*International Journal of Business and Management Invention (IJBMI)*
*ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X*
*www.ijbmi.org || Volume 8 Issue 04 Series. III || April 2019 || PP 44-52*

# The Influence Of Enterprise Risk Management (ERM) Disclosure To The Value Of Firm On The Stage Of The Company Life Cycle With Managerial Ownership As A Moderating Variable

Ni Luh De Erik Trisnawati[1], A.A.N. Eddy Supriyadinata Gorda[2],
I NyomanWijana Asmara[3], Ni Ketut Rasmini[4]
*[1]STIE Satya Dharma, Singaraja, Bali, Indonesia*
*[2]Undiknas University, Denpasar, Bali, Indonesia*
*[3,4]Udayana University, Denpasar, Bali, Indonesia*
*Corresponding Author:Ni Luh De Erik Trisnawati*

***ABSTRACT:****This study aims to obtain empirical evidence of the influence of Enterprise Risk Management (ERM) disclosure against firm value at the life cycle stage of the company with managerial ownership as a moderating variable. The theory of the life cycle stages of the firm in relation to the capital market reaction to the policy adopted by the firm states that the capital market reaction to corporate policy is influenced by the position of the firm itself in its life cycle that produces different responses for each stage of the company's life cycle. The study population is a non-financial corporation which is registered in IDX and published an annual report for the year 2013-2015. The samples of the research obtained by 46 companies are then grouped into the life cycle stages of growth, maturity, and stagnation using the average sales growth indicator for three years. Data analysis technique used in this research is Moderated Regression Analysis (MRA) with the regression model of panel data. The results show that ERM disclosure has no effect on firm value in the stages of growth, maturity, and stagnation. Managerial ownership also does not moderate the relationship between ERM disclosure to firm value in the growth, maturity, and stagnation stages.*
***KEY WORD****: ERM Disclosure, Managerial Ownership, Company Life Cycle, Firm Value*

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Date of Submission: 02-04-2019 Date of acceptance: 18-04-2019

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## I. INTRODUCTION AND LITERATURE REVIEW

Global competition is happening today, demanding every company to always innovate in order to survive and be the best. Companies that are aware of these conditions will be more sensitive to all changes that occur, through efforts to utilize various strategies to win the competition so as to maintain the continuity of business and achieve corporate goals. High-value achievement is the main goal for the establishment of a company. A business unit that is not able to maintain the value of its company will lower the trust or interest of investors to buy shares of the company. So it is important for the company to remain able to maintain the value of the company, of which one way is to optimize the firm's internal strategy through the implementation of Enterprise Risk Management (ERM). ERM helps companies in managing and evaluating corporate risks.

Companies will always try to minimize the risk of any business decisions taken. Good risk management and disclosure to the public in addition to reducing the level of risk and uncertainty faced by investors also helps in controlling management activities. An investment decision in addition to being guided by financial information should also consider non-financial information such as disclosure of risk management so that possible risks can be minimized. The phenomenon of business risks that ensnare Toshiba's large corporations in the accounting case of a $1.22 billion profit bubble led to a collapse of investor confidence. This indicates the importance of risk management information as a consideration in investment decisions, one of which is ERM disclosure, so investors avoid all forms of fraud.

