



What Effect Does CEO Power Has over Integrated Reporting? Evidence from Indonesian Listed Companies

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ABSTRACT

This study aims to analyze the role to chief executive officer (CEO) in integrated reporting (IR) adoption and whether growth opportunities moderate this role. This study is based on an unbalanced data panel of 106 firms listed on Indonesian Stock Exchange from 2017 to 2021 (530 observations). Using a panel regression model this study found that CEO power does not affect IR, and growth opportunities do not modify the relationship. Furthermore, this study also revealed that there is only one company sample that published IR based on the International Integrated Reporting Council (IIRC) framework in 2021. It is suggested that policy makers need to encourage IR adoption through regulation and incentives.

Efek Apakah yang dimiliki kekuatan CEO terhadap Penerapan Pelaporan Terintegrasi? Bukti dari Perusahaan yang Terdaftar di Bursa Efek Indonesia

ABSTRAK

Penelitian ini bertujuan untuk menguji peran chief executive officer (CEO) dalam adopsi pelaporan terintegrasi (IR) dan apakah peluang pertumbuhan memoderasi peran ini. Studi ini melibatkan panel data yang tidak seimbang dari 106 perusahaan yang terdaftar di Bursa Efek Indonesia antara 2017 dan 2021 (530 observasi). Dengan menggunakan model regresi panel, penelitian ini menemukan bahwa kekuasaan CEO tidak mempengaruhi IR, dan peluang pertumbuhan tidak mengubah hubungan tersebut. Penelitian ini juga mengungkapkan bahwa hanya ada satu perusahaan sampel yang menerbitkan IR berdasarkan kerangka kerja International Integrated Reporting Council (IIRC) pada tahun 2021. Dengan demikian, hasil penelitian dapat menjadi dasar bagi pengambil keputusan untuk memotivasi adopsi IR di perusahaan melalui regulasi dan insentif.

1. Introduction

Chief executive officer (CEO) power can impact implementing integrated reporting (IR) in organizations based on agency theory (García-Sánchez et al., 2020). It may occur because there is a conflict of interest between the agent (CEO) and the principal (shareholder) regarding disclosure. The CEO does not want all information disclosed in this report due to the parties' opportunistic behaviour, which seeks to maximize their utility or in the agency contract as specific hazards (Jensen & Meckling, 1976). On the other hand, shareholders want the company to make extensive disclosures

because one of the duties of shareholders is monitoring. Monitoring expenses result from shareholders' wish to limit managers' possibly detrimental actions (Barako et al., 2006; Jensen & Meckling, 1976).

Agency costs ensure that management will not harm shareholders by reducing information asymmetries (Barako et al., 2006; Jensen & Meckling, 1976). IR helps level the playing field between shareholders and managers by focusing on the future, utilising its six different capitals (three of which are intangible), and establishing interconnections between information (IIRC, 2013).

In this perspective, IR represents a solution capable of significantly reducing information asymmetries between shareholders and managers, mitigating the limits of financial and non-financial disclosure (Adams & Simnett, 2011). According to agency theory, the power of the CEO can affect how IR is carried out.

Several empirical studies on the effect of CEO power on IR reached conflicting conclusions. When the CEO's authority is high, IR efforts tend to be minimal, according to studies by García-Sánchez et al. (2020), Marrone (2020), Muttakin et al. (2018), Sheikh (2019), and Velte (2022). It is possible because a CEO's desire for limited disclosure tends to increase in proportion to the scope of his or her responsibilities. It is so that stakeholders do not see the CEO's role as too big in the company. However, studies by Corvino et al. (2020) and Khan et al. (2013) state that there is no influence between CEO power on IR. Executive power does not dictate the depth of IR disclosures because the CEO is just one stakeholder among several with equal say in the organisation. Since there are still very few studies and inconsistency results examining CEO power in IR, researchers would like to add this research in the future to fill the current research gap.

Although many factors affecting IR have been studied in the past, growth opportunities is not commonly used as a determinant of IR disclosure (Senani et al., 2022). Therefore, researchers are interested in examining whether growth opportunities can moderate the influence of CEO power on IR. This is because companies with considerable development potential can adapt to changes, one of which is reporting.

