Journal of Economics, Business, and Accountancy Ventura Vol. 27, No. 2, August – November 2024, pages 156-167

When Celebrity CEOs Undermine Sustainability Value: Evidence from Indonesian Firms

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A R T I C L E I N F O

Article history:
Received: December 01, 2023
Revised: August 25, 2024
Accepted: August 26, 2024

JEL Classification:
G32, M12, Q56

DOI:
10.14414/jebav.v27i2.4302

Keywords:
Firm value, Corporate sustainability, Celebrity CEO

A B S T R A C T

This research investigates the moderating effect of celebrity CEOs on the relationship between corporate sustainability and firm value. A quantitative approach was utilized, analyzing data from 51 companies listed on the Indonesia Stock Exchange from 2014 to 2021 using regression analysis. While prior studies have explored the individual effects of either celebrity CEOs or corporate sustainability on firm value, this study addresses a gap by examining the interaction between these factors and its impact on firm value. The results reveal that although both the presence of a celebrity CEO and the implementation of corporate sustainability initiatives can enhance firm value, they do not necessarily create a beneficial synergy. In fact, the presence of a celebrity CEO may diminish the positive effects of corporate sustainability on firm value. These findings provide empirical evidence suggesting that companies should carefully assess the alignment between a CEO's characteristics and the firm's sustainability strategies to optimize value creation. The study underscores the importance of selecting a CEO whose attributes align with the company's long-term sustainability objectives. These insights have practical implications for corporate management in making strategic decisions regarding CEO appointments and the execution of sustainability initiatives.

A B S T R A K

Penelitian ini menyelidiki efek moderasi dari CEO selebriti terhadap hubungan antara keberlanjutan perusahaan dan nilai perusahaan. Pendekatan kuantitatif digunakan dengan menganalisis data dari 51 perusahaan yang terdaftar di Bursa Efek Indonesia selama periode 2014 hingga 2021 menggunakan analisis regresi. Meskipun studi sebelumnya telah mengeksplorasi dampak individual dari CEO selebriti atau keberlanjutan perusahaan terhadap nilai perusahaan, penelitian ini mengisi kesenjangan dengan memeriksa interaksi antara kedua faktor tersebut dan dampaknya terhadap nilai perusahaan. Hasil penelitian mengungkapkan bahwa meskipun kehadiran CEO selebriti dan implementasi inisiatif keberlanjutan perusahaan keduanya dapat meningkatkan nilai perusahaan, keduanya tidak selalu menciptakan sinergi yang menguntungkan. Bahkan, kehadiran CEO selebriti dapat melemahkan dampak positif keberlanjutan perusahaan terhadap nilai perusahaan. Temuan ini memberikan bukti empiris yang menyarankan bahwa perusahaan harus dengan hati-hati menilai keselarasan antara karakteristik CEO dengan strategi keberlanjutan perusahaan untuk mengoptimalkan penciptaan nilai. Studi ini menekankan pentingnya memilih CEO yang atributnya selaras dengan tujuan keberlanjutan jangka panjang perusahaan. Wawasan ini memiliki implikasi praktis bagi manajemen perusahaan dalam membuat keputusan strategis terkait penunjukan CEO dan pelaksanaan inisiatif keberlanjutan.

1. INTRODUCTION

In recent years, corporate sustainability has become a key concern for businesses. It refers to a company's efforts to conduct business sustainably, considering economic, environmental, and social dimensions (Elkington, 1998). Many companies are now adopting corporate sustainability practices to enhance their reputation and attract investors who prioritize environmental issues. According to the Carbon Disclosure Project (CDP), over 8,400 companies, representing more than half of the global market capitalization, report carbon emissions, water usage, and forest management data. This indicates that many businesses are evaluating and managing their environmental impacts as part of their overall sustainability strategies.

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Implementing corporate sustainability requires significant changes to a company's business strategy and operations. Companies must incorporate sustainability principles into their decision-making processes. For instance, they can reduce their carbon footprint by using renewable energy, embracing a circular economy, and partnering with socially responsible suppliers (Di Maria et al., 2020; Franco-García et al., 2019; Sahoo et al., 2023). According to the Global Reporting Initiative (GRI), sustainability reporting has become a global standard, with over 10,000 organizations in more than 100 countries using GRI standards to disclose their economic, social, and environmental impacts transparently. In 2022, around 93% of the world's 250 largest companies reported their sustainability performance using GRI standards, demonstrating the widespread adoption of transparency in corporate sustainability management.