Some researchers seek to know the relevance of ERM with the firm value. The results of research conducted Hoyt & Liebenberg (2008) explained that companies that implement ERM can increase the value of the company. However, research conducted Tahir and Razali (2011) showed that ERM is positively associated with firm values, but not significantly. In addition, in the same year, Mcshane*et al.* (2011) found no relationship to the increase in the value of a company if the company is implementing ERM. Furthermore, in 2013 Bertinetti*et al.* re-examined the ERM and found that ERM disclosure positively affects the firm's value. Research conducted by Husaini (2017) instead finds companies that do ERM disclosure can increase the value of the company. Some of the research that has been done is still showing inconsistent results. Theoretically, every company will strive to provide information that can affect the increase in the value of the company. The disclosure of ERM items by the company is actually a strategy to provide information about the prospects of the company in the hope that the company will be rated more highly by potential investors. But the result of research by Abdullah *et al.* (2015) explains that not all voluntary disclosure of risk management can increase the value of a company. The public does not provide a higher assessment of the voluntary disclosure of risk management that is considered to be detrimental to the company. The disclosure of ERM in Indonesia, particularly non-financial companies regulated by the decision of the Chairman of *Bapepam* LK Number: Kep-431 / BL / 2012 do not specify the extent of required disclosure so that the instruments disclosed are still voluntary. This leniency provision causes the risk profile that the company discloses only in the form of general corporate risk management. So it is unlikely to have a significant impact on the increase in the company's stock price. This is indicated by the value of companies listed on the IDX, which is reflected in that stock prices actually experienced a fairly high fluctuation after the regulation was issued. Based on data from non-financial firms obtained through IDX statistics, of 418 companies listed on the Exchange precisely 51% of the company's stock price declined from 2012, 8% the share price remained unchanged and 41% of the company's stock price increased from 2012. The occurrence of stock price changes after the issuance of ERM disclosure regulations that did not have a great impact on the increase in corporate value reflected in stock prices, as well as inconsistent research results have made the research on ERM disclosure interesting for research in Indonesia.

The findings of inconsistent research results provide an overview of the possibility of ERM disclosure relationship to firm value influenced by other variables. One is the ownership structure of the company. Companies that have a managerial ownership structure are rated higher by investors (Ho CK, 2005). Investors regard managers who are also owners as having more motivation to improve performance so that all possible business risk will be managed better. Companies whose managers are owners are expected to be able to increase their value with a broader ERM disclosure. So the researcher assumes that the possibility of managerial ownership can moderate the effect of ERM disclosure on firm value. Differences of previous research results and the occurrence of fluctuation phenomenon of stock price changes after the issuance of regulations on ERM disclosure in 2012, in addition to the possibility that there are other variables that moderate, the researchers suspect that the different stages of the life cycle that are being experienced by a company also causes inconsistency in the research results (Anthony and Ramesh, 1992). The company will experience a change in the life cycle stage and according to Anthony and Ramesh, the changes will affect the market reaction in every policy taken the company. This study uses the grouping of life cycle stages into growth, maturity, and stagnation (Anthony and Ramesh, 1992). This study does not use the decline and introduction (startup) because according to Quinn and Cameron (1983) usually, the stock does not record companies that have entered the decline stage anymore. Likewise, the stage of introduction (startup) cannot be done because this stage cannot meet the criteria. Because the IDX requires the provision that in order for the company's shares to be listed in IDX, therefore the company must have obtained net profit and operating profit for the last two fiscal years. Based on the above explanation, this research would like to prove empirically the role of managerial ownership on the influence of ERM disclosure in increasing the value of the company at every stage of the life cycle of the company. This research was conducted on non-financial firms listed at IDX during the period of 2013-2015.

### 1.2 Research Objectives

This study aims to obtain empirical evidence of the influence of Enterprise Risk Management (ERM) disclosure against firm value at the life cycle stage of the company with managerial ownership as a moderating variable.

### 1.3 Literature Review

#### 1.3.1 Theoretical Basis

Signaling theory emphasizes the importance of information issued by the company for investment decisions outside parties. Information issued by the company into a signal and consideration for outside parties in the company decided to invest Jogiyanto (2000: 392). The company will work on strategies that are considered capable of increasing investor appraisal of companies such as disclosure of voluntary information as explained by Signaling theory. Frankforter*et al.* (2000) explain that the agent who submits the management of his company to the principal requires a strategy that is capable of supervising management actions. Several mechanisms can be employed by companies such as disclosure of voluntary information that will at the same time indicate transparency within the company (Ho and Wong, 2001). Transparency through the disclosure of voluntary information will monitor the opportunistic behavior of management and information asymmetry that may occur within the company.

