

The Influence of CEO Experience And Operational Efficiency on Financial Performance

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Abstrak

Studi ini dilakukan dengan tujuan mengkaji serta mengevaluasi bagaimana pengalaman CEO dan efisiensi operasional memberikan dampak terhadap kinerja keuangan pada emiten sektor *consumer non-cyclicals* yang tercatat di Bursa Efek Indonesia selama rentang waktu 2021-2025. Metode yang diterapkan dalam penelitian ini bersifat kuantitatif, dengan pemilihan sampel dilakukan melalui teknik *purposive sampling* menggunakan data sekunder berupa laporan tahunan dan laporan keuangan perusahaan. Hasil kajian pustaka menunjukkan bahwa pengalaman CEO dan efisiensi operasional sama-sama memiliki peran penting dalam mendorong pencapaian kinerja keuangan perusahaan.

Kata kunci: *Pengalaman CEO, Efisiensi Operasional, Kinerja Keuangan.*

Abstract

This study was conducted with the aim of examining and evaluating how CEO experience and operational efficiency affect the financial performance of issuers in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange over the 2021-2025 period. The method applied in this study is quantitative, with sample selection carried out through a purposive sampling technique using secondary data in the form of company annual reports and financial statements. The results of the literature review indicate that CEO experience and operational efficiency both play an important role in driving the achievement of corporate financial performance.

Keywords: *CEO Experience, Operational Efficiency, Financial Performance*

A. INTRODUCTION

The consumer non-cyclicals sector has been officially classified by the IDX-IC (IDX Industrial Classification) since 2021 and has shown a significant increase in the number of listed issuers in recent years. In fact, in August 2024, the Financial Services Authority (OJK) noted that the strengthening of the Composite Stock Price Index (IHSG/JCI) was supported by a significant increase in the consumer non-cyclicals sector, which became one of the sectors with the largest gains amid global economic uncertainty. PT Sinar Mas Agro Resources and Technology Tbk (SMAR) recorded a significant improvement in financial performance in 2022. Net sales increased by 31.65% to IDR 75.05 trillion, while net profit rose by 94.59% to IDR 5.50 trillion from IDR 2.83 trillion in 2021. This performance was supported by the strengthening of CPO prices and an increase in sales volume (Market.bisnis.com, 2023).

This phenomenon occurred alongside a change in the company's leadership. In June 2022, SMAR appointed Irwan Tirtariyadi as President Director, whose background includes international experience, among others through an MBA from Monash University, Melbourne, as well as work experience at Odigo Management Group Singapore and Microsoft Indonesia. On the other hand, PT Japfa Comfeed Indonesia Tbk (JPFA) recorded a decline in net profit of up to 29.70% in 2022 due to production cost pressures, before recovering significantly in 2025 with a 32.63% surge in net profit supported by operational cost efficiency (Kontan.co.id, 2023;Kontan.co.id, 2025).

Based on the phenomena described above, CEO experience is suspected to be one of the managerial characteristics that may play a role in shaping strategic decisions and corporate financial performance. Previous studies have shown that CEO experience influences financial performance (Chua et al., 2023;Khan et al., 2021). This finding contradicts the study by Jao et al. (2021), which found that CEO experience does not affect financial performance, because a CEO's international track record is not always

accompanied by a deep understanding of the characteristics of the domestic market in which the company operates.

Another factor that may explain issues related to financial performance is operational efficiency. Previous studies have shown that operational efficiency influences financial performance (Hussein, 2026). This finding contradicts the study by Ma'ruf et al. (2026), which found that operational efficiency does not affect financial performance, because increases in company profitability are not solely determined by the ability to reduce operational costs, but are also influenced by other factors such as sales growth, asset management, and business strategy.

Based on the inconsistent results of previous research, this study aims to empirically analyze and test the influence of CEO experience and operational efficiency on financial performance in companies in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange for the 2021–2025 period. This study is expected to provide empirical evidence that clarifies the mixed results of previous research, while also serving as a consideration for corporate management in managing leadership and operational efficiency aspects in order to improve financial performance.

B. THEORETICAL STUDY AND HYPOTHESIS DEVELOPMENT

Upper Echelons Theory

Upper echelons theory, proposed by Hambrick and Mason (1984), explains that organizational outcomes, including corporate performance and operational efficiency, reflect the characteristics and cognitive base of top management, one of which is the experience possessed by the CEO. The broader the experience possessed by the CEO, the better their ability to design strategies and manage the company's operational processes optimally.

Agency Theory

Agency theory, proposed by Jensen and Meckling (1976), explains the agency relationship between management as the agent and shareholders as the principal. An experienced CEO is considered more capable of managing company resources efficiently and reducing conflicts of interest (agency cost), so that management's interests can be more closely aligned with shareholders' interests, which ultimately has an impact on improving the company's financial performance.

