	0.253	Not relationship
H _{1b} : MGROWN → FV	-0.129	0.003	Negative relationship
H _{2a} : INSTOWN → CEO	0.169	0.001	Positive relationship
H _{2b} : MGROWN → CEO	-0.176	0.001	Negative relationship
H ₃ : CEO → FV	0.094	0.021	Positive relationship
H _{4a} :CEO:INSTOWN→ FV	0.016	0.315	Not mediation
H _{4b} :CEO:MGROWN→ FV	-0.017	0.307	Not mediation

Notes: P-Value < 0.05

5. Discussion

Effect of Ownership Structure on Company value

The results of the study show that institutional ownership has no relationship to company value. Institutional ownership shows that the greater the percentage of institutional ownership will only make managers take actions that will benefit their personal pockets by making decisions that benefit them only. This result is in line with agency theory which states that managers are rational economic beings who are only tempted by personal desires so that even with the existence of institutional ownership, managers will still take opportunistic actions. In addition, the high level of institutional ownership can cause investors to feel worried when they want to invest in the company. This is because the greater the percentage of ownership, the higher the voting rights of institutional owners in the GMS. This condition will make the majority shareholder the controller, which means that the institutional owner will determine the decisions related to the company so that there is the possibility of the institutional owner abusing his rights to maximize his personal welfare by distributing wealth from other parties or also called expropriation. This expropriation can occur if the controlling shareholder decides not to distribute dividends so that the percentage of ownership remains the same. This will certainly benefit the controlling party, but detrimental for other parties (non-controlling) because they cannot get their rights as shareholders. This result is supported by Setiany et al., (2020) It asserts that the influence of domestic institutional ownership on firm value is both positive and negligible. This is possible due to the fact that institutional ownership is not necessarily vested in a single organization; some financial institutions, for instance, own many domestic institutions. Institutional ownership that is not consolidated under a single institution also results in suboptimal oversight by the controlling

firm. Certain corporations possess a sufficiently powerful controlling shareholder to diminish the influence of non-controlling shareholders. As a result, the performance of management may fall short of the expectations of non-controlling shareholders, thereby impeding a substantial increase in the value of the company's shares. In addition, this research is also supported by AL-Najjar, (2015), where there is no influence of institutional ownership on firm performance (Budiman & Krisnawati, 2021). Sukmawardini & Ardiansari, (2018) also stated that institutional ownership has no effect on company value.

Based on the results of the analysis that has been carried out, it shows that managerial ownership has a negative relationship with company value. The resolution of agency theory conflicts between shareholders and managers is facilitated by management ownership, in which managers control a substantial number of shares, so enabling them to coordinate their objectives with those of the shareholders, therefore they want to improve company performance (Abdullahi et al., 2018).

However, when managers have a high level of ownership, they have a tendency to abuse their dominant position which in turn affects the value of the company because they own a large portion of shares that give them high monitoring power. According to (Moudud-Ul-Huq et al., 2020), higher managerial ownership increases voting power and raises questions about the effect of managerial entrenchment leading to agency problems and lowering company value and vice versa. For the purpose of increasing the stability of the financial sector, regulators may implement laws and regulations to reduce conflicts of interest between owners and management. An interest alignment effect is seen when management ownership is minimal, which mitigates corporate governance issues, enhances the value of the firm, and fosters employee engagement via the provision of compensation schemes. One possible approach to maximising the value of a firm is to diminish the

voting rights of managers in proportion to their ownership interest. This would enable other stakeholders to exert influence over financial choices, with a particular focus on the capital structure. These findings are corroborated by prior studies. (Arouri et al., 2014) demonstrating that the presence of bank boards in GCC nations does not affect performance. The fact that councils in GCC nations are still in the developmental phase is one probable explanation. Furthermore, this suggests that the efficacy of bank boards in GCC nations as a means to promote improved corporate governance may be compromised. This research is also supported by research (Moudud-Ul-Huq et al., 2020) which shows that managerial ownership is not significantly related to bank value. Aluchna & Kaminski, (2017) claim that ownership by the CEO has no discernible impact on performance, and that neither finance nor state investors have a meaningful say in the matter.

Effect of Ownership Structure on CEO Tenure

Based on the results of the analysis, it shows that institutional ownership has a positive relationship with CEO tenure. This indicates that the higher the institutional ownership, the longer the CEO's tenure tends to be, in other words, the longer the CEO's tenure. If institutional ownership increases, it indicates that corporate monitoring also increases. Company performance has more power to achieve its goals, namely to improve shareholder welfare, when there is increased corporate monitoring. When company performance improves, institutional investors gain confidence in the CEO's abilities, which leads to a longer tenure for the CEO. Achieving company goals makes institutional investors perceive more confidence in the CEO's performance, therefore the CEO's tenure becomes longer. In addition, CEO turnover is very sensitive to ownership structure, and institutional investors tend to have close relationships with incumbent managers (Denis et al., 1997; Cheng et al., 2017). This is supported by Dang et al., (2017) who state that a CEO being older will have an effect on equity ownership.