#### 1.3.2 Life Cycle Theory

The information disclosed by the company according to life cycle theory will be judged differently by the market in each stage of its life cycle. There are several life cycle models that have been used by the researchers, namely the five-stage model, four stages, and three stages. According to Pashley and Philippatos (1990), life cycle stages consist of a pioneering/introduction, expansion/growth, maturity, and decline. Meanwhile, Anthony and Rames (1992) divide the life cycle of the company into three; growth (grow), maturity (adult) and stagnation. This research classifies the life cycle of the company into three stages; growth, maturity, and stagnation referring to the research of Anthony and Ramesh (1992), Saraswati (2008) and Restuti (2015). Companies that are in the growth stage, have increased sales volume so that companies start to earn profits because the company already has a market share. At this stage, companies tend to focus more on investment activities for business development. After the growth stage, the company will enter the mature stage. Companies entering this stage begin to dominate market share. At the mature stage, the corporate objective is able to maintain market share owned. The last stage of the company's life cycle is decline. In the post-mature stage, there are companies that do not enter the decline stage but remain in a stable position (stagnant). The company does not experience much sales increase or very drastic profit decline. In stagnant stages, the sales or demand for a company's product is very low.

### 1.3.3 ERM Disclosure

Risk according to the Institute of Chartered Accountants in England and Wales is a situation where there is uncertainty about the impacts, gains or losses. The Company seeks to manage the risks that are then disclosed to the public through voluntary disclosure in the form of ERM disclosure. There are 108 ERM disclosure items corresponding to the ERM framework issued by COSO which is divided into eight dimensions. These eight dimensions are an important component in the achievement of corporate objectives that comprise (1) the internal environment, (2) goal setting, (3) identification of events, (4) risk assessment, (5) risk response, (6) (7) information and communication, and (8) monitoring (COSO, 2004). The importance of ERM disclosure for companies encourages the issuance of SFAS No. 60 (Revised 2010 on Financial Instruments) and Decision of the Chairman of *Bapepam* LK Number: Kep-431 / BL / 2012 regarding the obligation to present the explanation of risk and risk management efforts that have been done by the company.

## 1.4 Hypothesis Development

### 1.4.1 ERM Disclosure at Firm Values at Growth, Maturity, and Stagnation Stages

Companies whose internal control systems are maintained typically also have good risk management visible from ERM implementation within the company and disclosed through ERM disclosure. The results of empirical research conducted by Hoyt and Liebenberg (2008) have proved that the value of an enterprise will be higher on average by 3.6% -17% if the company has ERM implementation. Devi in her research in 2016 revealed that investors will be able to consider future corporate conditions through ERM disclosure information. Companies will be assessed more transparently if the ERM disclosure is applied more widely than other companies (Baxter, 2012).

However, the phenomenon of fluctuations in corporate value reflected through stock prices in 2013 after the issuance of regulations on risk management disclosure explains that ERM disclosure in a company does not fully affect the increase in corporate value. The decision of the Chairman of *Bapepam* LK Number: Kep-431 / BL / 2012 issued regarding ERM disclosure shows, from 418 non-financial companies listed on the stock exchange in the year 2013 exactly 51% company share prices decreased from the year 2012. Besides the possibility of differences in stages of the life cycle that the company passes also becomes the cause of the difference of ERM disclosure effect to firm value. The ERM disclosure information is expected to provoke different reactions by investors based on the position at which the company is in the life cycle stage. Changes in the life cycle stages experienced by companies according to Anthony and Ramesh will affect the market reaction to any policies taken by the company. Based on the exposure, a hypothesis can be formulated as follows:

*H1a*. ERM Disclosure positively affects the firm's value at the growth stage.
*H1b*. ERM Disclosure positively affects the firm's value at a mature stage.
*H1c*. ERM Disclosure positively affects the firm's value at the stagnant stage.

