



Ethical Leadership in the Sharia Perspective: The Role of Foreign CEOs and Female CEOs in the Profitability of Mining Companies

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Abstract

This study examines whether the presence of foreign CEOs and female CEOs influences the profitability of mining companies listed on the Indonesia Stock Exchange (IDX). Prior research on CEO characteristics has demonstrated mixed results, particularly in emerging markets. However, limited studies integrate the analysis of CEO characteristics with Islamic business ethics, creating a research gap that this study seeks to address. Using panel data from 68 mining companies over the period 2020–2024 (340 observations), this study employs a standard effect model to analyze the effect of foreign CEOs, female CEOs, and leverage on profitability. The results indicate that foreign CEOs positively and significantly affect company profitability, while female CEOs do not exhibit a significant impact. This study contributes to the Islamic economics literature by discussing how leadership characteristics align with principles of amanah (trust), professionalism, fairness, and organizational accountability in the mining sector. The implications suggest that leadership selection aligned with Islamic ethical principles may enhance organizational value and sustainability.

Keywords : CEO Characteristics; Profitability; Mining Companies;
Islamic Business Ethics; leadership.

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INTRODUCTION

Profitability reflects a company, organization, firm, or business actor's ability to generate profit (Nguyen et al., 2023). Profitability is the ability of a company or organization to generate profits with the resources it has (Al-Homaidi et al., 2021). Companies that can increase profitability will have an impact on improving the company's image for investors, creditors, and the government (Nguyen et al., 2023). So far, profitability in companies is still a key indicator to assess and especially evaluate the performance of the company's Chief Executive Officer (CEO) (Putra, 2021) and (Setiawan et al., 2017). Furthermore, Lindrianasari et al. (2011) found that company's CEO dismissal was triggered by a decrease in profitability. This does not seem strange because the CEO is the person responsible for leading the company and has responsibility for all business activities carried out by the company (Hambrick & Mason, 1984). In fact, Chen & Hambrick (2012) explain that replacing a CEO with poor performance in the company is important to reverse the company's performance to recover to good. Given that the decision on all policies in the company is determined by the CEO, it is crucial that the characteristics of the CEO are important, especially in increasing profitability (Putra, 2021) and (Luh & Kusi, 2023).

Their role as the highest leader in the company and their authority to determine the company's direction and strategy to increase its value make CEOs the primary figures responsible for these duties (Hambrick & Mason, 1984). The characteristics of CEOs play a vital role in the strategies and decisions of companies, including in increasing profitability (Zhao et al., 2022). Additionally, Santoso & Setiawan (2024) emphasize that the CEO's characteristics have significant implications for the company's chosen strategies. This is strongly supported by Harjito & Sutopo (2024), who have shown that the characteristics of the CEO, as reflected in gender and foreign CEOs, significantly influence the company's decisions and policies, including improvements in profitability. In line with the top-tier theory, Hambrick (2007) argues that CEO characteristics, such as foreign origin (Putra, 2021) and gender (Luh & Kusi, 2023) can influence decision-making and strategy to increase company profitability.

The presence of foreign CEOs in companies will have a strategic impact, as CEOs with overseas experience are better at making strategic decisions (Muttakin et al., 2018). Xu & Hou (2021) acknowledge that CEOs

who have studied abroad and have overseas work experience can play an essential role in the company's strategic decisions. Compared to local CEOs, foreign CEOs can lead companies to develop unique business strategies some countries and to better understand international market fluctuations (Le & Kroll, 2017). The unique competitive advantage of cross-border market knowledge helps foreign CEOs to expand the company's global market network and increase profitability (Putra, 2021). When considering the experience gained by foreign CEOs from a cultural, environmental, and foreign business practices perspective, this can influence their leadership style and approach within the company. Foreign CEOs are sensitive to global culture, which ultimately shapes company policies, including those aimed at improving profitability (Santoso & Setiawan, 2024). Shahab et al. (2020) state that CEOs with international experience are more enthusiastic and highly engaged in supporting company performance improvement.

