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Firm Characteristics and Management Performance: A Governance-Based Assessment of Indonesian SOEs

Dewi Sutjahyani[1]

[1]*Faculty of Economics and Business, University 17 Agustus 1945 Surabaya, Indonesia.*

dewisutjahyani@untag-sby.ac.id

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ABSTRACT

This study investigates the influence of ownership structure, capital structure, and firm characteristics on management performance in Indonesian State-Owned Enterprises (SOEs), with Good Corporate Governance (GCG) examined as a moderating variable. Using a quantitative associative approach and Moderated Regression Analysis (MRA) within the PLS-SEM framework, the research analyzes data from 10 SOEs listed on the Indonesia Stock Exchange between 2021 and 2024. The findings reveal that only firm characteristics—specifically firm size and age—significantly enhance management performance, while ownership structure and capital structure show no significant effects. Additionally, GCG demonstrates neither a direct influence nor a moderating role in the tested relationships. The novelty of this study lies in its empirical focus on newly listed SOEs during a critical period of governance reform, offering fresh insights into the symbolic implementation of GCG and its limited impact on managerial outcomes. These results contribute to the growing body of literature on public enterprise governance by highlighting the importance of internal organizational capacity over structural and regulatory compliance. The study suggests that future reforms in SOEs should prioritize institutional strengthening and capacity-building to achieve effective governance and sustainable performance.

INTRODUCTION

State-Owned Enterprises (SOEs) have long served as strategic instruments in advancing Indonesia's economic and social development (Husna et al., 2023). These entities operate across key sectors such as energy, infrastructure, mining, and public services, contributing significantly to employment, state revenue, and national welfare. In their ideal form, SOEs are expected to balance commercial profitability with public accountability (Husna et al., 2023). However, in recent years, concerns have emerged regarding the managerial performance of Indonesian SOEs, particularly in relation to operational efficiency, financial transparency, and corporate governance.

Numerous cases involving financial losses, inefficiency, and governance failures have brought SOEs under public and regulatory scrutiny. These challenges have been attributed, in part, to ineffective ownership structures, poorly designed capital structures, and weak implementation of Good Corporate

Governance (GCG) (Husna et al., 2023). Despite substantial reforms, some SOEs continue to struggle in aligning managerial practices with strategic goals. This is especially critical considering the increasingly competitive environment in which SOEs coexist with private firms.

Interestingly, not all SOEs underperform. PT Bukit Asam, for instance, demonstrated strong managerial outcomes in 2022 by recording a revenue increase of 46% and net profit growth of 59%, along with performance awards related to governance and sustainability . Such positive examples suggest that certain internal factors—such as ownership structure, capital structure, and firm-specific characteristics—may play a pivotal role in shaping management effectiveness. Yet, there is limited consensus in the literature on how these internal mechanisms interact with corporate governance to influence performance outcomes in SOEs.

Prior research has emphasized the relevance of ownership control (Jensen & Meckling, 1976), capital structure in relation to firm value (Husnaint & Basuki, 2020; Siagian et al., 2013), and firm characteristics in shaping strategic and managerial decisions . However, most existing studies have been conducted in private-sector contexts or developed economies. In the Indonesian SOE landscape, ownership is often heavily concentrated in the government, diminishing the role of minority shareholders and raising questions about accountability. Moreover, decision-making is often guided by ministerial decrees (Hwihanus, 2018), which may dilute economic rationality in favor of political or social objectives.

This study addresses two important gaps in the literature. First, it empirically investigates the relationship between ownership structure, capital structure, and firm characteristics and their influence on management performance within Indonesian SOEs. Second, it examines the moderating role of Good Corporate Governance (GCG), a variable that has received relatively little attention in this context. While GCG is theoretically positioned as a mechanism to align managerial interests with broader stakeholder objectives, its effectiveness in state-owned settings remains empirically underexplored. These research objectives are rooted in the increasing scrutiny over SOE performance in Indonesia, where inefficiencies (Adnan et al., 2024; Fu et al., 2008; Harahap et al., 2022), political intervention (Morales, 2022), and lack of transparency have raised concerns about the strategic alignment and accountability of management. Despite reform efforts, many SOEs still exhibit performance inconsistencies, suggesting that structural and organizational variables may not be functioning optimally. Ownership structure, particularly the dominance of government shares, potentially limits external control and weakens financial discipline. Capital structure decisions in SOEs may also diverge from profit-maximization motives due to soft budget constraints. Meanwhile, firm characteristics such as size and maturity reflect operational capacity and institutional development. Integrating these factors into a single framework enables a comprehensive assessment of internal drivers of performance, while GCG is positioned to examine whether governance mechanisms can strengthen or mitigate these effects in the public enterprise context.

