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The Influence of CEO Power and Foreign Ownership on Environmental, Social, and Governance Performance

Gabriella Yovana[1]*, Sany Dwita[1], Dian Indah Hayati[1]

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Affiliation:
[1]Universitas Negeri Padang, Padang, Indonesia

***Correspondence:**
gabriellayovana463@gmail.com

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Abstract

Purpose – This study aims to examine the influence of CEO power and the foreign ownership on ESG performance of companies listed on the Indonesia Stock Exchange (IDX) during 2020-2023.

Design/methodology/approach – This study was conducted using a sample of 44 companies listed on the Indonesia Stock Exchange, resulting in a total of 176 observations. To examine the hypothesis formulated in this research, panel data regression analysis was applied, utilizing Eviews software version 12 as the analytical tool.

Findings – Based on the results of this study, CEO power is found to have a positive and significant effect on ESG performance, while foreign ownership does not have a significat effect on ESG performance.

Originality/value – This study contributes to the literature by simultaneously testing the effects of CEO power and foreign ownership on ESG performance in Indonesian companies, a combination that has rarely been examined in a single research model. Furthermore, this study uses ESG metrics based on Refinitiv Eikon scores, which are more objective and globally standardized, and covers the 2020-2023 period, reflecting the growing attention to sustainability issues.

Research limitations/implications – A limitation of this study is that observation period covers with only covers four years, making it unable to fully represent the overall state of ESG performance. Furthermore, the measurement of CEO power in this study is limited to three proxies: CEO membership, CEO tenure, and CEO share, thus not comprehensively reflecting all dimensions of CEO power. This study also analyzes ESG performance without separating each dimension. Therefore, the results obtained do not yet provide a comprehensive description of the company's ESG performance.

Keywords: CEO power, foreign ownership, ESG performance, emerging economy.

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Introduction

In the last decade, global awareness of the importance of sustainability has increased. Issues such as climate change, social inequality, and weak corporate governance demand a transformation of business strategies towards a more sustainable direction (Ali et al., 2024). Pressure from investors and stakeholders has made the company more transparent in addressing the social and environmental influences that arise from the business activities it conducts (Aydogmus et al., 2022). Thus, the company must still comply with the sustainable development goals in achieving its profits (Abdullah et al., 2024).

As an effort to maximize sustainability, companies can implement the Triple Bottom Line (TBL), which focuses on achieving a balance between environmental, social, and financial aspects as the basis for corporate value creation (Elkington, 2004). In the implementation of TBL, the company must involve all parties, both external and internal to the company. This allows every company to be required to have a sustainability report as a means of informing stakeholders. The report contains economic, social, and environmental performance, which is expected to have a good effect on the company's long-term development and sustainability (Falikhatun et al., 2020). Therefore, the concept of Environmental, Social, and Governance (ESG) emerged as a more systematic parameter to assess a company's sustainability performance and the extent to which the company has implemented the principles of Triple Bottom Line (Pwc, 2022).

The term ESG refers to a series of metrics to evaluate the environmental, social, and governance impacts of a company. Over time, ESG has developed as an important point in the investment decision-making process because it is considered to reflect the long-term sustainability of the company. This is because, the success factor of a company is not only judged from profit alone, but on the three main dimensions of sustainability development in accordance with the concept of TBL by Elkington (2004) which includes the economy (Profit), social (People), and environment (Planet). ESG Performance refers to how a company assesses and measures how effective it is in dealing with elements E (Environment), S (*Social*), and G (Governance).

Based on stakeholder theory implies that a company's long-term success depends on how the company's management assesses its relationship with its stakeholders (Freeman, 1984). The scope of the company's responsibility extends beyond the shareholders by also paying attention to all parties who feel the consequences of business operations, including employees, the public, regulators, the environment, and foreign shareholders. This theory has the view that the company needs to balance the interests of all related parties, including internal and external parties. Therefore, companies are now required to regularly report their ESG practices so that the ESG score can be determined. A high ESG score reflects the company's strong commitment to environmental, social, and governance aspects that meet the concerns of all stakeholders (Raimo et al., 2021). *Therefore, ESG performance* needs to be improved because it has become a source of concern for all company stakeholders (Abdullah et al., 2024).