### 1.4.2 ERM Disclosure at Firm Values With Managerial Ownership as a Moderating Variable in Growth, Maturity, and Stagnation Stages

Research conducted Demsetz and Lehn (1985) in Meizaroh (2011) found the risk of a business affect the concentration of company ownership. ERM applied by the company can be improved by the amount of share ownership in the company's shareholding structure (Shleifer and Vishny, 1986). Besides, the value of a company is also influenced by the company's share ownership structure. Ho CK (2005)explain the level of ownership of shares by the management will encourage management to take the best action for the company, because in addition to increasing the value of the company in the eyes of investors also provide benefits for himself as well as shareholders. Companies that are able to achieve high scores by disclosing broader non-financial information will be more in demand by investors (Ramadhani and Hadiprajitno, 2012).

ERM disclosure provides investors with information on risk profiles, management ways and impacts for future firms so that investors can provide valuations to the company at this time and predict the sustainability of their business. A company that discloses more information and implements a high managerial share ownership structure will tend to increase its value (Ramadhani and Hadiprajitno, 2012). This condition is likely to be different at every stage of the company's life cycle because each stage has its own characteristics. Based on the exposure, a hypothesis can be formulated as follows:

*H2a*. Managerial ownership moderates the influence of ERM Disclosure on the firm's value at the growth stage.
*H2b*. Managerial ownership moderates the influence of ERM Disclosure on the firm's value at a mature stage.
*H2c*. Managerial ownership moderates the influence of ERM Disclosure on the firm's value at the stagnant stage.

### 1.5 Research Methodology and Data Analysis

#### 1.5.1 Population and Sample

The study population is non-financial corporations that published annual reports during the observation period of 2013-2015. The sample was selected using the *purposive sampling technique.* Table 1 presented the sample selection process.

**Table 1: Sample Selection Process**

| No. | Sample Criteria | Total |
|---|---|---|
| 1. | Non-financial companies listed on the Indonesia Stock Exchange for the period of 2013-2015. | 439 |
| 2. | Non-financial companies whose financial statements are not obtained in full during the period of 2013-2015. | (27) |
| 3. | Companies that do not apply the managerial shareholding system during the period of 2013-2015. | (343) |
| 4. | Companies implementing the managerial shareholding system but have not experienced positive sales growth during the period of 2013-2015. | (23) |
| Number of Samples | | 46 |
| Total observations (2013-2015) | | 138 |

The classification of corporate life cycle stages in this study is grouped into growth, mature and stagnant stages according to Anthony and Ramesh (1992), Saraswati (2008) and Restuti (2015). The indicator used to classify the life cycle stages of the company is the average sales growth for three years with the following formula:

$$Average\ Sales\ Growth = \frac{Salesgrowth_t + Salesgrowth_{-1} + Salesgrowth_{-2}}{3}$$

Where:

$Sales\ growth_{t}$ : Sales growth in observation period t
$Sales\ growth_{t-1}$ : Sales growth in observation period t-1
$Sales\ growth_{t-2}$ : Sales growth in observation period t-2

The formula for calculating sales growth is as follows:

$$Sales\ Growth = \frac{Sales_t - Sales_{-1}}{Sales_{t-1}} \text{ x } 100\%$$

Where:

$Sales\ growth_{t}$ : Sales growth in observation period t
$Sales\ growth_{t-1}$ : Sales growth in observation period t-1

The result of calculation of average sales growth value is then grouped based on percentage value according to research by Susanto and Ekawati (2006), Firdaus (2009) and Erviana (2012) with the following limitation.

1) Growth stage is a company that has an average sales growth value above 20%.
2) Mature stage is a company that has an average sales growth value between 8% -20%.
3) Stagnant stage is a company that has an average sales growth value below 8%.

Based on the calculation of average sales growth, from 46 samples previously obtained through the selection process, 13 companies entered the growth stage with 39 observations, while 22 companies entered the mature stage with 66 observations, and 11 companies entered the stagnant stage with 33 observations.

