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The Moderating Role of Firm Size in the Relationship Between Board Size and Executive Incentives on Firm Performance

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A B S T R A C T
This study examines the effect of board size and executive incentives on firm performance in banking companies listed on the Indonesia Stock Exchange from 2020 to 2023. Firm size is tested as a moderating variable. A total of 45 banking companies were selected using purposive sampling, resulting in 180 firm-year observations, which were analyzed through panel data regression and Moderated Regression Analysis (MRA) using EViews 12. The results show that board size and executive incentives have a positive effect on firm performance, as measured by Return on Assets (ROA). However, firm size does not significantly affect firm performance and does not moderate the relationship between board size and performance. Notably, firm size negatively moderates the relationship between executive incentives and firm performance. These findings contribute to a better understanding of corporate governance dynamics in the banking sector.

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INTRODUCTION

Companies are driven to improve their performance in order to stay competitive in today's business climate. Performance is seen as a critical indicator of economic progress. To meet these challenges, businesses must innovate and respond swiftly to shifts in customer demand and market conditions by developing products and services that are both relevant and appealing. In order to save expenses and increase profitability, which in turn allows businesses to provide more competitive rates, operational efficiency improvements are essential. The importance of investing in human resource development cannot be overstated, as a firm's performance is greatly impacted by its competent and skilled staff.

Firm performance is the end result of a number of internal procedures aimed at making the most of its financial and human resources. Profitability, as measured by return on assets (ROA), is an important metric for assessing a firm's success. Return on Assets (ROA) measures the efficiency with which a business turns its assets into cash. Because it shows how well a business makes use of its resources to generate profits, return on assets (ROA) is an important metric. A lower ROA denotes poor performance, while a greater ROA signifies better performance for the organisation.

The banking sector was among numerous Indonesian industries that had a drop in performance in 2023. Statistics released by the Financial Services Authority (OJK) show that ROA in the banking sector has been falling for some time. A decrease from its prior level of 2.77% was noted in March 2024, resulting in ROA at 2.62%. Compared to the 2.74 percent reported in December 2023, this number is also lower. This drop happened because the banking industry's asset growth rate was 7.3% and their profit growth rate was just 1.5%. It appears that many organisations may have put too much money into assets that didn't pay off in terms of revenue growth, since the ROA continues to fall. This may point to more systemic problems, such inefficient operations, flawed company strategy, or even difficulties with risk management. Broader ramifications, such as diminished investor and consumer confidence and possible insolvency risks, may result from these problems if they are not adequately resolved.

In order to improve the success of a corporation, good corporate governance is essential. Corporate governance factors, such as board size, can affect the process of making long-term decisions. The board of directors is fully responsible for administering the company, according to POJK Regulation No. 33 of 2014. The quality of decisions is believed to be improved by a larger board because of the different viewpoints and experiences that it brings. Having a board that's too big, nevertheless, increases the likelihood of inefficiency and conflicts. Executive incentives based on equity also play an important role in motivating employees to perform well. Executives will be incentivised to accomplish long-term goals by bringing their interests in line with those of shareholders.

The effect of board size on firm performance has been the subject of multiple studies. The impact of executive equity incentives on firm performance, however, has received little academic attention. (Awaliyah et al., 2023),

(Masithoh & Dewayanto, 2020), (Putri & Supramono, 2022), (Ningsih et al., 2023), and (Ma et al., 2024) are some notable studies that have been conducted on this issue. Research by (Putri & Supramono, 2022) indicated that the size of a company's board of directors had no bearing on the company's financial success. The size of a company's board of directors is significantly related to its financial performance, according to research (Ningsih et al., 2023) nevertheless. Additionally, CEO equity incentives and board size both significantly impact firm performance (Ma et al., 2024).

