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Enhancing Corporate Performance Through Good Corporate Governance: Evidence from Kalla Group

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Abstract. This study investigates the relationship between Good Corporate Governance (GCG) practices and corporate performance within Kalla Group, one of the largest conglomerates in Eastern Indonesia. GCG was evaluated through five core dimensions: transparency, accountability, responsibility, independence, and fairness. Firm performance was assessed using both financial indicators—Return on Assets (ROA) and Return on Equity (ROE)—and non-financial measures such as employee satisfaction and innovation. A quantitative research design was employed, applying multiple linear regression analysis to data collected from 39 employees across three subsidiaries of Kalla Group. Primary data were obtained through questionnaires, while secondary data were derived from annual and financial reports. The empirical findings indicate that all GCG variables significantly and positively affect firm performance. Transparency demonstrates the strongest influence ($\beta = 0.526$), followed by responsibility ($\beta = 0.619$), accountability ($\beta = 0.358$), independence ($\beta = 0.282$), and fairness ($\beta = 0.285$). The coefficient of determination ($R^2 = 0.863$) suggests that 86.3% of performance variations can be explained by governance practices, with the remaining 13.7% influenced by external factors. These results highlight the strategic importance of effective GCG implementation in enhancing corporate performance, building stakeholder trust, and sustaining long-term competitiveness. The study contributes empirical evidence to the governance–performance nexus in emerging market contexts.

Keywords. Corporate Performance; Emerging Markets; Good Corporate Governance; Kalla Group; Transparency and Accountability.

1. Introduction

In recent decades, corporate governance has become a focal point in both academic research and practical business discussions. The growing complexity of business operations, the dynamic nature of global markets, and the increasing demands of stakeholders have made governance mechanisms indispensable for ensuring sustainable corporate success [1]. Good Corporate Governance (GCG) provides the framework through which companies are directed and controlled, balancing the interests of shareholders, management, employees, customers, and society at large. Its role is particularly critical in emerging economies, where institutional environments often face challenges of transparency, enforcement, and consistency [2].

The concept of GCG rests on five key principles: transparency, accountability, responsibility, independence, and fairness. Transparency ensures that information is available

and accessible to stakeholders, enabling informed decision-making [3]. Accountability emphasizes the duty of management to act in the best interest of shareholders and other stakeholders [4]. Responsibility underscores compliance with laws, regulations, and ethical standards [5]. Independence safeguards decision-making from undue influence [6], while fairness ensures equitable treatment of all stakeholders [5]. Collectively, these principles are intended to minimize agency conflicts, improve resource allocation, and strengthen organizational credibility [7].

Numerous studies have highlighted the relationship between GCG and corporate performance. For instance, some scholars argue that effective governance reduces the risks associated with managerial opportunism, thereby enhancing firm value [8]. Others emphasize that good governance practices not only improve financial outcomes but also promote innovation, resilience, and long-term sustainability [9]. Empirical evidence from emerging markets suggests that firms with stronger governance systems are better positioned to attract investment, improve efficiency, and weather economic downturns [6]. Nevertheless, the extent and mechanisms of this relationship vary depending on institutional settings, cultural contexts, and organizational characteristics [10].

In Indonesia, the importance of GCG has grown significantly, particularly following the Asian financial crisis of the late 1990s [5]. Regulatory reforms and increased investor scrutiny have pressured firms to adopt governance practices aligned with international standards [11]. Despite these efforts, implementation remains uneven across industries and regions [12]. While large multinational corporations often have more established governance structures, regional conglomerates—such as Kalla Group in Eastern Indonesia—face unique challenges due to their diverse business portfolios, family ownership characteristics, and local market dynamics [13]. These features make Kalla Group an ideal case for examining how governance practices translate into corporate performance within an emerging market context.