The selection of variables in this study is grounded in both theoretical rationale and empirical gaps identified in previous research. Ownership structure has been widely studied in the context of agency theory, where concentrated or managerial ownership is expected to mitigate agency conflicts (Jensen & Meckling, 1976). However, in State-Owned Enterprises (SOEs), government dominance in ownership introduces political incentives and reduces external monitoring, raising questions about whether ownership configurations still influence management performance. Previous studies (Fu et al., 2008) provide mixed results, indicating the need for further empirical testing in public-sector settings. Capital structure is also a key factor in financial decision-making. While traditional corporate finance theory suggests that firms optimize capital mix to maximize value (Brusov & Filatova, 2023; Giglio, 2022), findings from emerging markets show that SOEs often rely on soft budget constraints and politically influenced debt (Morales, 2022), weakening the link between leverage and performance. Firm characteristics, such as size and age, are posited by the resource-based view (Freeman et al., 2021)as sources of internal strength that influence performance. Yet, the extent to which these traits contribute to efficiency in SOEs remains underexplored. Management performance is used as the dependent variable to reflect how these internal factors translate into organizational outcomes, with prior studies suggesting that financial and operational efficiency can vary widely across SOEs despite similar mandates (Hwihanus;Tri Ratnawati&Indrawati Yuhertiana, 2019). Lastly, Good Corporate Governance (GCG**)** is incorporated as a moderating variable due to its theoretical role in aligning managerial and stakeholder interests (Suhara & Susilowati, 2022)While the governance-performance link is well-established in private firms, its moderating role in public enterprises, where formal compliance may overshadow effective practice, is still empirically limited—thus justifying its inclusion in this study.

Theoretically, this study contributes to the growing body of literature on corporate governance and strategic management by exploring whether and how GCG moderates the relationship between internal structural factors and managerial outcomes. Empirically, it offers evidence from the unique institutional setting of Indonesian SOEs, providing insights that may not be generalizable from studies based in private-sector firms. Practically, the findings may inform policymakers and SOE executives in designing governance structures that are more effective, accountable, and adaptable to both market and non-market pressures.

Methodologically, this study uses a quantitative approach with structural equation modeling to assess the proposed relationships, using data from SOEs listed on the Indonesia Stock Exchange. Hypotheses are formulated to test the direct and moderated relationships among the key variables.

By establishing a clear link between firm-level structures, governance practices, and performance outcomes, this study seeks to advance our understanding of what drives effective management in the public enterprise sector and how governance mechanisms can be strengthened to enhance organizational resilience and accountability.

This study offers novel insights by empirically testing the moderating role of Good Corporate Governance (GCG) in the relationship between ownership structure, capital structure, and firm characteristics on management performance in Indonesian State-Owned Enterprises (SOEs). Unlike prior research that focuses on private-sector dynamics, this study highlights the limited effectiveness of GCG in the public enterprise context, emphasizing the dominance of organizational maturity over formal structural and governance mechanisms. It further extends the application of the resource-based view (RBV) to the governance challenges in emerging market SOEs, providing both theoretical and policy implications.

LITERATURE REVIEW

Management accounting plays a critical role in providing relevant information for internal decision-making within organizations (Vanini & Bochert, 2024). It supports planning, control, and performance evaluation by delivering financial and non-financial data necessary for effective business decisions. Management accounting systems are designed not only to track performance outcomes but also to help identify operational deviations and improve organizational efficiency over time.

This study is grounded in several theoretical perspectives. First, **Agency Theory**, as introduced by Jensen and Meckling (1976), posits that a firm can be viewed as a contract in which principals (owners) delegate authority to agents (managers). This separation of ownership and control creates the potential for conflicts of interest, known as agency problems, especially when information asymmetry and moral hazard arise. This framework is relevant in State-Owned Enterprises (SOEs), where managerial discretion may not always align with stakeholder interests, particularly under concentrated or politically influenced ownership structures.

In contrast, the **Resource-Based View (RBV) (Freeman et al., 2021)**, focuses on the strategic role of internal capabilities. It asserts that a firm's resources—if valuable, rare, inimitable, and well-organized—can serve as sources of sustainable competitive advantage. In the SOE context, this theory supports the hypothesis that firm characteristics such as size, age, and organizational maturity contribute to improved managerial performance, especially when structural and market pressures are less pronounced.

Complementing these frameworks is the **Performance Management Theory** by Ferreira and Otley (2009), which views performance management as an integrated process encompassing strategic planning, implementation, and evaluation. The theory emphasizes that performance systems must be aligned with organizational goals, culture, and stakeholder expectations, thus providing a broader lens to examine how internal variables—like capital decisions and governance—affect management outcomes.

