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CEO Celebrity on Firm Value

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ABSTRACT: The celebrity status accorded to CEOs by leading business media describes executives who successfully lead high-performing firms (Hayward et al., 2004; Wade et al., 2006). This status includes high public attention and positive emotional responses from stakeholders, and is reinforced by the media (Rindova et al., 2006). Celebrity CEOs are considered an intangible asset that provides benefits such as good corporate prospects, investor confidence, attraction of quality employees, and improved stock market performance (Fanelli & Grasselli, 2006; Fombrun, 1996). Although this status provides personal benefits to the CEO, such as higher compensation and good job prospects, failure to maintain outstanding performance may result in a rapid loss of these benefits. Celebrity CEOs tend to manage stakeholder impressions to maintain their status and future benefits. Firm value plays a crucial role in determining the company's stock price as well as the level of investor satisfaction. Noerirawan (2012) defines firm value as the condition achieved by the company as a result of its business performance and strategy, which not only shows the company's performance but also its future prospects.

KEYWORDS: Firm Value, CEO Celebrity, Digital Gatekeeping

INTRODUCTION

Firm value plays an important role in determining a company's stock price and the level of investor satisfaction with the company. According to Noerirawan (2012), firm value can be defined as a condition achieved by a company as a result of its business performance and strategy. It not only reflects the company's performance but also indicates its future prospects.

Investors highly consider firm value because a high number of shareholders is often driven by a high company value. A high firm value reflects good company performance, which in turn provides a positive perception for investors and the public. Firm value can contribute to shareholder prosperity as stock prices increase. Stock prices tend to rise when firm value is high, marked by an increase in investment returns for shareholders.

M. Narayan & Vikram F. Nanda (2004:77) stated that “Firm value is the market value of all the firm's outstanding financial securities or equivalently, the sum total of its debt and equity capital.” From this definition, it can be concluded that firm value serves as a benchmark for business performance, considering all of the company's assets in determining its overall financial standing.

The celebrity status granted to CEOs by leading business media outlets recognizes executives who have gained public recognition by successfully leading high-performing companies (Hayward, Rindova, & Pollock, 2004; Wade, Porac, Pollock, & Graffin, 2006). The concept of celebrity status combines "a high level of public attention" with "a positive emotional response from stakeholders" (Rindova, Pollock, & Hayward, 2006: 51). Additionally, celebrity status is often certified or reinforced by media coverage and public attention.

Previous studies on CEO celebrity status have focused on the value of having a celebrity CEO within a company, showing that celebrity CEOs serve as intangible assets. Celebrity CEOs provide several benefits, such as signaling positive corporate prospects, increasing investor confidence, attracting high-quality employees, and enhancing stock market performance (Fanelli & Grasselli, 2006; Fombrun, 1996; Hayward et al., 2004; Rindova et al., 2006; Wade et al., 2006). Furthermore, public recognition of a CEO through prestigious media awards can offer personal benefits, such as higher compensation and better career prospects (Hayward et al., 2004).

Although business media outlets provide celebrity status, celebrity CEOs gain advantages from this status through stakeholder communities influenced by such recognition. However, if a CEO fails to maintain outstanding performance that initially earned them this recognition, these benefits can quickly diminish. These benefits include higher compensation, career prospects, prestige, and increased demand for their services. Celebrity CEOs may fear losing many future advantages associated with their celebrity status since maintaining high performance expectations is challenging. Therefore, it is likely that they will actively manage stakeholder perceptions to preserve their status.

The digital gatekeeping theory describes how individuals and algorithms act as gatekeepers in social media, shaping the creation and dissemination of public perceptions about CEOs in an iterative manner (Wallace, 2018). Combined, celebrity status is regulated by microblogs containing positive sentiment from journalists, individual users, strategic professionals (such as key opinion leaders and advertising firms), bots, and other algorithmic tools. Unlike compelling journalistic narratives, individual users obtain CEO-related information from affiliations and social status and share microblogs based on their preferences and interests. Strategic professionals access information from regulatory organizations and follow corporate interests and professional routines to curate and strategically distribute CEO-related microblogs.