Corporate performance is a multidimensional construct encompassing both financial and non-financial outcomes [12]. Financial indicators such as Return on Assets (ROA) and Return on Equity (ROE) capture profitability and efficiency in resource utilization [10]. However, contemporary perspectives also recognize non-financial performance measures, including employee satisfaction, innovation capacity, and stakeholder trust, as critical determinants of long-term competitiveness [14]. By integrating financial and non-financial perspectives, researchers can develop a more comprehensive understanding of how governance mechanisms influence overall corporate success [15].

This study contributes to the existing body of literature by empirically investigating the impact of GCG practices on corporate performance in Kalla Group. Unlike many previous studies that focus primarily on financial outcomes, this research incorporates both financial and non-financial dimensions, thus offering a holistic perspective [14]. Methodologically, the study employs a quantitative design with multiple linear regression analysis, using data collected from employees across three subsidiaries of Kalla Group. The findings are expected to provide empirical evidence on the governance–performance nexus, highlighting the relative importance of transparency, accountability, responsibility, independence, and fairness in shaping firm outcomes [16].

The significance of this research is twofold. First, it provides practical insights for managers and policymakers in emerging markets, demonstrating how effective governance frameworks can enhance both operational efficiency and stakeholder confidence [17]. Second, it extends the academic discourse by offering evidence from a regional conglomerate in Indonesia, thereby enriching the global understanding of governance practices beyond developed market contexts

[18]. The results have implications not only for corporate governance practitioners but also for regulators, investors, and scholars interested in the dynamics of governance in transitional economies [18].

In light of the above, the central objective of this study is to examine the extent to which the implementation of Good Corporate Governance influences corporate performance within Kalla Group. Specifically, it aims to identify which governance dimensions exert the most significant impact on performance outcomes. By addressing these issues, the research seeks to answer the following questions: (1) To what extent does GCG affect financial and non-financial performance in Kalla Group? (2) Which governance principles—transparency, accountability, responsibility, independence, or fairness—play the most critical role in driving performance? (3) How do these findings align with existing theoretical and empirical studies on the governance–performance relationship [8]?

2. Literature Review

2.1.1. Good Corporate Governance: Concept and Principles. Good Corporate Governance (GCG) is widely recognized as a system of rules, practices, and processes by which companies are directed and controlled [9]. It provides a framework that balances the interests of shareholders and other stakeholders, thereby ensuring corporate accountability and sustainable growth [16]. According to the Organization for Economic Cooperation and Development (OECD), effective governance practices are essential for fostering market confidence, integrity, and efficiency [5].

The five key principles of GCG—transparency, accountability, responsibility, independence, and fairness—are central to effective organizational management. Transparency refers to the timely and accurate disclosure of relevant information, enabling stakeholders to make informed decisions [5]. Accountability ensures that corporate leaders remain answerable for their actions and decisions [17]. Responsibility emphasizes compliance with legal obligations and ethical standards [9]. Independence safeguards decision-making from external pressures, reducing the risk of conflicts of interest [19]. Fairness ensures that all stakeholders, including minority shareholders, employees, and communities, are treated equitably [1]. Collectively, these principles aim to minimize agency problems, align managerial actions with stakeholder interests, and build organizational legitimacy.

2.1.2. Theoretical Perspectives on Governance and Performance. Several theoretical frameworks provide insights into the governance–performance relationship. Agency theory posits that governance mechanisms are necessary to resolve conflicts between principals (shareholders) and agents (managers) by aligning incentives and monitoring managerial behavior [20]. Stewardship theory, by contrast, views managers as stewards whose interests are naturally aligned with those of shareholders, suggesting that trust and empowerment may be as important as control mechanisms [21]. Meanwhile, stakeholder theory emphasizes the importance of balancing the needs of multiple stakeholders beyond shareholders, positioning governance as a means of building broader legitimacy and long-term value [22]. These perspectives collectively highlight the multifaceted role of governance in shaping corporate outcomes.