Several key constructs in this study are defined and positioned within this theoretical context. **Ownership structure** refers to the composition of shareholders, including the shareholding of government, institutions, managerial parties, and the public. According to agency theory, managerial ownership may reduce agency costs by aligning interests, but concentrated ownership—as is typical in SOEs—can increase political interference and reduce managerial efficiency.

This research addresses critical theoretical and practical gaps by empirically testing the interrelationships among ownership structure, capital structure, firm characteristics, and management performance within the unique institutional context of Indonesian State-Owned Enterprises (SOEs). Theoretically, it extends agency theory, the resource-based view, and corporate governance literature by examining whether traditional assumptions—such as the disciplining role of ownership concentration and the strategic role of firm-specific resources—hold true in state-dominated organizational structures. Practically, it contributes to the limited body of empirical studies focusing on SOEs in emerging markets, where political influence, bureaucratic rigidity, and public accountability coexist with commercial mandates. Most notably, the study introduces Good Corporate Governance (GCG) as a moderating variable, evaluating its role in either enhancing or neutralizing the association between internal organizational factors and managerial performance. This moderating lens not only enriches theoretical discourse by exploring the contingent effectiveness of GCG mechanisms but also offers policymakers actionable insight on how governance reforms may improve managerial accountability and efficiency. By situating the analysis in post-2021 Indonesian SOEs listed on the IDX, the research delivers contextual relevance and informs ongoing reforms in public sector corporate governance and performance evaluation

Capital structure, defined as the mix of debt and equity used to finance operations, is often analyzed through the lens of trade-off theory (Mumford et al., 2001). While optimal leverage can enhance firm value, excessive reliance on debt can heighten financial risk, particularly in politically sensitive SOEs. Empirical studies by Rajan and Zingales (1995) suggest that appropriate capital structure enhances firm growth and stability, yet public-sector firms may not always base such decisions on market logic.

Firm characteristics, such as size and age, are seen as proxies for experience, capability, and resource access. Larger firms typically have more structured systems and higher strategic capacity (Shimerda & Kung, 2012), while older firms may reflect organizational resilience. These features align with RBV, suggesting that internal attributes can be more influential than external ownership or financial factors in determining performance.

Management performance itself reflects how efficiently and effectively management utilizes resources to achieve organizational objectives. Kaplan and Norton (1996) emphasize a multidimensional view of performance, combining financial indicators (e.g., ROA, ROI) with strategic measures such as stakeholder satisfaction and innovation. Empirical studies (Lestari & Juliarto, 2017; Saidah & Hwihanus, 2023) highlight how internal factors, particularly ownership and capital structure, impact performance outcomes in both private and public sectors.

Finally, **Good Corporate Governance (GCG)** plays a vital role in shaping performance through enhanced transparency, accountability, and control. GCG encompasses principles such as fairness, responsibility, and independence (Davies et al., 2024). Klapper and Love (2002) found that strong governance practices improve corporate performance, especially in developing countries. As a moderating variable, GCG is expected to strengthen the relationship between internal structures and managerial outcomes by ensuring strategic discipline and oversight (Dey, 2008).

Ownership Structure and Management Performance

Ownership structure has long been acknowledged as a fundamental determinant of managerial behavior and performance. According to agency theory, the separation of ownership and control creates an inherent conflict between principals (owners) and agents (managers), which may result in inefficiencies if not properly mitigated (Jensen & Meckling, 1976). In state-owned enterprises (SOEs), where government ownership dominates, this conflict is often intensified due to weaker monitoring from public shareholders and the presence of multiple, and sometimes conflicting, stakeholder objectives (Megginson & Netter, 2001).

Empirical studies offer mixed results. While some evidence suggests that concentrated ownership leads to better monitoring and improved performance (Thomsen & Pedersen, 2000), others find that excessive government control may reduce management incentives and innovation (Chen et al., 2014). In emerging economies, public ownership is often politically driven, which further complicates performance dynamics (Kowalski et al., 2013).

Despite extensive literature on private firms, there is limited understanding of how ownership structure functions within SOEs in developing countries like Indonesia, especially in relation to management performance. Based on the literature and identified gaps, the study proposes the following hypotheses:

H1: Ownership structure is positively associated with management performance in SOEs.

Capital Structure and Organizational Efficiency

Capital structure theory, particularly the trade-off and pecking order theories, explains how firms balance debt and equity to optimize value and reduce cost of capital (Myers, 1984; Modigliani & Miller, 1958). Rajan and Zingales (1995) emphasize that firms in emerging markets often face institutional constraints that influence their capital structure decisions. In the context of SOEs, capital allocation is frequently dictated by political priorities rather than market efficiency, which can lead to suboptimal leverage ratios (Li et al., 2009).