This study uses firm size as a moderator to look at how large or small a company is in connection to board size, executive equity incentives, and company success. The board of directors and executive incentives are able to function at peak efficiency in large corporations because of structural advantages such as access to capital, good human resources, and complicated governance procedures. However, the same governance systems may not be as effective for smaller enterprises due to limitations in managerial capacity and resources. When it comes to governance structures and firm performance, larger firms tend to be more affected because of their superior monitoring capacities and management efficiency.

Based on this premise, the purpose of this study is to investigate the relationship between board size, executive equity incentives, and business performance, paying special attention to how firm size acts as a moderator. This study aims to add to the current body of empirical evidence on the topics of business performance, board size, and CEO incentives, with a focus on the banking industry and its unique set of problems.

LITERATURE REVIEW

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory is a method of strategic management that places an emphasis on the internal resources and competencies of a company as the main factors that determine its performance and competitive advantage (Barney, 1991). According to this hypothesis, a company's capacity, assets, and nature are the three most important factors in determining its profitability. According to RBV, a company can only gain a lasting competitive advantage from resources that are unique, hard to replicate, and impossible to replace.

Agency Theory

Jensen & Meckling (1976), state that agency theory elucidates the dynamic between a company's owner (the principle) and its manager (the agent). In this view, managers (as agents) and stockholders (as principals) may have competing interests. Conflicts may emerge when shareholders give managers control of the company and those managers make strategic decisions that go against the shareholders' interests. Managers often use their positions of power for their own benefit. Expenses related to monitoring and incentive systems put in place to bring the interests of the two sides into harmony are examples of agency costs that result from this scenario. These methods are

essential for management and shareholders to be on the same page, which leads to long-term success for businesses (Ma et al., 2024).

Firm Performance

An important indicator of management's success in reaching both long-term and short-term goals is firm performance. Firm performance is a measure of the efficiency with which upper-level management meets their financial goals via day-to-day operations. There are monetary, operational, and non-monetary ways to measure a firm's success (Kaplan, R. S., & Norton, 1996). Depending on the priorities of the company's strategy, financial, operational, and social-environmental indicators can be used to evaluate the firm's performance. A higher indicator value shows that management is doing a good job of utilising resources, which in turn indicates superior firm performance.

Executive Incentives

Executive Incentives are compensation or rewards given to executives or senior managers in a company as a form of motivation to achieve strategic goals and improve firm performance (Murphy, 1999). Executive incentives include a variety of components, such as a basic pay, bonuses, stock, stock options, and other rewards and perks (Murphy, 1999). Executives get a certain amount of money each month for their work (a base wage) and additional money (bonuses) depending on how well they do. In order to encourage and retain business executives, the compensation structure includes executive incentives. Companies can keep executives motivated to achieve strategic goals while balancing their short-term and long-term interests through the use of well-structured incentives. One form of executive incentive is cash compensation, which includes total salaries, allowances, and bonuses received by the board of commissioners and the board of directors, based on the company’s performance during a specific period following the end of the fiscal year (Azmi & Aprayuda, 2021).

Board Size

According to Putri & Supramono (2022), the size of the board plays a major role in determining how well a company does as a whole in terms of corporate governance. Reducing management-owner conflicts of interest and developing resource management strategies to meet both immediate and distant company objectives are the purview of the board of directors. The board's ability to effectively manage the company can improve its performance. According to Jao et al. (2020), the number of directors in a corporation is the determining factor in board size. A more diverse and inclusive board can help shape more all-encompassing development strategies and tap into more extensive networks of resources to fuel the company's expansion. It is believed that a larger board will discourage managers from engaging in opportunistic behaviour within the framework of agency theory. Accountability can be improved when more people are participating since there is more supervision of management's actions (Fajarwati & Witiastuti, 2022).