2.1.3. Good Corporate Governance and Financial Performance. Empirical studies have frequently investigated the impact of GCG on financial performance. Indicators such as Return on Assets (ROA) and Return on Equity (ROE) are commonly used to capture profitability and efficiency [10]. Research indicates that firms with stronger governance structures tend to exhibit higher financial performance due to improved resource allocation, better risk management, and

reduced information asymmetry [8]. In emerging markets, where institutional frameworks are often weaker, GCG can serve as a substitute for external investor protections, thereby enhancing firm value [1]. In Indonesia, several studies confirm that companies adhering to governance principles demonstrate higher profitability and market valuation [23].

2.1.4. Good Corporate Governance and Non-Financial Performance. Beyond financial indicators, governance practices also influence non-financial performance outcomes such as employee satisfaction, innovation, and corporate reputation [17]. Transparency fosters trust among employees and customers, contributing to higher levels of organizational commitment and loyalty [24]. Accountability mechanisms encourage ethical behavior, reducing misconduct and enhancing stakeholder confidence [1]. Responsibility, particularly regarding social and environmental obligations, strengthens corporate reputation and legitimacy [15]. Independence in decision-making has been linked to greater innovation, as it reduces political interference and promotes objective evaluation of opportunities [12]. Fairness, meanwhile, ensures equitable treatment of employees and communities, which can improve morale and social cohesion [25]. Collectively, these outcomes reinforce the notion that governance enhances long-term sustainability rather than short-term profitability alone.

2.1.5. Empirical Evidence from Emerging Markets. The governance–performance nexus has been extensively studied in developed economies, but evidence from emerging markets remains comparatively limited. In countries with weaker regulatory environments, governance is often viewed as a mechanism for compensating institutional voids [17]. Studies in Southeast Asia highlight that strong governance practices improve investor confidence, reduce capital costs, and enhance corporate competitiveness [18]. For example, firms in Malaysia and Thailand with higher governance scores report better financial performance and resilience during economic downturns [18]. In Indonesia, research demonstrates that GCG positively affects both financial and non-financial dimensions of performance, particularly in family-owned and conglomerate firms where governance structures tend to be more complex [12].

2.1.6. Governance in Indonesian Business Context. Indonesia provides a particularly relevant context for examining governance due to its rapid economic growth and evolving regulatory environment. The Asian financial crisis of the late 1990s exposed significant weaknesses in corporate governance across the region [25]. Since then, the Indonesian government and financial authorities have introduced reforms to strengthen governance standards, including the issuance of corporate governance codes and the establishment of oversight bodies [16]. Nevertheless, implementation challenges persist, particularly among regional and family-owned conglomerates [17].

Kalla Group, one of the largest conglomerates in Eastern Indonesia, represents a compelling case for empirical analysis. With diversified business interests ranging from automotive and property to energy and logistics, the group faces governance challenges typical of multi-sector enterprises. Family ownership and local market characteristics further complicate governance implementation, making the study of GCG within this group both timely and significant [12].

2.1.7. Research Gap and Contribution. While a substantial body of literature affirms the positive influence of GCG on firm performance, much of the evidence is drawn from developed economies or large multinational corporations [24]. Research focusing on regional conglomerates in emerging markets remains limited, particularly in Indonesia. Moreover, many prior studies emphasize financial outcomes, neglecting the non-financial dimensions of performance that are equally critical for long-term competitiveness [9]. This study addresses these gaps by examining both financial and non-financial performance outcomes in Kalla Group, using empirical data from employees and corporate reports. By doing so, it contributes

to the governance literature in two important ways: (1) offering insights into governance practices in a regional Indonesian conglomerate, and (2) expanding the scope of performance measurement beyond traditional financial indicators.

3. Methodology

3.1.1. Research Design. This study adopts a quantitative research design to empirically examine the relationship between Good Corporate Governance (GCG) and company performance within Kalla Group. A quantitative approach is considered appropriate as it allows for the measurement of constructs through structured instruments and enables statistical testing of hypothesized relationships [26]. Specifically, this study employs a causal-explanatory design, which seeks not only to describe governance practices but also to determine the extent of their influence on both financial and non-financial performance indicators [27].

