

# The Correlation of CEO Power, Gender and Product Market Competition on Firm Value in the Property and Real Estate Sector

CEO Power and  
Gender

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## ABSTRACT

This study aims to analyse the relationship between Chief Executive Officer (CEO) Power, gender, Product Market Competition on firm value. The research design was quantitative method with an associative approach. The population were property and real estate sector companies listed on the Indonesia Stock Exchange from 2019 to 2022, total of 144 sample data from 36 companies. The dependent variable is firm value, the independent variables are CEO power, gender and product market competition. Chief Executive Officer (CEO) power is measured by the parameters of age, education level and share ownership. Firm value is measured using Tobins'Q. Analysis of the level of competition used the industry-adjusted price-cost margin (IPCM) approach. The analysis technique used is Spearman correlation. The results showed that there was no significant relationship between CEO power: age and share ownership, as well as CEO gender on firm value, while there was a significant relationship between CEO power: education level and product market competition on firm value.

**Keywords:** Ceo Power, Ceo Gender, Product Market Competition, Firm Value.

## ABSTRAK

Penelitian ini bertujuan untuk menganalisis hubungan Chief Executive Officer (CEO) Power, gender, Product Market Competition terhadap nilai perusahaan. Desain penelitian yang digunakan adalah metode kuantitatif dengan pendekatan asosiatif. Populasi dalam penelitian ini adalah perusahaan sektor properti dan real estate yang terdaftar di bursa efek Indonesia pada tahun 2019 hingga 2022. Sebanyak 144 data sampel dari 36 perusahaan. Variabel terikat yaitu nilai perusahaan, variabel independen yaitu CEO power, gender dan product market competition. Chief Executive Officer (CEO) power diukur dengan parameter usia, jenjang pendidikan dan kepemilikan saham. Nilai perusahaan diukur menggunakan Tobins'Q. Analisis tingkat kompetisi pada penelitian ini menggunakan pendekatan industry-adjusted price-cost margin (IPCM). Teknik analisis yang digunakan adalah korelasi Spearman. Hasil penelitian menunjukkan tidak ada hubungan bermakna antara CEO power: usia dan kepemilikan saham, demikian juga dengan CEO

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## INTRODUCTION

Firm value is a key factor in attracting and maintaining sustainability and reflects a company's commitment to quality and integrity. In addition, a strong corporate value enhances a company's reputation and image and can be attractive to investors. The property and real estate sector in Indonesia are showing rapid growth, driven by high urbanization and investment in infrastructure. In the period 2019-2022, the property and real estate sector in Indonesia experienced significant variations, from moderate growth to a downturn due to the impact of the COVID-19 pandemic in 2020 which resulted in a temporary drop in demand, but also drove innovation in design and the use of technology. The interplay between Chief Executive Officer (CEO) power, CEO gender, and product market competition forms a complex and evolving dynamic in modern business. These three factors significantly influence corporate strategy, decision-making processes, and firm performance. In highly competitive markets, the effectiveness of a CEO's leadership is tested, and their power, gender, and the intensity of market competition become critical components shaping the company's strategic direction. CEO power refers to the level of authority and influence a CEO holds over decision-making processes within a company (Samhuri & Ahmar, 2023). Powerful CEOs often have the ability to implement strategic decisions rapidly, making it easier for their companies to respond swiftly to market changes. This ability to act decisively is especially important in industries with high competition, where agility and quick responses can create a competitive advantage. When a CEO has a substantial amount of power, they may have greater control over key resources, influence board decisions, and drive the company's overall strategy without encountering much resistance from other stakeholders.

However, while greater power enables faster decision-making, it also comes with potential risks. A highly powerful CEO may act unilaterally, potentially overlooking input from other executives or the board. This can result in decisions that reflect the CEO's personal biases or preferences, rather than those that are in the best long-term interests of the company. In fiercely competitive markets, where missteps can lead to significant financial losses or diminished market share (Wulandari & Yudianto, 2022). CEO gender adds another dimension to the dynamics of leadership and decision-making. Research shows that female CEOs often encounter different challenges than their male counterparts, including bias and scrutiny regarding their leadership capabilities, especially in male-dominated industries. These challenges can impact how female CEOs navigate competitive markets, as they may be more cautious in their decision-making to avoid attracting criticism or skepticism. Despite these challenges, female CEOs often bring a unique approach to leadership, characterized by a more collaborative and inclusive decision-making style. Studies suggest that female leaders are generally more risk-averse than male CEOs, which may influence their strategic choices in competitive environments. This cautious approach can be beneficial in reducing unnecessary risks, particularly in high-stakes situations. However, it might also limit the company's ability to capitalize on aggressive growth opportunities when rapid innovation and bold strategies are required. Female CEOs have also been noted to focus more on long-term sustainability, corporate social responsibility, and stakeholder engagement compared to male CEOs, who may emphasize short-term profits and aggressive market positioning. This difference in leadership style can play a significant role in determining how a company competes in the market and its overall resilience.