Corporate awareness in Indonesia of ESG urgency is still relatively minimal, as reflected by the number of companies that have not reported a *Sustainability Report,* which is the benchmark of ESG and corporate sustainability. Reporting from (www.bbc.com 2023), the Ministry of Environment and Forestry (KLHK) has stopped the operations of four coal processing and storage companies that are suspected of being the cause of air pollution in the Marunda area, North Jakarta. The activities of these companies have a serious impact on public health, and there are even residents who have to undergo corneal eye transplant surgery due to constant exposure to coal dust. Furthermore, the case of environmental damage due to tin mining that occurred some time ago caused a stir among the Indonesian people. The case is corruption with losses of Rp 271.06 trillion that occurred in the tin mining sector of Bangka Belitung Islands Province. The losses incurred due to the incident include losses in forest areas and non-forest areas, which include ecological losses, environmental economics, and recovery costs (Anitasari, 2024).

The above case shows that the implementation of ESG in Indonesia has not been fully implemented. Based on the above cases, it can be seen that without good governance, businesses that only pursue profits can cause environmental damage, social inequality, and risks (News, 2022). Therefore, *ESG performance* in companies in Indonesia needs to get more attention to support the sustainability of the company.

A number of factors affect ESG performance, including research on how climate change affects ESG performance (Duan et al., 2025), previous research in Indonesia examined the impact of company size, company age, industry type, and ownership structure on ESG disclosure (Roestanto et al., 2022). Furthermore, research on the relationship between CEO power and CSR disclosures has also been carried out in Bangladesh (Rashid et al., 2020). Further research is still being carried out, and the results are that there is a relationship between CEO power and the company's decisions and actions related to ESG performance (Abdullah et al., 2024) (Hapsari et al., 2024) (Fu et al., 2024). Related research was also conducted in China on how the internationalization of companies affects ESG performance (Zhou et al., 2025).

Referring to several factors that have been revealed by previous studies related to ESG performance, there are several external and internal factors that are able to drive ESG performance. One of the important internal factors is the power of the executive, especially in the role of the Chief Executive Officer (CEO) in shaping and establishing strategic policies related to ESG. Meanwhile, external factors that can affect the direction of corporate policies in the context of ESG are ownership structures, especially foreign ownership, which often brings high expectations for ESG implementation in companies, thus forcing companies to be able to follow international standards in presenting better corporate governance in terms of openness, accountability, and sustainability.

The CEO is a leader who has responsibility for the success or failure of a company, which is why the CEO is required to have resilience in achieving the company's goals (Hapsari et al., 2024). As part of the executive side who has a high position in the organization, the CEO has significant authority and a decision-making position in determining the best future of the organization. The CEO, who has high power, tends to be able to direct the company according to its vision, but also has the potential to ignore the interests of other stakeholders.

Stakeholder Theory demands that CEO power be used responsibly to meet environmental and social expectations (Freeman, 1984). Good corporate governance is the key to controlling CEO power to align with the sustainability goals expected by stakeholders. Increasing pressure from global investors, society, and regulators on ESG practices has made CEOs play the role of decision makers in an organization regarding ESG performance. Strong CEOs tend to provide transparent information about the company's condition. Higher transparency in ESG reporting demonstrates the company's seriousness in implementing responsible business activities, thus helping to strengthen trust and support from stakeholders (Hapsari et al., 2024).

Dimensions of CEO power can be seen from several indicators such as dual position (CEO concurrently as chairman of the board), length of tenure (tenure), CEO as another committee member (CEO membership), as well as share ownership (CEO share). Research by Abdullah et al. (2024) indicates that CEO power significantly affects ESG performance; skill-based power and shareholding tend to increase ESG because CEOs feel responsible for the company's long-term, while structure-based power and duality can lower ESG due to low board oversight. This is in line with the assumption Freeman (1984) which emphasizes that strategic leadership is not only focused on achieving profits, but also considering the expectations of stakeholders in increasing the company's legitimacy.

Previous research by Chu et al. (2023) concludes that CEO power is negatively related to CSR disclosures in companies; CEOs in power are less responsive to stakeholders' demands for social responsibility. Other studies have also found a negative correlation between CEO power and CSR disclosures; the results show that CEOs with Power are not interested in CSR disclosure and are more interested in investing in other activities that generate profits, but in this study, the presence of stakeholders can reduce the negative correlation between CEO power and CSR disclosure (Rashid et al., 2020).