3.1.2. Population and Sampel. The population of this study comprises employees of Kalla Group, representing different subsidiaries across various business sectors such as automotive, property, energy, and logistics. Given the conglomerate's diversified structure, employees are assumed to possess valuable insights into governance practices and organizational performance outcomes. To ensure representativeness, a stratified random sampling technique was applied, dividing the population into strata based on subsidiary or functional division [26].

A total of 39 respondents were targeted, consistent with recommendations for multivariate analysis where the minimum sample size should be at least five times the number of observed indicators [28]. The selection ensures that the sample is sufficiently large to conduct factor analysis and regression while maintaining reliability and validity of findings.

Table 1. Demographic Profile of Respondents.

Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Female	25	64.1
	Male	14	35.9
Age	22–30 years	6	15.4
	31–39 years	17	43.6
	40–49 years	10	25.6
	50 years and above	6	15.4
Education	Diploma (D3)	15	38.5
	Bachelor (S1)	17	43.6
	Postgraduate (S2/S3)	7	17.9

Source: Survey Data, 2025

3.1.3. Data Collection. Primary data were collected through a structured questionnaire distributed to employees. The questionnaire was designed based on existing corporate governance frameworks and prior empirical studies. It was divided into three main sections: (1) Demographic information: capturing age, gender, education, position, and years of service. (2) Good Corporate Governance variables: items related to transparency, accountability, responsibility, independence, and fairness. (3) Performance variables: comprising both financial performance (e.g., profitability, efficiency) and non-financial performance (e.g., employee satisfaction, innovation, reputation).

The questionnaire used a five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”) to capture respondents’ perceptions. Prior to the main data collection, a pilot

test involving 20 employees was conducted to ensure clarity of items, consistency of responses, and face validity of the instrument.

Secondary data were also utilized to complement survey findings, including corporate reports, governance disclosures, and performance statistics publicly available from Kalla Group. This triangulation enhances the robustness of the study by aligning subjective employee perceptions with objective organizational data.

3.1.4. Data Analysis. Data analysis was conducted in several stages. First, descriptive statistics were employed to summarize respondent characteristics and general trends in responses. Second, the validity and reliability of the instrument were tested. Validity was assessed through exploratory factor analysis (EFA), examining factor loadings for each indicator, while reliability was measured using Cronbach’s Alpha, with a threshold of 0.70 considered acceptable.

Subsequently, hypothesis testing was carried out using multiple linear regression analysis, where GCG dimensions were treated as independent variables and performance indicators as dependent variables. This method enables the identification of the relative contribution of each governance principle to financial and non-financial outcomes [1]. Prior to regression, diagnostic tests were performed to ensure the assumptions of normality, multicollinearity, and heteroscedasticity were satisfied.

Table 2. Multiple Linear Regression Results.

Variable	Coefficient (β)	p-value	Significance
Constant	3.380	–	–
Transparency (X1)	0.526	0.002	Significant
Accountability (X2)	0.358	0.032	Significant
Responsibility (X3)	0.619	0.003	Significant
Independence (X4)	0.282	0.028	Significant
Fairness (X5)	0.285	0.015	Significant

Source: Regression Output, 2025

$$\text{Regression Equation: } Y = 3.380 + 0.526X1 + 0.358X2 + 0.619X3 + 0.282X4 + 0.285X5$$

In addition, a correlation analysis was conducted to determine the strength and direction of relationships between GCG principles and performance measures. This combination of descriptive, reliability, and inferential analyses ensures that the findings are both statistically valid and practically meaningful.

Table 3. Model Summary and ANOVA (F-Test).

Statistic	Value	Interpretation
R ² (Coefficient of Determination)	0.863	86.3% of performance variation explained by GCG variables
F-value	41.588	Significant
Sig. (p-value)	<0.001	Model is significant

Source: Regression Output, 2025

4. Discussion

The results of this study provide compelling evidence that the implementation of Good Corporate Governance (GCG) significantly influences corporate performance within Kalla Group. Specifically, all five principles of GCG—transparency, accountability, responsibility,

independence, and fairness—demonstrated a positive and significant impact on both financial and non-financial performance indicators. These findings highlight the crucial role of governance structures in enhancing organizational outcomes in emerging market contexts.

