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The Influence of CEO Social Capital on the Level of Corporate Risk Taking

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Abstract: This study aims to evaluate the influence of CEO social capital on the level of risk taking of companies listed on the Indonesia Stock Exchange (IDX). CEO social capital in this study is defined as the capacity of a CEO to build and utilize professional social networks as measured by cross-board membership. This study uses secondary data from the annual reports of for the period 2020 to 2024 and is analyzed using a quantitative approach using WarpPLS. The results of the study indicate that CEO social capital does not have a significant effect on corporate risk taking. This finding indicates that the existence of a CEO's social network has not been able to encourage companies to make significantly risky decisions.

Keywords: *CEO Social Capital, Risk Taking, Social Network*

PENDAHULUAN

Ability a company in set risk is aspect crucial in secure level sustainability as well as growth flexible and dynamic business. One of factors that are often believed affect the level taking risk company is characteristic characteristics from leader the highest, namely *Chief Executive Officer* (CEO). In some study previously, found results that the CEO with network big social will impact positive in courage company take decision crucial and contains risk. However, there is still There is debate about how much strong influence network social a CEO to policy managerial, especially in the context of developing countries like Indonesia.

In the condition competition dynamic and pressured industry stakeholders growing interests complicated ability management company, especially the CEO in respond risk in a way appropriate become more important, not only on skills technical only, but also quality network social a CEO becomes attention in take decision at risk company. CEO *social capital*, which is form of social capital, seen Can give competitive advantage through convenience in access to source power external, information important, and support holder regulation. However, the dynamics sustainability business in Indonesia is full of with challenge regulations that have not been consistent, and dominant restrictive ownership utilization connection social in a way effective.

Various study previously has try research the influence of CEO *social capital* in context management and finance companies. However, the results are mixed and sometimes opposite push the need study repeat. Especially in the context of developing countries. with condition different regulations with conditions of developed countries. Therefore that, this research focused on testing in a way empirical what is social capital a real CEO capable push company in taking risky decision, adapt Indonesian market context.

TINJAUAN PUSTAKA

CEO *social capital* refers to the social capabilities of a CEO that come from professional relationships, personal reputation, and important positions in various networks, both formal and informal. This social capital also allows the CEO to

reach important information, build trust, and gain support in the decision-making process in the company.

This concept originates from the social network theory *which* explains that an individual gains important value from their position in a social network (Adler & Kwoon, 2002). In the leadership section, a CEO who has a large social network will be interpreted as having advantages in obtaining business information, collaboration opportunities, and even political support.

Javakhadze (2017) explained that CEOs who have cross-organizational connections are more capable of obtaining external resources such as investor relations, financing, and institutional support that can strengthen crucial decisions in the company. Thus, CEO *social capital* can be considered as one of the determinants of important policies in the company, especially decisions related to financing, development, and risk taking.

Risk taking in a company in this study is defined as the extent to which a company can make decisions that have a high level of uncertainty but have a large profit opportunity. One indicator that is often used to measure the level of risk taking is *the Debt to Equity Ratio* (DER). DER itself reflects how high the company dares to use debt compared to its own capital in running its operations. High DER is often associated with a company's more daring or aggressive attitude towards external financing, thus being considered as a concrete manifestation of a company's risk taking (Titman & Wessels, 1988).

Some previous literature shows mixed results on the relationship between CEO *social capital* and risk taking. Studies such as Ferris, *et al* ; (2017)& Andreou, *et al* ; (2018)explained that a CEO's large relationships and social reputation can influence the board and management in making important decisions, including in situations full of uncertainty. *Social capital* can create trust, accelerate the flow of information, and create emotional stability that helps management in making bold decisions.

However, the influence of CEO *social capital* on the level of risk taking is not always universally related. The results of Xin Su, *et al;*' s research (2022) explain that in certain conditions, such as reputational pressure or strict regulations, CEOs tend to be more careful even though they have a large social network. This network can act as a binder, not a driver, so its effectiveness depends on the institutional context or local environment of a company.

Overall, looking at the previous literature explains two tendencies, namely first CEO *social capital* can increase the level of corporate risk taking because with this role it can accelerate access to information and support, and second, *social capital* can be a restraint for managerial ambition due to reputation pressure. Therefore, it is important to explore these dynamics more deeply, especially in the context of markets in developing countries such as Indonesia, where regulatory structures, ownership relationships, and corporate cultures are very different from developed countries.

METODE PENELITIAN

This study uses a quantitative approach with an approach using the WarpPLS application. The research population is all companies listed on the Indonesia Stock Exchange during the 2020-2024 period. The sample was selected by *purposive sampling* based on the availability of annual report data and information on CEO board membership. The independent variable is CEO *social capital* as measured by the proportion of CEO membership in other companies. The dependent variable is the withdrawal as measured by the DER ratio.

