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Review Article

A Review of Chief Executive Officer Behavioral Aspects and Company Performance in Indonesia Literature

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Abstract: This study aims to comprehend the aspects of CEO personality and behavior on company performance in Indonesia. This study uses a Systematic Literature Review (SLR), which involves an in-depth analysis of relevant literature topics. This study found that CEOs who hold ethical leadership and are committed to the principles of good governance tend to create a work environment that is transparent and with integrity. A work culture that values honesty and accountability motivate employees, increases shareholder trust, and contributes to the company's growth. Ethical leadership, integrity, and commitment to the principles of good corporate governance are considered to have a positive impact on company performance. Besides that, less ethical and self-interest-oriented behavior can have a negative impact. However, CEO behavior that is less ethical, authoritarian, or overly self-interest-oriented can have negative repercussions, including manipulation of financial statements and conflicts of interest. We concluded that the CEO has a significant role in influencing the performance of companies in Indonesia. The development of ethical leadership, integrity, and commitment to the principles of good corporate governance are key to achieving sustainable corporate performance. The role of a responsible and integrity CEO establishes a work culture oriented towards honesty, transparency, sustainable performance and long-term success of companies in Indonesia.

Keywords: Chief Executive Officer, CEO Behavior, Company Performance, Systematic Literature Review.



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1. Introduction

The present condition of companies in Indonesia exemplifies intricate economic dynamics. This nation encompasses various enterprises, from micro and small-scale ventures to large-scale and multinational corporations. In recent years, Indonesia has actively promoted investment and fostered economic expansion, leading to the emergence and advancement of various industrial sectors. Enterprises in the energy, information technology, agriculture, and manufacturing industries persist in expanding and undergoing substantial progress (Muttiarni et al., 2022). Nevertheless, Indonesian companies encounter

various obstacles. One of the challenges is the intricate bureaucracy, absence of legal assurance, and corruption problems that impact the business environment. In addition, the COVID-19 pandemic has adversely affected certain companies by diminishing their revenue and impeding economic growth. The condition of companies in Indonesia also mirrors the government's endeavors to promote economic inclusivity and sustainable development. Multiple companies are dedicated to attaining sustainability and corporate social responsibility benchmarks, aiming to generate employment opportunities and enhance the well-being of the surrounding communities. Through their continuous efforts, Indonesian companies actively contribute to the country's economic growth and sustainable development ([Maduwu & Simbolon, 2023](#)).

Various interconnected factors impact the performance of companies in Indonesia. Chief Executive Officer (CEO) or President Director determines company performance. The CEO plays a crucial role in developing the company's vision, mission, and strategy while overseeing and directing the organization toward achieving specific business objectives. The CEO is responsible for formulating strategic decisions, overseeing resource management, and discerning market opportunities and risks ([Maduwu & Simbolon, 2023](#)). The CEO's responsibilities extend beyond internal operations, encompassing interactions with external stakeholders, including investors, government, and society. The capacity of a CEO to establish robust and enduring connections with these stakeholders can exert a substantial influence on a company's standing, availability of resources, and backing for business endeavors and undertakings ([Meilani et al., 2022](#)).

In addition, the ethical conduct and integrity of the CEO significantly influence the public's perception and confidence in the company. An executive who effectively manages a company with openness, responsibility, and a commitment to ethical business practices can significantly impact public and investor attitudes. The CEO serves as both a strategic leader and a catalyst for change and represents the company externally as an ambassador. The decisions, leadership, and values exhibited by a CEO significantly influence a company's performance in Indonesia while also aiding in attaining sustainable and competitive business objectives ([Maduwu & Simbolon, 2023](#)).