Companies must also make positive contributions to society through corporate social responsibility (CSR) activities and promote a fair, inclusive workplace. Those that embrace sustainability benefit from improved operational efficiency, risk mitigation, better access to financing, a stronger reputation, and enhanced competitiveness (Khandker, 2023; Rojo-Suárez & Alonso-Conde, 2023; Rounok et al., 2023). Companies that prioritize sustainability tend to be more resilient to economic and environmental volatility. Moreover, consumers and investors are becoming increasingly conscious of sustainability, preferring to engage with responsible companies. As a result, corporate sustainability is a key long-term growth strategy for businesses.

However, there are many challenges to achieving corporate sustainability. Transitioning to a sustainable business model requires substantial upfront investments, with benefits often materializing only in the long term (Rojo-Suárez & Alonso-Conde, 2023). Furthermore, companies must undergo a shift in organizational culture and adopt a more comprehensive mindset (Baumgartner, 2014). Full participation and commitment from company leadership are essential for successful implementation. Companies must ensure that their sustainability goals align with their broader corporate strategies.

Golden Agri-Resources (GAR), one of Indonesia's leading palm oil plantation companies, exemplifies sustainability in action. GAR has invested over $500 million in sustainable plantation practices, such as obtaining ISPO and RSPO certifications, which have enhanced its competitiveness in the global market. Other notable companies committed to sustainability include Unilever, Danone-Aqua, and ADARO Energy. As stakeholder awareness and pressure grow, corporate sustainability is expected to become even more prevalent in the future. Companies that fail to adapt risk losing their operating licenses and competitiveness. Therefore, businesses must develop ambitious sustainability strategies and implement them organization-wide (Baumgartner, 2014).

The role of the CEO is crucial in creating firm value. Celebrity CEOs, in particular, can enhance a company's reputation and public image due to their high visibility and large following (Lee et al., 2020). These CEOs often capture media and investor attention, potentially increasing firm value (Bao et al., 2023). With unique traits like public recognition, frequent media appearances, and loyal social media followers (Bao et al., 2023; Grover & Kar, 2020; Wang et al., 2021), celebrity CEOs can leverage their popularity for the benefit of the company. As company spokespeople, they can influence public perception and strengthen the company's positioning. For instance, celebrity CEOs like Elon Musk and Richard Branson effectively market their companies' visions and products through Twitter, where millions of their loyal followers eagerly anticipate their posts (Braun, 2022; Corte, 2020; Kansikas, 2021).

Several studies have shown that hiring a celebrity CEO can boost a company's financial performance (Kim & Lee, 2022). Stock returns often increase when a company appoints a well-known CEO with a strong reputation (Leitch & Sherif, 2017; Yang et al., 2023). Investors tend to respond positively, believing that the celebrity CEO's leadership will enhance profitability. These CEOs are also thought to attract and retain top talent, thereby fostering innovation and competitiveness (Shao et al., 2022). However, critics argue that a CEO's fame does not always correlate with long-term company performance. Some studies have found no clear relationship between celebrity CEOs and firm value (Malmendier & Tate, 2009). In some cases, celebrity CEOs may even create harmful hype and euphoria bubbles (Wade et al., 2006). As public figures, celebrity CEOs are also more vulnerable to media scrutiny, which could damage the company's reputation if a scandal occurs. Consequently, boards of directors must exercise caution when selecting and overseeing CEOs. The right celebrity CEO should possess not only popularity but also strong competence and ethics. Boards must ensure that celebrity CEOs focus on building a solid business foundation rather than prioritizing personal fame. Leadership development and training are also necessary to help new CEOs transition effectively into their roles (Bi et al., 2022).

As digital technology advances, celebrity CEOs are expected to play an increasingly significant role. They can use social media to communicate directly with millions of followers, amplifying their influence (Bao et al., 2023; Corte, 2020; Rétvári et al., 2022; Ryu & Han, 2021). In Indonesia, well-known celebrity CEOs include Sandiaga Uno, Hary Tanoesoedibjo (MNC Group), and Ferry Unardi (Traveloka). They have successfully used their fame and extensive networks to grow their businesses. However, without a strong business foundation, the influence of celebrity CEOs can quickly fade. To achieve long-term success, they must continue building a robust operational foundation for the company. Celebrity CEOs can be most effective in creating firm value when their leadership skills and popularity are well-balanced (Luo et al., 2013).