In addition, another characteristic of CEOs is gender, which can have an impact on differences in the performance of companies led by men and those led by women. Gender diversity in the board structure improves profit quality (Srinidhi et al., 2011), leads to better merger and acquisition decisions (Levi et al., 2014), enhances board oversight and monitoring (Adams & Ferreira, 2008), and increases dividends paid (Gyapong et al., 2021). Additionally, Anderson et al. (2011) and García-Meca et al. (2015) noted that women's involvement in board positions remains a topic of interest, as it has the potential to enhance organizational performance. Farooq et al. (2024) also explain that the presence of women can improve board oversight and decision-making because women have unique sociopsychological characteristics. Even Ittonen et al. (2010) report that compared to men, women in board positions are more meticulous and skilled. Furthermore, in risk-related decision-making, women exhibit greater conservatism (Man & Wong, 2013). Wani & Masih (2015) also stated that women tend to exhibit stable, mature characteristics, are skilled at multitasking (Ruderman et al., 2002), and have investment preferences that enable them to avoid risk (Croson & Gneezy, 2009).

In Islamic business practice, CEOs are expected to uphold the principles of *amanah* (trust), *ihsan* (excellence), and accountability as integral components of their strategic decision-making (Nugraheni et al., 2024). This ethical framework requires that the pursuit of profitability

remains aligned with moral and sharia-based standards rather than being achieved at their expense (Harahap, 2023). A balanced focus on financial performance and ethical responsibility strengthens long-term organizational sustainability and enhances institutional credibility among stakeholders (Azmin et al., 2018).

Profitability is widely acknowledged as a core measure of corporate performance in both conventional and Islamic business contexts (Nugraheni et al., 2024). However, within the Islamic framework, this financial objective is complemented by ethical imperatives rooted in values such as trustworthiness, excellence, and accountability (Ghoniayah et al., 2024). These principles shape managerial decision-making and foster sustainable, socially responsible business practices, thereby ensuring that financial achievement is aligned with ethical integrity and broader societal welfare (Harahap, 2023).

This study specifically examines the characteristics of CEOs, including the presence of foreign and female CEOs, in leading companies. Based on the upper echelons theory of Hambrick & Mason (1984), the use of these CEO characteristics is highly relevant for mining companies, which also exhibit distinct characteristics compared to other sectors. To date, no research has been found that examines CEO characteristics, particularly by combining gender with foreign CEOs to assess profitability. Instead of complementing previous study conducted by Farooq et al. (2024); Luh & Kusi (2023); Le & Kroll (2017); García-Meca et al. (2015); Zhong et al. (2014); and Srinidhi et al. (2011). The results indicate that the presence of foreign CEOs enhances company profitability, but not in companies led by female CEOs. These findings are shocking, especially for female CEOs, who were not found to improve profitability. However, this can be explained by the fact that mining companies' performance is often influenced by external factors such as global commodity prices, government policies, and environmental regulations. These factors may be more dominant than the leadership of female CEOs, resulting in no significant impact on profitability.

Existing literature provides valuable insights into the relationship between CEO characteristics and firm performance (Kaur & Singh, 2018); (Kaur & Singh, 2019); (Peni, 2014); and (Nwafor et al., 2025). However, it remains limited in its integration with Islamic economic principles, as most studies do not incorporate the ethical leadership concepts

emphasized in Islamic teachings. Furthermore, research specifically focused on the mining sector, an industry frequently scrutinized for sustainability, governance integrity, and social responsibility, is notably scarce. In addition, the simultaneous examination of foreign CEOs and female CEOs within the Indonesian context remains underexplored, leaving a gap in understanding how diverse leadership profiles influence corporate outcomes in an environment shaped by cultural, regulatory, and religious norms. Therefore, this study contributes by examining CEO characteristics within the framework of Islamic business ethics, providing empirical evidence from the Indonesian mining sector, and strengthening the theoretical linkage between Upper Echelon theory and Islamic ethical leadership.