### 1.5.2 Research Variables Definition

**ERM disclosure (independent variable)**: The researcher using 108 items of ERM disclosure adopted the ERM framework issued by COSO covering eight dimensions. The ERM disclosure index used as a proxy for measuring ERM disclosure is calculated as follows:

$$ERMDI = \frac{\Sigma \text{ij Ditem}}{\Sigma \text{ij ADitem}}$$

Where:

*ERMDI* : *ERM Disclosure Index*
ΣijDitem : Total Score Item ERM Disclosed
ΣijADitem : Total Items ERM should have disclosed

The approach used in calculating disclosure items is the dichotomy approach. The proxy is based on the proxy used by Meizaroh and Lucyanda (2011) and Devi (2016), giving a value of 1 for each ERM item that is disclosed and if not disclosed will be assigned a value of 0.

**Firm value (dependent variable)**: Measurement of firm value uses the value of Tobin's Q, with the consideration that Tobin's Q value contains all elements of debt, capital and the total value of assets owned by the company. The Tobin's Q formula used is adopted from Chung and Pruitt (1994) with the following formula:

$$Tobin's\ Q = \frac{\text{MVS} + \text{D}}{\text{TA}}$$

Where:

Tobin's Q : Firm Value
MVS : Stock Market Value is calculated from (number of shares outstanding x closing stock price)
D : Market Value of Debt is calculated from (current liabilities-current assets + long-term liabilities)
TA : Total Assets

**Managerial ownership (moderating variable)**: The amount of value or percentage of share ownership by the manager, who is also active in the management of the company, will be calculated using the percentage value adopted from the research of Wida (2014) with the following formula.

$$\text{KM} = \frac{\Sigma\text{SM}}{\Sigma\text{SB}}\ x\ 100\%$$

Where:

KM : Managerial ownership
ΣSM : Total managerial shares
ΣSB : Total outstanding shares

### 1.5.3 Hypothesis Testing

Data analysis used in this research is Moderated Regression Analysis (MRA) with the regression model of panel data. MRA will be done in each stage of the company life cycle: growth, maturity, and stagnation, with the following equation.

$$NP = \alpha + \beta 1 ERMDI + \beta 2 ERMDI * KM + \varepsilon$$

Where:

NP : Firm Value
α : Constant
β1, β2 : Regression Coefficient
*ERMDI* : ERM Disclosure Index
KM : Managerial Ownership
$ERMDI * KM$ : Interaction between ERM Disclosure Index and Managerial Ownership
ε : Error term

## 1.6 Findings and Interpretation

### 1.6.1 Descriptive Statistics

The results of data processing using descriptive statistics are presented in Table 2 below. ERM disclosure has a mean of 0.38 in the growth stage, 0.38 in the mature stage, and 0.35 in the stagnant stage. Meanwhile, managerial ownership as a moderation variable which is proxied by using managerial ownership percentage has an average value of 0.02 at the growth stage, 0.04 in the mature stage and 0.16 in stagnant stage indicating that the percentage of managerial ownership of non-financial corporations is still very small. The firm value projected using Tobin's Q has an average value of 1.34 at the growth stage, 1.08 at the mature stage, and 0.97 at the stagnant stage.

**Table 2: Descriptive Statistics**

| Life Cycle Stage | Variable | Mean | Maximum | Minimum | Std. Dev. | Observations |
|---|---|---|---|---|---|---|
| Growth | ERM | 0,38 | 0,55 | 0,19 | 0,10 | 39 |
| | KM | 0,02 | 0,28 | 0,00 | 0,06 | 39 |
| | NP | 1,34 | 4,40 | 0,20 | 0,86 | 39 |
| Mature | ERM | 0,38 | 0,56 | 0,21 | 0,09 | 66 |
| | KM | 0,04 | 0,58 | 0,00 | 0,08 | 66 |
| | NP | 1,08 | 4,35 | 0,03 | 1,09 | 66 |
| Stagnant | ERM | 0,35 | 0,51 | 0,24 | 0,07 | 33 |
| | KM | 0,16 | 0,74 | 0,00 | 0,27 | 33 |
| | NP | 0,97 | 3,85 | 0,10 | 0,92 | 33 |

