Research Horizon
*ISSN: 2808-0696 (p), 2807-9531 (e)*

**Research Horizon**
Volume: 06
Issue: 01
Year: 2026
Page: 239-252

**Citation:**
Silvina, A., & Indarto, B. A. (2026). The effect of good corporate governance and firm size on firm value with family CEO as moderator. *Research Horizon*, *6*(1), 239–252.

**Article History:**
Received: January 17, 2026
Revised: February 16, 2026
Accepted: February 24, 2026
Online since: February 28, 2026

# The Effect of Good Corporate Governance and Firm Size on Firm Value with Family CEO as Moderator

**Agna Silvina[1*], Bambang Ahmad Indarto[1]**

[1] Universitas Ngudi Waluyo, Semarang, Indonesia

[*] *Corresponding author: Agna Silvina (agnaaasilvinaa@gmail.com)*

## Abstract

Generational transitions in Indonesian family businesses are analyzed via Howe and Strauss's Generational Theory to evaluate their impact on firm value. This research aims to analyze the influence of good corporate governance mechanisms and firm size on firm value with the family CEO as a moderating variable. This quantitative study of IDX-listed family firms (2019–2024) uses purposive sampling and analyzes data with multiple linear regression and MRA. The simultaneous results indicate that independent commissioners, audit committees, board of directors, and firm size significantly influence firm value. The findings indicate that independent commissioners, audit committees, and firm size exert a positive and significant influence on family firm value, whereas the board of directors does not demonstrate a significant effect. Furthermore, the presence of a family CEO strengthens the positive relationship between independent commissioners, audit committees, and firm size and firm value, but does not moderate the relationship between the board of directors and firm value. These results imply that strengthening governance quality and aligning leadership structure are essential strategies for enhancing value creation in family firms. The findings confirm Howe and Strauss's theory that modern leadership professionalism preserves family legacy and boosts investor confidence.

## Keywords

Audit Committee, Board of Directors, Corporate Governance, Family CEO, Firm Size, Firm Value.

## 1. Introduction

Family businesses dominate Indonesia's economy, comprising 90.95% of firms, contributing 53.28% of GDP, and employing 96.18% of the workforce. Yet, their sustainability is low, with many failing by the second or third generation, the "Three-Generation Curse" mainly due to succession issues and internal conflicts when founders dominate decision-making (Laksitareni, 2017). A Central Java herbal medicine company's 2017 bankruptcy, driven by long-standing family disputes and inconsistent strategies, underscores the need for governance and succession planning.

Leadership succession is vital for family firm survival and should be planned early. Internal conflicts driven by power struggles, differing interests, and miscommunication impede growth and competitiveness (Adekomaya, 2025). Weak Good Corporate Governance (GCG), rooted in founder-centric practices, limits transparency and accountability, whereas strong governance can enhance sustainability and performance. Favoritism in key roles further reduces professionalism, fosters internal injustice, and increases non-family employee turnover.

Good corporate governance is crucial for sustaining and improving family firm performance, as long-term survival requires professional management beyond family identity (Abdelaziz, 2021). Although family firms range from SMEs to large corporations under family control, many SME-scale family businesses fail to reach the third generation, highlighting the importance of regeneration, governance, and strategy (Chu, 2011). Business growth is generally driven by management professionalization, external capital access, and well-planned succession, while close kinship ties may strengthen smaller firms' performance.

Family business values shape a strong identity by being embedded in organizational culture, fostering employee and customer loyalty. These values, such as commitment to continuity, close relationships, and social responsibility, support stability and long-term strategic orientation amid market pressures (Lansberg et al., 1997; Chrisman et al., 2005). Integrity, open communication, and succession planning further help reduce internal conflict and sustain intergenerational continuity, making family values fundamental to long-term success. Corporate governance comprises structures and mechanisms that ensure accountability and enhance long-term firm value (Velnampy, 2013). It directs and monitors management to improve profitability and shareholder value, while mitigating agency conflicts between owners and managers. Oversight bodies such as boards of commissioners and audit committees are therefore essential to ensure adherence to governance principles.

Major corporate failures and financial crises have highlighted weak governance, particularly poor independent oversight and excessive executive dominance, as key causes of collapse (Abid & Ahmed, 2014). In Indonesia, governance awareness intensified after the 1997–1998 Asian financial crisis, prompting stronger demands for accountability. The bankruptcy of a historic Central Java herbal company in 2017, driven by family conflict, weak succession, poor professionalization, and financial distress, shows that long-standing success cannot ensure sustainability without strong governance.

Although prior studies have examined corporate governance and firm value separately, most focus on non-family firms or treat family firms as a homogeneous group without considering leadership structure. The research gap lies in the limited empirical evidence on how corporate governance mechanisms influence family firm value when leadership remains under family control, particularly through the role of a family CEO as a moderating variable. Therefore, this study offers novelty by integrating governance mechanisms (independent commissioners, audit committee,

and board of directors) with firm size and explicitly testing the moderating effect of a family CEO on family firm value, providing a more contextualized understanding of governance effectiveness in family-controlled companies.