Product market competition places additional pressure on CEOs, regardless of their power or gender. In highly competitive markets, companies must continuously innovate, improve efficiency, and deliver value to consumers to survive. Market competition can

limit the strategic flexibility of CEOs by forcing them to focus on short-term gains, such as cost-cutting and market share retention, rather than pursuing long-term, high-risk strategies that could potentially lead to greater rewards in the future. For powerful CEOs, intense competition can act as a counterbalance to their authority. Even if a CEO holds considerable decision-making power, they may find their options constrained by the realities of the market. High competition reduces the margin for error, making bold or risky strategies less viable, especially if competitors are more agile or have better access to resources. On the other hand, CEOs with less power or those who rely heavily on consensus-based decision-making may struggle to respond swiftly to market challenges. In this case, the need for collaboration and slower decision-making processes can be detrimental in a fast-paced competitive environment. The intersection of CEO power, gender, and market competition creates a multifaceted challenge for corporate leaders. A highly powerful CEO in a competitive market may benefit from their ability to act decisively, but this must be balanced with careful risk management, especially if market dynamics limit the potential for high-reward strategies. Gender further complicates this equation, as female CEOs may face additional external pressures that shape their strategic choices.

## **LITERATURE REVIEW**

Chief Executive Officer (CEO) Power, CEO gender, and product market competition represent complex dynamics in the business world. CEOs with great power tend to have significant influence on corporate strategy, including in the face of product market competition. When CEO power is high, strategic decisions can be implemented more quickly, which can be a competitive advantage in a highly competitive market. CEO gender also plays an important role, as research shows that female CEOs often face different challenges than male CEOs in managing companies in competitive markets. In addition, female CEOs may have a different approach to risk-taking and innovation. Intense market competition can test the effectiveness of CEO leadership, regardless of gender, in developing strategies that maintain and improve the company's position. On the other hand, high market competition may limit a CEO movement space for maneuver in making high-risk decisions. This combination of CEO power, gender, and the intensity of market competition can affect firm performance and the dynamics of strategic decision-making. Chief Executive Officer (CEO) Power has a significant impact on the company's strategic decisions as it can influence the strategic direction of the company. In this context, it is important for the board of directors and other stakeholders to monitor the competence of the CEO to ensure alignment between company policy and the long-term interests of all parties involved. Therefore, wise and balanced management of CEO power is key in ensuring a positive impact on firm value (Sudana & Aristina, 2017; Samhuri & Ahmar, 2023). Firm value will increase when the CEO has experience before being appointed as CEO as well as his educational background (Saidu, 2019). CEO power can be measured in four aspects, namely structural power, ownership power, expert power and prestige power (Finkelstein, 1992).

In the last few decades many studies have examined CEO gender on company performance. Current conditions show a significant imbalance between men and women who occupy the highest leadership roles in the business world. Despite increasing awareness of the importance of gender diversity, women are still consistently a minority in CEO positions (Baiduri et al., 2023). The number of female CEOs tends to be much lower than the number of male CEOs, reflecting the challenges that need to be overcome in achieving gender equality at the corporate leadership level (Keloharju et al. 2016; Cho et al. 2019; Joubert et al., 2022). Some studies show that gender diversity in leadership can contribute positively to company performance by bringing diverse perspectives, other studies show mixed results (Birindelli, 2019; Devika & Yuliana, 2020). Firm value is significantly influenced by market competition, especially in highly competitive environments. In response to intense competition, companies often adopt strategies focused on product differentiation, innovation, and a deeper understanding of consumer

preferences. These strategies help companies stand out in the market, offering unique products or services that cater to specific customer needs. By innovating continuously, firms can stay ahead of competitors, ensuring their offerings remain relevant and appealing. Product market competition not only determines a company's success but also shapes its strategic direction. It pushes firms to be agile and responsive, motivating them to improve operational efficiency and explore new business opportunities. In fiercely competitive markets, companies that fail to adapt risk losing market share, which can directly impact their performance and, ultimately, their value.