Firm Size

One way to classify companies is by their size, which can be determined using metrics such as total assets, share capital, stock value, and so on (Gunawan et al., 2022). Total assets, sales, and market capitalisation are the three main metrics used to quantify a firm's size. The wealth and resources of a corporation are reflected in its total assets. A larger organisation is indicated by a higher total asset value. Greater productivity and company activity are shown by larger sales statistics, which are a measure of the intensity of operational operations. The market's valuation of a firm is reflected in its market capitalisation, which is determined by adding together the value of all existing shares. A large market capitalisation suggests a solid reputation and good opportunities for expansion. When combined, these three metrics provide a full view of a company's size, which is useful for categorising businesses. For example, total assets show how much money a firm has, sales show how busy a company is, and market capitalisation shows how much all of the shares in a company are worth.

Board Size and Firm Performance

Several important elements impacting the sustainability performance of corporations were identified in the study by (Tran et al., 2021). Board size, gender diversity, group ownership structure, and sustainability committee presence are some of these aspects. The size of a board, both in terms of the number of members and their makeup as well as their experience and level of independence, greatly influences the performance of a corporation. In the Resource-Based View (RBV), the board of directors is seen as a valuable asset that may help a firm gain a competitive edge. This is achieved by their knowledge, connections, and the way they allocate resources. When made up of people with different experiences and perspectives, an appropriately sized board can improve a company's success. Agency theory, in contrast, stresses the significance of strong board supervision of management to safeguard shareholder interests. In order to improve corporate governance and give thorough strategic input, larger boards often have more diverse skills and viewpoints (Masithoh & Dewayanto, 2020).

Research has shown that firms with larger boards have better corporate governance and stronger decision-making processes, which in turn boosts their performance (Jao et al., 2020), (Fajarwati & Witiastuti, 2022), (Ma et al., 2024), and (Tran et al., 2021). Having a board that is too big, however, can hinder a company's productivity (Rusdi et al., 2021). Companies with too many board members are less able to adapt quickly to shifting market conditions and take decisions.

H1: Board size has a positive effect on firm performance**.**

Executive Incentives and Firm Performance

From the viewpoints of the Resource-Based View (RBV) and Agency Theory, executive incentives are an important instrument for improving business performance. The RBV hypothesis states that executive equity incentives act as a retention and motivation tool for managers, who are seen as strategic assets. This,

in turn, promotes the efficient use of internal resources, which boosts performance. On the other hand, according to Agency Theory, equity incentives can assist managers prioritise the firm's long-term value in their decision-making, decrease agency conflicts, and align managers' interests with shareholders' (principals') (Jensen & Meckling, 1976). Businesses can reduce the likelihood of executives engaging in opportunistic behaviour that puts their own interests ahead of the company's by paying a large amount of their salaries in stock. Executives can be incentivised to work towards the firm's long-term objectives through well-designed incentives, which boosts performance across the board. Additional research by (Ma et al., 2024) dan (Yang et al., 2023) supports the idea that equity incentives for executives boost company performance. A manager's stake in the company has a positive correlation with the company's success. Reason being, when managers have a vested interest in the company's success, they are more likely to work towards increasing profits. Therefore, managers may be less likely to make detrimental judgements, like wasteful investments or bad strategic choices, when they are incentivised based on equity (Ma et al., 2024).

H2: Executive equity incentives positively affect firm performance.

Firm Size and Firm Performance

The size of a corporation has a major bearing on its performance since it represents the scope of its operations and the resources it has at its disposal. Resource-Based View (RBV) theory states that in order to create a lasting competitive advantage, one must have resources that are valued, scarce, inimitable, and non-substitutable. Companies with a lot of resources and a lot of moving parts are usually better at managing and optimising those resources. Investors have more faith in them since they are seen as more trustworthy when it comes to improving their financial performance. Because of this, it is common for a company's financial performance to improve as it grows larger. On the other hand, according to Agency Theory, management and shareholder disputes are more likely to arise in bigger companies due to their more complicated organisational structures. The lack of well-designed incentives in big companies might give rise to opportunistic behaviour on the part of management, who may have more authority and control. Research by (Fransisca & Widjaja, 2019) and (Sutrisno & Riduwan, 2022) shows that larger firms tend to perform better. According to their research, bigger companies are more successful because they have more access to resources and may reap the benefits of economies of scale.