Corporate sustainability underscores the importance of integrating sustainability into business operations and decision-making. Numerous studies have demonstrated that corporate sustainability enhances profitability, brand value, talent retention, and stock performance (Eccles et al., 2014). Simultaneously, many companies now hire celebrity CEOs to boost brand recognition and gain a competitive edge. Celebrity CEOs are believed to capture the attention of the media, investors, and consumers due to their fame and charisma (Lovelace et al., 2017; Yorozu, 2017). However, there is limited empirical research on the effectiveness of celebrity CEOs in creating firm value, particularly in Indonesia.

The current literature lacks comprehensive studies that explore the interaction between celebrity CEOs and corporate sustainability, especially regarding how this interaction affects firm value. While some studies have examined the individual effects of celebrity CEOs or corporate sustainability on firm value, few have investigated their combined impact. This leaves an important question unanswered: "Do celebrity CEOs strengthen or weaken the effectiveness of corporate sustainability efforts in enhancing firm value?" This study aims to fill that gap by analyzing the moderating effect of celebrity CEOs on the relationship between corporate sustainability and firm value.

In Indonesia, empirical research on the impact of celebrity CEOs on firm value is still limited. Although several high-profile CEOs, such as Sandiaga Uno and Ferry Unardi, have leveraged their public personas to grow their businesses, there is limited empirical data on the broader significance of this phenomenon. It is also crucial to determine whether these CEOs' visibility and media presence translate into tangible benefits for their companies or if they risk undermining the companies' long-term sustainability goals. This study seeks to address this gap by providing empirical insights into the role of celebrity CEOs in Indonesia and examining how their presence may influence the effectiveness of corporate sustainability initiatives in creating firm value.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

2.1. Stakeholder Theory and Identity Theory

Stakeholder theory emphasizes that organizations should consider the interests of all stakeholders, not just focus on financial returns for shareholders (Freeman & Dmytriyev, 2017). In the context of corporate sustainability, this theory strongly supports the notion that companies prioritizing environmental, social, and governance (ESG) issues will enhance their reputation among stakeholders (Rounok et al., 2023). A solid reputation fosters trust and support from a wide range of stakeholders, which in turn can increase a company's value. Similarly, Identity Theory highlights the importance of "identity salience" and "identity prominence" in understanding how individuals prioritize their identities in social interactions. Research shows that "identity prominence" often precedes "identity salience," suggesting that the more central an identity is to an individual, the more likely it is to be activated in social contexts (Brenner et al., 2014). Rooted in symbolic interactionism, Identity theory explains that a person's identity is shaped not only by social structures but also by their perception of that identity. Identities that hold a dominant position in the "salience hierarchy" are more frequently activated and influence individual behavior in various social settings (Stets & Serpe, 2013). This theoretical framework helps explain how celebrity CEOs influence public perception and corporate identity. Celebrity CEOs can enhance a company's public image, increase visibility, and attract more investors (Agnihotri & Bhattacharya, 2019). Their celebrity status may amplify the positive effects of corporate sustainability efforts on a firm's overall value.

2.2. Corporate Sustainability and Firm Value

The theoretical foundation of corporate sustainability is based on Stakeholder Theory, which argues that firms must consider the interests of all stakeholders, including society and the environment, rather than focusing solely on shareholders (Freeman et al., 2021). This theory emphasizes that a company's ability to meet the needs and expectations of various stakeholders significantly influences its long-term performance. In the context of corporate sustainability, this framework encourages businesses to look beyond short-term shareholder profits and consider the social and environmental effects of their activities. According to stakeholder theory, adopting and reporting on sustainability practices is not just a corporate CSR obligation but also a strategy for creating value for all stakeholders. Sustainability initiatives reflect a company's commitment to environmental and social sustainability, fostering stronger relationships with consumers, employees, local communities, and regulators. These strengthened relationships enhance business legitimacy and reduce reputational risk, both of which are crucial for increasing firm value. Several empirical studies have explored the impact of corporate sustainability on firm value. For example, Chang and Lee (2022) examined Korean companies to assess the effect of ESG performance on firm value, as measured by Tobin's Q. Their findings indicated that ESG performance has a strong positive effect on firm value. Similarly, Hermeindito (2022) conducted research in Indonesia, revealing a positive causal relationship between CSR activities and firm value in a sample of manufacturing firms.