Companies must realise the importance of IR reporting for the company's continued existence. Furthermore, agency theory argues that firms with growth opportunities can benefit from a comprehensive transparency policy (Deegan, 2002). This theory is supported by the findings of Islam (2021), which found that companies with high growth opportunities are increasingly realising the

importance of issuing IRs. In contrast, Girella et al. (2022), Omran et al. (2021), and Senani et al. (2022) find that growth opportunities have a negative impact on IR. In addition, García-Sánchez et al. (2020) find that growth opportunities have little impact on IR. Based on the differences in the conclusions of these studies, researchers believe that it is important to add knowledge to evaluate whether growth opportunities can moderate the influence of CEO power on IR, especially in developing countries.

The inconsistent results of previous studies show that the application of IR may vary by company. It implies that each business has unique characteristics that can influence IR. Including listed companies in Indonesia are not yet required to implement IR, unlike South Africa and Japan, which has mandated IR (Atkins & Maroun, 2015; Carels, 2013). In light of these factors, this research takes an agency theory approach to how much authority the CEO possesses. In light of this history, it is crucial to examine the CEO's part in deciding how to share more investor-focused information, as this is one of the distinctive features of IR. In the existing literature, these points are still barely scratched.

2. Literature review and hypothesis development

Agency theory

An agency relationship is a contractual relationship in which one or more parties (the principal(s)) hire another (the agent) to act on their behalf and delegate certain powers and responsibilities to the agent. As such, the term "agency relationship" can be used to describe the nature of the connection (Jensen & Meckling, 1976). The connection between shareholders and managers is one of agency, with managers acting as agents on shareholders' behalf. Those two parties have a goal to maximize the benefits of each party. These so-called "agency costs" can be broken down further into the subheadings of "monitoring," "bonding," and "residual loss" (Jensen & Meckling, 1976). The

need for shareholders to keep tabs on spending direct results from their desire to restrict potentially harmful acts taken by managers (Barako et al., 2006; Jensen & Meckling, 1976). Shareholders incur costs associated with acquiring bonds so that management does not act in a way that is detrimental to the interests of shareholders (Barako et al., 2006; Jensen & Meckling, 1976). Meanwhile, the sub-optimization of well-being optimization caused by managers is referred to as residual loss (Barako et al., 2006; Jensen & Meckling, 1976). These expenditures incurred by the agency cannot be eliminated or lowered.

Disclosure is one of the agency conflicts, where shareholders and management have different interests. It may occur because shareholders want the broadest possible disclosure to be able to monitor management, while management does not really like performance to be too supervised. Hence, management wants disclosure that is not too broad. It is where agency costs sometimes occur, which is called information asymmetry. In this circumstance, IR is a solution that can greatly cut down on the information gap between shareholders and managers by lowering the constraints placed on financial and non-financial disclosures. In other words, the information gap can be significantly reduced by using IR (Adams & Simnett, 2011).

Integrated reporting

Integrated reporting is the next phase in the development of corporate reporting, emphasizing clarity, strategic relevance, and a focus on the future. Integrated reporting also places more importance on the past than on the future (IIRC, 2013). In the current environment for doing business, an ever-increasing amount of data, both financial and non-financial, is required to satisfy the expectations of regulators, investors, and other stakeholders (Du Toit et al., 2017). The shift in corporate disclosure toward IR is a direct result of the growing importance of keeping up with and even anticipating the needs of investors and the consequent necessity to revise the structure and format of corporate papers

to improve communication. Creating long-term value is highlighted throughout the annual integrated report that IR compiles for the company and distributes to stakeholders (Busco et al., 2013; McNally et al., 2017; Stent, 2015).

An integrated report is a "complete description of how an organization's strategy, governance, performance, and prospects in its external environment led to the production of value in the short-, medium-, and long-term" by the International Integrated Reporting Council. For this reason alone, IR might be considered a breakthrough in the history of financial reporting.

Many researchers have looked into the factors that led to the spread of IR adoption (Frias-Aceituno et al., 2012, 2013, 2014; Jensen & Berg, 2012), IR quality (Gerwanski et al., 2019; Raimo et al., 2020; Vitolla, Salvi, et al., 2019), and the extent to which integrated reports align with the framework the IIRC provided (Marrone, 2020). Several research studies concluded that the implementation of IR is not necessarily linked to greater transparency and accountability for all stakeholders (Dumay, 2017; Flower, 2015) and that shareholder orientation and the procedure for allocating financial resources are constraints (Lai et al., 2018). Both researchers (Velte, 2017; Vitolla, Raimo, & Rubino, 2019) and businesspeople are eager to see more companies adopt this form of transparency in their quest for a more complete and nuanced portrayal of corporate management. Since the IR contains data that may be of interest to other parties, it has been the subject of extensive study, and as a result, several IR-related metrics have been developed.