Although some studies link a well-managed capital structure to improved financial and operational performance (Abor, 2005; Frank & Goyal, 2009), the relationship remains inconclusive in the public sector. Government-backed debt, for example, might induce risk-taking behaviors without proper accountability mechanisms.

Existing literature lacks consensus on whether capital structure decisions in SOEs are strategically driven or politically constrained—and how these decisions affect management performance. Based on the literature and identified gaps, the study proposes the following hypotheses:

H2: Capital structure is positively associated with management performance in SOEs.

Firm Characteristics and Managerial Effectiveness

Firm-specific characteristics such as size, age, profitability, and industry type have been shown to influence strategic decision-making and resource allocation. Larger firms often benefit from economies of scale and more structured governance systems, while older firms may exhibit more conservative strategies due to institutional inertia (Chenhall & Langfield-Smith, 1998; Barney, 1991).

In the SOE context, firm characteristics might interact uniquely with bureaucratic processes and public expectations, affecting how management formulates and executes policies. Yet, this area remains under-explored in empirical literature, particularly in Southeast Asian SOEs.

The impact of firm characteristics on management performance in SOEs, considering public accountability and strategic mandates, has not been sufficiently investigated. Based on the literature and identified gaps, the study proposes the following hypotheses:

H3: Firm characteristics are positively associated with management performance in SOEs.

Ownership structure is widely acknowledged to influence corporate financing decisions, including capital structure choices. According to agency theory (Jensen & Meckling, 1976), variations in ownership—particularly between institutional, managerial, and government stakeholders—affect managerial risk preferences and access to capital. Firms with higher institutional or managerial ownership often exhibit stronger internal governance and alignment of interests, enabling them to pursue more aggressive yet optimal leverage strategies. In contrast, dispersed ownership or dominant government control, as seen in many State-Owned Enterprises (SOEs), can result in less efficient debt management due to conflicting objectives or reduced accountability. Empirical studies support this association; Berger, Ofek, and Yermack (1997) found that firms with higher managerial ownership tend to adopt more strategic and efficient capital structures. Similarly, Friend and Lang (1988) noted that ownership concentration positively correlates with leverage, as blockholders may prefer debt to discipline management and limit dilution. In the context of emerging markets, ownership configuration also determines access to financing, where politically connected or institutionally backed firms may secure favorable debt terms, further reinforcing the link between ownership and capital structure (Claessens et al., 2002). Therefore, it is reasonable to hypothesize that ownership structure is positively associated with capital structure in both private and public enterprise contexts. Based on the literature and identified gaps, the study proposes the following hypotheses:

H4: Ownership structure is positively associated with capital structure.

Firm characteristics and capital structure

Firm characteristics, such as firm size, age, and profitability, play a crucial role in shaping capital structure decisions. According to the pecking order theory (Myers & Majluf, 1984), larger and more established firms typically have better access to capital markets, more predictable cash flows, and lower perceived risk by creditors, allowing them to obtain debt at favorable terms. These firms tend to rely more on debt financing, resulting in a positive association between firm size and leverage. Moreover, older firms often accumulate stronger reputations and credit histories, which enhance their borrowing capacity (Titman & Wessels, 1988). Profitability, another key characteristic, also influences capital structure decisions, though its direction may vary across contexts. In emerging market environments, profitable firms may prefer to take on moderate levels of debt to benefit from tax shields while maintaining financial flexibility. Empirical evidence by Rajan and Zingales (1995) supports the view that larger and older firms are more likely to use long-term debt. In the context of State-Owned Enterprises (SOEs), firm characteristics may also reflect operational maturity and political stability, factors that enhance lender confidence. Therefore, it is reasonable to expect a positive relationship between firm characteristics and capital structure. Based on the literature and identified gaps, the study proposes the following hypotheses:

H5: Firm characteristics are positively associated with capital structure.

Good Corporate Governance and Management Performance

Good Corporate Governance (GCG) plays a pivotal role in enhancing management performance (EBGC et al., 2023), particularly in State-Owned Enterprises (SOEs) (Hwihanus & Ratnawati, 2018), where political intervention and agency problems are more prevalent. Governance mechanisms—such as transparency, accountability, independence, fairness, and responsibility—serve to align managerial actions with organizational objectives and stakeholder expectations (OECD, 2015). In the context of SOEs, where ownership is concentrated and oversight may be compromised, robust governance frameworks help reduce inefficiencies and ensure that strategic decisions prioritize performance and sustainability over political interests. Klapper and Love (2002) provide empirical evidence (Siagian et al., 2013) that stronger governance practices improve firm performance, especially in countries with weak legal environments. Moreover, Davies et al. (2024) emphasize that the implementation of GCG principles contributes to better

resource allocation, risk management, and strategic execution. In developing countries, good governance also enhances investor and public confidence, enabling better access to financing and operational flexibility. Within SOEs, effective GCG is critical to balancing public mandates with commercial performance goals. Therefore, it is reasonable to assert that adherence to GCG principles is positively associated with improved management performance in SOEs, as it fosters a culture of professionalism, discipline, and accountability in an otherwise complex institutional environment. Based on the literature and identified gaps, the study proposes the following hypotheses:
H6: Good Corporate Governance (GCG) is positively associated with management performance in SOEs.