Corporate sustainability, defined as integrating ESG factors into business strategy and operations, helps meet stakeholder demands for greater transparency and CSR. According to Benjamin and Biswas (2022), CSR elements such as ESG criteria influence the link between CSR awards and firm value. Since CSR awards are typically granted to companies excelling in these areas, the recognition demonstrates that companies effectively meeting stakeholder expectations can enhance their value. Further supporting this idea, a study in Thailand found that disclosing CSR activities improves financial performance and firm value, aligning with legitimacy theory, which posits that sustainability disclosure enhances a company's legitimacy and reputation (Suttipun et al., 2021; Yordudom & Suttipun, 2020). Additionally, Flammer et al. (2021) observed that shareholder activism, particularly from long-term institutional investors, prompts positive stock market reactions to corporate climate risk disclosures. This research suggests that investors value transparency regarding a company's exposure to climate risks, a key aspect of sustainability.

In conclusion, stakeholder theory provides a framework for understanding how corporate sustainability can enhance firm value. Effectively implementing sustainability principles can improve a company's reputation, attract investors, and build stakeholder trust, all of which contribute to increased firm value. Therefore, the first hypothesis proposed is:

H1. Corporate sustainability has a positive and significant impact on firm value.

2.3. Celebrity CEOs and Firm Value

The concept of celebrity CEOs has gained increasing attention in recent years, particularly regarding their impact on firm value. Celebrity CEOs are leaders who achieve public recognition and popularity, often due to their media presence, social influence, and perceived leadership qualities. Research indicates that celebrity CEOs can have either positive or negative effects on a firm's performance. According to identity theory, a CEO's identity, especially when tied to celebrity status, influences both their behavior and public perception of the firm they lead. Celebrity CEOs tend to focus on maintaining and enhancing their public image, often emphasizing short-term achievements that highlight their charismatic and dynamic leadership. In contrast, Signaling Theory suggests that a CEO's public actions and behaviors send important signals to the market and stakeholders about the company's future prospects. A highly visible celebrity CEO can reflect the company's direction and values. When such a CEO endorses sustainability initiatives, it sends a positive signal to the market, potentially increasing firm value as stakeholders perceive the company as forward-thinking and responsible.

One of the primary ways celebrity CEOs are expected to enhance firm value is through increased visibility and reputation. These CEOs often attract more media attention, which raises public awareness and interest in the businesses they lead. This heightened exposure can positively influence investor perceptions, as popular CEOs are frequently seen as symbols of a company's potential for success and innovation (Nguyen et al., 2021). Additionally, celebrity CEOs can leverage their personal brands to attract top talent, secure valuable partnerships, and strengthen stakeholder relationships, all of which contribute to improving firm value (Fang et al., 2024).

However, there are risks associated with the impact of celebrity CEOs on firm value. Critics argue that an overemphasis on a CEO's personal brand can lead to overvaluation and unrealistic expectations, which may harm the company's long-term performance. Despite these concerns, empirical research suggests that celebrity CEOs generally have a positive and significant impact on firm value, particularly when they

are perceived as visionary leaders capable of driving growth and innovation (Bao et al., 2023; Fralich & Papadopoulos, 2020). Based on this, the second hypothesis is proposed as follows:
H2. Celebrity CEOs have a positive and significant impact on firm value.

2.4. The Moderating Role of Celebrity CEOs

According to identity theory, CEOs can cultivate their identities as leaders committed to sustainability to preserve their status and reputation (Lee et al., 2020). This identity then influences their strategic decisions, prompting them to enhance the company's sustainability performance to maintain its reputation among the public and stakeholders. Signaling theory further illustrates how celebrity CEOs can send positive signals to the market about the company's commitment to sustainability, which boosts investor confidence and enhances firm value (Zhou et al., 2023). Due to their higher visibility, celebrity CEOs have a greater impact in communicating these signals. Several studies have examined the relationship between corporate sustainability, celebrity CEOs, and firm value. Lee et al. (2020) found that companies with prominent CEOs are more likely to engage in corporate social responsibility (CSR) initiatives when facing significant environmental uncertainty as a means to uphold the CEO's reputation and status. This suggests that celebrity CEOs drive the implementation of sustainability practices to safeguard the company's public image. Similarly, Na et al. (2022) found that showcasing a CEO's vision and sustainability goals on the company's website positively influences future firm value. This aligns with signaling theory, as the CEO's visible commitment sends positive signals, increasing the company's long-term market valuation.