Frias-Aceituno et al. (2012, 2014) evaluate whether the sample firms provide financial statements, corporate social reporting, and investor relations. In practically all previous studies, the information content of published reports has served as the dependent variable representing information disclosure practice. This method includes defining and organising data into standard data cubes. In Indonesia, however, IR is not mandated, so organisations cannot employ the content analysis

strategy. Previous studies by Frias-Aceituno et al. (2012) indicates that up to 56.5% of the sampled nations exclusively publish financial information via financial statements (value 0). In addition to the traditional financial statement, 33.1% of companies also publish a sustainability report (value 1). However, just 2.8% of the necessary information papers have been incorporated. For these reasons, embracing IR as a means of measuring in Indonesia is appropriate.

CEO power

When a CEO also serves as the chairman of the board, their authority is essentially increased by a factor of two because of the hierarchical structure of the board, which includes members who report to the CEO and are therefore called executive members (CEO duality) (Jackling & Johl, 2009). As a direct consequence of this, the power of the CEO is elevated, which grants them a higher degree of latitude in making and carrying out decisions, particularly those of a more subjective character, such as IR filings. It is feasible because the performance and function of the CEO are undeniable on the IR, as well as the fact that the IR exposes financial and non-financial concerns that can reflect the company's viability.

CEOs choose which data to report and make public to advance their careers, and they do it at their discretion (Ali & Zhang, 2015). The openness of an organisation can be directly attributed to the mental models, culture, and history of the company's CEO (Lewis et al., 2013). Therefore, they may restrict the dissemination of information in IR that could be detrimental to the firm's performance, grant investors more significant influence over the actions of managers, or otherwise, alter the company's strategic aims.

In the academic literature, there is no universally accepted metric for assessing the influence of a CEO. In previous research, the concept of CEO duality was utilised to quantify the power of CEOs (Jiraporn & Chintrakarn, 2013).

Incorporating Finkelstein (1992) argument that an index of different types of power is the most appropriate way to assess a multidimensional notion like power, this investigation does just that. His four categories of CEO authority are as follows: structural, ownership, expert, and prestige. CEO power should not include the prestige component, according to Tang et al. (2011), because it is not proximal to other dimensions. Another aspect of CEO power that Han et al. (2013) do not include is the CEO's reputation. The CEO power index (CPI) that Muttakin et al. (2018) established includes characteristics of executive power such as CEO duality, the presence of the CEO on the board, as well as the proportion of other executives who are board members. These are all examples of executive power characteristics. As a result, numerous indicators of CEO power have been examined to reflect actual CEO power. For this investigation, we use a CEO power index (CPI) that considers CEO dualism, CEO ownership, and CEO expertise as independent factors (Muttakin et al., 2018). It is possible since CEO power is most significant when the CEO also serves as chairman, owns more than 50% of the company's shares, and has been CEO for a long time. By examining these three indicators, one can deduce that the CEO has all the cards. Using the CPI as a proxy for CEO influence, Muttakin et al. (2018) find that higher CEO influence levels correlate with fewer disclosures. The CPI is a valuable indicator of CEO power because it has been shown to impede the introduction of IR effectively.

Growth opportunities

Companies with more potential for growth require a more significant volume to capitalise on diverse, profitable ventures. It may occur because high-growth enterprises could use IR to limit agency conflicts and access better funding and conditions due to improved disclosure, minimising adverse selection and strengthening investors' monitoring role, resulting in more confidence in managers (Khurana et al., 2006). Financial incentives do not

reduce CEO opposition to integrated report disclosure, but growth opportunities imply that IR proprietary costs are more detrimental for enterprises with more investment options. Following the moderating impact suggested by García-Sánchez and Martínez-Ferrero (2019) for growth opportunities over CEO ability and CSR investment, this study investigates if it can be extended to CEO power.

There are several measurements related to growth opportunities that previous researchers have carried out. It is because the company's growth opportunities can be seen from several perspectives. Sheikh and Wang (2011) measure growth opportunities by the sales growth ratio to total assets growth. Girella (2019), Islam (2021), and Senani et al. (2022) measure growth opportunities with the Market Book Value (MTB) ratio. In addition, García-Sánchez et al. (2020) measure growth opportunities using the mean variation of the sales formula in the past five years. Growth opportunities can be measured in several ways due to different points of view to see the company's growth opportunities.