The CEO, also known as the Chief Executive Officer, oversees and directs a company's operations and determines its strategic course. The CEO's conduct is pivotal in influencing the company's culture and long-term viability. CEOs must demonstrate exemplary behavior and establish rigorous benchmarks concerning ethical conduct and moral rectitude. They must demonstrate transparent leadership, prioritize company values, and engage in effective communication with all stakeholders, including employees, shareholders, and the general public. The CEO must be able to make astute strategic decisions, formulate plans for company expansion, effectively mitigate risks, and discern opportunities ([Kusiyah et al., 2022](#)). Also, CEOs frequently cultivate external alliances, such as collaborating with business associates, governmental entities, and other institutions to accomplish corporate objectives. In addition, they must prioritize creating enduring value for the company rather than solely pursuing short-term goals. The CEO is responsible for inspiring, cultivating, and motivating the management team and the entire organization. The CEO's conduct is pivotal in molding the corporate culture, directing expansion, and upholding the company's standing and performance ([Jaggia & Thosar, 2021](#)).

Researching the impact of CEO personality and behavioral characteristics on company performance in Indonesia is a highly pertinent and significant undertaking. As mentioned, the CEO plays a pivotal role in influencing the culture, formulating strategic decisions, and directing the company's trajectory. Hence, comprehending the impact of a CEO's leadership traits, ethical standards, integrity, dedication to sustainability, and communication prowess on company performance holds significant importance. This research has the potential to provide a comprehensive understanding of how the behavior of CEOs can influence the profitability, productivity, growth, and reputation of companies in the Indonesian context. Moreover, the findings of this study can offer valuable direction for companies and other interested parties to enhance leadership strategies and decision-making processes that align with sustainable and competitive corporate objectives. This research will significantly contribute to comprehending and improving company performance in Indonesia.

2. Materials and Methods

The Systematic Literature Review (SLR) is a methodical and organized approach to gathering, evaluating, and integrating pertinent literature about a specific research subject. Its methodology aims to comprehensively identify and analyze all available scientific evidence about the research topic, encompassing scientific journals, articles, books, and other relevant sources. The process of SLR entails several vital steps. These include formulating a well-defined research question, developing a research protocol that specifies inclusion and exclusion criteria, conducting a thorough literature search, assessing the quality of the selected literature, and synthesizing the data to present the research findings ([Siswanto, 2012](#)). The SLR method is precious for providing a comprehensive comprehension of the progression of

knowledge and prior discoveries in a specific research field. Researchers benefit from this process as it enables them to pinpoint areas where knowledge is lacking, elucidate patterns, and develop suggestions using the available scientific evidence. SLR can also be employed to evaluate hypotheses, formulate theories, or establish a robust foundation for decision-making in diverse scientific fields. Furthermore, the SLR method prioritizes objectivity and transparency, as it allows for the replication and validation of findings by other researchers (Paez, 2017).

3. Results and Discussion

According to the findings of the systematic literature review (SLR), a total of 8 journals were identified that were pertinent to the keywords used in the search, specifically CEO, Behavior, Performance, and Company:

Table 1. Summary of Literature on CEO Behavioral Aspects and Company Performance in Indonesia

Title	Author(s)	Results/ Findings
The Role of Female CEOs in Capital Structure Decisions and Optimizing Company Value	Diantini (2022)	This research produces findings that the presence of a female CEO in company leadership negatively correlates with the company's decision to use debt. Female CEOs tend to be less motivated to take risks and make less aggressive investments. This is reflected in data showing that female CEOs tend to use lower amounts of debt, which does not positively impact company value. However, research also shows that the presence of a female CEO in the management of small companies contributes more to increasing company value compared to the situation in large-scale companies.
Can CEO Narcissism Influence the Earning Management Practices of Non-Financial Companies in Indonesia?	Meilani et al. (2022)	The narcissism of a CEO can result in unethical behavior within the company. This unethical act is closely related to the individual's personality characteristics, norms, and values. The people who have narcissistic traits often set standards that are too high and unrealistic to maintain and strengthen their reputation. The narcissism that exists in these individuals also drives them to take actions that violate basic ethics in order to achieve their goals and maintain their image.
The Influence of CEO Narcissism and Free Cash Flow on Company Performance	Kusiyah et al. (2022)	The influence of CEO narcissism on corporate investment, financing, and innovation gradually emerges, especially in daily tasks and decision-making processes, and the leadership traits formed by diverse CEO thinking later lead to different decision-making results.
CEO Behavioral Influences Firm Performance: A Literature Study	Natonis (2019)	The CEO's personality has a significant impact on the actions the CEO takes within the company, and the CEO's behavior within the company will also influence the work atmosphere in the organization, including influencing employee working conditions, productivity, and, ultimately, overall company performance. Therefore, it is important to understand the CEO's personality's role in shaping the company's direction and dynamics.
The Influence of Gender and CEO Educational Background on the	Jaggia & Thosar (2021)	A leader (CEO) with an educational background, knowledge and experience is expected to have the ability to recognize, analyze and formulate appropriate