Weak implementation of good corporate governance in Indonesian companies, particularly in the financial sector, has contributed to declining firm value, despite the sector's vital role in financing economic activity and investment. As a key pillar of the national economy, financial-sector performance often reflects a country's overall economic condition and progress. This research aims to analyze the influence of GCG mechanisms, proxied by independent commissioners, the audit committee, and the board of directors, as well as firm size, on firm value, with the family CEO as a moderating variable.

## 2. Literature Review and Hypothesis Development

### 2.1. Simultaneous Effect on Firm Value

The value of a family firm reflects market perceptions of its performance, growth prospects, and governance quality under family control. Because controlling families often dominate strategic decisions, effective governance mechanisms are essential to strengthen investor confidence and firm value. Independent commissioners play a key role in ensuring objective oversight, enhancing transparency and credibility, and signaling good governance to the market, which ultimately contributes to higher firm value (Anand et al., 2025).

The audit committee also plays an important role in supporting oversight through controlling financial reporting processes, internal control systems, and regulatory compliance. In family firms, an effective audit committee can improve the quality of financial information and reduce information uncertainty for investors, which in turn increases market trust and is reflected in higher firm value (Chaudhary et al., 2025). Meanwhile, the board of directors serves as the key decision-maker and manager of daily operations. An effective board is able to formulate appropriate strategies, allocate resources optimally, and balance family interests with broader corporate objectives, thereby enhancing growth prospects and positively impacting firm value.

Beyond governance mechanisms, firm size is another factor influencing firm value. Larger family firms generally possess stronger resources, broader access to financing, and higher levels of market trust. Firm size signals stability and business sustainability, making the company more attractive to investors and supporting higher firm value. Simultaneously, the presence of independent commissioners, audit committees, and effective boards of directors supported by adequate firm size reflects strong governance quality in family firms (Hadjielias et al., 2025). Together, these factors shape positive market perceptions that ultimately lead to an increase in firm value.

H1: Independent commissioners, audit committees, boards of directors, and firm size simultaneously affect the value of family firms.

### 2.2. Independent Commissioners and Audit Committee on Firm Value

Independent commissioners are external members of the board of commissioners with no affiliation to controlling shareholders or management, serving as a core mechanism of Good Corporate Governance (GCG) to ensure objective oversight. Fama and Jensen (1983) stress the need to separate decision management from decision control through independent supervision. In family firms, independence must also mean freedom from emotional ties to the controlling family, with Chen et al. (2008) describing independent commissioners as "referees" who safeguard professionalism and prevent policies from serving narrow family interests. By

reducing Type II agency costs between controlling and minority shareholders, they enhance investor protection. Accordingly, markets assign valuation premiums to family firms with truly independent boards, and a higher proportion of independent commissioners is positively associated with Tobin's Q and Price to Book Value (PBV) through stronger monitoring and reduced information risk (Anderson & Reeb, 2004; Maury, 2006).

Similarly, the audit committee established under and accountable to the Board of Commissioners supports oversight by ensuring the integrity of financial reporting and internal controls. Its effectiveness depends on members' financial expertise and independence, and it plays a key role in limiting earnings management (Klein, 2002; Bédard et al., 2004). From an agency theory perspective, an effective audit committee reduces information risk and strengthens financial integrity signals, which positively affect firm value. Maury (2006) finds a positive relationship with PBV and Tobin's Q, while Al-Okaily and Naueihed (2020) show that markets place a higher value on family firms whose audit committees possess strong financial expertise, as better oversight lowers risk premiums and enhances overall valuation.

H2: Independent commissioners have a positive effect on firm value.
H3: The audit committee has a positive effect on firm value.

### 2.3. Board of Directors and Firm Size on Firm Value

The board of directors holds full authority and responsibility for managing and representing the company in accordance with its articles of association, and its effectiveness determines the firm's ability to allocate resources efficiently and respond to market dynamics (Jensen, 1993). In family businesses, directors face the challenge of transitioning from founder-centered leadership to more professional collective management as the firm grows (Gersick et al., 1997). Drawing on stewardship and agency theories, capital markets tend to assign higher value to boards that consistently achieve financial targets; firm value indicators such as PBV and Tobin's Q are optimized when governance combines committed family members with long-term orientation and professional managers who bring market objectivity (Anderson & Reeb, 2003). Maury (2006) shows that higher managerial quality of the board is positively associated with asset utilization efficiency and profitability, leading to stronger investor confidence and higher stock prices, thereby positioning the board as the key driver in transforming family capital into competitive market value.