Meanwhile, foreign ownership in domestic companies also has a role as an agent of external institutional pressure that encourages companies to be more transparent and accountable to their stakeholders. In the era of economic globalization, cross-border investment flows are increasing and encouraging the involvement of foreign investors in the ownership structure of domestic companies. Foreign investment is able to provide access to various markets, labor, and raw materials, thereby maximizing the company's profits and efficiency in keeping up with the progress of the global economy (Zhou et al., 2025).

According to stakeholder theory introduced by Freeman (1984), the company is seen as having broader obligations than just to shareholders, but also to all parties affected by the company's activities, which include employees, consumers, the community, and the environment. In this case, the presence of foreign investors as part of the company's owners also brings a global perspective on the company's responsibility to all its stakeholders. So, foreign ownership is also a crucial variable in influencing ESG performance in realizing the company's sustainability expected by stakeholders. Foreign investors generally come from countries that already have well-established ESG systems and have high expectations of sustainability practices. Compared to domestic investors, foreign stakeholders face greater information asymmetry, which encourages them to prioritize transparency and governance frameworks that reduce potential risks related to ESG performance the bad ones (Li et al., 2021).

CEO power and foreign ownership are two internal groups that have a high interest in the company's strategy but have different external pressures. These two variables are closely related to each other, because they both operate at a strategic level and are in a position to influence the organization's priorities. The CEO, as a decision maker in an organization, needs to pay attention to the needs of stakeholders for the sustainability of the organization. Meanwhile, foreign ownership as one of the stakeholders that puts pressure on the executive, including the CEO, to pay more attention to the company's sustainability issues.

The relationship between CEO power and foreign ownership of ESG performance needs to be researched again, especially in Indonesia, where there is still a lack of literature related to research on these variables. The company's attention to ESG performance needs to be improved to achieve sustainability goals. CEO power can be in line with or opposite to the influence of foreign ownership on ESG, depending on whether the CEO's goals align with sustainability values. In this case, stakeholder theory serves as a significant conceptual foundation in explaining how the company balances the pressures and expectations of different stakeholder groups (Freeman, 1984).

This study uses CEO power as an independent variable, with three proxies used, as referred to in the research by Rashid et al. (2020). In this study, the researcher made an update that lies in the addition of an independent variable, namely foreign stock ownership as external pressure on the company. Based on stakeholder theory, this study seeks to make a scientific contribution through the presentation of empirical evidence obtained from a sample of companies listed on the Indonesia Stock Exchange and having ESG scores published by Refinitiv Eikon as an indicator of ESG performance measurement. The object of this study includes companies listed on the IDX in 2020-2023, with the aim that the scope of research is broader and not fixated on one specific business sector, so as to allow exploration of various corporate sectors that have different characteristics and business risks. Referring to the background presentation above, the researcher is interested in raising the title of the research "The influence of CEO Power and Foreign Ownership on Environmental, Social, and Governance (ESG) Performance".

Literature Review

Stakeholder Theory

In 1984, R. Edward Freeman first introduced a theory by him, namely stakeholder theory. This theory holds that the company is not liable to shareholders alone but is also responsible to all interested parties and is involved in the company's operational activities. According to stakeholder theory, the

long-term sustainability of a company is largely determined by the management's ability to balance the interests of all stakeholders in its business decision-making (Freeman, 1984).

In the context of ESG, stakeholder theory It provides a foundation that the implementation of the company's operational activities must carry out business practices that are not only oriented to making profits, but also prioritize social responsibility and concern for the environment. ESG performance is a tangible form of meeting stakeholder expectations. In other words, a powerful CEO can direct companies to invest in ESG to maintain the company's reputation and sustainability (Abdullah et al., 2024).

Conceptually, stakeholder theory has been an important foundation in the development of various modern accounting and management concepts, including Corporate Social Responsibility (CSR), sustainability, and non-financial reporting. This theory continues to evolve as global awareness of the importance of ethical and sustainable business increases. Therefore, stakeholder theory It is a suitable and appropriate theoretical basis to evaluate how the company establishes harmonious and sustainable relationships with all parties involved and affected by its operational activities.

ESG Performance

ESG Performance refers to the assessment of the extent to which a company implements sustainability principles in environmental aspects (Environmental), social contribution (Social), and corporate governance (Governance). In the midst of the modern business climate, ESG performance has become important because it reflects the company's commitment to the principles of sustainable development and the application of ethical values in its operations (Abdullah et al., 2024). This is also supported by increased public awareness of the company's long-term impact on the environment and society.