4.1.1. Transparency and Performance. Among the five governance dimensions, transparency exhibited one of the strongest influences on corporate performance. The positive relationship suggests that when management provides accurate, timely, and accessible information to stakeholders, it strengthens trust and reduces information asymmetry [18].

This aligns with agency theory, which posits that transparency minimizes conflicts of interest between managers and shareholders by ensuring informed decision-making [25]. In practice, transparency in Kalla Group was observed through the disclosure of financial results, open communication channels with employees, and transparent decision-making processes. These practices not only enhance stakeholder confidence but also facilitate internal alignment, resulting in improved performance outcomes. Prior studies in similar contexts also reported that greater transparency correlates with higher financial returns and improved reputation [17].

4.1.2. Accountability and Performance. Accountability also demonstrated a significant positive relationship with performance. This finding underscores the importance of clearly defined roles, responsibilities, and reporting mechanisms within organizations. When employees and managers are held accountable for their actions, it reduces the likelihood of opportunistic behavior and ensures that corporate objectives remain aligned with stakeholder interests [15].

Within Kalla Group, accountability mechanisms such as performance evaluations, internal audits, and compliance monitoring contributed to more efficient operations and stronger financial outcomes. Furthermore, accountability enhanced non-financial performance by fostering a culture of responsibility and discipline. This is consistent with earlier research suggesting that accountability mechanisms improve organizational efficiency and reduce governance risks [29].

4.1.3. Responsibility and Performance. Responsibility emerged as the most influential governance principle, with the highest regression coefficient among the five variables. This highlights the critical role of legal and ethical compliance in shaping corporate performance. Organizations that adhere to laws, regulations, and ethical norms create a foundation for long-term sustainability [18].

In the case of Kalla Group, responsibility was operationalized through adherence to labor laws, environmental regulations, and corporate social responsibility (CSR) programs. These initiatives not only ensured compliance but also enhanced stakeholder trust and employee satisfaction, thereby contributing to both financial and non-financial performance outcomes. This finding resonates with stakeholder theory, which emphasizes that responsible corporate behavior towards multiple stakeholders leads to long-term value creation [30].

4.1.4. Independence and Performance. Independence also had a significant positive effect, although with a relatively lower coefficient compared to other variables. The result suggests that while independence is essential, its impact may be more indirect or contingent on other governance mechanisms. Independence, particularly in decision-making and oversight, reduces potential conflicts of interest and promotes objectivity [8].

At Kalla Group, independence was reinforced through the establishment of independent oversight committees and mechanisms ensuring impartiality in strategic decisions. This finding aligns with the literature that emphasizes the importance of independent boards and committees in safeguarding shareholder interests [7]. However, the relatively smaller effect size indicates

that independence alone is insufficient and must be complemented by transparency, accountability, and responsibility to fully optimize performance.

4.1.5. Fairness and Performance. Fairness, representing equitable treatment of stakeholders, also significantly influenced performance. By ensuring that all stakeholders—shareholders, employees, customers, and partners—are treated fairly, organizations can build trust and loyalty that translates into sustainable performance [13].

For Kalla Group, fairness was reflected in equitable human resource practices, transparent compensation systems, and policies that promote inclusivity. Fairness also strengthened employee morale and organizational commitment, which in turn improved productivity and innovation. Previous studies have similarly emphasized that fairness in governance fosters a positive organizational climate and enhances long-term performance [25].

4.1.6. Theoretical Contributions. The findings of this study contribute to the body of knowledge on corporate governance by confirming that all five GCG principles significantly affect performance, not only in developed markets but also in emerging market contexts such as Indonesia. This provides empirical support for the universality of GCG principles, while also highlighting context-specific nuances [12].

The study's results also extend the application of both agency theory and stakeholder theory. From an agency perspective, GCG mechanisms such as transparency and accountability help mitigate conflicts of interest and reduce agency costs. From a stakeholder perspective, responsibility and fairness demonstrate that governance practices extending beyond shareholders to include employees, customers, and communities also play a critical role in driving performance [30].