Chahyadi et al. (2023) demonstrated that a CEO's popularity influences market value by signaling exceptional capabilities, leading to a positive market response and an increase in firm value. Additionally, Bao et al. (2023) specifically analyzed the effect of CEO prominence on social media, discovering that the higher a CEO's celebrity status on these platforms, the greater the firm value. This highlights how a CEO's online reputation and influence can significantly impact the company's market performance. In addition to the direct influence of celebrity CEOs on firm value, their presence can shape how the market perceives the company's sustainability efforts. If a celebrity CEO's personal branding overshadows the company's long-term responsibilities, the positive impact of corporate sustainability on firm value may diminish. Overall, these empirical findings support the hypothesis that celebrity CEOs positively influence firm value due to their reputation and influence. The studies consistently show that both corporate sustainability and celebrity CEOs, individually and together, contribute to enhanced firm value. These insights inform the development of research models and hypotheses on the relationship between corporate sustainability, celebrity CEOs, and firm value. Therefore, the third hypothesis is as follows:
H3. Celebrity CEOs moderate the impact of corporate sustainability on firm value.

The conceptual framework of this study, illustrated in Figure 1, is based on the factors previously discussed as influencing firm value.

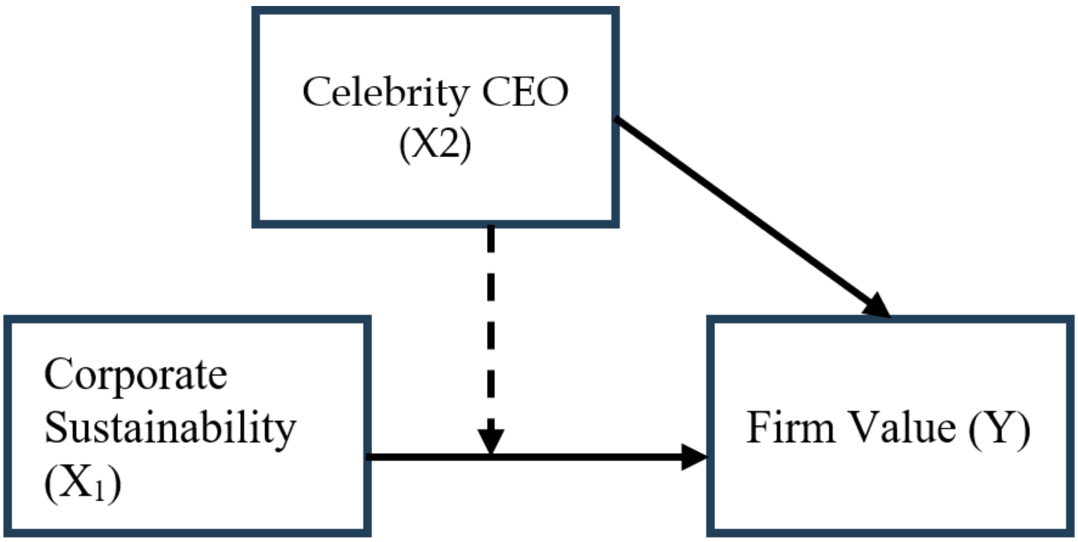

Figure 1. Conceptual framework

3. RESEARCH METHOD

3.1. Data and Sample

This study employed a quantitative research method, using secondary data from the Indonesian Stock Exchange publications and the ESG Intelligence dataset. A purposive sampling method—judgmental, selective, or subjective sampling—was applied. This non-probability sampling technique allows researchers to select samples based on specific information, considerations, or criteria (Etikan, 2016). One key criterion for using the purposive sampling method was the availability of complete financial and sustainability reports. The total population of companies listed on the Indonesia Stock Exchange between 2014 and 2021 was 4,414. However, only 876 companies from the ESG Intelligence (ESGI) dataset disclosed their sustainability reports and adhered to the Global Reporting Initiative (GRI) disclosure guidelines. Among them, 51 companies consistently disclosed their sustainability reports over the entire study period from 2014 to 2021. As a result, this study focused on 51 companies, providing 408 observations. Statistically, this sample size was sufficient to detect a significant effect with a 5% significance level and 80% statistical power (Cohen, 2013). Table 1 presents the calculation procedure for determining the final number of observations used in the study.