Title	Author(s)	Results/ Findings
Financial Performance of Public Companies Listed on the Indonesian Stock Exchange		business policies to maximize all business opportunities to achieve success, especially in terms of financial performance in the future.
The Influence of CEO Characteristics and Good Corporate Governance on Company Performance in Manufacturing Companies on the IDX	Sari et al. (2023)	A CEO with a higher educational background is not always an advantage when entering the corporate world. Although a high level of education can help understand the company's situation and conditions, this can hinder the decision-making process. CEOs with higher education tend to focus on the financial sector in which the company operates without considering perspectives from other disciplines that could influence or be related to the company's business life. Companies headed by CEOs who are also company founders, female CEOs, and who have longer tenure tend to report better accrual quality than companies led by CEOs who are not company founders and male CEOs. Meanwhile, CEOs with expertise in the business sector tend to report lower levels of accrual quality compared to CEOs who do not have expertise in the business sector. This is because CEOs with business expertise are more likely to make risky decisions, encouraging them to declare profits more aggressively.
Chief Executive Officer (CEO) Characteristics and Accrual Quality: Empirical Evidence from Indonesia	Berlian et al. (2022)	All entities in the company's organizational structure must implement the basics of good corporate governance to improve company performance. This organizational structure involves the board of directors, board of commissioners, board of independent commissioners, managers, and all company employees. The CEO is expected to implement an effective company management system to reduce the potential for irregularities within the company.
Implementation of Corporate Governance on the Performance of Manufacturing Companies on the Indonesian Stock Exchange	Vivian & Nuryasman (2022)	

Table 1 indicates a highly significant influence of CEO personality and behavioral aspects on company performance in Indonesia. The CEO is pivotal in formulating strategic decisions, molding company culture, and overseeing the organization. A CEO with an ethical disposition, integrity, and a strong commitment to the fundamental principles of good corporate governance can establish a transparent and principled company culture. These CEOs frequently promote a work environment prioritizing integrity, responsibility, and corporate social consciousness. The positive impact entails augmenting the confidence of shareholders and other stakeholders in the company, facilitating the acquisition of investments, enhancing customer loyalty, and fortifying the company's reputation. The CEO's astute strategic decisions and well-defined vision can propel the company toward enduring growth and improved financial performance. Unethical, authoritarian, or excessively self-oriented aspects of a CEO's personality and behavior can detrimentally affect company performance. CEOs excessively prioritizing their personal or financial interests may subsequently make decisions that deviate from the company's long-term interests. Examples of such behavior may encompass activities such as the alteration of financial records, conflicting interests, or a lack of consideration for sound governance principles (Kusiyah et al., 2022). In Indonesia, adherence to sound corporate governance's fundamental tenets is increasingly emphasized. In this context, ethical transgressions committed by chief executive officers (CEOs) can significantly impact a company's reputation and impede its long-term expansion.