The ESG framework includes three aspects, namely environmental, which examines how businesses operate and their impact on the environment, pays attention to resource efficiency, and emission reduction. Social examines how companies coordinate with stakeholders and employees and focuses on human rights. Meanwhile, governance is a factor that examines how a company manages and supervises its business activities to ensure the implementation of good and sustainable governance principles (Tommaso & Thornton, 2020).

CEO Power

CEO power can be interpreted as the amount of power, influence, and autonomy held by the CEO in controlling strategic decisions in the company. This power can be derived from various factors, including the term of office (CEO tenure), private share ownership (CEO ownership), CEO duality, or a slice of the CEO's salary (CEO Pay Slice) (Abdullah et al., 2024). In stakeholder theory by Freeman (1984), a CEO's responsibilities are not limited to creating value for shareholders alone, but include attention to stakeholder demands. ESG performance is the main reflection of how serious the company is about meeting these demands. Therefore, CEO power can act as a driver or inhibitor to achieving ESG performance.

CEO power in this context refers to the extent to which a CEO has influence and control over the company's strategic decisions. Based on research by Rashid et al. (2020) CEO power measured by the CEO power index calculated based on the four attributes of the CEO, namely the CEO duality (CEO_dual), CEO as another committee member (CEO_member), CEO Term (CEO_tenure), and CEO shareholding (CEO_share). However, because Indonesia implements a two-tier system, which separates supervisory and management functions into two bodies at different levels in the company structure it does not allow the application of the CEO duality system (World Bank, 2014).

Foreign Ownership

Foreign ownership is the amount of company shares controlled by investors, entities, or institutions from abroad. The presence of foreign parties as shareholders also encourages companies to adopt better international standards, especially in terms of openness and accountability (Al & Noorhayati, 2020). The presence of foreign owners can encourage companies to be more responsive to the interests of stakeholders and strengthen information disclosure, which ultimately directs company

policies towards sustainability. Foreign ownership helps improve governance and encourage the fulfillment of disclosure and improvement obligations for ESG performance (Tambunan & Wahyuliza, 2025).

Foreign investors are seen as the main drivers in improving CSR performance and ESG practices in developing countries. This is due to their ability to bring global standards, strengthen corporate legitimacy, and open access to international funding sources (Zhang & Wu, 2024). In addition, foreign investors tend to want the implementation of superior ESG standards as a risk mitigation strategy, as they face greater information asymmetry compared to domestic investors, thus prioritizing transparency and strong governance to mitigate associated risks to ESG performance (Kim et al., 2025).

CEO Power and ESG Performance

The CEO is a leader who is responsible for the achievement of a company's goals and vision (Hapsari et al., 2024). CEOs who have more dominant power will tend to have significant control over the decision-making process, including in terms of resource allocation and sustainability policy determination in the company. Hapsari et al. (2024) also mentions that most CEOs consider sustainability reporting to be critical to the company's success and actively leverage their power to promote environmental innovation. Strong CEOs tend to provide transparent information about the company's condition, thus encouraging the company's commitment to ESG reporting. The non-financial things that a CEO must consider in a contract can help stakeholders achieve environmental and social goals (Velte, 2020) and improve ESG performance in the company.

According to stakeholder theory (Freeman, 1984), the company is obliged to pay attention to and balance the interests of all parties involved in the company. So that the decisions taken in the company reflect the collective interests, including sustainability and social aspects. CEO power in companies that are sustainability-oriented will strengthen the relationship between external stakeholders such as regulators, consumers, and the community, which in turn has a positive impact on reputation and ESG performance.

Previous research by Hapsari et al. (2024) indicates that there is a positive relationship between CEO power and ESG performance in companies. This study states that CEO power can provide rapid decision-making on internal and external issues as well as issues of the environment, society, and governance. The results of this study are consistent with the findings of the research Fu et al. (2024) , which concludes that CEO power is closely related to the company's ESG practices. When the company's key decision makers pay close attention to ESG, transparency and a sense of corporate responsibility increase; so does trust, and the company's stakeholders become stronger. Then an earlier study found a positive correlation between CEO power and ESG performance. CEOs who have power in the company are assumed to have a better influence on the company's non-financial performance and strengthen ESG performance. Thus, the conjecture of the relationship between CEO power and ESG performance In this study, the following hypotheses are proposed:

H1: CEO power has a positive effect on ESG performance.