LITERATURE REVIEW

Upper Echelon Theory

Upper Echelon theory holds that top management determines the strategies adopted by a company and is responsible for the decisions made Hambrick & Mason (1984). This theory also highlights the role of top leadership in determining company's performance and the results (Hambrick, 2007). Furthermore, Bromiley & Rau (2016) a company's top leadership's characteristics and experiences can influence their perspectives on organizational issues, actions within the organization, and strategic decisions made. The focus of this top-level theory is on the values, cognitive perspectives, and viewpoints of top company leaders regarding the company's performance and the strategic decisions (Hiebl, 2014).

Two board systems can be applied in a country, namely a single-tier board and a two-tier board. The difference between the two-tier and single-tier systems lies in the division of functions at the highest level of the company, namely supervisory and executive functions (Tjahjadi et al., 2021). However, Millet-Reyes & Zhao (2001) revealed that there is no difference in performance between companies that implemented a single-tier system and those that implemented a two-tier system. The highest-ranking company leader, commonly referred to as the CEO, is the subject of this study because the CEO's role is to determine and implement strategic policies that benefit company. Karlsson (2019) states that the

wisdom of company leaders influences the company's strategic policy process, ultimately shaping strategic decisions, including increasing profitability.

Empirical models of Islamic leadership, which include dimensions such as wisdom, religiosity, justice, and kindness, show a positive relationship with job performance and organizational commitment (Zaim et al., 2024). This model suggests that Islamic leadership principles can directly and indirectly improve firm performance. This indicates that embedding Islamic ethical leadership can enhance firm performance through improved employee behavior and adaptability (Javed et al., 2017).

Hypothesis Development

Foreign CEOs Increase Company Profitability

Ethical leadership in Sharia-compliant companies is crucial for maintaining organizational justice and ethical climate, which in turn promotes ethical behaviors among employees (Al Halbusi et al., 2022); (Al Halbusi et al., 2024). Perceptions of ethical leadership can vary depending on the leader's background. For instance, ethical leadership qualities may be perceived differently depending on the CEO's race and nationality, with foreign or minority leaders potentially facing more scrutiny (Marquardt et al., 2018). Foreign CEOs may face significant challenges in aligning with Sharia principles and attracting GI, highlighting the importance of cultural and ethical integration (Elmaasrawy et al., 2025). From an Islamic perspective, diversity of origin does not constitute a barrier to occupying strategic positions provided they are based on competence. The Qur'an emphasizes that the accurate measure of distinction among individuals is knowledge rather than nationality (QS Az-Zumar 39:9) and encourages cross-cultural interaction for mutual benefit (QS Al-Hujurat 49:13). Accordingly, foreign CEOs who possess global expertise may be viewed as a source of strategic advantage for the firm, including in enhancing its profitability.

Xu & Hou (2021) found that CEOs from abroad will deliver better performance based on the experience they have gained in their home countries. Furthermore, CEOs with international experience have a different perspective than those without, particularly regarding policies and strategies aimed at enhancing profitability (Le & Kroll, 2017). A CEO's

international expertise serves as a crucial foundation and can be a valuable asset for a company as businesses increasingly face global competition (Snell & Björkman, 2016). Another unique aspect of foreign CEOs is their competitive advantage in understanding cross-border markets, which can inform decisions to expand international market networks and increase profitability (Putra, 2021). Not only that, foreign CEOs with broader international business knowledge can reduce company losses and ultimately improve profitability (Enofe et al., 2017).

Based on the Upper Echelon theory proposed by Hambrick & Mason (1984), the educational background and experience of a company's top management significantly influence the strategic decisions made by the organization, including the formulation of strategies to increase profitability. Hambrick (2007) further explains that the experience, values, and personality of top executives influence how they interpret strategic situations, which ultimately affects the organization's strategic choices. CEOs with international experience are more familiar with the characteristics of global business, which provides an advantage in designing strategies to optimize international market opportunities and enhance company profitability. Thus, the characteristics and backgrounds of top executives play a crucial role in determining the company's strategic direction and its success in competitive markets.