To measure growth opportunities, we refer to Sheikh and Wang (2011), who measure growth opportunities by the sales growth ratio to total assets growth. It is because researchers believe that the company's growth opportunities can be seen from sales growth compared to total assets growth. Companies that maximize their assets to increase sales can increase the effectiveness and efficiency of their performance, reflecting that the company has outstanding growth opportunities. It has been claimed that organizations with more growth possibilities publish more information for this reason (Islam, 2021). The sales growth ratio to total assets growth can measure growth opportunities.

Hypothesis development

Chief executive officer power and disclosure policies on integrated reporting

Based on agency theory, the greater CEO power will reduce IR disclosure (García-Sánchez et al.,

2020; Marrone, 2020; Muttakin et al., 2018; S. Sheikh, 2019; Velte, 2022). It may occur because IR provides much information on the CEO's performance; in this instance, the CEO and shareholders have divergent interests. We refer to this as agency conflict (Jensen & Meckling, 1976). Most CEOs with great self-confidence dislike being scrutinised at work (Ben-David et al., 2007). In this matter, the IR shows numerous financial, non-financial, and survival-related matters, revealing too much about the CEO's performance. It indirectly makes the CEO feel overly scrutinised.

On the other hand, shareholders expect the company to make necessary IR disclosures to safeguard the safety of their shares in going concern companies. It indicates that disclosures are not overly broad in the IR if the CEO has strong power. It is evidenced by García-Sánchez et al. (2020), Marrone (2020), Muttakin et al. (2018), Sheikh (2019), and Velte (2022), it has been shown that CEOs in positions of greater authority are more likely to oppose the disclosure of integrated information and that the incentives offered by companies do not influence their behaviour. Nonetheless, as development potential increases, so does the CEO's reluctance to reveal integrated information on value production, possibly due to competition usage. According to these findings, when companies tend to embrace information transparency behaviours that are unfavourable for investors and other stakeholders, the power of the chief executive officer (CEO) might be a factor that impedes this trend. Consequently, the following hypothesis is put forward:

H₁: The power of the CEO is inversely proportional to the amount of transparency provided in an integrated report.

The moderating role of growth opportunities

Agency theory shows the need to reduce information asymmetry and agency costs, which will lead companies to obtain investments at lower costs. It has been claimed that companies that reflect higher growth opportunities disclose more

information for this purpose (Frias-Aceituno et al., 2014; Girella et al., 2022; Islam, 2021). Meanwhile, the greater CEO power will reduce IR disclosure (García-Sánchez et al., 2020; Marrone, 2020; Muttakin et al., 2018; S. Sheikh, 2019; Velte, 2022). Based on these previous studies, the researcher believes that growth opportunities can moderate the relationship between CEO power and IR disclosure. Companies with high growth opportunities may weaken the CEO's power to report IR according to the needs of stakeholders. Organizations with more room for growth require large amounts to capitalize on their many promising initiatives fully. Higher confidence in management is achieved by IR's ability to help high-growth companies deal with issues, including the asymmetry of information and funding shortages, by increasing disclosure, decreasing adverse selection, and enhancing investors' monitoring role (Khurana et al., 2006). Therefore, the following hypothesis is proposed:

H₂: The growth opportunities weaken the relationship between CEO power and the disclosure of an integrated report.

Research design

Based on figure 1, the power of the CEO is investigated, as is its connection to IR in this study and whether growth opportunities moderate this role. We put the theories outlined above through their paces by employing quantitative methods and other statistical techniques. In this study, we worked with all three types of variables.

The value of the numeric variable known as Report (R) is 0 if the company publishes a financial statement, 1 if it additionally publishes a report on its corporate social responsibility, and 2 if it provides an integrated report. The dependent variable is integrated reporting, which is measured using the value of the numeric variable known as Report (R) (Frias-Aceituno et al., 2012, 2014). The CEO Power Index (CPI) was then utilised to determine the value of the independent variable, CEO Power (Muttakin et al., 2018). Growth opportunities as moderating variable is measured by the sales growth ratio to total assets growth (Sheikh & Wang, 2011).