### 1.6.2 Results of Hypothesis Testing

This research uses a panel data regression model with the three approach model. The selection of the most appropriate model between the Common-Constant (The Pooled OLS Method=PLS) method, the Fixed Effect Method (FEM), and the Random Effect Method (REM) is done through Chow or Likelihood Test Ratio test, Lagrange Multiplier (LM) test, and Hausman test. Based on the results of the tests conducted then the REM model is the most appropriate model in the growth stage, mature stage, and stagnant stage to estimate the panel data regression parameters. Table 3 and Table 4 show the results of the Moderated Regression Analysis (MRA) using the panel data regression model in each stage of the company cycle: growth, maturity, and stagnation.

**Table 3: Criteria for Selection of Panel Data Regression Model in The Growth Stage, Mature Stage, and Stagnant Stage**

| Life Cycle Stage | Criteria | Panel Data Regression Model | | |
|---|---|---|---|---|
| | | PLS | FEM | REM |
| Growth | *F* test | Not Significant | Not Significant | Not Significant |
| | Determinant | 0% | 65% | 0% |
| | *t*-test | Not Significant | Not Significant | Not Significant |
| Mature | *F* test | Not Significant | Not Significant | Not Significant |
| | Determinant | 0% | 90% | 0% |
| | *t*-test | Not Significant | Not Significant | Not Significant |
| Stagnant | *F* test | Not Significant | Not Significant | Not Significant |
| | Determinant | 0% | 38% | 0% |
| | *t*-test | Not Significant | Not Significant | Not Significant |

The result of choosing the most appropriate panel data regression model in each stage based on test result is the REM model. However, the result of the regression test of panel data presented in Table 3 with PLS, FEM and REM model shows that *F* test is not significant and t-test result is not significant either. Determinants using the REM and PLS models are 0%, but by using the FEM model the determinant value is 65% in the growth stage, 90% in the mature stage and 38% in the stagnant stage, so the model chosen at the growth, mature and stagnant stages is FEM model.

**Table 4: The result of Moderated Regression Analysis (MRA) with FEM model Panel Data Regression Model in Growth Stage, Mature Stage and Stagnant Stage**

| Life Cycle Stage | *Variable* | *Coefficient* | *Std. Error* | *t-Statistic* | *Prob.* |
|---|---|---|---|---|---|
| *Growth* | *C* | 1,79 | 1,38 | 1,30 | 0,20 |
| | *ERMDI* | -0,73 | 3,35 | -0,22 | 0,83 |
| | *ERMDI *KM* | -1,93 | 1,50 | -1,29 | 0,21 |
| | *Effects Specification* | | | | |
| | *R-squared* | 0,78 | *F-statistic* | | 6,10 |
| | *Adjusted R-squared* | 0,65 | *Prob(F-statistic)* | | 0,00 |
| *Mature* | *C* | 1,38 | 0,67 | 2,05 | 0,05 |
| | *ERMDI* | -0,69 | 1,77 | -0,39 | 0,70 |
| | *ERMDI *KM* | -2,43 | 3,09 | -0,79 | 0,44 |

| | | | | | |
|---|---|---|---|---|---|
| | *Effects Specification* | | | | |
| | *R-squared* | 0,93 | *F-statistic* | | 2,57 |
| | *Adjusted R-squared* | 0,90 | *Prob(F-statistic)* | | 0,00 |
| *Stagnant* | *C* | - 1,57 | 3,05 | -0,51 | 0,61 |
| | *ERMDI* | 3,23 | 9,50 | 0,34 | 0,74 |
| | *ERMDI *KM* | 2,37 | 1,78 | 1,33 | 0,20 |
| | *Effects Specification* | | | | |
| | *R-squared* | 0,61 | *F-statistic* | | 2,61 |
| | *Adjusted R-squared* | 0,38 | *Prob(F-statistic)* | | 0,03 |

The result of Moderated Regression Analysis (MRA) with FEM model panel data regression model in the growth stage, mature stage and stagnant stage as shown in Table 4, then made the following equation.