Good Corporate Governance as a Moderating Mechanism

Good Corporate Governance (GCG) aims to mitigate agency problems by establishing accountability, transparency, and control mechanisms. The OECD (2015) guidelines on SOE governance highlight the importance of independent boards, performance-based evaluation, and stakeholder engagement. GCG is especially critical in SOEs, where managerial decisions often serve political as well as economic objectives. While studies have confirmed the role of governance in enhancing firm value and reducing risk (Claessens & Yurtoglu, 2013), its **moderating role** in the relationship between internal firm variables (ownership, capital, characteristics) and management performance remains under-researched. Particularly in Indonesia, where governance frameworks continue to evolve, the actual influence of GCG practices in driving managerial accountability is ambiguous.
There is a lack of empirical evidence on the moderating effect of GCG in internal structural-performance relationships, especially in politically connected SOEs. Based on the literature and identified gaps, the study proposes the following hypotheses:
H7: GCG moderates the relationship between ownership structure and management performance.
H8: GCG moderates the relationship between capital structure and management performance.
H9: GCG moderates the relationship between firm characteristics and management performance

RESEARCH METHODS

This study adopts a quantitative associative research approach aimed at identifying the relationships and influences between multiple variables. The analysis method employed is Moderated Regression Analysis (MRA), supported by Structural Equation Modeling using Partial Least Squares (SEM-PLS). This dual approach is appropriate for examining both the direct effects of independent variables on the dependent variable and the moderating influence of Good Corporate Governance (GCG) within the model.
The population of this study consists of 27 State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX). Due to data limitations, only 10 SOEs were selected using purposive sampling. The excluded firms either lacked complete data over the observation period or were newly listed during 2021–2024, thereby providing insufficient financial and governance records for robust analysis.
The research framework consists of three independent variables, one moderating variable, and one dependent variable. The independent variables include ownership structure, capital structure, and firm characteristics. Ownership structure is operationalized using five indicators: the proportion of foreign ownership, institutional ownership, managerial ownership, government ownership, and public ownership. Capital structure is represented through book value per share, capital adequacy ratio (CAR), debt-to-equity ratio (DER), and long-term debt-to-asset ratio (LDAR). Firm characteristics are measured using two indicators, namely firm size and firm age.
The moderating variable, Good Corporate Governance, is assessed through five core dimensions based on widely accepted governance principles: accountability, fairness, independence, responsibility, and transparency. Meanwhile, the dependent variable, management performance, is measured using four financial and operational indicators, namely profit growth, revenue growth, return on assets (ROA), and

return on investment (ROI). All variables and indicators are derived from audited financial reports, annual reports, and publicly disclosed governance statements, ensuring transparency and data reliability.

Table 1. Operational Definition of Variables and Indicators

Variable Type	Variable	Code	Indicator
Independent Variable	Ownership Structure	X1.1	Foreign Ownership
		X1.2	Institutional Ownership
		X1.3	Managerial Ownership
		X1.4	Government Ownership
		X1.5	Public Ownership
	Capital Structure	X2.1	Book Value per Share
		X2.2	Capital Adequacy Ratio (CAR)
		X2.3	Debt to Equity Ratio (DER)
		X2.4	Long-Term Debt to Asset Ratio (LDAR)
	Firm Characteristics	X3.1	Firm Size
		X3.2	Firm Age
Moderating Variable	Good Corporate Governance	Z1.1	Accountability
		Z1.2	Fairness
		Z1.3	Independence
		Z1.4	Responsibility
		Z1.5	Transparency
Dependent Variable	Management Performance	Y1.1	Profit Growth
		Y1.2	Revenue Growth
		Y1.3	Return on Assets (ROA)
		Y1.4	Return on Investment (ROI)

Data analysis is conducted using the SEM-PLS technique. The analytical process begins with the evaluation of the measurement model, or outer model, which assesses the reliability and validity of each indicator used to measure the latent constructs (Becker et al., 2023). This includes convergent validity assessed through factor loadings and average variance extracted (AVE), discriminant validity using the Fornell-Larcker criterion and HTMT ratios, and internal consistency reliability measured using composite reliability and Cronbach’s alpha. After validating the measurement model, the structural or inner model is assessed to examine the relationships between constructs. Path coefficients, t-statistics, and p-values are used to determine the significance of each relationship. Model strength is evaluated through the coefficient of determination (R-square), which indicates the proportion of variance in the dependent variable that can be explained by the independent variables.