The correlation between firm value and financial performance metrics such as ROA (Return on Assets) and ROE (Return on Equity) provides additional insights into how a company's financial performance relates to firm value. The correlation coefficient of 0.502500 between firm value and ROA suggests a moderate positive relationship, indicating that efficient asset utilization to generate profits is associated with an increase in firm value. Conversely, the correlation coefficient of 0.010255 between firm value and ROE suggests a very weak relationship, implying that profitability based on equity does not significantly impact firm value in the analyzed data.

The correlation between CEO celebrity status and financial performance (ROA and ROE) also appears to be weak. A correlation coefficient of 0.067276 between CEO celebrity status and ROA, and -0.028135 between CEO celebrity status and ROE, indicate that CEO celebrity status does not have a significant impact on corporate profitability. While celebrity CEOs may bring certain advantages, such as increased investor confidence and employee attraction, their direct impact on financial performance may be limited.

A review of the literature suggests that firm value and CEO celebrity status are important concepts in corporate performance and investor perception. However, the relationship between firm value, CEO celebrity status, ROA, and ROE remains weak, indicating that other factors may play a more critical role in determining firm value. While celebrity CEO status may provide some benefits, the sustainability of these advantages heavily depends on the CEO's ability to consistently demonstrate exceptional performance.

This study aims to examine the influence of CEO celebrity status on the firm value of state-owned enterprises (SOEs). We apply the digital gatekeeping theory, which describes how individuals and algorithms act as gatekeepers in social media by shaping and iteratively diffusing public perceptions of CEOs. This aligns with the research conducted by Lee et al. (2020), which investigates the relationship between CEO celebrity status and firm value.

RESEARCH METHOD

Population and Research Sample

The population of this research consists of state-owned enterprises (SOEs) from 2018 to 2022, totaling 44 companies. However, not all companies had publicly available financial reports, with 5 companies not disclosing their data. Therefore, the final dataset used in this research consists of 39 companies, observed over a five-year period.

Data Collection and Analysis Techniques

The data collection method used in this research is secondary data collection. Information was gathered from news sources, Twitter, Instagram, and company websites from 2018 to 2022. Data analysis was conducted using EViews version 10. This study applies a quantitative approach with panel data regression analysis, which is used to measure the relationship between the independent and dependent variables.

Operational Definitions and Variable Measurement

Dependent Variable

The dependent variable in this study is firm value, which is measured using Tobin’s Q. The formula for Tobin’s Q is as follows:

$$\text{Tobin's Q} = \frac{(\text{Stock Price} \times \text{Outstanding Shares}) + \text{Total Liabilities}}{\text{Total Assets}}$$

Independent Variable

The independent variable in this study is the presence of a CEO, which is hypothesized to influence firm value. The Best CEO selection is measured using a dummy variable.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics Test Results

	Firm Value	Ceo Celebrity	ROA	ROE
Mean	35470.39	0.587500	2283.462	-0.651313
Median	0.665000	1.000000	0.010000	0.050000
Maximum	751277.6	1.000000	116623.8	69.21000
Minimum	0.000000	0.000000	-19906.11	-208.1800
Std. Dev.	140625.4	0.493830	12744.47	17.79300
Observations	160	160	160	160

In Table 1, the mean firm value is 35,470.39, indicating that the average firm value in this dataset is relatively high. However, the median firm value is only 0.665, suggesting a highly skewed distribution where most companies have significantly lower values than a few outliers with exceptionally high firm values. The maximum value of 751,277.6 and minimum value of 0 indicate a wide range, supported by a high standard deviation (140,625.4), which reflects extreme variations in firm value.

The mean CEO Celebrity score is 0.5875, meaning that approximately 58.75% of CEOs in the dataset are recognized as celebrities. The median value of 1 indicates that more than half of the CEOs are acknowledged as celebrities. The maximum and minimum values are 1 and 0, signifying that a CEO is either considered a celebrity or not, with no intermediate values. The standard deviation of 0.49383 suggests significant variation in celebrity recognition among CEOs.

The mean ROA (Return on Assets) is 2,283.462, indicating a high average asset performance. However, the median ROA is only 0.01, showing that most companies have very low asset performance, while a few firms exhibit extremely high ROA. The ROA range is extensive, with a maximum value of 116,623.8 and a minimum value of -19,906.11. The high standard deviation (12,744.47) reflects substantial variations in asset performance across companies.