Research conducted by Le & Kroll (2017) confirms that CEOs with international experience have a positive impact on company performance. In line with the previous discussion, Shahab et al. (2020) also reported that international experience positively influences company performance. Khalid et al. (2022) also found that the presence of foreign CEOs has a positive impact on the information disclosed by companies, such as profitability information, to attract investors. The results of García-Meca et al. (2015) research also indicate that the presence of foreign CEOs in companies can increase profitability. Based on the theory presented earlier and the description explained, the following hypothesis can be formulated:

H1: Companies led by foreign CEOs will achieve higher profitability.

Female CEOs Increase Company Profitability

QS. Al-Hujurat (49:13) emphasizes that diversity is an integral part of divine design, intended to encourage mutual understanding, interaction, and collective benefit. Differences in ethnicity, nationality, gender, or origin are not barriers to participation in social or professional spheres (Kronqvist & Rousi, 2025). In the context of research and managerial practice, this principle provides a strong foundation for the argument that diversity in leadership is a strategic asset that enriches perspectives and enhances organizational effectiveness (Silva et al., 2021). By recognizing differences as sources of value, organizations can foster an inclusive, adaptive, and innovative work environment, ultimately leading to superior performance (Pérez Castillo & Rubio Guzmán, 2025).

The position of CEO as the highest-ranking executive in a company's management structure makes the CEO play a crucial role in developing the company's strategies and policies (Clementino & Perkins, 2021) and (Zhao et al., 2022). Companies led by female CEOs have been shown to achieve higher profitability compared to those led by male CEOs (Vo et al., 2021). Female CEOs can create a more welcoming work environment, particularly for female employees, and can increase wages for new hires (Tate & Yang, 2015). Reinforcing the previous opinion, Melero (2011) found that companies led by women can create a positive work environment through interpersonal communication channels and more participatory decision-making involving employees. Furthermore, Luh & Kusi (2023) report that women in executive positions in companies have a positive impact on company performance, as evidenced by return on assets, gross profit margins, and net profit margins. From these research findings, it is valid to argue that women occupying the highest leadership positions in companies play a vital role in increasing company profitability.

Hambrick & Mason (1984) argued in their Upper Echelon theory that CEO characteristics, including those of female CEOs, influence strategic choices and corporate decisions. Hoang et al. (2021) explained that companies with female CEOs are more profitable and stable, thereby increasing overall profitability. Khan & Vieito (2013) report that in developed countries, most companies that appoint women as CEOs perform better than their peers and face lower risk (Niessen & Ruenzia,

2017), whereas in developing countries, results remain varied (Vo et al., 2021). The emphasis highlighted by Harjito & Sutopo (2024) further reinforces the belief that in Indonesian mining companies, women in top management positions or as CEOs are significantly able to improve company performance through their disclosures.

Several studies have successfully proven that there is a positive impact of women's inclusion in boards and in leadership roles created by women on company performance (Strøm et al., 2014); (Vo et al., 2021); (Noviera & Adhariani, 2018); and (Đặng et al., 2020). A contrary view was expressed by Endraswati (2018) and Dipta et al. (2018), who reported that women negatively influence company profitability. Furthermore, other research findings reveal that there is no influence of female CEOs or gender diversity on increased company profitability (Baloyi & Ngwakwe, 2017). Based on the above discussions, the following hypothesis is formulated:

H2: Companies led by female CEOs will achieve higher profitability.

This study uses leverage as a control variable. Nguyen et al. (2023) explain that the leverage ratio is one of several financial metrics that measure a company's ability to meet its financial obligations. A company's financial leverage reflects its policy regarding the use of its liabilities, and thus, it is an integral part of a company's capital structure. A high debt-to-equity ratio indicates that the company has actively financed its growth with debt. There is a positive and significant relationship between a company's leverage level and profitability, as stated by (Al-Homaidi et al., 2021); (Cyril & Singla, 2021); and (Kumar et al., 2022).