To test the moderating role of GCG, interaction terms are constructed between GCG and each of the independent variables. These interaction terms are then incorporated into the structural model to examine whether GCG significantly alters the strength or direction of the relationships between ownership structure, capital structure, and firm characteristics and management performance.

Given that this study relies solely on publicly available secondary data, it does not involve human subjects, and thus ethical risks are minimal. Nonetheless, the study upholds academic integrity by providing proper citations and ensuring transparency in the data collection and analysis process. This methodological framework is designed to rigorously test the hypotheses and contribute valuable empirical evidence to the study of corporate governance and management performance in Indonesian SOEs.

RESULT AND DISCUSSION

This study aims to analyze the relationships between ownership structure, capital structure, and firm characteristics on management performance, with Good Corporate Governance (GCG) serving as a moderating variable. The data from 10 purposively selected State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The model testing includes both the measurement (outer) and structural (inner) model.

The results of hypothesis testing are summarized as follows in table 2.

Table 2. The results of hypothesis testing

Hypothesis Code	Relationship Tested	T Statistic	P Value	Result
H1	Ownership Structure → Management Performance	0.492	0.623	Not Supported
H2	Capital Structure → Management Performance	0.194	0.846	Not Supported
H3	Firm Characteristics → Management Performance	2.142	0.032	Supported
H4	Ownership Structure → Capital Structure	1.29	0.197	Not Supported
H5	Firm Characteristics → Capital Structure	1.443	0.149	Not Supported
H6	GCG → Management Performance	0.051	0.96	Not Supported
H7	GCG × Ownership Structure → Management Performance	0.151	0.88	Not Supported
H8	GCG × Capital Structure → Management Performance	0.303	0.762	Not Supported
H9	GCG × Firm Characteristics → Management Performance	0.634	0.526	Not Supported

Source: Author’s

H1: Ownership Structure → Management Performance

Result: Not significant (T = 0.492, P = 0.623). Although ownership structure is often theorized to influence managerial behavior through control mechanisms (Jensen & Meckling, 1976), this study finds no significant effect in the context of Indonesian SOEs. The lack of significance may be attributed to the dominance of government ownership in SOEs, which tends to diffuse responsibility and blur the alignment between owners and managers. Additionally, political rather than economic considerations may override efficiency incentives, making ownership variation (e.g., foreign, institutional, or managerial) less impactful in driving management performance.

H2: Capital Structure → Management Performance

Result: Not significant (T = 0.194, P = 0.846). Capital structure, typically seen as a lever for optimizing firm value (Thi Viet Nguyen et al., 2021)shows no statistically significant effect on management performance. This may reflect the unique position of SOEs that often rely on government-backed funding or policy-driven capital injections. The managerial decisions related to debt or equity may not be strategically linked to performance metrics, as financial discipline is often substituted by state guarantees, reducing the operational implications of leverage levels.

H3: Firm Characteristics → Management Performance

Result: Significant (T = 2.142, P = 0.032). This is the only hypothesis that yields a significant positive result. Larger and older firms are likely to benefit from more structured processes, institutional knowledge, and stability, which contribute to more effective management practices. This finding aligns with the resource-based view (Freeman et al., 2021), suggesting that firm-specific attributes are strategic assets that enhance performance. In the context of SOEs, more mature organizations may also be better equipped to manage bureaucratic processes and stakeholder complexity.

H4: Ownership Structure → Capital Structure

Result: Not significant (T = 1.290, P = 0.197). While prior studies in private firms suggest a link between ownership control and capital structure (Jensen & Meckling, 1976), this relationship is not evident in SOEs. The insignificant result may be due to centralized capital decisions by government authorities, where funding strategies are influenced more by macro-policy priorities than by ownership concentration. As such, ownership type or concentration may not drive leverage decisions in the way it does in market-driven entities.

H5: Firm Characteristics → Capital Structure

Result: Not significant (T = 1.443, P = 0.149). Firm size and age are expected to influence access to capital and risk tolerance, but the relationship is not statistically significant here. In the SOE context, capital structures may be standardized or dictated by ministry guidelines regardless of firm maturity. Consequently, firm characteristics do not serve as reliable predictors of capital structure within this institutional setting, challenging assumptions drawn from private-sector finance models (Rajan & Zingales, 1995).

H6: Good Corporate Governance → Management Performance

Result: Not significant (T = 0.051, P = 0.960). Despite the theoretical role of GCG in enhancing managerial accountability and performance (OECD, 2015), the direct relationship is not statistically supported in this study. This could be due to the uniform adoption of formal governance codes across SOEs, which may limit observable variation. Alternatively, the GCG implementation may be ceremonial or compliance-oriented ("tick-the-box"), failing to influence real decision-making or strategic alignment within SOEs (Aguilera & Cuervo-Cazurra, 2009).