Firm size reflects a company's economic capacity, market strength, and operational complexity, and is generally associated with greater stability due to broader resource diversification. Dang et al. (2018) state that firm size signals strong long-term prospects and a higher ability to generate sustainable profits. In family businesses, it also represents successful intergenerational wealth accumulation and managerial capability in handling growing assets. Empirically, Amro and Asyik (2021) states that firm size positively influences firm value because larger firms are perceived to have better growth opportunities and more stable profits, which increase investor confidence and are reflected in higher PBV. Nevertheless, the relationship may become non-linear, as excessive size without effective governance can create inefficiencies and agency problems that reduce firm value (Hirdinis, 2019).

H4: The board of directors has a positive effect on firm value.
H5: Firm size has a positive effect on firm value.

### 2.4. Family CEO as Moderating Variable

Family CEO refers to a condition where the top executive is a member of the controlling family, aiming to preserve the founder's vision. It reduces the separation between ownership and control and aligns decisions with long-term family interests (Anderson & Reeb, 2003). But may also create agency risks such as nepotism and entrenchment. Its effectiveness depends on the firm's life-cycle stage and governance strength (Villalonga & Amit, 2006).

Empirical evidence shows that the effect of a family CEO on firm value is conditional. Anderson and Reeb (2003) find higher Tobin's Q and PBV when family members serve as CEO, as markets view this as a signal of long-term commitment. However, Villalonga and Amit (2006) warn that excessive family dominance may reduce valuation due to nepotism and private benefit extraction. Thus, strong governance mechanisms are essential to ensure accountability and sustain firm value.

As a moderating factor, family CEO can strengthen or weaken the impact of corporate governance mechanisms on family firm value (Camisón et al., 2020). When independent commissioners, audit committees, and boards of directors function effectively, a family CEO who is open to oversight can enhance transparency, professionalism, and investor confidence; however, a dominant family CEO may limit supervisory effectiveness and reduce governance impact on firm value.

Family CEOs also shape how firm size translates into valuation, as professional and long-term oriented leadership can reinforce the positive effect of firm size, whereas self-serving behavior may hinder large-scale advantages from improving market value. From a socio-emotional wealth perspective, family CEOs are motivated to protect family reputation, encouraging stronger governance support. Therefore, the family CEO acts as a contextual moderator influencing how governance quality and firm characteristics jointly determine family firm value (Hussin & Setiany, 2025).

H6: Family CEO moderates the effect of independent commissioners on firm value.
H7: Family CEO moderates the effect of audit committees on firm value.
H8: Family CEO moderates the effect of the board of directors on firm value.
H9: Family CEO moderates the effect of firm size on firm value.

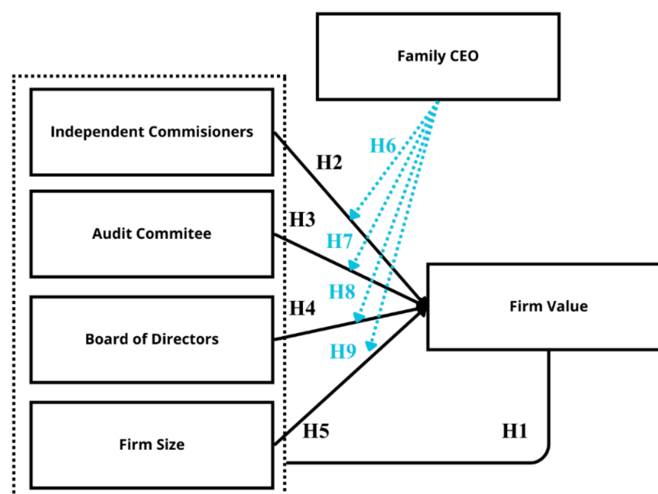


**Figure 1.** Conceptual Framework

Figure 1 illustrates the conceptual framework in which independent commissioners, audit committees, boards of directors, and firm size are proposed to influence family firm value both simultaneously and individually. The model posits that each governance mechanism and firm size exerts a positive direct effect on firm

value, reflecting the role of effective oversight, monitoring, strategic decision-making, and organizational scale in enhancing performance. Furthermore, the presence of a family CEO is positioned as a moderating variable that may strengthen or weaken the relationships between these governance mechanisms, firm size, and firm value, indicating that leadership structure conditions the effectiveness of governance practices in family firms.

## 3. Methods

This study employs a quantitative approach to examine causal relationships among variables using objective numerical data. The research object consists of family firms listed on the Indonesia Stock Exchange (IDX) during 2019–2024, defined as companies with at least 20% family ownership (directly or indirectly) and family involvement in the board of directors or commissioners. Family firms are selected due to their significant role in the Indonesian economy and their governance challenges arising from concentrated family control. The study applies purposive sampling with criteria including consistent listing during 2019–2024, availability of complete audited annual reports, full disclosure of governance data (independent commissioners, audit committees, board size, and family CEO), presentation in IDR, and no delisting status. From a total population of 325 firms, 138 companies meet the criteria, resulting in 828 firm-year observations.