The level of competition is a critical factor that drives companies to make strategic adjustments to sustain growth. Firms in competitive environments must optimize their operations and resources to enhance productivity and reduce costs. This ongoing process of adaptation ensures that they maintain a strong market presence and continue to generate value for stakeholders. The impact of market competition on firm value is substantial, as it can either hinder or enhance performance. In highly competitive industries, the ability to innovate, differentiate, and improve efficiency becomes essential for sustaining or boosting firm value (Raharjanti et al. 2023; Suryanto & Tyas, 2024). Thus, companies that navigate competitive pressures successfully are more likely to thrive and increase their value over time. The relationship between CEO power, gender, and market competition with firm value involves complex dynamics that can shape a firm's performance and position in the market. A balanced Chief Executive Officer (CEO) power, especially one exercised by an effective leader who is responsive to the challenges of market competition, can enhance firm value by making the right strategic decisions. Meanwhile, the gender role of the CEO also plays a role in shaping the company's culture and leadership approach, which can affect long-term performance and relationships with stakeholders. Corporate success is also influenced by the extent to which the CEO is able to navigate intensive market competition, maintain competitiveness and respond to changing external conditions. Therefore, the balance between CEO power, gender roles, and the firm's ability to compete in product markets are key factors in shaping firm value holistically.

## **METHODS**

This research employs a quantitative method with an associative approach, focusing on property and real estate companies listed on the Indonesia Stock Exchange (IDX) (Lerche, 2012). The population of the study consists of 78 companies, and by using a purposive sampling technique, 36 companies that consistently published financial reports from 2019 to 2022 were selected. This yielded a total of 144 data points. The study relies on secondary data collection, drawing from company reports. The dependent variable in this study is firm value, which is measured using Tobin's Q. Meanwhile, the independent variables include CEO power, CEO gender, and product market competition. CEO power is operationalized through three main parameters: CEO age, level of education, and ownership of company shares. These factors are examined to determine their influence on the overall value of the firm. Additionally, the gender of the CEO is considered to assess its impact on firm performance, alongside market competition. Market competition is analyzed using the industry-adjusted price-cost margin (IPCM) approach, which helps gauge the competitiveness of the product market in which these firms operate. The analysis method applied to examine the relationships between variables is the Spearman correlation, which is appropriate for understanding the associations between non-parametric data. By integrating CEO characteristics and market competition, this study aims to uncover the factors that significantly affect firm value within the property and real estate sector in Indonesia. Through this approach, it provides valuable insights into how leadership dynamics and external market conditions interplay to influence company performance.

**RESULTS**

There are 144 sample data from 36 property and real estate sector companies in 2019 to 2022 with the most CEOs being male at 128 (88.9%) and undergraduate education level at 80(55.6%). The results showed a median age of 59.5 years, with an age range of 34 to 78 years. Most had a bachelor's degree (55.6%), followed by a master's degree (38.9%), while only 2.8% had a high school or doctoral degree. The majority of respondents were male (88.9%), while only 11.1% were female. Stock ownership had a median value of 0.000 with a range of 0.000 to 0.502. The level of product market competition showed a median value of 0.123 with a variation from -2.408 to 39.978. Meanwhile, the company value had a median of 0.765, with a variation ranging from 0.289 to 1,052.263.

**Table 1.** Firm characteristics

Characteristics	Frequency (f)	Percentage (%)	Median (min-max)
Age			59.50 (34-78)
High School	4	2.8	
Bachelor	80	55.6	
Master	56	38.9	
Doctor	4	2.8	
Share Ownership			0.000 (0.000-0.502)
Male	128	88.9	
Female	16	11.1	
Product Market Competition			0.123 (-2.408-39.978)
Firm Value			0.765 (0.289-1.052.263)

The results of the analysis show that the level of education and product market competition have a significant relationship with the variables studied. The level of education has a p-value of 0.038 with a positive correlation coefficient of 0.173, while product market competition has a p-value of 0.042 and a correlation coefficient of 0.170. This relationship shows that education and product market competition play an important role in the model. Other variables such as age, share ownership, and CEO gender do not show a significant relationship, indicated by a p-value of more than 0.05. The CEO power variable does not have any correlation data or p-value listed.