Foreign Ownership and ESG Performance

Foreign ownership refers to the amount of company shares controlled by foreign investors, entities, or institutions. Foreign investors are seen as the main catalyst and driver of ESG performance and CSR of companies in developing countries. This is due to the fact that generally foreign investors come from countries with a higher level of ESG awareness and a well-developed governance system, so when they become shareholders in local companies, they tend to encourage the application of stricter ESG principles to reduce risk and increase transparency (Kim et al., 2025). Thus, the drive to improve ESG performance tends to be greater among companies that have a higher proportion of foreign ownership.

Freeman (1984), through stakeholder theory, emphasized that the company has an obligation to pay attention to and balance the interests of all parties involved in the company. The existence of foreign shareholders is an agent of institutional pressure from external parties that encourages

companies to be more transparent and accountable to their stakeholders. The presence of foreign investors as part of the company's ownership also brings a global perspective on the company's responsibility to all its stakeholders. Foreign ownership, with its expectations of social accountability, is one of the supporters in the process of integrating ESG principles into the company's strategy.

Previous research by Zhang & Wu (2024) reveals that there is a positive influence of foreign ownership on ESG performance in companies. The research emphasizes that the positive role of foreign investment in encouraging corporate sustainability also shows the contribution of foreign shareholders in strengthening governance and disclosure transparency. This is in line with research that has been carried out by Zhou et al. (2025), which found that foreign investment can increase ESG performance a company. To that end, companies should focus more on improving transparency and governance by adopting higher ESG standards. Findings Kim et al. (2025) in its research also revealed that companies with a higher proportion of foreign ownership generally achieve superior ESG scores. However, foreign ownership and ESG performance here are contingent; i.e., when the company faces negative financial performance, foreign investors tend to drive short-term efficiency and sacrifice ESG commitments; on the contrary, in times of surplus, companies with high foreign ownership continue to show stable or increasing ESG. Thus, the allegations regarding the relationship between foreign ownership and ESG performance are examined in this study, and the following hypothesis:
H2: Foreign ownership has a positive effect on ESG performance.

Method

This research examines the cause-and-effect relationship between independent and dependent variables, and uses a quantitative approach based on secondary data. The population of this study is 903 companies, including all companies listed on the IDX during the 2020-2023 period, using purposive sampling techniques as a sampling method. Companies that did not have an ESG score from Refinitiv Eikon in 2020-2023 were eliminated, so this study used 44 companies as a sample. The research data were sourced from 44 companies with an observation time span of 4 years, so that a total of 176 observation units were obtained. The population and sample of this study are shown in Table 1.

Table 1. Sample selection criteria

Criteria	Total
Population: Companies listed on the Indonesia Stock Exchange as of December 31, 2023	903
Companies that do not have an ESG score from Refinitiv Eikon from 2020-2023	(859)
Companies that have an ESG score but did not publish an annual report from 2020-2023	0
Total companies remained	44
Total of years of research	4
Observations (44 x 4 years)	176

Variables

ESG performance is determined as a bound variable in this research. ESG performance is a benchmark that describes how well a company manages environmental, social, and governance dimensions in order to support the sustainability of the company's operations. ESG performance in this study using ESG scores published by Refinitv Eikon. As for the assessment, if the ESG score is low, then ESG performance can be said to be lower, and conversely, if the ESG score is higher, then it can be said that ESG performance is higher (Priandhana, 2022).

The first independent variable in this study was CEO power. CEO power was measured using three CEO attributes, namely CEO membership, CEO tenure, and CEO share, following research by Daily & Johnson (1997). Each attribute has the following measurement formula:

1. CEO Membership
   CEO membership refers to the CEO's involvement as a member in important committees of the company, such as nomination committees, remuneration committees, audit committees, etc. The measurement of this indicator is carried out by applying a dummy variable in the form of giving a

score of 1 if the CEO sits on another committee as a member, and a score of 0 if not (Rashid et al., 2020).

2. CEO Tenure
   The measurement of CEO tenure refers to a previous study by Badrul et al. (2016) in Bangladesh. The CEO's tenure is calculated using a dummy variable, with a value of 1 if the CEO's tenure exceeds the median value, while a value of 0 is given if it is at or below the median value. The median tenure is obtained from the value of the CEO's tenure that is in the middle of all the companies in the research sample.
3. CEO Share
   The measurement of CEO share ownership is carried out through the use of dummy variables, where a value of 1 is set if the ownership of the CEO of a company exceeds the median value of ownership, while the value of 0 is determined if it is at or below the median value. The median of CEO shares is obtained from the value of CEO shares that is in the middle of all companies that are in the research sample.