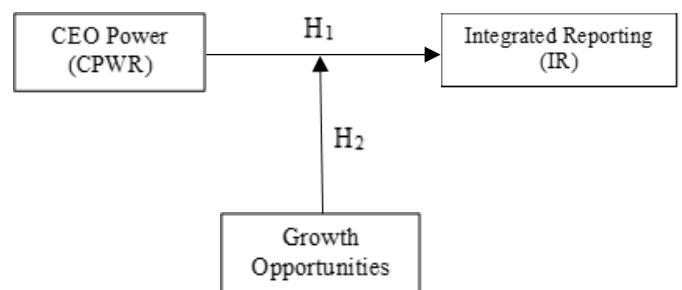


Figure 1. The theoretical framework

3. Research method

Data and samples

This study used a selection of companies traded on the Indonesian Stock Exchange (IDX) between January 1, 2017, and December 31, 2021. The following criteria were utilised in the sample selection process for this study: (1) companies with a positive book value of equity; (2) companies with total assets above Rp10 trillion; and (3) non-financial sector companies.

Table 1. Sample selection procedure

Description	No. of companies
Listed on IDX as of December 31, 2021	767
Financial companies	(105)
IPO between January 1, 2017, and December 31, 2021	(238)
Companies with a negative book value of equity	(31)
Companies with total assets less than Rp 10 trillion	(285)
Companies with insufficient data	(2)
Final sample	106
Duration study	5 years
Total observations	530

This study uses secondary data sources that were gathered from the annual report of the company, which could be acquired from the company's website and from www.idx.co.id. The

sample for this research came from various commercial and manufacturing fields. Table 1 and Table 2 provide an overview of the sample selection technique and the number of companies by industry.

Table 2. Distribution of the sample according to sectors' type

Sector	Observation
Energy	16
Basic material	16
Industrial	7
Consumer non-cyclical	19
Consumer cyclical	10
Health care	3
Properties and real estate	17
Technology	1
Infrastructure	16
Transportation and logistic	1
Total companies	106

Tested variables

Following the work of Frias-Aceituno et al. (2012, 2014), we check to see if the companies in our sample provide IR, sustainability, and financial reporting on their websites. Therefore, the value of the numeric variable known as Report (R) is 0 if the firm publishes a financial statement, 1 if it additionally publishes a report on its corporate social responsibility, and 2 if it provides an integrated report. An integrated report would often include financial and managerial commentary, governance and compensation data, and information on how the company is reporting on its sustainability efforts. In order to gauge how well the information presented here is integrated, we used the criteria laid out by the IIRC (2013).

When conducting our analysis of CEO power, we use the CEO Power Index (CPI) developed by (Muttakin et al., 2018). The CEO duality, CEO ownership, and CEO expertise are all taken into consideration by this index. When assigning weights to the three criteria that determine the CEO's influence, the CPI uses a binary scoring method. If a company's Chief Executive Officer is also its Chairperson, then the value of a dummy variable is 1, and if not, then it is 0. Similarly, a dummy variable

would be set to 1 if the CEO's share of firm ownership was higher than the median and 0 otherwise. If the CEO has prior experience in business, finance, or accounting, then the dummy variable will have a value of 1; otherwise, it will have a value of 0. The CPI of a corporation is calculated by taking the average of all three available ratings for that particular year. To measure growth opportunities, researchers refer to the research of Sheikh and Wang (2011), where companies that have growth opportunities are seen from sales growth to total assets growth.

We have added control variables into the proposed models based on prior IR research to eliminate the possibility of skewed findings. We consider several potential complicating factors, examples like the number of members on the board (BSIZE), the percentage of debt to assets (LEV), the average company age (FAGE), the rate of return on assets (ROA), and the total number of assets (FSIZE) are all relevant factors. The board's importance rests largely on the number of directors it has (BSIZE). Alfiero et al. (2017) and Frias-Aceituno et al. (2012) discovered that boards with more members used IR more. A giant board could indicate that an organisation values its ties with its stakeholders and

could lead to more transparent reporting. Contrary to expectations, Fasan and Mio (2017) discovered an inverse correlation between board size and transparency. According to Chen (2008), free-riding by directors is a more severe problem on larger boards. A lack of consensus for IR disclosures is inevitable when there are several members on a board, and those individuals have different perspectives on IR issues. So, more members on the board would reduce the number of IR announcements made. More data suggests that a positive or negative relationship between board size and IR cannot be inferred.

In order to calculate leverage, total liabilities are divided by total assets (LEV). Companies with substantial levels of debt may submit additional information to reassure their creditors that they will not violate any of the debt covenants they have agreed to (Schipper, 1981). According to Purushothaman et al. (2000), high-leverage businesses may have tight ties to their creditors and provide them with information through IR and other channels in addition to the traditional annual report. This idea proposes that organisations in this situation are more prone to participate in riskier activities. A similar negative correlation between leverage and IR adoption was shown by García-Sánchez and Noguera-Gámez (2018). It means that leverage's effect on IR can go either way.