$NP = 1{,}79 - 0{,}73ERMDI - 1{,}93ERMDI * KM + \varepsilon$ ( *growth stage)*
$NP = 1{,}38 - 0{,}69ERMDI - 2{,}43ERMDI * KM + \varepsilon$ (*mature stage)*
$NP = -1{,}57 + 3{,}23ERMDI + 2{,}37ERMDI * KM + \varepsilon$ (*stagnant stage)*

The independent variable that is ERM disclosure at growth stage has a negative regression coefficient value equal to -0.73 with significance level 0,83 bigger than the specified level of significance that is 0,05. At the mature stage ERM disclosure has a negative regression coefficient value equal to -0.69 with a significance level of 0.70 greater than the specified significance level of 0.05. While in the stagnant stage ERM disclosure has a positive regression coefficient value of 3.23 with a significance level of 0.74 is greater than the specified level of significance is 0.05. The results of the analysis show that ERM disclosure does not affect firm value in growth, maturity, and stagnation, which means hypothesis H1a, H1b and H1c are rejected. The result of interaction test analysis shows that the value of regression coefficient of interaction between managerial ownership and ERM disclosure has a negative effect as moderation variable equal to -1,93 with bigger significance than α = 0,05 ie 0,21 at the growth stage. The value of regression coefficient (ERMDI*KM variable) is negative as -2.43 with significance greater than α = 0,05ie 0,44 in mature stage, and regression coefficient value (variable of ERMDI*KM) with positive sign of 2.37 with significance greater than α = 0.05 i.e. 0.20. The result of interaction test analysis shows that hypothesis H2a, H2b, and H2c is rejected, which means managerial ownership is not a moderating variable of ERM disclosure relationship to firm value in growth, mature and stagnant stages.

Tests using panel data in this study show insignificant results both between the influence of ERM disclosure and firm value and managerial ownership capability in moderating ERM disclosure and firm value relationships at each stage of the company life cycle. As a comparison material, the analysis is done by using the usual regression model by ignoring the panel data by transforming the data using Generalized Least Squares (GLS) model. The results of the analysis using the GLS model are presented in Table 5.

**Table 5: The Results of MRA Analysis**
**(Without The Company Life Cycle of Growth, Stagnation, and Maturity)**

| | | | | |
|---|---|---|---|---|
| *Dependent Variable: NP*<br>*Method: Panel EGLS (Cross-section weights)*<br>*Periods included: 3*<br>*Cross-sections included: 46*<br>*Total panel (balanced) observations: 138* | | | | |
| *Variable* | *Coefficient* | *Std. Error* | *t-Statistic* | *Prob.* |
| *C* | 0,78 | 0,11 | 7,20 | 0,00 |
| *ERMDI* | 1,09 | 0,29 | 3,76 | 0,00 |
| *ERMDI *KM* | -2,38 | 1,69 | -1,41 | 0,16 |
| *Weighted Statistics* | | | | |
| *R-squared* | 0,97 | *F-statistic* | | 6,59 |
| *Adjusted R-squared* | 0,96 | *Prob(F-statistic)* | | 0,00 |

The independent variable, ERM disclosure, which is entered into the model has a significant probability value of 0.00 which is under the specified significance of α = 0.05. These results indicate that the ERM disclosure variable has a partially significant effect on firm value. However, managerial ownership does not moderate ERM's corporate disclosure relationship to firm value.