Research Framework

The relationship between the independent variable and the dependent variable in this study can be explained by the following model:

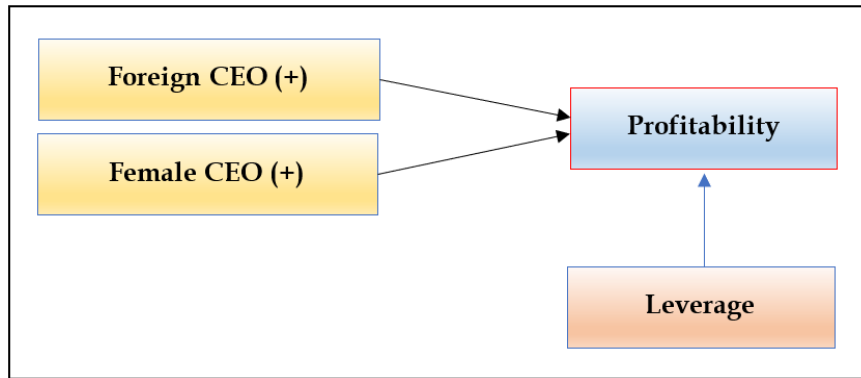


Figure 1: Research Model

RESEARCH METHOD

The population in this study consists of all mining companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024, totaling 96 companies. Of this population, 22 companies were not consistently listed on the IDX, and 6 companies did not publish reports on the IDX, resulting in a sample size of 68 companies used in this study. The data used is secondary data, including Annual Reports, Financial Reports, and Sustainability Reports. The description and measurement of variables can be explained in the following table:

Table 1. Variable Measurement

Variable	Indicator	Data Source
Profitability (Dependent)	$Return\ On\ Asset = \frac{Net\ Income}{Total\ Assets}$ Luh & Kusi (2023)al. (2024); Luh & Kusi (2023)	Company Financial Statements
Foreign CEO (Independent)	Dummy variable, valued at 1 when the CEO is a foreigner and has studied abroad, and 0 otherwise. Shahab et al. (2020)	Annual reports, financial statements, and company websites
CEO Gender (Independent)	Variable measurement using a dummy variable with a score of 1 if the CEO of the company is female and 0 if the CEO is male.	Annual reports, financial

	Lin et al. (2020)	reports, and company websites
Leverage (Control)	Ratio Delmas & Toffel (2004) equity. Delmas & Toffel (2004), Nguyen et al. (2023)	Company financial reports

Source: Identify Literature

RESULTS AND DISCUSSION

Results

Descriptive statistics (Table 2) show that the minimum profitability value is -3.5400 and the maximum is 0.616346, with an average and standard deviation of 0.030286 and 0.247244, respectively. This indicates that the level of profitability in mining companies tends to remain low. The average value for foreign CEOs is 0.367647, which is still far from the maximum value of 1.00. Among all the companies studied, the majority of CEOs leading the companies are not dominated by foreign nationals. The average value for CEO gender is 0.044118. This indicates that women leading as CEOs in mining companies are still very few and do not dominate the company's leadership structure. The average control variable used is leverage at 1.418130, which is far from the maximum value of 57.15681.

Table 2: Descriptive Statistics

Variable	N	Min.	Max.	Mean	St. Dev.
Profitability	340	-3.5400	0.616346	0.030286	0.247244
Foreign CEO	340	0.0000	1.0000	0.367647	0.482875
CEO Gender	340	0.0000	1.0000	0.044118	0.205659
Leverage	340	-39.3258	57.15681	1.418130	5.740644

Source: Processed Data, 2025

Table 3: Correlation Matrix

	[1]	[2]	[3]	[4]
Profitability [1]	1.0000			
Foreign CEO [2]	0.181228 (0.0008)	1.0000		
CEO Gender [3]	0.020022 (0.7130)	0.073824 (0.1744)	1.0000	
Leverage [4]	-0.000128 (0.9981)	0.021086 (0.6984)	-0.030234 (0.5785)	1.0000

Source: Processed Data, 2025

Table 3 presents the results of the correlation analysis for the variables tested in this study. The results indicate that all variables have correlation coefficients below 0.8. This indicates that there is no multicollinearity issue in the data used in this study (Gujarati, 2004). In detail, it can be explained that foreign CEOs, CEO gender, and leverage are correlated with profitability.