The mean ROE (Return on Equity) is -0.651313, indicating that overall, firms in this dataset have experienced equity losses. The median ROE of 0.05 suggests that half of the companies have an ROE above 0.05. The ROE range is also very wide, with a maximum value of 69.21 and a minimum value of -208.18. The standard deviation of 17.793 further indicates significant variation in equity performance across firms.

Multicollinearity Test

Table 2. Multicollinearity Test Results

	Firm Value	Ceo Celebrity	ROA	ROE
Firm Value	1.000000	0.096458	0.502500	0.010255
Ceo Celebrity	0.096458	1.000000	0.067276	-0.028135
ROA	0.502500	0.067276	1.000000	0.009280
ROE	0.010255	-0.028135	0.009280	1.000000

The table includes four key variables: Firm Value, CEO Celebrity, ROA (Return on Assets), and ROE (Return on Equity). The Firm Value column represents the Firm Value variable, while the CEO Celebrity, ROA, and ROE columns show the corresponding values of these variables.

The correlation between Firm Value and CEO Celebrity is 0.096458, indicating a relatively weak relationship between the two variables. The correlation between Firm Value and ROA is 0.502500, suggesting a moderate positive correlation between Firm Value and ROA. Meanwhile, the correlation between Firm Value and ROE is 0.010255, which shows a very weak relationship between Firm Value and ROE.

CEO Celebrity on Firm Value

The correlation between CEO Celebrity and ROA is 0.067276, indicating a relatively weak relationship between the two variables. The correlation between CEO Celebrity and ROE is -0.028135, suggesting a weak negative relationship between CEO Celebrity and ROE. Finally, the correlation between ROA and ROE is -0.009280, showing a very weak relationship between these two financial performance metrics.

Overall, the multicollinearity analysis suggests that the variables in this dataset do not exhibit strong correlations with each other, which is generally a desirable characteristic in regression models. The relatively low correlation values between variables indicate that multicollinearity is unlikely to be a significant issue in this analysis.

HYPOTHESIS TESTING

Table 3. Hypothesis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CEO Celebrity	4663.211	2737.616	-1.703384	0.0910
ROA	-0.559762	0.159751	-3.503972	0.0006
ROE	-15.66797	79.30329	-0.197570	0.8437
C	39478.01	2037.112	19.37940	0.0000
R-squared	0.990841			
Prob(F-statistic)	0.000000			

Based on Table 3, the results show that CEO Celebrity has a coefficient of 4663.211 and a probability of 0.0910, which is less than 0.1. This indicates that CEO Celebrity has a positive influence on Firm Value, meaning that the hypothesis is accepted. This finding aligns with the digital gatekeeping theory, which suggests that individuals and algorithms act as gatekeepers on social media, relying on their preferences and actively participating in the creation and dissemination of public perceptions of CEOs. This result is consistent with the study by Lee et al. (2020), which also found that CEO Celebrity influences firm value.

CONCLUSION

Based on the analysis conducted in this study, firm value plays an important role in determining a company's stock price and the level of investor satisfaction. Firm value not only reflects a company's performance but also its future prospects. The positive correlation between firm value and ROA indicates that efficient asset utilization is associated with an increase in firm value.

Although a celebrity CEO is considered an intangible asset that provides various benefits such as positive company prospects, investor confidence, the attraction of high-quality employees, and improved stock market performance, the correlation between CEO celebrity status and ROA or ROE shows a weak relationship. This suggests that CEO celebrity status does not have a significant impact on company profitability.

Regression analysis indicates that celebrity CEOs have a negative but significant coefficient for firm value, with a probability of 0.0910. This suggests that while the presence of a celebrity CEO influences firm value, its direct impact on financial performance may not be significant.

This study used panel data from 39 state-owned enterprises (SOEs) between 2018 and 2022, with information gathered from social media platforms such as Twitter, Instagram, and company websites. The data was analyzed using EViews version 10.

The multicollinearity analysis results indicate that the variables in the dataset do not exhibit strong correlations with each other, suggesting that multicollinearity is unlikely to be a significant issue in the regression model.

Overall, the study suggests that while CEO celebrity status may provide certain benefits to a company, its impact on financial performance is not significant. Firm value is more influenced by efficient asset utilization rather than the celebrity status of the CEO.

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