3.2. Variable Definition

3.2.1. Dependent Variable

In this study, firm value was measured using the Tobin's Q ratio, which reflects a company's market value relative to the replacement value of its assets. Tobin's Q is calculated by dividing the firm's total market value—determined by the stock price multiplied by the number of outstanding shares, plus total debt—by the total replacement value of its assets (Chang & Lee, 2022).

3.2.2. Independent Variable

In this study, corporate sustainability was operationalized as a measure of a company's commitment and performance in achieving the Sustainable Development Goals (SDGs) by integrating economic, environmental, and social aspects into its business strategy and operations (Figge & Hahn, 2005; Nikolaou et al., 2019). Various indicators were used to measure corporate sustainability, forming part of a composite index. This index combined three sustainability dimensions: economic, environmental, and social (Nikolaou et al., 2019). Additionally, Wu et al. (2022) measured sustainability performance using the ESG index, which was rated on a scale from 1 to 9, with higher scores indicating better ESG performance and lower scores reflecting poorer performance.

This study also evaluated the value of a company's sustainability report. Unlike previous research, sustainability was measured using the Economic, Environmental, Social, and Governance (EESG) criteria, as outlined in the GRI reporting guidelines. A Corporate Sustainability Index (CSI) was created with minor modifications, incorporating governance indicators as specified in Indonesia's Financial Services Authority Regulations (POJK) No. 51 of 2017. This modification followed the index value construction model developed by Kontesa et al. (2020), using a 1-5 scale by dividing percentiles into 20-point intervals. Companies in the lowest percentile received a score of one, while those in the highest 20th percentile were rated five. The CSI score was calculated by averaging the EESG scores.

Celebrity CEOs were defined as CEOs who had gained significant public attention, often through media coverage of their business achievements, charismatic personalities, or involvement in social or political causes. These CEOs could strongly influence public and market perceptions of the company, often becoming the face of the firm and playing a key role in shaping its reputation and image. Two indicators were used to determine celebrity CEO status. First, social media activity—particularly on platforms like Twitter—reflected social media behaviors such as consumption, contribution, and creativity. Consumption referred to passive actions, like reading posts and following accounts, while contribution involved active engagement, such as sharing or retweeting content.

Table 1. Population and sample

Total companies listed on the Indonesian Stock Exchange until December 2021	769
Total companies not disclosing the sustainability reports	(718)
Total companies meeting the sample criteria	51
Research Period	8
Total Observations	408

Creativity, the highest level of social media involvement, involved producing original content, such as tweets or videos (Wang et al., 2021). This study focused on CEOs' active consumption and creative behaviors on Twitter, as these activities could contribute to personal branding and social influence among stakeholders. Second, awards and recognition were used to assess CEO celebrity status. The frequency with which a CEO received industry or business community awards served as a measure of their public image and impact (Shi et al., 2017; Wade et al., 2006). Following Kontesa et al. (2020), this study used a similar method to evaluate CEO celebrity status. The formula used for calculating CEO popularity is presented below.

$$\mathrm{CC} = \frac{(\text{Followers Score} + \text{Following Score}) + (\text{CEO Award Score})}{2}$$

4. DATA ANALYSIS AND DISCUSSION

4.1. Data Analysis

According to the descriptive statistics in Table 2, the mean firm value of 1.3990 suggests that, on average, the market valued the companies slightly higher than the replacement cost of their assets, indicating a generally positive outlook on their growth potential. The median firm value of 1.04 shows that half of the companies had a firm value above this figure, while the other half had values below it. The maximum value of 12.26 indicates that some companies were significantly valued above their physical assets, likely due to their high growth potential. Conversely, a minimum value of 0.36 reveals that some companies were struggling, as their market value was below the cost of their assets. The standard deviation of 1.4848 highlights significant variability in the market's perception of the companies in the sample.