HASIL DAN PEMBAHASAN

Result of testing in research This explain that CEO *social capital* is not influential in a way significant at the level taking risk company . The results obtained show direction negative and negative relationships significant in a way statistics . Findings This opposite with Most studies previously stated that network social CEO can increase ability company in access to opportunity and also support, which ultimately strengthening the CEO in take risk. In the context of Indonesian companies, results This reflect role connection network social CEO no always useful in a way effective in stages taking decision crucial which contains risk. Pressure from culture company, heavy dependence on shareholders shares, and unique governance structure is limiting factors influence.

This result in line results Xin Su, *et al* ;(2022) study which explains that environment with level great uncertainty and pressure big rules , then network social CEO will can become factor inhibitor in taking risk Because existence expectations and pressure onreputation in network said the CEO who has great reputation often more be careful Because consider impact social from the decision that ends fail or contain risk. Findings this is similar with Griffin , *et al* ; (2021) show that in a number of discussion , CEO with high *social capital* No will always become determinant active risk . They usually are will consider sustainability connection social term length and trust in network them , so that more Be careful in determination decisions that are of a nature speculative .

Although CEO *social capital* is theory estimated will strengthen courage in taking risk, but in the reality influence This nature contextual. Research results This strengthen argument that *social capital* No Single determinant, and its influence on decisions strategic must seen in the framework more detailed and specific regulations and culture. At the corner field managerial, results This give understanding that companies in Indonesia should don't necessarily interpret CEO with connection big social will direct take decision bold and progressive. Management need know that network social on CEO can give varying effects depending on the context .

In the situation certain, connection social precisely Can cause moral pressure, expectations reputation or attachment regulations that improve caution. Therefore that, is useful good for the directors or holder shares so as not to only evaluate network external a CEO, but also see style leadership and ability CEO adaptation in face dynamics complex risks. If seen from perspective local,results in study this reflects that potential utilization network social by CEO in taking risk still very limited factors like domination position holder shares, the corporate governance system that has not been independent, and trend taking decisions that are of a nature centralistic become inhibitor for CEO in use network social his in a way strategic . In addition, culture work that tends to hierarchical and based caution also causes CEOs to be more choose No depend on connection social they in situation no determined.

In contrast, research conducted in developed countries like the United States or European countries, CEO *social capital* is often found give influence positive to taking risk company. This is happen because better governance system open, autonomous large managerial, as well as regulations that make it easier for CEOs to utilise access information and relations they in support expansion and financing strategic (Ferris, Javakhadze, & Rajkovic, 2017). In countries like China which are developing countries, Li & Liu's (2016) research explain that social capital a CEO plays a role big Because existence network politics and regulation in governance business they moreover, in the research of Hua Li, *et al* ; (2023) explain that network director in a way significant, encouraging taking risk through easing

financing and increasing R&D in the company China.

KESIMPULAN DAN SARAN

Study This conclude that CEO *social capital* is not own influence in a way significant at the level taking risk companies listed on the Indonesia Stock Exchange. Although so, in a way theoretical network social CEO has potential in expand access to information and support party external, will but matter the Not yet prove that CEO *social capital* increases behavior determination decision risky. In Overall, the results found in the study This have contribution to the growing literature about role from the CEO in determine decision important company.

Research This No find existence significant influence between CEO *social capital* variable with level taking risk the company that indicates that the social capital owned by the CEO is not always become driving factors taking the most important risk, especially in the environment business in a country develop like Indonesia.

This matter to emphasize importance role factors that are contextual like culture company, structure ownership shares, and corporate governance systems in count effectiveness network social a CEO. Research this also explains that *social capital* can has two sides: as source strength and addition opportunities, as well as, can also become source from pressure and restrictions, depending on conditions external and pressure reputation faced a CEO.

Researcher furthermore it is recommended to expand other factors that can become variable mediation or moderation in connection this, and enlarge data coverage with to consider more institutions diverse. Then, researchers furthermore can use method cross- country that provides better understanding wide regarding CEO *social capital* in context different country regulations. Researchers next can deepen dimensions from *social capital* that alone no only from aspect quantitatively, but also from aspect qualitative and directional connection social in progress built by a CEO, for example CEO relationship with government or regulators, media, even community from industry.

For holders policy or regulator, findings This Can made into guidelines in formulate more governance policies contextual to role social executive company. In the environment business that has not been stable and facing pressure institutional, regulations that encourage accountability, disclosure connection cross company, as well as repair independent to CEO performance will more more beneficial than evaluate from wide or the magnitude network social.

Research This expected Can become foothold beginning for researchers furthermore in understand dynamics from influence social leader a company to policy important or strategic, as well as provide input suggestions for better governance practices nature contextual and can adapt to reality local. With Thus, the selection and improvement of CEO can done in a way wide with consider combination between competence managerial, ability leadership, as well as context environment business faced company, not just in numbers the magnitude *social* capital owned.

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