H3: Firm size positively affects firm performance.

Firm Size as a Moderator Between Board Size and Firm Performance

Board size and firm performance are influenced by firm size, which acts as a moderating variable. A company's ability to oversee its own performance is affected by the make-up of its board of directors. The effectiveness of monitoring and the speed of strategic decision-making are both improved by larger boards, which are common in larger organisations. Larger companies have more resources, which they can better manage and develop, according to

the Resource-Based View (RBV) paradigm. At the same time, larger organisations confront a higher risk of disputes as a result of higher organisational complexity, making firm size an important moderator from an Agency Theory standpoint. So, it's possible that a bigger board of directors can better monitor management and make sure that choices are in line with trying to boost the firm's performance. Several research have shown that larger firms have a stronger correlation between good corporate governance and financial success (Maudi et al., 2020) and (Putri & Supramono, 2022). Improved financial reporting quality and overall business performance can be achieved by larger firms due to their better internal control processes.

H4: Firm size moderates the relationship between board size and firm performance.

Firm Size as a Moderator Between Executive Incentives and Firm Performance

When business scale mediates the relationship between executive incentives and improved performance, the former becomes much more important. To encourage executives to make strategic decisions that increase profitability and overall performance, these incentives are usually structured to align their interests with those of shareholders. One resource that affects a company's capacity to use equity incentives well is the size of the firm, says the Resource-Based View (RBV) theory. In general, larger companies are better equipped to execute equity incentive programs due to their superior financial and non-financial resources. Executives' reactions to and distribution of these incentives may also be impacted by the complex organisational structures typical of large companies. Incentives for executives, particularly those at the top who have a say in major company decisions, can help get everyone on the same page. On the flip side, leaders may not have as much sway over the performance of smaller enterprises due to a lack of resources. Given the limited impact of equity incentives in such situations, they could not be as effective in motivating executives. The impact of company size as a moderator in the correlation between executive stock incentives and company success has not been thoroughly investigated in the literature.

H5: Executive incentives influence firm performance with firm size as a moderating variable.

Conceptual Framework

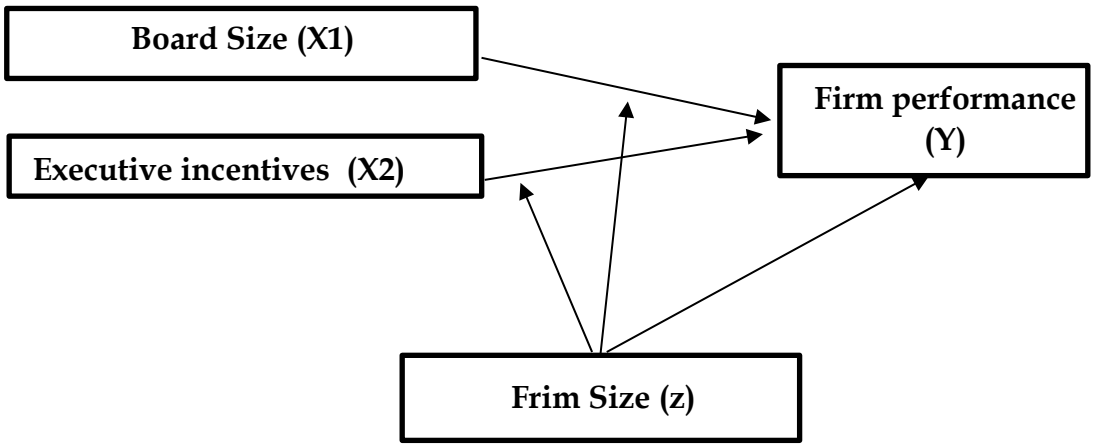

Figure 1. Conceptual Framework

METHODOLOGY

This study uses panel data regression to examine the impact of board size and executive incentives on business performance, taking a quantitative approach. Also, it evaluates the moderating effect of company size using Moderated Regression Analysis (MRA). The EViews 12 program is used to conduct the data analysis. This research looks at financial institutions that will be trading on the IDX between 2020 and 2023. The research sample consisted of 45 banking firms chosen using purposive sampling according to preset criteria. There are 180 firm-year observations in the dataset, covering a four-year observation period.