The study uses secondary data obtained from annual reports and audited financial statements of family firms published on the official Indonesia Stock Exchange (IDX) website and company websites, complemented by historical stock price and market capitalization data from the IDX database, the Indonesian Capital Market Directory (ICMD), and relevant scientific literature. Firm value serves as the dependent variable, defined as investors' perceptions of company performance reflected in stock prices, and is measured using Tobin's Q. Independent variables include independent commissioners (proportion of independent commissioners), audit committee (number of members, minimum three as required by Financial Services Authority (*Otoritas Jasa Keuangan*/OJK)), board of directors (number of directors), and firm size (natural logarithm of total assets). Family CEO acts as a moderating variable, measured using a dummy variable (1 = Family CEO; 0 = Non-Family CEO).

Using descriptive statistics to characterize the data is the first step in data analysis. This is followed by traditional assumption tests, such as the Durbin-Watson statistic for autocorrelation, the Glejser test for heteroskedasticity, the Kolmogorov-Smirnov test for normality, and the Glejser test for multicollinearity with criteria of Tolerance > 0.10 and Variance Inflation Factor (VIF) < 10. Multiple linear regression analysis is then performed to evaluate the coefficient of determination and test hypotheses partially and concurrently. The function of the moderating variable is subsequently investigated using Moderated Regression Analysis (MRA). SPSS version 26 is used for all data processing and analysis.

## 4. Results

The family businesses that make up the study's sample are dispersed over a number of non-financial industry sectors that are listed on the Indonesia Stock Exchange. The manufacturing sector leads with 42 companies (30.4%), followed by trade, services, and investment with 28 companies (20.3%) and property and real estate with 22 companies (15.9%), according to a distribution of the sample by industry sector. Out of the 828 observations, 512 (61.84%) represent family businesses led by family CEOs, while 316 (38.16%) are managed by non-family CEOs.

**Table 1.** Descriptive Statistics

| Variable | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Firm Value (Y) | 828 | 0.342 | 8.765 | 1.458 | 1.123 |
| Independent Commissioner ($X_1$) | 828 | 20.00 | 66.67 | 37.82 | 8.456 |
| Audit Committee ($X_2$) | 828 | 3.00 | 7.00 | 3.24 | 0.621 |
| Board of Directors ($X_3$) | 828 | 2.00 | 15.00 | 5.67 | 2.345 |
| Firm Size ($X_4$) | 828 | 25.123 | 33.876 | 28.945 | 1.987 |
| Family CEO (Z) | 828 | 0.00 | 1.00 | 0.62 | 0.486 |

Table 1 presents the descriptive statistics of the study variables. Firm value has a mean of 1.458 and a standard deviation of 1.123, with a range of 0.342–8.765, indicating that, on average, Indonesian family firms listed on the IDX are valued above their book value, reflecting positive investor perceptions, although substantial variation exists across firms. The proportion of independent commissioners averages 37.82% with a standard deviation of 8.456, exceeding the 30% minimum requirement under POJK Number 33/POJK.04/2014. Audit committees consist of an average of 3.24 members with a standard deviation of 0.621, generally complying with the minimum three-member requirement stipulated in POJK Number 55/POJK.04/2015.

The board of directors has a mean size of 5.67 members with a standard deviation of 2.345, ranging from 2 to 15, suggesting moderate board structures with variation reflecting differences in firm complexity. Firm size averages 28.945 with a standard deviation of 1.987, indicating that the sample is largely composed of medium-to-large firms. The Family CEO variable shows a mean of 0.62, meaning 62% of observations are led by family CEOs, highlighting the strong tendency of Indonesian family firms to retain managerial control within the family.

**Table 2.** Normality Test

| Model | Kolmogorov-Smirnov Z | Asymp. Sig. (2-tailed) |
|---|---|---|
| Model 1 (Direct Effect) | 0.878 | 0.423 |
| Model 2 (Moderation Effect) | 0.945 | 0.334 |

According to Table 2's Kolmogorov-Smirnov test results, Model 1's Asymp. Sig. (2-tailed) value is 0.423 and Model 2's is 0.334, both of which are greater than 0.05. This demonstrates the regular distribution of the residual data, demonstrating that both regression models satisfy the normality criteria.

Table 3 presents the results of the classical assumption tests. The multicollinearity test shows that all independent variables have Tolerance values above 0.10 and VIF values below 10, indicating the absence of multicollinearity in the regression model and confirming that the model is suitable for further analysis (Hair et al., 2019; Ghozali, 2021).