After the data on the three CEO attributes is obtained, then the index calculation is carried out CEO power, and the maximum score that can be obtained is three if the company meets the three factors above. The value obtained from the three factors is then summed up. Next, the ratio of the actual score obtained to the maximum score achieved (i.e., 3) by the company for a certain year is calculated so that the final result of the calculation is obtained as CEO power (Badrul et al., 2016).

The second independent variable in this study is the foreign share ownership factor. Foreign ownership is the proportion of shares of a company controlled by foreign investors. In the context of ESG itself, foreign ownership is often considered a driving force in order to improve the company's sustainability performance. ESG performance in companies generally increases in line with the increasing proportion of foreign ownership (Zhang & Wu, 2024). Foreign ownership is measured through the calculation of the proportion of shares controlled by foreign investors to the total outstanding shares. The measurement of foreign ownership in this study refers to research conducted by Kim et al. (2025) in Korea, with the following formula:

$$FO = \frac{Total\ number\ shares\ of\ foreign\ parties}{Total\ number\ of\ share\ outstandin}\ x\ 100\%$$

The following is the regression formula applied in this research:

$$\mathrm{ESGSi.t} = \alpha + \beta_1 \mathrm{CEOPi.t} + \beta_2 \mathrm{FOi.t} + \varepsilon \mathrm{i.t}$$

Results

Descriptive statistical analysis is used to describe the characteristics of each research variable as an initial overview before conducting further testing. The descriptive statistical measures to be applied include mean values, medians, minimum values, maximum values, and standard deviations. The results of descriptive statistics regarding the influence of CEO power and foreign ownership on ESG performance in companies listed on the IDX that are sampled in the 2020-2023 period are presented in Table 2 below.

Table 2. Results of descriptive statistical analysis

	ESG	CEOP	FO
Mean	56.52211	0.397727	0.320535
Median	56.92349	0.333333	0.254710
Maximum	89.26724	1.000000	0.970852
Minimum	12.23778	0.000000	0.000000
Std. Dev.	19.26073	0.261172	0.271923
Observations	176	176	176

Table 3 shows the results of the Chow test, the probability value of the model was obtained as 0.0000, which is smaller than the significance level of the α value, which was 0.05.

Table 3. Chow test results

Effect Test	Statistic	D.F.	Prob.
Cross-section F	34.520035	(43,130)	0.0000
Cross-section Chi-square	443.372223	43	0.0000

Because the probability value was 0.0000 < 0.05, H0 for this model was rejected and Hα was accepted. Thus, the most suitable model estimate to be used is the Fixed Effect Model (FEM). For this reason, the analysis needs to be continued by conducting Hausman Test as shown in Table 4.

Table 4. Hausman test results

Test Summary	Chi-Sq. Statistics	Chi-Sq. D.F.	Prob.
Cross-section random	2.242485	2	0.3259

The analysis was continued by the Lagrange multiplier (LM) test as shown in table 5. The results show that the probability value of the Breusch-Pagan cross-section is 0.0000, which is smaller than the significance value (α = 0.05), then H0 for this model is rejected and Hα is accepted, so the better model estimate is the Random Effect Model (REM). Therefore, because the panel regression model chosen is a random effect model (REM), the classical assumption test does not need to be carried out (Gujarati, 2004).

Table 5. Lagrange multiplier test results

	Cross-section	Time	Both
Breusch-Pagan	207.5730	0.076433	207.6495
	(0.0000)	(0.7822)	(0.0000)
Honda	14.40740	-0.276465	9.992077
	(0.0000)	(0.6089)	(0.0000)
King-Wu	14.40740	-0.276465	3.412019
	(0.0000)	(0.6089)	(0.0003)
Standardized Honda	14.90441	0.080977	6.227497
	(0.0000)	(0.4677)	(0.0000)
Standardized King-Wu	14.90441	0.080977	1.213786
	(0.0000)	(0.4677)	(0.0000)
Gourieroux, et al.	--	--	207.5730
			(0.0000)

Hypothesis Test

To test the significance of the influence of each independent variable on the dependent variable partially, this research utilizes the t-test as shown in Table 6. If the significance value is below 0.05, then the independent variable is declared to have a significant effect on the dependent variable.