Panel Data Regression

To examine the impact of independent variables on the dependent variable during the study period, panel data, which combines cross-sectional and time-series data, is utilised. This study is based on the following unmoderated panel data regression equation:

$$\boldsymbol{ROA_{it} = \beta_0 + \beta_1 BOD_{it} + \beta_2 EI_{it} + \beta_3 Size_{it} + \varepsilon} \dots\dots\dots\dots (1)$$

Moderated Regression Analysis (MRA)

Using elements between variables, the MRA regression analysis test creates a multiple linear regression equation. Here is how to apply a moderated regression model to examine whether firm size acts as a moderator:

$$\boldsymbol{ROA_{it} = \beta_0 + \beta_1 BOD_{it} + \beta_2 Size_{it} + \beta_3 (BOD_{it} \times Size_{it}) + \varepsilon} \dots\dots\dots\dots (2)$$
$$\boldsymbol{ROA_{it} = \beta_0 + \beta_1 BOD_{it} + \beta_2 EI_{it} + \beta_3 (EI_{it} \times Size_{it}) + \varepsilon} \dots\dots\dots\dots\dots (3)$$

Information:

- ROA_{it} : firm performance measured using Return on Assets for company i at time t.

- BOD_{it} : board size.
- EI_{it} : executive incentives
- β_0 : Constant
- β1, β2, β3 **:** Regression coefficient of each independent variable
- $Size_{it}$: company size as a moderating variable.
- The interaction $(\mathbf{BOD_{it} \times Size_{it}})$, $(\mathbf{EI_{it} \times Size_{it}})$ represents the moderating effect of firm size on the relationship between independent variables and firm performance.
- ε_{it} : error

RESEARCH RESULT

In order to summarise the research, this section demonstrates how to use descriptive statistics. In this study, 45 different banking organisations were observed over the course of four years. The examined variables' descriptive statistical results are as follows :

Table 1.Descriptive Statistics

Variabel	Mean	Median	Maksimum	Minimum	Standar Deviasi	Observasi
BOD	1.774611	1.700000	2.480000	1.100000	0.411979	180
EI	2425.328	2387.000	2778.000	2181.000	138.2474	180
SIZE	3140.211	3083.500	3787.000	2730.000	182.8307	180
ROA	522.8865	680.6100	8409.330	-8918.870	2434.412	180

Source: output Eviews 12 (2025)

With a range from 1.1 to 2.48, the board size (BOD) variable has an average value of 1.7746, median of 1.7, and minimum of 1.1. A standard deviation of only 0.4119 points suggests a modest level of dispersion. With a range from 2,181 to 2,778 and a median of 2,387, the executive incentive (EI) variable has an average value of 2,425.328. A range of 138.2474 indicates a substantial amount of dispersion. The range of values for the company size (SIZE) variable is 2,730 to 3,787, with an average of 3,140.211. The median value is 3,083.5. With a standard deviation of only 182.8307, the dispersion is quite small. The company performance (ROA) variable ranges from -8,918.87 to 8,409.33 and has a median of 680.61. The average is 522.8865. Some businesses report excellent results, while others suffer huge losses; this is evident from the standard deviation of 2,434.412.

Model Selection for Estimation

In order to find the best regression model for this study, a number of tests need to be run at this stage of the analysis.