**Table 3.** Multicollinearity and Heteroscedasticity Test (Direct & Moderation Effect)

| Test | Variable | Multicollinearity Test | | Heteroscedasticity Test |
|---|---|---|---|---|
| | | Tolerance | VIF | Sig. |
| Direct Effect | Independent Commissioner ($X_1$) | 0.742 | 1.348 | 0.234 |
| | Audit Committee ($X_2$) | 0.856 | 1.168 | 0.567 |
| | Board of Directors ($X_3$) | 0.623 | 1.605 | 0.412 |
| | Firm Size ($X_4$) | 0.689 | 1.451 | 0.189 |
| Moderation Effect | Independent Commissioner ($X_1$) | 0.456 | 2.193 | 0.298 |
| | Audit Committee ($X_2$) | 0.512 | 1.953 | 0.523 |
| | Board of Directors ($X_3$) | 0.398 | 2.513 | 0.467 |

| Test | Variable | Multicollinearity Test | | Heteroscedasticity Test |
|---|---|---|---|---|
| | | Tolerance | VIF | Sig. |
| | Firm Size ($X_4$) | 0.434 | 2.304 | 0.211 |
| | Family CEO (Z) | 0.567 | 1.764 | 0.378 |
| | $X_1 \times Z$ | 0.412 | 2.427 | 0.445 |
| | $X_2 \times Z$ | 0.489 | 2.045 | 0.512 |
| | $X_3 \times Z$ | 0.376 | 2.660 | 0.389 |
| | $X_4 \times Z$ | 0.445 | 2.247 | 0.423 |

In Model 2, which incorporates the moderating variable and interaction terms, the VIF values are slightly higher than in Model 1 but remain below the threshold of 10. This suggests that although interaction terms are naturally correlated with their main variables, the correlation is still within an acceptable range and does not bias the regression estimates. Furthermore, the Glejser test results indicate that all independent variables have significance values greater than 0.05, meaning that heteroskedasticity is not present in the model. Thus, the homoscedasticity assumption is satisfied, and the regression model meets the required classical assumptions for reliable hypothesis testing.

**Table 4.** Autocorrelation Test – Durbin-Watson Test

| Model | Durbin-Watson | dL | dU | 4-dU | 4-dL | Result |
|---|---|---|---|---|---|---|
| Model 1 | 2.045 | 1.789 | 1.845 | 2.155 | 2.211 | No autocorrelation |
| Model 2 | 1.987 | 1.743 | 1.912 | 2.088 | 2.257 | No autocorrelation |

According to Table 4, Model 1's Durbin-Watson value is 2.045, whereas Model 2's is 1.987. The requirement $dU < DW < 4 - dU$ is satisfied for both models, according to the Durbin–Watson table at the 5% significance level, suggesting that the regression model does not contain either positive or negative autocorrelation. Consequently, the presumption that there is no autocorrelation is satisfied.

**Table 5.** Multiple Regression Analysis Result – Model 1

| Variable | Coefficient (β) | Std. Error | t-statistics | Sig. | Result |
|---|---|---|---|---|---|
| Constant | -2.456 | 1.234 | -1.991 | 0.047 | - |
| Independent Commissioner ($X_1$) | 0.0234 | 0.0089 | 2.629 | 0.009 | Significant |
| Audit Committee ($X_2$) | 0.187 | 0.078 | 2.397 | 0.017 | Significant |
| Board of Directors ($X_3$) | -0.0456 | 0.0234 | -1.948 | 0.052 | Insignificant |
| Firm Size ($X_4$) | 0.156 | 0.045 | 3.467 | 0.001 | Significant |

Based on Table 5, the multiple linear regression equation for Model 1 is expressed as: $Y = -2.456 + 0.0234X_1 + 0.187X_2 - 0.0456X_3 + 0.156X_4 + \varepsilon$. The constant value of -2.456 indicates that if all independent variables were zero, the firm value would be -2.456, although this has no practical meaning in real corporate conditions. The coefficient for independent commissioners ($\beta_1 = 0.0234$) shows that a 1% increase in the proportion of independent commissioners increases firm value by 0.0234 units, and this effect is statistically significant (Sig. $0.009 < 0.05$). The audit committee coefficient ($\beta_2 = 0.187$) indicates that adding one audit committee member increases firm value by 0.187 units, also significant (Sig. $0.017 < 0.05$). According to the board of directors coefficient ($\beta_3 = -0.0456$), adding a director reduces firm value by 0.0456 units, however, this effect is not significant at the 5% level (Sig. $0.052 > 0.05$). Firm size has a positive and significant influence ($\beta_4 = 0.156$), which means that a

one-unit increase in Ln total assets results in a 0.156-unit rise in firm value (Sig. 0.001 < 0.05).