The regression model in this study was conducted to estimate the influence of CEO Power and foreign ownership on ESG performance. The following is a description of the results of the t-test for each research variable:

1. The first hypothesis in this study suggests that CEO power has a positive effect on ESG performance. The regression coefficient of the CEO power variable was recorded as positive at 10.4329 with a probability value of 0.0110. Considering that the probability value is below 0.05,

the CEO power variable is partially proven to have a positive and significant effect on ESG performance. Therefore, the first hypothesis (H1) is accepted.

Table 6. Hypothesis test results

Variable		Prediction	Model 1
Constant	Coeff.		49.0674
	Prob.		0.0000
CEOP	Coeff.	+	10.4329
	Prob.		0.0110
FO	Coeff.	+	10.3117
	Prob.		0.1127
Adjusted R-squared			0.0377
Prob(F-Statistic)			0.0133

2. The second hypothesis in this study suggests that foreign ownership has a positive effect on ESG performance. The regression coefficient of this variable was recorded at 10.3117 with a probability value of 0.1127. Although the coefficient is positive, which indicates a positive relationship between foreign ownership and ESG performance, because the probability value is greater than 0.05, it shows that the influence is not statistically significant. Therefore, the second hypothesis (H2) is rejected.

Referring to the results of the F test presented in Table 7, this research model shows a statistical F-value of 4.430099 with a probability of 0.013295, which is below the significance level of 0.05 (0.013295 < 0.05). Thus, it can be concluded that CEO power and foreign ownership simultaneously affect ESG performance as a dependent variable.

Table 7. F Test results

Models	F-statistic	Prob(F-statistic)
1	4,430099	0,013295

Based on Table 8, the contributions of CEO power and foreign ownership variables are shown by the value of the determination coefficient (adjusted r-squared) of 0.037722 or 3.77%. This indicates that the ability of the independent variables to explain the dependent variables is limited to 3.77%.

Table 8. R^2 results

Models	R-squared	Adjusted R-squared	S.E. of Regression
1	0,04872	0,037722	6,127799

Discussion

CEO Power's influence on ESG Performance

This study proposes the first hypothesis that CEO power has a positive effect on ESG performance, which indicates that an increase in CEO power will be accompanied by an increase in the company's performance in its environmental, social, and governance (ESG) dimensions. The measurement of ESG performance variables in this study uses ESG scores published by Refinitiv Eikon.

Based on the results of the research on the sample used to test the panel data hypothesis, it was found that the prob. value was below the significance level (0.0110 < 0.05). From the results of the study, CEO power has a positive effect on ESG performance. So the results of the study indicate that an increase in CEO power in the company will be followed by an increase in the company's ESG performance.

According to Freeman et al. (1984) , based on stakeholder theory, the company's long-term success is highly determined by the management's ability to meet the interests of various parties, ranging from investors, society, employees, the environment, and the government. Therefore, the company is required to realize balanced value for all stakeholders through sustainable practices, one of which is the implementation of ESG. In this case, CEO power is a key factor as the main actor in the decision-making process and in determining the strategic direction of the company. CEO with greater power tend to be more capable and responsive in accommodating the demands of stakeholders related to corporate sustainability issues, so that they can directly direct policies towards ESG practices.

There are several factors that can explain the findings of the positive influence of CEO power on ESG performance in this study. First, CEOs with high power have strong authority in allocating company resources and have significant control over decision-making, including in determining the company's sustainability policies. This is consistent with the results of research by Abdullah et al. (2024), which reveal that CEOs play an important role in determining strategic goals, both in financial and non-financial matters such as sustainability. The second factor is that strong CEOs tend to try to maintain the company's reputation as well as their personal reputation, so they are encouraged to improve ESG performance as a form of social responsibility and increase trust in the eyes of stakeholders. In addition, CEOs with high power are generally more transparent in conveying information about the company's condition so as to encourage the company's commitment to ESG reporting.

Therefore, the existence of CEO power has been proven to have a positive influence on ESG performance. These findings are in line with the research of Hapsari et al. (2024), which revealed the positive influence of CEO power on ESG performance in banking companies in ASEAN-5. These findings are also in line with the research results of Fu et al. (2024) and Abdullah et al. (2024), who found that in many cases, CEO power can help companies build better environmental and social policies. However, the results of this study are contrary to the research of Chu et al. (2023) and Rashid et al. (2020), which actually show that CEO power has a negative influence on CSR.

The Influence of Foreign Ownership on ESG Performance

The second hypothesis in this study reveals that foreign ownership has a positive effect on ESG performance. This indicates that an increase in the proportion of foreign ownership will be accompanied by an increase in ESG performance (Zhang & Wu, 2024).