Chow Test

The probability value dictates which model is chosen for the Chow test. The Common Effect Model (CEM) is chosen if the probability value is higher than

0.05. On the other hand, the Fixed Effect Model (FEM) is utilised when the probability value is 0.05 or lower.

Table 2. Uji Chow

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.975730	(44,132)	0.0000
Cross-section Chi-square	151.888435	44	0.0000

Source: EViews 12 output (2025)

According to the Chow test, the Cross-Section Chi-Square probability value is 0.0000, which is less than the significance level of 0.05. This leads to the adoption of the FEM.

Hausman Test

The probability value determines which model is best in the Hausman test. Choose the Random Effect Model (REM) if the probability is bigger than 0.05. On the other hand, the Fixed Effect Model (FEM) is selected if the likelihood is smaller than 0.05.

Table 3. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.817364	3	0.0499

Source: EViews 12 output (2025)

According to the results of the Hausman test, the cross-section random effect has a probability value of 0.0499, which is less than 0.05. For that reason, FEM is the best model to use in this investigation. Therefore, there's no need to perform the LM test.

Classical Assumption Test

Basuki & Yuliadi (2014) state that only the multicollinearity and heteroscedasticity tests are required for panel data regression, rather than all of the traditional OLS assumption tests. Some statisticians contend that the normalcy test isn't necessarily necessary, and it's not even necessary to achieve the Best Linear Unbiased Estimator (BLUE).

Multicollinearity Test

To find out if there is any correlation between independent variables, the multicollinearity test is employed. To be called optimal, a model must not exhibit multicollinearity. As part of this evaluation, we look at the VIF and the Tolerance Value. Multicollinearity is indicated by a VIF value higher than 10, a tolerance value lower than 0.01, or a correlation coefficient between variables higher than 0.8 (Ghozali, 2018).

Table 4. Multicollinearity Test

	BOD	EI	SIZE
BOD	1.000000	0.735597	0.109882
EI	0.735597	1.000000	0.164471
SIZE	0.109882	0.164471	1.000000

Source: EViews 12 output (2025)

According to the data in the previous table, the independent variables do not exhibit any signs of multicollinearity. The absence of multicollinearity in a model is shown by a correlation coefficient between variables that is less than 0.80. Here are the outcomes shown in the table:

- There is no evidence of multicollinearity 0.73597 between BOD and EI, as this value is less than 0.8.
- Multiple collinearities were confirmed by the correlation coefficient of 0.109882 between BOD and SIZE, which is less than 0.8.
- Also ruling out multicollinearity is the 0.164471 correlation value between EI and SIZE, which is lower than 0.8.

Heteroskedastisitas Test

Table 5**.** Heteroskedastisitas

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.169639	8.304499	0.742927	0.4588
BOD	-0.598997	0.653162	-0.917072	0.3608
EI	-0.003409	0.003406	-1.000770	0.3188
SIZE	0.000714	0.001317	0.542254	0.5886

Source: EViews 12 output (2025)

No evidence of heteroscedasticity was found in the research data according to the results of the Glejser test for heteroscedasticity. The likelihood values for BOD, EI, and SIZE are all higher than 0.05, as seen in the test results, which support this.

Hypothesis Testing

F-Test

The F-test is used to determine whether the independent variables simultaneously affect the dependent variable.

F-statistic	26.57070
Prob(F-statistic)	0.000000

Source: EViews 12 output (2025)

An F-Statistic value of 26.70382 is less than 0.05, as shown in the preceding table, and the significance level is 0.000000. Executive incentives (EI), the size of the firm (SIZE), and the composition of the board of directors (BOD) all impact firm performance (Y) in a significant way.

R^2 Test Results

The purpose of the determination test is to find out how well the independent variables in the regression model can forecast the dependent variable's variability. A measure of how much variance can be accounted for by the independent variables is the dependent variable's R-squared (R^2) value.