**Table 6.** Moderated Regression Analysis Result – Model 2

| Variable | Coefficient (β) | Std. Error | t-statistics | Sig. | Result |
|---|---|---|---|---|---|
| Constant | -3.124 | 1.456 | -2.146 | 0.032 | - |
| Independent Commissioner ($X_1$) | 0.0189 | 0.0098 | 1.929 | 0.054 | Insignificant |
| Audit Committee ($X_2$) | 0.145 | 0.084 | 1.726 | 0.085 | Insignificant |
| Board of Directors ($X_3$) | -0.0523 | 0.0267 | -1.958 | 0.051 | Insignificant |
| Firm Size ($X_4$) | 0.134 | 0.052 | 2.577 | 0.010 | Significant |
| Family CEO (Z) | 0.234 | 0.123 | 1.902 | 0.058 | Insignificant |
| $X_1 \times Z$ | 0.0145 | 0.0067 | 2.164 | 0.031 | Significant |
| $X_2 \times Z$ | 0.112 | 0.056 | 2.000 | 0.046 | Significant |
| $X_3 \times Z$ | 0.0234 | 0.0156 | 1.500 | 0.134 | Insignificant |
| $X_4 \times Z$ | 0.0567 | 0.0234 | 2.423 | 0.016 | Significant |

Table 6 shows the moderated regression results for Model 2: $Y = -3.124 + 0.0189X_1 + 0.145X_2 - 0.0523X_3 + 0.134X_4 + 0.234Z + 0.0145X_1 \times Z + 0.112X_2 \times Z + 0.0234X_3 \times Z + 0.0567X_4 \times Z + \varepsilon$. The interaction terms indicate that family CEO significantly strengthens the effect of independent commissioners (β = 0.0145; Sig. = 0.031), audit committee (β = 0.112; Sig. = 0.046), and firm size (β = 0.0567; Sig. = 0.016) on firm value. However, the interaction between the board of directors and Family CEO is not significant (β = 0.0234; Sig. = 0.134), suggesting no moderating effect in this relationship.

**Table 7.** Coefficient Determination (Model 1 & Model 2)

| Statistics Model | Result (Model 1) | Result (Model 2) |
|---|---|---|
| R | 0.589 | 0.623 |
| R Square | 0.347 | 0.388 |
| Adjusted R-Square | 0.344 | 0.381 |
| F-statistics | 109.234 | 58.234 |
| Sig. F | 0.000 | 0.000 |

Table 7 indicates that the Adjusted R Square in Model 1 is 0.344 (34.4%), meaning independent commissioners, audit committees, boards of directors, and firm size explain 34.4% of the variation in family firm value, while 65.6% is influenced by other factors such as profitability, capital structure, dividend policy, and macroeconomic conditions. In Model 2, the Adjusted R Square increases to 0.381 (38.1%), reflecting a 3.7% improvement after including family CEO and interaction terms, which suggests its substantive moderating role. Although lower than the 72.18% reported by Malelak et al. (2020), this difference may stem from variations in period, variables, and sample characteristics; nevertheless, an $R^2$ of 38.1% is considered moderate and acceptable in finance and accounting research. The F-test further confirms model validity. Model 1 shows an F-statistic of 109.234 (Sig. 0.000 < 0.05), indicating that the independent variables simultaneously affect family firm value. Likewise, Model 2 reports an F-statistic of 58.234 (Sig. 0.000 < 0.05), demonstrating that all independent and moderating variables jointly have a significant effect.

## 5. Discussion

Simultaneously, the governance mechanisms and firm size collectively influence family firm value, indicating that corporate governance and structural capacity operate as an integrated system rather than isolated determinants. This finding reinforces agency theory by showing that multiple monitoring mechanisms work together to reduce agency conflicts, while resource dependence theory suggests that governance structures and organizational scale jointly provide legitimacy and strategic resources that enhance market valuation (Jensen & Meckling, 1976; Fama & Jensen, 1983; Hillman & Dalziel, 2003). Thus, firm value in family businesses is shaped not only by individual governance attributes but by the combined strength of oversight structures and organizational capacity

The findings indicate that independent commissioners positively influence family firm value, as a higher proportion strengthens monitoring quality and reduces opportunistic behavior by controlling families. This result is consistent with Malelak et al. (2020), who document a positive relationship between independent commissioners and firm value in Indonesia. In family firms, independent commissioners play a crucial role in mitigating conflicts of interest between majority family shareholders and minority investors (Nasir et al., 2024). From an agency theory perspective, independent oversight reduces agency costs and enhances firm valuation, while resource dependence theory suggests that independent commissioners contribute external legitimacy, expertise, and strategic networks (Jensen & Meckling, 1976; Hillman & Dalziel, 2003). Although most firms exceed the minimum OJK requirement, strengthening substantive independence may further enhance governance effectiveness.

Audit committees also positively affect family firm value, indicating that stronger oversight improves financial reporting quality, internal control systems, and risk management, thereby increasing investor confidence. This finding aligns with Itan et al. (2024), who emphasize the audit committee's role in preventing tunneling and expropriation in family firms. Agency theory similarly highlights audit committees as key mechanisms for protecting minority shareholders and reducing agency conflicts (Fama & Jensen, 1983). While firms generally comply with minimum regulatory standards, enhancing member competence, independence, and oversight intensity may generate greater value beyond formal compliance.