The results of the study indicate that the managerial ownership has negative relationship on CEO tenure. If managerial ownership increases then CEO tenure also increases (becomes longer). And, vice versa, if managerial ownership decreases, then CEO tenure also decreases (becomes shorter). Research by Ali & Zhang (2015) shows new CEO tries to influence the market perception

of his abilities in the early years of his tenure. Managerial ownership has a risk impact on managers. The increase in managerial ownership indicates that the shareholding portion and the risk taken by the management is also getting higher. This condition means the management will be more cautious in making decisions. In addition, high managerial ownership will increase the confidence of other investors in the performance of the management so the tenure of the CEO will be longer. On the other hand, if there is a change of CEO, managerial ownership also has control over the company so that it can influence the decision to replace the CEO and most likely will be replaced by insiders in order to maintain their interests and control over the company (Abdullahi et al., 2018). Other research corroborate this one's findings that management ownership has a substantial impact on the succession of CEOs in Nigerian corporations (Abdullahi et al., 2018).

Effect of CEO Tenure and Company Value

The results of the study indicate that the tenure of the CEO is positively correlated with the value of the company. In essence, the CEO's authority increases with the length of his or her tenure in office, as he or she has access to more knowledge and possesses the capacity to guide the organization. The longer the term of office of the CEO, the more value of the company will increase. Decision making and the selection of the right strategy by the CEO make the company more advanced, more able to increase profits and distribute dividends to shareholders, and increase share prices which can make the company value increase (Mulyati et al., 2021). Mandala et al., (2017) elucidate that an additional discovery about the duration of the CEO does not constitute a substantial intervening factor in this correlation, and that both the composition of the board of directors and the CEO's term together have a substantial impact on performance. Javeed & Lefen (2019) found that CSR with CEO power interaction has a positive relationship with company performance. Mandala et al., (2017) explains that joint CEO ownership has a significant effect on performance. Such studies have reduced the dearth of literature on the structure and performance of boards of directors and revealed the importance of CEO tenure in this relationship. Further results indicate that the board's oversight and advice is the main channel, where the board's friendly relationship with the CEO affects company values.

The Effect of Ownership Structure on Company Value Through CEO Tenure

Based on the analysis that CEO tenure is not a mediating variable between ownership structure and firm value. This is in accordance with Solimun et al., (2017) and Jr et al., (2021) which state that both are not significant, or one of them is not significant, then the variable is not a mediating variable. This research is supported by Mandala et al., (2017) explains that further findings of the CEO's term of office are not significant intervening variables in this association. Management must carry out their duties in accordance with the principles of transparency, responsibility, accountability, and fairness. Effective corporate governance is essential for fostering the development of a market that is streamlined, accountable, and compliant with legal and regulatory frameworks. A high level of managerial ownership as well as accuracy in decision making, supported by the long tenure of a CEO who is considered to have power because he or she has access to information and the ability to lead the company can make the company's value increase. In addition, a high level of managerial ownership makes it difficult for managers to remove CEOs whose performance is poor because they have large equity in the company, meaning that the CEO's tenure will be longer (DeAngelo & DeAngelo, 1985).

At first, the researchers focused on using Tobin's Q as a measurement of the dependent variable. This measurement was chosen because it is considered to be the best one for indicating company quality and company performance. In order to strengthen the findings, the researchers used the Tobin's Q proxy for company value, so the analysis was repeated by using an alternative, namely replacing Tobin's Q with the MBV (Market Book Value) ratio. The replacement of the dependent variable in the robustness test refers to research by Fauver et al. (2017). In addition, the results of the robust also show that the CEO of Tenure is unable to mediate the influence of institutional ownership and Managerial ownership of the company value, meaning this strengthens the main findings of researchers who indicate the strong variable.

6. Conclusion and Suggestion

The results of the study indicate that institutional ownership has no relationship to firm value; managerial ownership has a negative relationship to firm value. Institutional ownership has

a positive relationship with CEO Tenure, while managerial ownership has a negative relationship to CEO Tenure. CEO Tenure has a positive relationship with firm value. CEO Tenure is not a mediating variable in the relationship between institutional ownership and firm value. CEO Tenure is not a mediating variable in the relationship between managerial ownership and firm value. The contribution of this study provides new evidence regarding the influence of ownership structure on firm value mediated by CEO Tenure. Ownership structure plays an important role in achieving the company's main objectives, namely the survival and welfare of shareholders. The implication of this study is that the company's ownership structure has consequences for stakeholders in terms of corporate decision making

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