4.1.7. Practical Implications. For practitioners, the results underscore the need for organizations to strengthen governance practices as a means to enhance performance. Specifically, companies should: (1) Prioritize transparency by ensuring timely and accurate disclosures; (2) Strengthen accountability mechanisms to align employee actions with organizational goals; (3) Reinforce responsibility by complying with laws and ethical standards while actively engaging in CSR initiatives; (4) Ensure independence in oversight functions to promote objectivity; and (5) Promote fairness by establishing inclusive and equitable policies for all stakeholders.

For Kalla Group, the findings provide actionable insights into which governance practices most directly enhance performance, thereby guiding resource allocation and policy formulation.

4.1.8. Limitations and Directions for Future Research. Despite its contributions, this study is not without limitations. First, the reliance on self-reported data from employees may introduce response bias, as perceptions of governance practices could differ from actual practices. Second, the study was limited to a single corporate group, which may affect generalizability to other contexts. Third, the analysis was cross-sectional, limiting the ability to capture dynamic changes in governance and performance over time.

Future research should address these limitations by incorporating longitudinal data, extending the analysis to multiple corporate groups or industries, and triangulating survey responses with objective performance data. Additionally, future studies could explore the mediating or moderating roles of organizational culture, leadership, or innovation capacity in the governance–performance relationship [18].

5. Conclusion

This study set out to examine the impact of Good Corporate Governance (GCG) on corporate performance in the context of Kalla Group, an Indonesian conglomerate operating across

diverse industries. Drawing on quantitative analysis of employee perceptions and complemented by secondary corporate data, the findings provide robust evidence that the five key principles of GCG—transparency, accountability, responsibility, independence, and fairness—significantly enhance both financial and non-financial aspects of performance.

The results indicate that responsibility emerged as the strongest predictor of performance, emphasizing the importance of legal compliance, ethical conduct, and corporate social responsibility initiatives in driving sustainable outcomes. Transparency and accountability also exerted strong positive influences, supporting the idea that clear information disclosure and well-defined roles contribute to trust, efficiency, and alignment with organizational goals. Meanwhile, independence and fairness, though exhibiting relatively smaller coefficients, were still significant, highlighting their role in creating an impartial and inclusive governance environment.

Theoretically, these findings reinforce the relevance of both agency theory and stakeholder theory. From an agency perspective, mechanisms such as transparency and accountability reduce information asymmetry and agency costs, while from a stakeholder perspective, responsibility and fairness strengthen corporate legitimacy and long-term value creation. This dual confirmation demonstrates that effective governance is not only about protecting shareholders but also about addressing the needs of multiple stakeholders, which is particularly critical in emerging markets.

Practically, the study suggests that organizations seeking to improve performance should adopt a holistic approach to governance. For Kalla Group, the findings highlight the value of prioritizing governance principles in daily operations, thereby fostering trust, improving employee satisfaction, enhancing innovation, and ultimately boosting financial performance. Other companies in similar contexts can draw lessons from this study by integrating GCG principles into their strategic and operational frameworks.

Nevertheless, this study is not without limitations. The reliance on employee perceptions may not fully capture the objective extent of governance practices. The focus on a single corporate group also restricts the generalizability of findings across industries. Furthermore, the cross-sectional design prevents the assessment of governance impacts over time. Future research is encouraged to extend the scope across multiple organizations, incorporate longitudinal designs, and utilize mixed methods to triangulate data for more comprehensive insights.

In conclusion, this research demonstrates that Good Corporate Governance is not merely a regulatory obligation but a strategic driver of corporate performance. By effectively implementing transparency, accountability, responsibility, independence, and fairness, companies can strengthen governance structures, build stakeholder trust, and secure long-term competitiveness. The case of Kalla Group provides empirical evidence that strong governance is integral to organizational success in emerging market contexts, reinforcing the global relevance of GCG principles in shaping sustainable corporate performance.

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