In contrast, the board of directors does not show a significant influence on firm value, suggesting that board size alone does not determine market valuation in Indonesian family firms. Agency theory explains that larger boards may create coordination problems and inefficiencies (Jensen, 1993). Malelak et al. (2020) similarly report that larger boards may reduce firm value due to higher operational costs, while Nasir et al. (2024) argue that director quality and independence matter more than numerical composition, particularly in firms with concentrated ownership. These comparisons indicate that structural expansion without qualitative improvement does not necessarily enhance firm value.

Firm size demonstrates a positive impact on family firm value, as larger firms are perceived as more stable, credible, and possessing stronger growth potential (Brigham & Houston, 2019). In family businesses, size also reflects long-term sustainability and successful intergenerational continuity (Arayssi & Bejaoui, 2025). This finding is consistent with the resource-based view, which emphasizes that firms with superior resources and economies of scale are better positioned to create value (Barney, 1991). Empirical evidence in Indonesia likewise confirms the positive association between firm size and market valuation, although excessive growth may create bureaucratic inefficiencies (Nasir et al., 2024).

The study further reveals that family CEO strengthens the positive influence of independent commissioners, audit committees, and firm size on firm value. Stewardship theory explains that family leaders possess long-term orientation and

psychological ownership, making them more receptive to governance oversight (Itan et al., 2024). Socioemotional wealth theory also suggests that family CEOs are motivated to protect family reputation and legacy, reinforcing cooperation with governance mechanisms (Arayssi & Bejaoui, 2025). However, Family CEO does not moderate the relationship between board size and firm value, likely because board size itself is not a decisive determinant. The findings support stewardship and socioemotional wealth perspectives in Indonesian family firms, indicating that family leadership can function not merely as an agency risk but also as a strategic advantage in sustaining long-term market value.

## 6. Conclusion

Based on the analysis of family firms listed on the Indonesia Stock Exchange during 2019–2024, this study concludes that good corporate governance mechanisms and firm characteristics play an important role in enhancing firm value. Simultaneously, independent commissioners, audit committees, boards of directors, and firm size significantly affect firm value, with the model explaining a meaningful proportion of its variation. Independent commissioners and audit committees demonstrate a positive and significant influence, indicating that independent oversight and effective auditing strengthen transparency and minority shareholder protection. Firm size also shows a positive effect, suggesting that larger family firms are perceived as more stable and possessing stronger growth prospects. In contrast, the board of directors does not significantly influence firm value, implying that board size alone does not necessarily reflect decision-making effectiveness in Indonesian family firms.

The findings further reveal that the family CEO plays a substantive moderating role by strengthening the positive effects of independent commissioners, audit committees, and firm size on firm value, although it does not moderate the relationship between board size and firm value. The inclusion of this moderating variable improves the model's explanatory power, highlighting the importance of family leadership characteristics such as long-term orientation, reputational commitment, and intergenerational sustainability.

Despite these contributions, the study is limited by a relatively short observation period, quantitative governance proxies, a restricted definition of family firms, and the presence of other influential factors outside the model. Future research should extend the timeframe, incorporate additional financial and governance variables, apply more advanced analytical methods, and develop more comprehensive measures of Family CEO influence to better understand sustainable value creation in Indonesian family firms.

## References

Abdelaziz, S. A. (2021). The importance of the governance role in achieving stability and sustainability in family business companies through generations. *Business and Management Studies*, *7*(3), 16-24.

Abid, G., & Ahmed, A. (2014). Failing in corporate governance and warning signs of a corporate collapse. *Pakistan Journal of Commerce and Social Sciences*, *8*(3), 846-866.

Adekomaya, V. (2025). Family business succession planning and conflict in South Africa: A theoretical framework to guide future research and practice. *International Journal of Research in Business and Social Science*, *14*(8), 142-151.

Al-Okaily, J., & Naueihed, S. (2020). Audit committee effectiveness and family firms: Impact on performance. *Management Decision*, *58*(6), 1021-1034.

Amro, P. Z. N., & Asyik, N. F. (2021). Pengaruh profitabilitas, ukuran perusahaan, dan struktur modal terhadap nilai perusahaan. *Jurnal Ilmu dan Riset Akuntansi (JIRA)*, *10*(7), 14-26.