The number of natural log years that have transpired since a firm was first listed on the market is its age, abbreviated as "FAGE." When the

company's age was considered, Vitolla, et al. (2019) found that older companies tend to provide higher-quality IR. Roberts (1992) discovered that more established businesses care more about their image and are more forthcoming with details. For this reason, we anticipate a causal link between a company's length of existence and the amount of information it shares with investors and regulators.

The ratio of a company's profit to its total assets is known as its return on assets (ROA), which can be calculated as follows. Financial incentives may play a role in IR's adoption. According to studies by Frias-Aceituno et al. (2013, 2014) and García-Sánchez et al. (2013), profitable businesses are more likely to employ IR. Prosperous companies may wish to demonstrate their concern for the public good by disclosing more information than they otherwise would. Internal communications and the bottom line should go hand in hand.

Firm size (or FSIZE) is the natural logarithm of total assets. Frias-Aceituno et al. (2012, 2013, 2014), García-Sánchez et al. (2013, 2019), and Ghani et al. (2018) all found that larger organisations are more likely to utilise IR. All three research came to the same conclusion. Compared to smaller businesses, larger corporations are more inclined to take risks that have significant consequences for their stakeholders. It is due to the increased likelihood of scrutiny from stakeholders for larger organisations. Therefore, we anticipate that major corporations will be more likely to issue IR reports.

Table 3. The definition of the variables

Variable	Calculation	Expected sign
Integrated reporting (IR)	0 publishes a financial statement 1 publishes financial statement and sustainability report 2 publishes an integrated report based on IIRC Framework	
CEO power (CPWR)	CEO Power Index (CPI) for CEO duality, ownership, and expertise	-
Growth opportunities (GROW)	Ratio of sales growth to total assets growth	+
Board of directors (BSIZE)	Number of board members	+/-
Leverage (LEV)	$\text{Lev} = \frac{\text{Total Debt}}{\text{Total Assets}}$	+/-

Firm age (FAGE)	Logarithm natural of years since a firm was first listed on the market	+
Profitability (ROA)	$ROA = \frac{\text{Net Profit}}{\text{Total Asset}}$	+
Firm size (FSIZE)	Logarithm natural of total assets	+

Source: Various literature (2022)

Model design

Panel regression analysis is used in this study to test the first hypothesis, and pooled OLS regression is used to test the second hypothesis. Using the panel data approach presents several challenges, which is why this study uses a different methodology. This

study used two regression models that aimed to answer the proposed hypothesis; each model was tested through statistical procedures, with the first stage being to test the accuracy of the regression model. The two regression models are as follows:

Model 1:

$$IR_{it} = \alpha + \beta_1(CPWR_{it}) + \beta_2(BSIZE_{it}) + \beta_3(LEV_{it}) + \beta_4(FAGE_{it}) + \beta_5(ROA_{it}) + \beta_6(FSIZE_{it}) + \epsilon$$

Model 2:

$$IR_{it} = \alpha + \beta_1(CPWR_{it}) + \beta_2(GROW_{it}) + \beta_3(CPWR_{it} * GROW_{it}) + \beta_4(BSIZE_{it}) + \beta_5(LEV_{it}) + \beta_6(FAGE_{it}) + \beta_7(ROA_{it}) + \beta_8(FSIZE_{it}) + \epsilon$$

Annotation:

IR : Integrated reporting of company i in year t

CPWR : CEO power of company i in year t

GROW: Growth opportunities of company i in year t

BSIZE : Board size of company i in year t

LEV : Leverage of company i in year t

FAGE : Firm age of company i in year t

ROA : Profitability of company i in year t

SIZE : Size of company i in year t

traditional assumption tests are unnecessary when conducting panel data testing (Gujarati, 1992).

4. Results and discussion

Descriptive statistics results

Table 4 shows descriptive statistics for all the variables studied. For IR, which is measured by looking at the reports published by each company, it shows that the majority of companies in Indonesia have just published financial reports. It shows that the company's willingness to voluntarily publish reports required by all stakeholders still needs to be stronger.