Financial Performance

Financial performance is the company's ability to manage its resources to generate profit and increase company value. Financial performance reflects the company's success in carrying out its business activities and serves as a basis for investors and stakeholders in assessing the company's condition. According to Odubuasi et al. (2022), company performance shows economic results that are able to provide returns to stakeholders. One indicator commonly used to measure financial performance is Return on Assets (ROA), which is the company's ability to generate profit from its assets (Khan et al., 2021).

CEO Experience

CEO experience is the accumulation of knowledge, skills, and abilities acquired through work experience, leadership, and involvement in various business activities. This experience helps the CEO make strategic decisions, manage risk, and utilize business opportunities more effectively. Hazzaa et al. (2024) state that experienced CEOs tend to be able to improve company performance through more appropriate decision-making. In addition, international experience can broaden a CEO's perspective and improve their ability to face global competition (Chen, 2024).

H1: CEO experience has a positive effect on financial performance.

Operational Efficiency

Operational efficiency is the company's ability to utilize resources optimally to produce maximum output at controlled costs. Efficient companies are able to reduce waste, increase productivity, and strengthen competitiveness. Nurmalasari et al. (2025) explain that operational efficiency is related to cost control and the effective use of resources. Kurniasih and Akhmadi (2024) also state that companies with good operational efficiency tend to obtain higher profitability.

H2: Operational efficiency has a positive effect on financial performance.

C. METHOD

This study uses a quantitative approach to analyze data in numerical form. The population in this study consists of companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange during 2021–2025. The total population in this study is 113 companies.

The sample was obtained from company annual reports and financial statements, with a total of 565 data points collected over five years of observation. Sampling was carried out using the purposive sampling method. Based on the established criteria, 504 sample data points were obtained. Subsequently, 44 outlier data points were removed, resulting in a final dataset of 460 data points used in this study.

Variable Measurement**Table 1. Variable Measurement**

Variable	Indicator	References
CEO Experience (X1)	A value of 1 if the CEO has work experience abroad, and 0 if not (dummy: Yes = 1, No = 0)	(Cao et al., 2022)
Operational Efficiency (X2)	OER = Operating Expenses / Operating Income	(Madhushani & Perera, 2022)

Variable	Indicator	References
Financial Performance (Y)	ROA = Net Profit / Total Assets	(Hazzaa et al., 2024)

D. RESULTS AND DISCUSSIONS

1. Descriptive Statistics

Descriptive analysis aims to describe the characteristics of the data collected. This is done by calculating statistical measures such as the mean, median, and measures of data dispersion, including standard deviation and percentages

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PGC	504	0.00	1.00	0.3036	0.46026
EO	504	0.01	1.68	0.1728	0.17073
KK	504	-0.69	0.94	0.0446	0.12271
Valid N (listwise)					

Source: Processed data, 2026

1. The financial performance variable has a minimum value of -0.69 and a maximum of 0.94, with a mean of 0.0446 and a standard deviation of 0.12271. This means that the mean value is smaller than the standard deviation, indicating that the data distribution is heterogeneous, or highly varied.
2. The CEO experience variable has a minimum value of 0.00 and a maximum of 1.00, with a mean of 0.3036 and a standard deviation of 0.46026. This means that the mean value is smaller than the standard deviation, indicating that the data distribution is heterogeneous, or highly varied.
3. The operational efficiency variable has a minimum value of 0.01 and a maximum of 1.68, with a mean of 0.1728 and a standard deviation of 0.17073. This means that the mean value is nearly equal to the standard deviation, indicating that the data distribution shows relatively high variation (tending toward heterogeneity)

2. Classic Assumption Test

a. Normality Test

Table 3. One-Sample Kolmogorov-Smirnov Test

	Unstandardizes Residual	
N		460
Normal Parameters ^{a,b}	Mean	0.0000000
	Std. Deviation	0.73359681
Most Extreme Differences	Absolute	0.035
	Positive	0.035
	Negative	-0.027
Test Statistic		0.035
Asymp. Sig. (2-tailed)		0.200 ^{c,d}

Source: Processed data, 2026

Based on the table above, the asymp. sig. (2-tailed) value is 0.200, which is greater than 0.05. Therefore, it can be concluded that the residuals in this study are normally distributed.

b. Multicollinearity Test

Table 4. Coefficients^a of Multicollinearity Test

	Model	Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	PGC	0.949	1.054
	EO	0.949	1.054

Source: Processed data, 2026

Based on the table above, all independent variables have a tolerance value > 0.10 and a VIF < 10 . Therefore, it can be concluded that the regression model does not suffer from multicollinearity among the independent variables.

c. Heteroscedasticity Test

Table 5. Coefficients (Glejser Test)

Model	t	Sig.
(Constant)	9.322	0.000
PGC	-0.573	0.567
EO	-0.216	0.829

Source: Processed data, 2026

Based on the Glejser test results above, the CEO experience variable has a significance value of $0.567 > 0.05$, while the operational efficiency variable has a significance value of $0.829 > 0.05$. This shows that all independent variables have significance values greater than 0.05, so it can be concluded that the regression model does not suffer from heteroscedasticity.

d. Autocorrelation Test

Table 6. Model Summary

Model	Durbin-Watson
1	2.098

Source: Processed data, 2026

Based on the autocorrelation test results using the Durbin-Watson method, a DW value of 2.098 was obtained. With two independent variables ($k = 2$) and 460 observations (n), at a 5% significance level, the values obtained were $dL = 1.84257$ and $dU = 1.85128$. Based on the criterion $dU < DW < 4-dU$, namely $1.85128 <$

2.098 < 2.14872, it can be concluded that the regression model does not suffer from autocorrelation.