H7: GCG × Ownership Structure → Management Performance (Moderation)

Result: Not significant (T = 0.151, P = 0.880). This result suggests that GCG does not strengthen or weaken the relationship between ownership structure and management performance. Theoretically, GCG should moderate the influence of ownership by enhancing monitoring effectiveness. However, in the

Indonesian SOE setting, the lack of board independence and the dominance of political appointees likely hinder GCG's capacity to mediate ownership effects.

H8: GCG × Capital Structure → Management Performance (Moderation)

Result: Not significant (T = 0.303, P = 0.762). GCG was hypothesized to moderate the effect of capital structure on management performance by ensuring financial discipline and reducing excessive risk-taking. The absence of such a moderating effect may indicate that capital-related decisions are decoupled from governance frameworks in SOEs. It is also possible that budget oversight mechanisms already exist outside of GCG structures, such as direct intervention by state ministries or auditors.

H9: GCG × Firm Characteristics → Management Performance (Moderation)

Result: Not significant (T = 0.634, P = 0.526). Although firm characteristics significantly influence performance (H3), the interaction term with GCG is not significant. This implies that governance practices do not condition the effect of firm size or age on managerial outcomes. It is likely that firm characteristics are structurally embedded factors, and GCG, as currently implemented, is not dynamic enough to enhance or mitigate their impact. In SOEs, procedural governance may not directly translate into performance differentiation across firms of varying scales or histories

Discussion

Among nine hypotheses, only the direct influence of firm characteristics on management performance is supported. This highlights the importance of internal organizational attributes such as maturity, scale, and accumulated capabilities in driving performance outcomes within SOEs. The lack of significance in other relationships, particularly those involving GCG, raises concerns about the functional effectiveness of governance mechanisms in the public enterprise sector.

The empirical results of this study provide crucial insights into the internal dynamics of Indonesian State-Owned Enterprises (SOEs) (Husna et al., 2023; Sosial & Sains, n.d.) and how they align with or diverge from conventional governance and performance theories. In the introduction, this research identified a growing concern regarding the management performance of SOEs, particularly in light of public scrutiny, inefficiency, and governance failures. While management performance in some SOEs like PT Bukit Asam demonstrates success, others continue to struggle. Within this context, the study investigated how internal factors—ownership structure, capital structure, and firm characteristics—interact with the moderating influence of Good Corporate Governance (GCG) to explain managerial performance variations.

The findings reveal that among the three internal variables tested, only firm characteristics exhibit a statistically significant association with management performance. This aligns with the resource-based view theory, suggesting that internal attributes such as firm size and age continue to serve as strong foundations for competitive capability and organizational efficiency. However, the non-significant relationships found for ownership and capital structure challenge the dominant assumptions of agency theory and capital structure theory in state-controlled entities, where bureaucratic influence and political intervention may distort ownership and financial leverage incentives.

Importantly, the hypothesized moderating role of GCG—assumed to strengthen managerial accountability and transparency—did not manifest significantly across all tested relationships. This outcome suggests that while governance reforms are institutionally present in SOEs, their implementation may lack the operational depth needed to moderate internal structural variables effectively. These findings imply that governance mechanisms in Indonesian SOEs may still be symbolic or under-institutionalized, especially when viewed through the lens of emerging market dynamics.

Overall, the study bridges the conceptual gap by empirically contextualizing traditional management and governance theories in the unique environment of Indonesian SOEs. It affirms the call made in the introduction for a more nuanced understanding of internal-external governance interactions and offers actionable insights for policymakers aiming to enhance public sector corporate performance in line with national reform agendas.

From a policy standpoint, these findings suggest that structural reforms in GCG implementation must go beyond formal compliance and focus on actual board independence, performance evaluation, and stakeholder accountability. Moreover, capital structure decisions should be more strategically aligned with firm conditions and not merely dictated by administrative routines.

This study aimed to examine how ownership structure, capital structure, and firm characteristics influence management performance, with Good Corporate Governance (GCG) serving as a moderating variable in state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange.

The results reveal that **firm characteristics** have a **statistically significant positive relationship with management performance** (T = 2.142, P = 0.032). This finding suggests that organizational traits—such as firm size, age, asset structure, and industry classification—are critical in enhancing managerial outcomes. It is consistent with prior studies indicating that well-structured firms with clearly defined characteristics tend to exhibit better strategic direction, risk-taking behavior, and governance compliance (e.g., Jensen & Meckling, 1976; Fama & French, 1992).