Table 4: Regression Results of Profitability

	[1]	[2]	[3]
Foreign CEO	0.092836 (0.0008)*		0.092586 (0.0009)*
CEO Gender		0.024088 (0.7133)	0.007887 (0.9031)
Leverage	-0.000170 (0.9413)	2.060005 (0.9930)	-0.000161 (0.9445)
Lagrange Multiplier Tests	0.398384 (0.5279)	0.477840 (0.4894)	0.409586 (0.5222)
Breusch-Pagan [p-value]			
R ²	0.032859	0.000401	0.032902
F-stat	5.724900	0.067617	3.810395
Prob. [F-stat]	0.003589	0.934631	0.010411

Source: Processed Data, 2025

Note: Column [1] presents the regression of foreign CEOs and control variables, column [2] shows the regression results of CEO gender variables and control variables, and column [3] explains the regression results for all variables in the model used in this study. The * sign indicates a significance level of 1%.

Table 4 presents the results of regression analysis with profitability as the dependent variable. Model 1 shows that there is a positive and significant relationship between foreign CEOs and profitability ($\beta = 0.092836$, $\rho = 0.0008$). This result is also consistent when all variables are tested together including other variables, as shown in Model 3 profitability ($\beta = 0.092586$, $\rho = 0.0009$). Model 2 reports that the CEO's gender does not appear to influence company profitability ($\beta = 0.024088$, $\rho = 0.7133$). This result is consistent when all variables are included in the profitability test, with the result remaining insignificant ($\beta = 0.007887$, $\rho = 0.9031$).

Discussion

The Impact of Foreign CEOs on Profitability

The findings of this study indicate that foreign CEOs have a positive effect on firm profitability. From an Islamic perspective, this result aligns with the principle of universal inclusiveness expressed in Surah Al-Hujurat (49:13). The verse emphasizes that God created humanity from a male and female and made them into nations and tribes so that they may know one another, not to discriminate or exclude. This message highlights that differences in national or ethnic background are not grounds for superiority or inferiority; instead, they represent opportunities for mutual learning, collaboration, and the exchange of expertise. The verse further clarifies that true merit is not based on lineage or nationality, but on righteousness and integrity concepts that parallel the modern notions of meritocracy and competency within corporate leadership (Almoabbadi, 2024).

In the corporate setting, foreign CEOs often bring global insights, cross-cultural experience, and advanced managerial knowledge that enhance strategic decision-making and competitive advantage. This reflects the Qur'anic concept of *li ta'arafu* (knowing each other) mutual engagement and knowledge exchange that generate collective benefit.

Therefore, the positive influence of foreign leadership on profitability can be seen as a practical manifestation of the Qur'anic principle that diversity can be a source of strength and progress. The empirical findings of this study reinforce the idea that leadership diversity is not merely symbolic but constitutes a strategic resource that contributes meaningfully to financial performance (Ruhullah & Ushama, 2024).

By integrating empirical evidence with Islamic normative values, this research supports the view that appointing foreign CEOs is not only economically justified but also consistent with Islamic ethical principles that emphasize professionalism, justice, and the recognition of competence regardless of one's origin (Romlah et al., 2025). Islamic principles prioritize leaders who exhibit strong ethical and moral integrity. This is evident in the selection criteria for various roles within Islamic organizations, where ethical behavior is a fundamental requirement (Majid et al., 2025).