Adjusted R-squared	0.870367

Source: EViews 12 output (2025)

A value of 0.870367 is produced from the regression result as the Adjusted R-squared. After accounting for firm size, equity incentives, and board size, these variables continue to explain 87.03% of the variance in business performance. The model successfully accounts for 12.97% of the variation in the dependent variable, with the remaining 12.97% being explained by confounding variables.

t-Test (Partial Test)

In order to examine the independent effect of each explanatory variable on the dependent variable, this study applies the partial test. The table below displays the partial test results:

Table 6. Displays the Partial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-9911.357	3044.028	-3.256000	0.0014
BOD	160.1404	38.95140	4.111287	0.0001
EI	3.732681	1.173066	3.181986	0.0018
SIZE	0.112636	0.384028	0.293301	0.7698

Source: EViews 12 output (2025)

The t-statistic for the board size variable, as computed with EViews 12, has a probability value of 0.0001 and a coefficient value of 160.1404, as shown in the table above. The p-value is less than 0.05, which means that this research proves that BOD size affects ROA positively. The EI variable also has a p-value less than 0.05, with a probability value of 0.0018 and a coefficient value of 3.732681. Such evidence points to the fact that executive incentives (EI) have a beneficial effect on business performance. Conversely, the SIZE variable is associated with a coefficient of 0.112636 and a probability of 0.7698. There is no statistically

significant relationship between company size and performance (p>0.05), suggesting that the two variables are unrelated.

***Moderated Regression Analysis* (MRA)**

Table 7. MRA Analysis Test

MRA Analysis Test 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5289.898	7683.170	0.688505	0.4923
BOD	-754.8439	734.3080	-1.027966	0.3058
SIZE	-3.690078	3.013974	-1.224323	0.2230
BOD_Z	2.070791	1.307038	1.584339	0.1155

MRA Analysis Test 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	763380.5	341610.2	2.234654	0.0271
EI	32.39633	10.70822	3.025371	0.0030
SIZE	17.75013	7.594788	2.337146	0.0209
EI_Z	-56630.40	24695.62	-2.293135	0.0234

Source: EViews 12 output (2025)

The t-statistic for the board size variable, as computed with EViews 12, has a probability value of 0.0001 and a coefficient value of 160.1404, as shown in the table above. The p-value is less than 0.05, which means that this research proves that BOD size affects ROA positively. The EI variable also has a p-value less than 0.05, with a probability value of 0.0018 and a coefficient value of 3.732681. Such evidence points to the fact that executive incentives (EI) have a beneficial effect on business performance. Conversely, the SIZE variable is associated with a coefficient of 0.112636 and a probability of 0.7698. There is no statistically significant relationship between company size and performance (p>0.05), suggesting that the two variables are unrelated.

DISCUSSION

The Effect of Board Size on Firm Performance

Firm performance, as evaluated by ROA, is positively affected by board size, according to the results of the hypothesis testing. This provides more evidence that a bigger board can increase supervision and make better strategic decisions. The agency hypothesis states that the board of directors acts as a watchdog to lessen the likelihood of conflicts of interest, increase the efficiency of supervision, and lessen the impact of bad decisions. Furthermore, organisational competencies and firm performance can be driven by a larger board. According to the Resource-Based View (RBV) philosophy, a bigger board can help with strategic decision-making and operational efficiency since it has more people with different backgrounds, skills, and professional networks to draw on.

Past studies have shown a favourable correlation between board size and company performance (Jao et al., 2020), (Fajarwati & Witiastuti, 2022), (Ma et al., 2024), and (Tran et al., 2021). Our results are in line with these earlier studies as well. Accordingly, it follows that strategic decision-making benefits from a larger board's access to a wider variety of knowledge, experience, and professional relationships. Therefore, operational efficiency and organisational capabilities are both improved with a larger board, in addition to stronger monitoring and reduced conflicts of interest. These results provide credence to the claim that a properly sized board can play a significant role in generating value and enhancing company performance.