In Indonesia, the impact of CEO personality and behavior is multifaceted and contingent upon individual traits, corporate culture, and industry sector. CEOs who exhibit personalities and behavior that align with the fundamental principles of sound typically corporate governance favorably impact company performance. Conversely, engaging in unethical conduct can have substantial adverse consequences (Natonis, 2019). Hence, the meticulous selection and cultivation of an appropriate CEO, along with the

effective implementation of sound corporate governance, holds paramount significance in attaining enduring company performance in Indonesia. The ethical leadership, integrity, and clear vision of a CEO can exert a beneficial influence on the company. CEOs with robust ethical principles regarding corporate governance can establish a work environment characterized by transparency, accountability, and integrity. It fosters a sense of confidence and reliance among shareholders and other stakeholders, consequently bolstering investment, consumer trust, and the company's standing. The CEO's astute strategic decisions and well-defined vision can result in enduring company expansion and enhanced financial outcomes (Berlian et al., 2022).

Nevertheless, the character and conduct of a CEO who lacks ethical standards, exhibits authoritarian tendencies or is excessively self-centered can have adverse consequences. CEOs who excessively prioritize their personal or financial interests may subsequently make decisions that deviate from the company's long-term interests. These actions may encompass activities such as the alteration of financial statements, instances of conflicting interests, or the neglect of the principles of sound governance. In this scenario, the company's performance may be adversely impacted, potentially leading to damage to the company's reputation. Recognizing that corporate culture and governance can differ among various companies and sectors in Indonesia is crucial. Hence, the impact of CEO personality and behavioral aspects is contingent upon the Indonesian company and industry context. The behavior of the CEO has a substantial effect on the performance of companies in Indonesia. An ethical CEO with integrity and a commitment to sound corporate governance can establish a transparent and principled work environment (Sari et al., 2023). This type of CEO typically inspires employees to function within a work environment that prioritizes integrity, responsibility, and corporate social consciousness. The positive effect enhances the confidence of shareholders and other stakeholders in the company, fostering investment growth, bolstering customer loyalty, and fortifying the company's reputation.

The CEO's astute strategic decisions and well-defined vision can propel the company toward enduring growth and robust financial performance. Nevertheless, a Chief Executive Officer (CEO) who lacks ethical standards, exhibits authoritarian tendencies or prioritizes personal interests can exert a detrimental influence. Behaviors such as altering financial records, engaging in conflicts of interest, or neglecting fundamental principles of effective management can harm a company's reputation and impede its ability to achieve sustainable growth. Hence, it is crucial for Indonesian companies to carefully choose and cultivate CEOs who possess ethical leadership qualities and demonstrate unwavering dedication to the principles of good governance. It is essential for long-lasting company performance (Vivian & Nuryasman, 2022).

4. Conclusion

The CEO assumes a pivotal role in molding company culture, formulating strategic decisions, and exerting influence over a company's long-term growth. The behavior of a CEO can exert a substantial influence, with the potential for both advantageous and detrimental effects, on the overall performance of a company. CEOs who exhibit ethical leadership, integrity, and a dedication to the fundamental principles of sound corporate governance can establish a transparent and principled company culture. A work culture that prioritizes integrity, responsibility, and corporate social responsibility has the potential to inspire employees to work with unwavering commitment. The company's credibility is enhanced, leading to potential investment opportunities, heightened customer loyalty, and bolstered corporate reputation, fostering trust among shareholders and other stakeholders. The CEO's astute strategic decisions and well-defined vision can propel the company toward sustainable growth and enhanced financial performance. The selection and development of a CEO with ethical leadership and a strong commitment to the fundamentals of good corporate governance are crucial for attaining sustainable corporate performance in Indonesia. There is a need to enhance efforts in educating, training, and monitoring CEO behavior to ensure adherence to the fundamental principles of good governance. The overall success of companies in Indonesia hinges significantly on the leadership of a CEO who possesses responsibility and integrity and fosters a work culture centered around honesty, transparency, and sustainable performance.

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