This indicates that companies led by foreign CEOs will be more profitable than those led by non-foreign CEOs. Thus, this finding supports the first hypothesis that companies led by foreign CEOs will achieve higher profitability. This result aligns with research conduct (Snell & Björkman, 2016); (Le & Kroll, 2017) and (Snell & Björkman, 2016) which revealed that the international experience possessed by foreign CEOs can improve company strategy and enhance company performance. Additionally, companies currently face challenges at the global level. To overcome these challenges and win international competition, it is essential to have top-level leadership with international insight, knowledge, experience, and a track record. Thus, the international capabilities represented by foreign CEOs leading companies can drive progress, improve performance, and ultimately increase company profitability.

The Impact of Female CEOs on Company Profitability

The empirical results of this study show that female CEOs do not exhibit a statistically significant effect on firm profitability. From an Islamic perspective, this finding should not be interpreted as an indication of inferior capability or unsuitability for leadership among women. The Qur'an presents a clear framework of equality and shared responsibility between men and women in contributing to public and communal life.

Surah At-Taubah (9:71) states that believing men and believing women are allies to one another, implying equal potential to engage in social and institutional roles, including organizational leadership. This perspective is further reinforced in Surah Al-Hujurat (49:13), which establishes that human worth in the sight of God is based on righteousness and integrity rather than biological or social attributes such as gender, nationality, or lineage. Accordingly, the absence of a significant effect in this study reflects empirical conditions shaped by organizational environments, structural constraints, or limited representation of women at executive levels, rather than any theological limitation on the leadership capacity of women (Hilal, 2015).

Surah An-Nisa (4:32) provides an additional conceptual lens, reminding believers not to envy what others have been granted, as differences in outcomes are part of the divine order and human diversity. In this context, differences in leadership outcomes between male and female CEOs may be attributed to contextual factors such as opportunity structures, corporate culture, stakeholder expectations, or societal biases rather than innate differences in ability. Therefore, the findings of this research should be interpreted with caution and understood as descriptive of observed corporate performance, rather than prescriptive of gendered capability. Islamic teachings support a meritocratic approach in which leadership roles are grounded in competence and ethical behavior (Koburtay et al., 2023). The Qur'anic worldview thus aligns with contemporary arguments that advocate equal access to executive positions while acknowledging that empirical variations in firm performance may stem from external barriers rather than gender itself (Erwani & Siregar, 2024).

Thus, this result shows that mining companies led by women as the highest strategists do not have an impact on profitability. The second hypothesis, that having a female CEO increases profitability, is not fully supported. This is supported by the research conducted by Baloyi & Ngwakwe (2017), which confirms that there is no significant relationship between the gender of the CEO, net profit, stock price, and company's revenue. Additionally, the results of this study are consistent with those of Dipta et al. (2018) which revealed that there is no significant relationship between women in CEO positions and company performance; however, a negative association between the two can be demonstrated. Upon

examining the descriptive statistics of this study, it is evident that companies that appoint women to top leadership positions average only 0.044 (4.4%), which is suspected to be the reason for the lack of influence of female CEOs in improving company profitability.

CONCLUSION

This study investigated the impact of foreign and female CEOs on firm profitability using the Common Effect Model based on the Lagrange Multiplier Test. The results show that foreign CEOs have a positive and significant effect on profitability, indicating that firms led by foreign executives may benefit from global expertise and strategic insight. Meanwhile, female CEOs did not demonstrate a significant influence, which is likely attributed to their very limited representation in the sample (only 4%), rather than an inherent limitation in their leadership potential.

From an Islamic ethical leadership perspective, these findings align with the Qur'anic emphasis on competence, justice, and inclusivity. Surah Al-Hujurat (49:13) affirms that human distinction is based on righteousness, not nationality or gender, supporting the positive role of foreign leaders. Likewise, Surah At-Taubah (9:71) and Surah An-Nisa (4:32) emphasize the shared responsibility and equal capacity of men and women, suggesting that the limited impact of female CEOs reflects structural constraints rather than theological deficiency. In line with QS. 4:58, leadership in Islam must be entrusted to those qualified, reinforcing the importance of merit-based appointments consistent with Sharia principles.

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