For the corporate sustainability variable, the mean value of 2.74 indicates that most companies had moderately good sustainability practices, though not at an exceptionally high level. The median value of 2.75 suggests that half of the companies scored above this level, reflecting a consistent commitment to social and environmental responsibility across the sample. A maximum value of 5.00 shows that some companies achieved the highest sustainability scores, demonstrating strong adherence to sustainability principles. In contrast, a minimum value of 1.00 points to companies that barely met or fell below fundamental sustainability requirements. The standard deviation of 1.0087 suggests that while most companies performed moderately in sustainability, there was considerable variation, with some companies excelling and others lagging. The mean value for the celebrity CEO variable was 1.3486, indicating that the CEOs of the sampled companies had low to moderate levels of public recognition. The median value of 1.00 shows that half of the CEOs were relatively unknown to the public. However, with a maximum value of 4.00, some CEOs were highly recognized, potentially influencing their companies' image and value. The minimum value of 1.00 reflects that most CEOs had very low levels of fame. The standard deviation of 0.6627 indicates limited variation in CEO popularity within the sample, suggesting that while a few CEOs were well-known, the majority remained relatively obscure.

The regression analysis results in Table 3 show that the corporate sustainability variable has a coefficient of 0.7346, a t-statistic of 2.9171, and a p-value of 0.0038. This indicates that corporate sustainability has a positive and significant effect on firm value at the 1% significance level, providing empirical support for the first hypothesis. The results suggest that improving corporate sustainability significantly enhances firm value.

Table 2. Descriptive statistics

Variable	Mean	Median	Max.	Min.	Std. Dev.
Firm Value (FV)	1.399	1.04	12.26	0.36	1.4848
Corporate Sustainability (CS)	2.74	2.75	5.00	1.00	1.0087
Celebrity CEO (CC)	1.3486	1.00	4.00	1.00	0.6627
CS*CC	3.7829	3.00	2.00	1.00	2.7337

Table 3. Results of hypothesis testing

Variable	Coefficient	t-Statistic	Prob.
Corporate Sustainability (CS)	0.7346	2.9171	0.0038***
Celebrity CEO (CC)	2.3054	3.0704	0.0023***
CS*CC	-0.7348	-3.3273	0.0010***

Note: *, ** and ***significant at the 10, 5 and 1% levels

Additionally, the CEO celebrity variable has a coefficient of 2.3054, a t-statistic of 3.0704, and a p-value of 0.0023, indicating a positive and significant impact on firm value at the 1% significance level. These findings support the second hypothesis, demonstrating that having a celebrity CEO positively and significantly increases firm value.

However, the third hypothesis, which proposes that celebrity CEOs moderate the impact of corporate sustainability on firm value, shows a coefficient of -0.7348, a t-statistic of -3.3273, and a p-value of 0.0010. This indicates that while both corporate sustainability and CEO celebrity have positive individual impacts, the presence of a celebrity CEO reduces the positive effect of corporate sustainability on firm value. This interaction effect is significant at the 1% level, suggesting that the dynamics introduced by a celebrity CEO can weaken the beneficial influence of corporate sustainability on firm value.

4.2. Discussion

4.2.1. Corporate Sustainability

This study confirms that corporate sustainability positively impacts firm value, indicating that higher corporate sustainability correlates with higher firm value. This finding aligns with previous research, showing that corporate sustainability enhances firm value (Chang & Lee, 2022; Ding et al., 2016; Wu et al., 2022). Corporate sustainability encompasses various policies and practices integrating social and environmental responsibilities into business strategies. Companies that adopt sustainability values can enhance their image and reputation among stakeholders, attract environmentally conscious investors, and boost productivity. These benefits contribute to improved financial performance and, consequently, higher firm value (Erhemjamts et al., 2013).

The stakeholder theory posits that companies must consider the interests of all stakeholders, including the environment and society, which drives the adoption of sustainability practices. The signaling theory, on the other hand, explains how companies can increase their value by sending positive signals to the market. These signals often include information about the company's sustainability policies and performance. The regression analysis results support both theories, showing that corporate sustainability positively affects firm value. According to the stakeholder theory, implementing corporate sustainability is a form of corporate responsibility toward stakeholders. The signaling theory suggests that such implementation sends a favorable signal to the market about the company's future prospects. This positive signal leads the market and investors to raise their expectations for the company, reflected in an increased valuation. Therefore, both the stakeholder theory and signaling theory help explain why companies adopt corporate sustainability practices and how these practices enhance firm value by providing positive market signals.

4.2.2. Celebrity CEOs

This study confirms that celebrity CEOs have a positive impact on firm value. This finding suggests that a CEO's popularity and reputation can enhance the firm's market value. This result aligns with the research of Bao et al. (2023), which found that organizations led by prominent CEOs typically exhibit higher firm values. A celebrity CEO's reputation and fame can attract attention from the public and investors, as these leaders are often perceived as highly capable and effective in managing their companies. Their prominence can also enhance the company's image among stakeholders, thereby increasing investor trust and, consequently, the firm's value.