For CEO power as measured by CPI, the average CEO power in Indonesian companies is 1.40. It means that the CEO in Indonesia is not too powerful to be able to decide everything by himself. For growth opportunities, looking at a comparison of sales growth with total asset growth, the average company in Indonesia is 1.57. It indicates that, on average, companies in Indonesia have good growth opportunities when viewed from the comparison of sales growth with the growth of their total assets. Regarding the control variable, for the board size variable, the average number of boards in companies in Indonesia is 11 people.

The most suitable estimate model must be chosen to ensure that the derived regression equation is accurate, unbiased, and consistent. The Fixed Effect Model was chosen to evaluate the two hypotheses in this study using the Chow and Hausman tests. Since the selected model is the Fixed Effect Model, the researchers did not test the classical assumptions. It may occur because panel data can minimise bias in analysis results by giving more information, variance, and degree of freedom than the standard assumption test (Gujarati, 2012). In contrast to cross-sectional and time-series approaches, panel data can better discover and measure impacts. Panel data enable the examination of more nuanced model behaviour, and as a result,

Table 4. Descriptive statistic results of IR

Values	Frequency	
	Absolute	Relative (%)
Value 0 (Financial report)	273	51.5
Value 1 (Financial report and sustainability report)	256	48.3
Value 2 (Integrated report)	1	0.2
Total	530	100

The average leverage for companies in Indonesia has a leverage of 0.28. For firm age, the average age of Indonesian companies that have gone public is 19 years. ROA in companies in Indonesia was an average value of 0.05 or 5%. Finally, the

average firm size of companies in Indonesia is 30.79. Based on the descriptive statistical data results, the data in this study are pretty good with a standard deviation; only the growth opportunity variable has a relatively high standard deviation.

Table 5. Descriptive statistic sample for board size

	Company	Year
Minimum (5)	ABM Investama Tbk	2019
	Indorama Synthetics Tbk	2018-2021
	City Retail Developments Tbk	2018, 2020, 2021
Maximum (28)	Chandra Asri Petrochemical Tbk	2021

Descriptive statistics for the dependent variable can be seen in Table 4. The majority of companies in Indonesia only publishes financial reports. It can be seen that 51.5% of companies only publish financial reports.

However, quite a few companies in Indonesia are aware of the need for sustainability reports. It can be seen in the table that 48.3% of companies have published financial reports and sustainability reports.

Table 6. Descriptive statistic whole sample for continuous variables

Variables	N	Mean	SD	Min	25%	Median	75%	Max
Independent variable:								
CPWR	530	1.40	0.55	0	1	1	2	2
Moderating variable:								
GROW	530	1.57	14.05	-79.3	-0.03	0.41	1.46	257.3
Control variables:								
LEV	530	0.28	0.17	0	0.15	0.29	0.40	0.80
FAGE (in years)	530	19.41	9.19	1.57	10.71	20.43	27.61	45.04
ROA	530	0.05	0.08	-0.29	0.01	0.04	0.08	0.52
FSIZE	530	30.79	0.88	28.26	30.12	30.63	31.40	33.54

Source: Processed data (2022)

What is quite concerning is that only one company is aware of publishing integrated reporting in Indonesia. Based on these data, companies in

Indonesia are not yet aware of the importance of integrated reporting for stakeholders and the company itself.

Table 5. Business information practices

Values	Frequency	
	Absolute	Relative (%)
Value 0 (Financial report)	273	51.5

Value 1 (Financial report and sustainability report)	256	48.3
Value 2 (Integrated report)	1	0.2
Total	530	100

Hypothesis testing results

Table 6 shows the results of hypothesis testing in this study. The first model that examines the effect of CEO power on IR shows no effect. It means that whether or not the CEO is strong does not influence the company to publish IR. Likewise, the results for model 2 examine the effect of the role of growth opportunity on the relationship between CEO power

and IR. It means that growth opportunity has no role in the relationship between CEO power and IR. Based on these results, it is explained that because most companies in Indonesia have not published IRs, CEO power and growth opportunities in companies have neither influence nor role in the relationship between the two.