Conversely, **ownership structure and capital structure** did not demonstrate a statistically significant effect on management performance. This contradicts traditional agency theory, which posits that ownership concentration can reduce agency costs and improve oversight (Shleifer & Vishny, 1997). The insignificance may reflect the complexity and bureaucratic nature of SOEs, where ownership mechanisms are often diluted or influenced by external political factors.

Furthermore, **GCG was not found to be a significant moderating variable** in any of the proposed interaction models. The moderation hypotheses (H7–H9) all yielded high p-values, suggesting that GCG practices—while important in theory—may not be effectively internalized in the governance structures of SOEs, or that they are uniformly applied and thus lack the variation needed to show statistical interaction effects.

These findings underscore the **centrality of internal firm traits** over structural ownership and financial policies in shaping management performance within SOEs, and call into question the operationalization and impact of GCG in such contexts.

This study aimed to examine the influence of ownership structure, capital structure, and firm characteristics on management performance in State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange, with Good Corporate Governance (GCG) evaluated as a moderating variable. By applying a quantitative associative approach using Partial Least Squares–Structural Equation Modeling (PLS-SEM), the study assessed empirical relationships among internal structural factors and governance mechanisms within a sample of ten purposively selected SOEs.

The findings reveal that among the variables tested, only firm characteristics—specifically company size and age—exhibited a statistically significant positive relationship with management performance. This result supports the resource-based view (RBV) that internal attributes, such as organizational maturity, experience, and accumulated institutional capacity, serve as strategic assets that enhance managerial effectiveness. In contrast, neither ownership structure nor capital structure showed significant influence on management performance, indicating that in the unique context of SOEs, traditional financial and control mechanisms may not directly shape outcomes. This is likely due to institutional constraints, including political interference, uniform regulations, and limited market pressures that reduce the strategic autonomy of management in SOEs.

Moreover, the study found that Good Corporate Governance (GCG), while theoretically positioned as a mechanism to promote transparency, accountability, and control, did not demonstrate a significant direct or moderating effect on management performance. This result raises concerns about the substantive implementation of governance practices within public enterprises. It is possible that GCG in many SOEs functions as a formal compliance requirement rather than a dynamic tool for improving strategic management and oversight. The symbolic nature of governance in some contexts may dilute its impact, particularly where board independence and stakeholder engagement are weak or underdeveloped.

These findings contribute to the academic literature by illustrating that commonly accepted corporate governance frameworks and financial theories, such as agency theory or capital structure theory, may have limited applicability in the public sector if not adapted to the institutional realities of SOEs. Instead, greater attention should be placed on internal firm characteristics and how these shape operational and strategic capacity over time.

From a practical perspective, this research suggests that policymakers and SOE leaders should prioritize initiatives that strengthen firm-specific capabilities. Efforts to enhance managerial systems, leadership continuity, organizational learning, and performance-based cultures are essential for improving outcomes in SOEs(Hwihanus & Yuhertiana, 2018). Governance reforms should also go beyond checklist compliance and focus on institutionalizing values such as accountability, transparency, and fairness at the operational level. Strengthening board professionalism and independence, introducing measurable performance evaluations, and promoting stakeholder inclusiveness are necessary to ensure that GCG mechanisms are not merely symbolic but serve as genuine drivers of reform.

Lastly, this study recommends further research to address its limitations. Future studies should expand the sample to include a broader range of SOEs, including regional government enterprises (BUMD), and possibly adopt a mixed-methods approach that combines quantitative analysis with qualitative insights. Longitudinal research may also reveal how governance practices evolve over time and how they interact with policy changes and organizational dynamics. Additionally, the role of external factors such as political influence, regulatory uncertainty, or institutional maturity should be examined to understand the broader ecosystem within which SOEs operate.

In conclusion, this study affirms the importance of organizational characteristics in shaping management performance in SOEs, while also exposing the limited practical effect of ownership, capital structure, and formal governance mechanisms. For GCG to fulfill its intended role, deeper institutional reform and cultural transformation are required

CONCLUSIONS

This study concludes that among the internal structural variables examined, only firm characteristics—specifically size and age—demonstrate a significant positive influence on management performance in Indonesian State-Owned Enterprises (SOEs), highlighting the importance of organizational maturity and internal capacity in public sector effectiveness. In contrast, ownership structure and capital structure show no significant effects, suggesting that traditional governance and financial theories may have limited explanatory power in SOEs where strategic decisions are often shaped by political or regulatory factors rather than market mechanisms. Furthermore, Good Corporate Governance (GCG), while theoretically positioned as a performance-enhancing mechanism, does not exhibit a significant direct or moderating effect, indicating that governance practices in many SOEs may be symbolic in nature rather than substantively embedded in managerial processes. These findings call for a shift in reform focus from structural compliance to internal capability development and institutional strengthening, reinforcing the need for deeper integration of governance values into the operational culture of SOEs.

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