3. Multiple Linear Regression Test

Table 7. Coefficients

Model	B	Std. Error	Beta
(Constant)	1.422	0.049	
PGC	-0.797	0.047	-0.612
EO	0.152	0.038	0.143

Source: Processed data, 2026

Based on the table above, the regression equation obtained is as follows:

$$KK = 1.422 - 0.797PGC + 0.152EO + e$$

Based on this regression equation, the following can be explained:

1. The constant value of 1.422 indicates that if the independent variables are equal to 0, the value of the dependent variable is 1.422.
2. The CEO experience variable (X1) has a coefficient of -0.797, indicating that every one-unit increase in CEO experience, holding other variables constant, is followed by a decrease in the dependent variable of 0.797.
3. The operational efficiency variable (X2) has a coefficient of 0.152, indicating that every one-unit increase in operational efficiency, holding other variables constant, is followed by an increase in the dependent variable of 0.152.

4. F Test

Table 8. ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.070	2	0.535	16.188	0.000
Residual	0.643	457	0.253		
Total	0.713	459			

Source: Processed data, 2026

Based on the table above, the calculated F value is 16.188 with a significance value of $0.000 < 0.05$. This shows that the significance value is smaller than 0.05, so it can be concluded that all independent variables simultaneously have a significant effect on the dependent variable. Thus, the regression model is suitable for use in this study.

5. Partial Test (t-test)

Table 9. Coefficients

Model	t	Sig.
(Constant)	28.925	0.000
PGC	-6.962	0.000
EO	3.963	0.000

Source: Processed data, 2026

Based on the table above, the effect of each hypothesis can be explained as follows:

The CEO experience variable shows a t value of -6.962 with a significance value of $0.000 < 0.05$. This indicates that CEO experience has a negative and significant effect on financial performance, so **H1 is rejected**. This result is consistent with the study by Bouaziz & Jarboui (2025), which found that CEO experience has a negative impact on financial performance. CEOs with overseas experience may bring practices, perspectives, and strategies that are less suited to domestic market conditions. In addition, such experience is not necessarily relevant to the company's line of business, which can hinder the effectiveness of decision-making and reduce financial

performance. This finding is consistent with Upper Echelons Theory, which states that a CEO's experience characteristics can influence a company's strategic decisions (Hambrick & Mason, 1984).

The operational efficiency variable shows a t value of 3.963 with a significance value of $0.000 < 0.05$. This indicates that operational efficiency has a positive and significant effect on financial performance, so **H2 is accepted**. This result is consistent with the studies by Hussein (2026) and Yastutik & Yudiana (2021), which state that operational efficiency has a positive effect on financial performance. Operational efficiency can increase productivity and reduce company costs, thereby increasing profit. Yastutik & Yudiana (2021) also explain that the lower the operational costs as reflected by BOPO (the ratio of operating expenses to operating income), the more efficient the company becomes and the greater its potential to improve financial performance as measured by ROA. This finding is consistent with Agency Theory, as operational efficiency reflects management's ability to optimize the use of company resources.

6. Coefficient of Determination Test (R^2)

Table 10. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.642 a	0.412	0.410	0.50304

Source: Processed data, 2026

Based on the test results in the table above, the Adjusted R Square value is 0.410. This indicates that the independent variables are simultaneously able to explain 41.0% of the dependent variable, while the remaining 59.0% is influenced by other variables not examined in this study.

E. CONCLUSIONS

The conclusions of this study on the influence of CEO experience and operational efficiency on financial performance in companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange for the 2021–2025 period are as follows:

1. CEO experience has a negative and significant effect on financial performance. This shows that CEO experience, particularly experience working abroad, has not been able to improve the company's financial performance. Differences in market conditions and business environment, as well as the relevance of that experience to the company's line of business, can affect the effectiveness of CEO decision-making.
2. Operational efficiency has a positive and significant effect on financial performance. This shows that the better a company is at managing its resources and controlling operational costs, the greater its ability to improve profitability and financial performance.

F. SUGGESTIONS

Based on the research results, it is suggested that future research add other variables that may influence financial performance, such as company size, sales growth, leverage, or other CEO characteristics. In addition, future studies could use a longer observation period and complement secondary data with primary data, such as interviews or internal company information, so that research findings on CEO experience, operational efficiency, and financial performance become more comprehensive.

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