Table 6. Hypothesis testing results

Variables	Coefficient	Sig.	Decision
Independent variable:			
CPWR	-0.066	0.260	H1 Rejected
Moderating variable:			
CPWR*GROW	-0.001	0.804	H2 Rejected
Control variables:			
BSize	0.006	0.640	
LEV	-0.145	0.489	
FAGE	0.871	0.000	
ROA	0.269	0.430	
FSIZE	0.422	0.000	
Adj. R-square		0.627	
Prob(F-statistic)		0.000	
Observations		530	

Source: Processed data (2022)

Discussion

Chief executive officer power and disclosure policies on integrated reporting

Hypothesis 1, which states that CEO power is negatively affected by the IR, was not supported. It may occur because it is in line with agency theory which reveals that there are differences in interests between principals and agents, where the CEO as an agent will only disclose or publish what has been required by the regulator. In Indonesia itself, IR is optional. It is what causes this study; CEO power does not affect IR. This finding is inconsistent with García-Sánchez et al. (2020), which found that the CEO power was negatively affected to the IR. Garcia-Sanchez’s disclosure index score using a dummy variable, IR, take the value of 1 if the company discloses an IR according to the IIRC

recommendations and 0 otherwise. However, this study uses a numeric variable known as Report (R) is 0 if the firm publishes a financial statement, 1 if it additionally publishes a report on its corporate social responsibility, and 2 if it provides an integrated report. Thus, a possible explanation of this result is that while Indonesia is likely to ensure that the company has complied with mandatory disclosure requirements, they are still not actively pressing the company to disclose more nonmandatory information like IR. Furthermore, result of García-Sánchez et al. (2020) demonstrated how the CEO duality and the presence of the CEO and executive members on the board represent elements able to reduce the propensity for transparency and the ability of the board of directors to monitor and control the work of management. Moreover, the

independence of so-called ‘independent’ non-executive directors in Indonesia is often appointed by the CEO or board chairman, raising issues about its efficacy as a monitoring tool. It resulted in the power of the CEO over IR can therefore be disregarded.

The moderating role of growth opportunities

Growth opportunities have no role in the relationship between CEO power and IR. It is because companies with good growth opportunities must maintain the CEO's power to publish IR. It is because IR has not gone well in Indonesia, which has made the factors affecting IR not yet specified clearly. Besides that, this finding is inconsistent with García-Sánchez et al. (2020) also Gul and Leung (2004), who found that growth opportunities have a role in strengthening or weakening the relationship to reporting disclosure. It can be due to differences in measurements used by this study and this study, which uses a comparison of sales growth with total asset growth (Sheikh & Wang, 2011). These measurements can describe the growth opportunities of a company, but because IR has yet to be implemented in Indonesia, which makes the company's growth opportunities have no role in the results of this study. Growth opportunities cannot moderate the influence of CEO power on IR in Indonesia, and the H2 is rejected. However, the researcher believes that growth opportunities can be researched as an independent variable, as in García-Sánchez et al. (2020).

5. Conclusions

This study analysed the role of the CEO in IR adoption choices. Specifically, this study used agency theory to test CEO power as a determining factor in companies' decisions to publish an IR. The results showed that CEO power does not affect IR, and growth opportunities do not modify this behaviour. These results show that because most companies in Indonesia have not published IRs, CEO power and growth opportunities have neither

influence nor role in the relationship between the two.

This study adds to the body of knowledge in several ways: To start, it finds companies whose IR still needs to be well-executed so that we may learn what aspects affect IR at different companies. This research builds upon prior works by highlighting additional factors affecting an organization's IR policy. These include the company's finances, the nature of its disclosures, its ownership structure, the degree to which it is subject to external pressures, and the industry and country in which it operates. The second is developing agency theory further, most notably for the chief executive officer position. It is because the CEO's involvement in disclosure policy and the board's monitoring and control function has been thoroughly examined. It has been determined that they are consistent with an investor-oriented IR approach. In third place, this research looks into the potential for expansion. More specifically, it shows that successful CEOs are not moderated (or deterred) from implementing IRs by the presence of growth possibilities.

This investigation has significant managerial consequences. Monitoring and limiting CEO power should be raised for organisations with high growth prospects, as their CEOs are less likely to distribute an integrated report. Furthermore, this work also has significant policy consequences. Corporate governance regulations should improve the effectiveness of the board of directors' monitoring of management performance—notably, rules requiring the publication of IRs.

Nonetheless, several caveats in this study need to be considered in follow-up studies. Since CEO talent or ability profoundly affects corporate decisions regardless of board monitoring future research needs to examine whether this factor influences the influence of the CEO on corporate disclosure policies. Two, future researchers should examine the different forms of information given in integrated reports by focusing on the CEO's objection to the disclosure of integrated information.

The inconsistencies may be associated with the disclosure of non-financial repercussions, company risk, corporate strategy, or the interrelationships between the many dimensions reported, which could be the subject of future research.

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