Additionally, the study supports the moderating role of celebrity CEOs in the relationship between corporate sustainability and firm value. This is evidenced by the negative interaction coefficient of -0.7348, which indicates that when a well-known CEO leads a company, the positive impact of corporate sustainability on firm value may diminish. Prior research has shown that celebrity CEOs often pursue high-risk strategies and may neglect corporate social responsibility (Malmendier & Tate, 2009). Consequently, even if a company implements sustainability practices, its effectiveness in boosting firm value may be reduced under the leadership of a celebrity CEO, who might prioritize short-term gains over long-term sustainability goals. Studies have also found that in dynamic industries, such as tourism, the positive impact of celebrity leadership on firm performance decreases as market dynamics evolve (Kim & Lee, 2022). This suggests that while celebrity status can be an asset, it can also undermine the long-term benefits of sustainability initiatives.

According to stakeholder theory, which emphasizes the importance of addressing the interests of various stakeholders, including the environment and society, corporate sustainability is crucial for enhancing a company's legitimacy. The findings of this study support this theory, showing that corporate sustainability positively impacts firm value by strengthening stakeholder relationships and improving the company's reputation. However, the involvement of celebrity CEOs challenges the signaling theory and identity theory. Signaling theory posits that celebrity CEOs can provide favorable signals to the market, boosting investor confidence and firm value. Yet, this study suggests that combining celebrity status with corporate sustainability might diminish the effectiveness of these positive signals, as celebrity CEOs often focus on short-term achievements and personal branding rather than long-term sustainability. Identity Theory suggests that celebrity CEOs cultivate personal identities that emphasize charisma and public recognition, which may not align with the traits of visionary, socially responsible leaders. This implies that celebrity CEOs' personal branding and popularity might overshadow more fundamental sustainability objectives. Therefore, this study supports stakeholder theory in corporate sustainability but challenges the effectiveness of signaling theory and identity theory when celebrity CEOs are involved. The presence of a celebrity CEO may disrupt the interaction between corporate sustainability and firm value enhancement.

5. CONCLUSIONS, IMPLICATIONS, SUGGESTIONS, AND LIMITATIONS

This study examines the effects of corporate sustainability and celebrity CEOs on the firm value of companies listed on the Indonesian Stock Exchange. The findings reveal that both corporate sustainability and celebrity CEOs positively and significantly influence firm value. However, when combined, the positive effect of corporate sustainability on firm value is reduced. This suggests that while each factor individually enhances firm value, their interaction does not necessarily produce synergistic benefits. Instead, celebrity CEOs' presence may diminish corporate sustainability's positive impact.

The implications of these findings are significant for theoretical, practical, and managerial aspects. Theoretically, this study contributes to the literature by highlighting the complex relationship between corporate sustainability and celebrity CEOs in determining firm value. It supports the Stakeholder Theory and Signaling Theory, which argue that companies can enhance their value by meeting stakeholder expectations and signaling their commitment to the market. However, the moderating effect of celebrity CEOs underscores the importance of aligning CEO qualities with corporate sustainability strategies. Practically, companies should carefully evaluate their choice of celebrity CEOs to ensure their leadership styles align with long-term sustainability goals to maximize value creation. The findings suggest that celebrity CEOs often prioritize short-term benefits, which may undermine the positive effects of corporate sustainability. Thus, management should ensure that the CEOs' visions and attributes align with sustainability goals to maximize firm value sustainably. This study recommends that companies prioritize corporate sustainability and be cautious about hiring celebrity CEOs unless their values align with the company's objectives. Additionally, companies should ensure that the CEOs' personal brands do not conflict with the company's long-term goals. Future research should explore conditions under which the combination of corporate sustainability and celebrity CEOs can create beneficial interactions and examine potential risks associated with high-profile CEOs in different cultural or industry contexts.

This study also has several limitations. First, the sample was limited to companies listed on the Indonesian Stock Exchange, which may affect the generalizability of the findings to other markets. Second, the measurement of celebrity CEOs was based on specific criteria, such as social media presence and public recognition, which may not capture all aspects of CEO impact. Future research should address these limitations by expanding the sample size and using alternative methods to assess CEO impact.

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