**Table 2.** Spearman Analysis Results

Model	p value	Correlation coefficient
CEO power	-	-
Age	0.979	-0.020
Share Ownership	0.408	0.070
Education Level	0.038	0.173
CEO Gender	0.095	0.014
Product Market Competition	0.042	0.170

The results of bivariate analysis show that education level and product market competition have a significant relationship to firm value with education level having the greatest relationship. In addition, age, share ownership and gender have no significant relationship with firm value. Share ownership does not have the highest relationship, while age is one of the variables that has a negative relationship.

In this study, CEO power uses three parameters, namely age, education level and share ownership. Correlation analysis CEO power with firm value, there is no significant relationship between age and share ownership on firm value. According to Erawati & Nahak (2023) share ownership has no significant effect on firm value in 17 companies in the manufacturing sector, and in 34 manufacturing companies (Rahma & Sukarmanto, 2023). In this study, the variable that has the strongest relationship is the level of education. This result is in line with the age and education level of the CEO has a significant influence on the performance of the Company due to the increase in age which increases maturity in decision making. The higher the level of education of a CEO will increase the level of understanding of the Company's problems which will affect decision

making to increase company value (Malmendier et al., 2011; King et al., 2016; Naseem et al., 2020). Research conducted by Sheikh (2018), shows CEO power has a positive effect on firm value. The parameters for CEO power used are ceo pay, ceo pay gap, ceo duality, board independence, ownership and expert (Sheikh, 2018).

Chief Executive Officer (CEO) gender uses two parameters, namely male and female. Correlation analysis CEO gender with firm value has no significant relationship. In this study, most of them were led by male CEOs. The presence of women on the executive board will create more results to increase the market value of a company and high representation of women in top management results in better performance than companies with better representation of women than companies with low representation of women (Hamdani & Hatane, 2017; Ramdania et al., 2020). This result is in accordance with stakeholder theory that women in the board of directors and commissioners will be able to assist the company in establishing good relationships with stakeholders so that they can contribute to increasing company value. Female CEOs are able to increase the E-index, and CEO compensation, which results in female CEO attachment will provide greater job security, higher levels of control, and salary increases that will improve company performance (Dah et al., 2020). Other studies show different results that the gender of the board of directors, gender of the board of commissioners has no effect on firm value (Wulansari & Aziz, 2021; Rizkyka & Suryani, 2021; Wulandari et al., 2023).

Product market competition is measured in various ways industry-adjusted price-cost margin (IPCM) which is widely used to measure the ability of the company as seen from the comparison between profits and sales (Choua et al., 2011). The correlation analysis shows that there is a significant relationship between product market competition and firm value. This is in line with research (Chang & Jo, 2019; Liu et al., 2022) there is a positive and significant relationship between product market competition and firm value. A high Price-Cost Margin (PCM) indicates that the company has the ability to set product prices well above its production costs. Therefore, high market power can contribute to an increase in firm value, signaling the firm's ability to generate higher profits relative to its production costs. High operational efficiency means that the firm enjoys a larger profit margin, thereby increasing the firm's net profit, which is one of the main indicators of firm value. This result is in accordance with Efficient Competition Theory which states that intense competition encourages companies to optimize company operations, increase efficiency, and reduce costs. Higher operational efficiency can result in better profit margins, which will increase firm value. Product market competition will generally affect the quality of the company (Choua et al., 2011; Sheikh, 2018).

## **CONCLUSION**

The results of this study indicate that CEO power and product market competition have a significant relationship with company value, while CEO gender has no significant relationship with company value. From the analysis conducted, it was found that the CEO's education level is the strongest factor influencing company value. CEOs with higher education levels tend to have better abilities in understanding company problems and making the right decisions, which contributes to increasing company value. In addition, product market competition also plays an important role in influencing company value. Companies that operate in a highly competitive environment tend to be more efficient in their operations, which ultimately increases profit margins and company value. On the other hand, factors such as age and CEO share ownership do not show a significant relationship with company value. CEO age, although often associated with maturity and experience in decision making, does not have a direct impact on company performance in the context of the property and real estate sector analyzed in this study. CEO share ownership also does not affect company value, indicating that the amount of shares owned by CEOs does not always harm their ability to improve company performance. CEO gender, although considered to contribute to better stakeholder relations, did not show a significant effect on firm value. Most of the sample companies in this study were led by male CEOs, and the presence of women in the executive ranks

did not have a significant impact on firm value. However, this result does not rule out the possibility that further research involving larger samples from various sectors will provide more comprehensive results regarding the role of CEOs in increasing firm value.

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