The Effect of Executive Incentives on Firm Performance

The second hypothesis test found that CEO incentives have a beneficial effect on company performance. In other words, this lends credence to the idea that more incentives result in improved corporate performance. These results are in line with agency theory, which states that managers can be motivated to enhance company performance by incentives that are well-designed and can help align management interests with shareholders', decrease conflicts of interest, and promote more effective decision-making. Human resource management tactics that target gaining a competitive edge should incorporate executive incentives, according to the Resource-Based View (RBV) philosophy. Firms can encourage executives to work harder to accomplish company goals by providing incentives based on performance.

Executive incentives have a beneficial effect on business performance, according to this study (Ma et al., 2024) and (Yang et al., 2023). This suggests that CEOs might be incentivised to make better decisions for the company's management by offering incentives like performance bonuses or equity-based compensation. Managers are motivated to achieve business goals, improve operational efficiency, and develop strategies that favourably impact growth and profitability when incentives are properly organised. Therefore, executive incentive schemes can be a useful instrument for bringing management and shareholders together, which in turn improves the firm's performance.

The Effect of Firm Size on Firm Performance

The findings of testing this third hypothesis show that the size of a company has no bearing on its performance. The size of a company is not necessarily indicative of its performance. When it comes to management, innovation, and strategy, businesses of all sizes may pull off impressive feats. Stakeholders must, however, evaluate company performance based on new, more meaningful criteria. The results are consistent with previous research that has shown that company size does not always affect performance (Melania & Tjahjono, 2022), (Septiano & Mulyadi, 2023), and (Rosalia et al., 2024). Put simply, larger corporations are not necessarily more successful than their smaller counterparts. Size is not the most important aspect in a company's success; other important criteria are resource efficiency, product innovation, and market competitiveness.

Firm Size Moderates the Relationship Between Board Size and Firm Performance

According to the study's findings, the correlation between board size and corporate success is unmodified by firm size. There is no correlation between the size of a company's board and its financial success. The board of directors continues to have an impact on corporate performance regardless of the size of the company. This study agrees with the findings of (Awaliyah, 2023), which indicated that the impact of the board of directors on financial performance is unaffected by the size of the organisation. There is no correlation between a company's size and its financial performance; in fact, bigger companies often have more financial obligations.

Firm Size Moderates the Relationship Between Executive Incentives and Corporate Performance

Although there is a favourable correlation between executive incentives and company success, this study found that the correlation declines as firm size increases. This data reveals that CEO incentives have a diminishing impact on driving performance improvements in bigger companies. The greater organisational complexity in big organisations can be a contributing factor, as it can make decision-making and leadership more difficult. Because of the complexity of management structures in large companies, executive incentives may not have a noticeable effect on overall performance right away.

CONCLUSIONS AND RECOMMENDATIONS

It is clear from the preceding analysis that board size has a beneficial effect on company performance. The results show that management is better overseen and strategic decisions are better made with a larger board. Executive incentives also boost company performance because they encourage higher performance, bring management and shareholders closer together, and increase productivity and efficiency. Having said that, there is no correlation between company size and corporate performance, suggesting that size is not necessarily a crucial factor in determining financial success. Furthermore, the correlation between board size and corporate success is unmodified by firm size, suggesting that board size is a critical component independent of business size. However, executive incentives have less of an impact on company success as the organisation gets larger. Executive rewards on performance become less significant as the company grows larger. The effectiveness of executive incentives might be hindered by the greater organisational complexity and more elaborate managerial processes in larger enterprises.

ADVANCED RESEARCH

To make sure future studies are more thorough and applicable, this one points up a few constraints that should be thought about. The current scope of variables is somewhat limited, limiting us to only board size and executive incentives. This is one of the key drawbacks. In order to acquire a more complete knowledge of the dynamics of corporate success, future study should add other

internal company elements such ownership structure, organisational culture, the effectiveness of risk management, and broader compensation schemes.

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