Anand, A., Wieszt, A., & Vajda, É. (2025). Decoding the dark sides of family business: A synthesis, and future research agenda. *Review of Managerial Science, 19*(11), 3563-3606.
Anderson, R. C., & Reeb, D. M. (2004). Board composition: Balancing family influence in S&P 500 firms. *Administrative Science Quarterly, 49*(2), 209-237.
Arayssi, M., & Bejaoui, A. (2025). Family firms and corporate governance: Balancing control and reputation and image in modern business. *Sage Open, 15*(1), 1-18.
Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17*(1), 99-120.
Bédard, J., Chtourou, S. M., & Courteau, L. (2004). The effect of audit committee expertise, independence, and activity on aggressive earnings management. *Auditing: A Journal of Practice & Theory, 23*(2), 13-35.
Brigham, E. F., & Houston, J. F. (2019). *Fundamentals of financial management* (15th ed.). Cambridge: Cengage Learning.
Camisón-Zornoza, C., Forés-Julián, B., Puig-Denia, A., & Camisón-Haba, S. (2020). Effects of ownership structure and corporate and family governance on dynamic capabilities in family firms. *International Entrepreneurship and Management Journal, 16*(4), 1393-1426.
Chaudhary, S., Dhir, A., Nguyen, D. K., Battisti, E., & Kaur, P. (2025). Exploring family values, religion, and ethical behavior in family businesses: A multi-stage qualitative investigation. *Journal of Business Ethics, 198*(4), 865-891.
Chen, S., Chen, X. I. A., & Cheng, Q. (2008). Do family firms provide more or less voluntary disclosure? *Journal of Accounting Research, 46*(3), 499-536.
Chrisman, J. J., Chua, J. H., & Sharma, P. (2005). Trends and directions in the development of a strategic management theory of the family firm. *Entrepreneurship Theory and Practice, 29*(5), 555-575.
Chu, W. (2011). Family ownership and firm performance: Influence of family management, family control, and firm size. *Asia Pacific Journal of Management, 28*(4), 833-851.
Dang, C., Li, Z. F., & Yang, C. (2018). Measuring firm size in empirical corporate finance. *Journal of Banking & Finance, 86*(10), 159-176.
Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law and Economics, 26*(2), 301-325.
Ghozali, I. (2021). *Aplikasi analisis multivariate dengan program IBM SPSS 26* (10th ed.). Semarang: Badan Penerbit Universitas Diponegoro.
Hadjielias, E., De Massis, A., Christofi, M., Manika, D., & Brammer, S. (2025). Ethical issues in family business: Toward a deeper understanding and a new research agenda. *Journal of Business Ethics, 198*(4), 715-731.
Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis* (8th ed.). Cambridge: Cengage Learning.
Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *Academy of Management Review, 28*(3), 383-396.
Hirdinis, M. (2019). Capital structure and firm size on firm value moderated by profitability. *Journal Economics, 7*(4), 56-66.
Hussin, S., & Setiany, E. (2025). The moderating role of financial performance on governance and firm characteristics toward sustainability disclosure. *Research Horizon, 5*(5), 2277-2290.
Itan, I., Ahmad, Z., Setiana, J., & Karjantoro, H. (2024). Corporate governance, tax avoidance and earnings management: Family CEO vs non-family CEO managed companies in Indonesia. *Cogent Business & Management, 11*(1), 231-242.
Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *The Journal of Finance, 48*(3), 831-880.
Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360.
Klein, A. (2002). Audit committee, board of director characteristics, and earnings management. *Journal of Accounting and Economics, 33*(3), 375-400.
Laksitareni, P., Mangunwihardjo, S., & Kusumawardhani, A. (2015). *Suksesi dalam perusahaan keluarga: Studi kasus tiga perusahaan keluarga di Jawa Tengah.* Semarang: Universitas Diponegoro (Doctoral dissertation).
Lansberg, I. V. A. N., Gersick, K. E., Davis, J. A., & McCollom, M. (1997). Generation to generation. *Harvard Business Review, 11*(3), 51-64.

Malelak, M. I., Soehono, C., & Eunike, C. (2020). Corporate governance, family ownership and firm value: Indonesia evidence. In *SHS Web of Conferences* (Vol. 76, p. 01027). Les Ulis: EDP Sciences.

Maury, B. (2006). Family ownership and firm performance: Empirical evidence from Western European corporations. *Journal of Corporate Finance, 12*(2), 321-341.

Nasir, A., Wan Ismail, W. A., Kamarudin, K. A., Zarefar, A., & Armadani. (2024). Examining the impact of corporate governance and family ownership on corporate performance: Evidence from the Indonesian Stock Exchange. *Cogent Business & Management, 11*(1), 233-246.

Velnampy, T. (2013). Corporate governance and firm performance: A study of Sri Lankan manufacturing companies. *Journal International Economics Management, 8*(4), 76-86.

Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics, 80*(2), 385-417.

***Acknowledgment***
We gratefully acknowledge the contributions of individuals who supported the completion of this article.

***Funding Information***
This research did not receive any funding.

***Conflict of Interest Statement***
The authors declare that there is no conflict of interest.

***Ethical Approval and Originality Statement***
Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

***Data Disclosure Statement***
The data that support the findings of this study are available from the corresponding author upon reasonable request.

Copyright: © 2026 by the authors.
This work is licensed under the terms and conditions of the Creative Commons Attribution-ShareAlike 4.0 International License (https://creativecommons.org/licenses/by-sa/4.0/).