Based on the results of the partial test in this study, a prob. value of 0.1127 was obtained with a positive regression coefficient of 10.3117, which shows that there is a positive relationship between foreign ownership and ESG. However, because the significance value exceeds 0.05 (0.1127 > 0.05), it can be concluded that foreign ownership measured from the proportion of foreign shares to the total outstanding shares is proven to have no significant influence on ESG performance in companies listed on the IDX during the 2020-2023 period. Thus, the second hypothesis is rejected. This finding reveals that the low proportion of foreign ownership does not affect ESG performance in the company.

From a stakeholder theory perspective, foreign ownership of shares is seen as a form of pressure from shareholders, which is essentially expected to be able to encourage companies to improve their ESG practices. Foreign investors who are part of the Squirrel External stakeholders generally have high expectations of ESG practices because they come from environments that have implemented stricter international standards and more optimal oversight mechanisms (Kim et al., 2025). However, this study did not succeed in proving the theory.

The results obtained in this study may be due to several things. First, in terms of the context of our country, which is a developing country, these results can also be influenced by the low regulatory pressure and the level of awareness of ESG, so that the encouragement from foreign investors is not strong enough to increase ESG performance in the company. Second, the proportion of foreign ownership is relatively small, so it does not have enough power to influence the company's strategic policy. In this study, the average foreign ownership of companies in Indonesia that is the research sample is still quite small, namely <35% of the outstanding shares. According to Zhang & Wu (2024),

the positive influence of foreign ownership on ESG performance will be stronger if the proportion is large enough to encourage companies to adopt optimal sustainability practices. This second factor can be one of the factors that causes foreign ownership not to have a significant impact on ESG performance. Third, there is a possibility that foreign investors do not always have a long-term orientation to ESG performance. Under certain conditions, foreign investors tend to focus more on short-term financial performance, especially when companies face financial performance pressures. This is consistent with the findings by Kim et al. (2025), which suggests that foreign investors can reduce a company's involvement in ESG activities when facing financial performance pressures because they prioritize short-term investment returns more.

The results of this study are in line with the research of Nugraheni et al. (2022), which found that foreign ownership has no effect on corporate social, and responsibility (CSR) disclosure in Indonesia. This condition indicates that the existence of foreign investors does not necessarily guarantee an optimal increase in transparency and social responsibility. However, the results of this study are in contrast to the research of Zhang & Wu. (2024), which reveals the positive influence of foreign stock ownership on ESG performance. The research by Kim et al. (2025) also revealed that there is a positive influence of foreign ownership on ESG performance but is inconsistent, where, in good financial performance conditions, foreign ownership does not significantly increase ESG activities and can even reduce ESG commitments when companies face financial performance pressures.

Conclusion

This study aims to examine the influence of CEO power and the foreign ownership on ESG performance of companies listed on the Indonesia Stock Exchange (IDX) during 2020-2023. This study was conducted using a sample of 44 companies listed on the Indonesia Stock Exchange, resulting in a total of 176 observations. To examine the hypothesis formulated in this research, panel data regression analysis was applied, utilizing Eviews software version 12 as the analytical tool.

The results of the study are as follows. The first hypothesis is accepted; CEO power is proven to have a positive and significant effect on ESG performance in companies listed on the Indonesia Stock Exchange during the 2020-2023 period, meaning that CEO power, as measured through the CEO power index obtained from the merger of the 3 CEO proxies, has succeeded in becoming one of the factors that affect ESG performance. The second hypothesis is no supported because foreign ownership has not been proven to affect ESG performance in companies listed on the Indonesia Stock Exchange during the 2020-2023 period, meaning that foreign ownership measured through the proportion of foreign investors' shares to the total outstanding shares in companies in Indonesia has not been proven to be a factor affecting ESG performance.

This study has a number of limitations, especially in the availability of research data, considering that there are still a limited number of companies in Indonesia that have ESG scores. The measurement of CEO power uses only 3 proxies, namely CEO membership, CEO tenure, and CEO share, so it does not fully represent the dimensions of CEO power.

Based on the limitations of the study, future research is recommended to extend the observation time range in order to capture the dynamics of ESG performance more accurately. Then develop the measurement of CEO power by including other dimensions such as structural power, CEO experience, and CEO reputation. Furthermore, further research can separate ESG analysis into 3 separate pillars so that the specific influence can be known CEO power in every aspect.

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