**1.6.3 Discussion**

Based on signal theory, a company capable of performing risk management well and informing the public through ERM disclosure will be better judged by potential investors. In the extent of the ERM disclosure rate undertaken by the company, in addition to being positively responded to by potential investors, the company is also considered capable of demonstrating a better commitment in managing its business risks (Hoyt and Liebenberg, 2011). According to Anthony & Ramesh (1992), in the growth stage, there is a high sales growth so the company must increase the capacity of the company. At the growth stage, the company often invests in projects at risk. In addition, the company at this stage only divides the dividends into small amounts, or even not divides the dividends at all because they must save capital for corporate investment activities. Low dividend rates and high risk in the company may be the reason why investors do not respond to ERM disclosures against corporate value at the growth stage. Pujianto, et al (2016) also found that the life cycle does not moderate the intellectual capital exposure relationship and firm value. In the year 2014, research conducted by Juniarti found the growth stage has a negative effect on firm value.

In the mature stage, companies generally pay high dividends. Investors who expect to earn a relatively large amount of dividends with the presentation of information on ERM disclosure will like to invest in mature companies and increase corporate value (Murhadi, 2012). However, market competition faced by companies at the mature stage with other similar companies tends to have the effect of a decrease in profits, so the ERM information disclosure in the mature stage still provokes no response from the investors, so it does not affect the firm value. The result of this study, in accordance with research conducted by Meliani (2014), is that the mature stage is not able to strengthen the negative impact of risk disclosure level on information asymmetry.

Companies that are in the stage of saturation (stagnant) usually suffered losses due to low demand for the company's product so that sales decreased. This condition causes the company no longer to be able to pay dividends; this is likely to be the reason why ERM Disclosure information is not much considered by the investor so it is not able to increase the value of the company. Anthony and Ramesh (1992) who conducted research on the life cycle stage of the company also found stagnant stages not significantly related to the value of the company.

Increasing the percentage of managerial ownership in a company usually tends to ignore the achievement of overall corporate objectives; managers are usually more concerned with the fulfillment of personal goals. The managerial ownership mechanism that was originally created to minimize the conflict of interest between shareholders and managers was not able to reduce the occurrence of conflict so that the value of high companies in the growth stage could not be achieved. On the other hand, the results of research conducted by Putri (2013) states that the low percentage of managerial ownership in the company is also the cause of managerial ownership negatively affecting the relationship between corporate social responsibility and corporate value. The failure of managerial ownership to strengthen the influence of ERM disclosure on firm value is likely due to the mature stage, the company enters the stage where its managers begin to be professional. When company managers are in a professional state they tend to have an attitude better to meet their personal interests, so sometimes the goal of the company becomes a second priority.

Companies that are at the stage of saturation (stagnant) usually suffered losses due to low demand for the company's product until sales decreased. A decrease in the level of sales experienced by a company due to low demand for products will encourage managers to take action to remain self-sufficient, thus likely ignoring the achievement of the company's main objectives. The possibility of this condition leading to an increase in the percentage of managerial ownership in the stagnant stage is not able to increase the value of a company through a wider ERM disclosure. Similar research findings also obtained by Anwar (2012), the low level of managerial ownership percentage in the company that is still dominated by the family causes managerial ownership to fail as a moderating variable between financial performance with firm value. In addition, the findings of this study are also consistent with the DemsetzH (1983), Agrawal A (1996), and Husaini (2017) studies.

## II. CONCLUSION

Based on the formulation of the problem, objectives, theoretical basis, hypothesis and test results conducted, it can be concluded that ERM disclosure does not affect the value of the company in the three stages of the company's life cycle, i.e. growth, maturity or stagnation. Managerial ownership is also unable to moderate the relationship between ERM disclosure to firm value in growth, maturity or stagnation.

A limitation in this study is the using of only one indicator in the grouping of the company's life cycle, i.e. the three-year sales growth indicator that is suspected to affect the results of the study. Subsequent research can increase the use of other indicators such as the age of the firm according to research conducted by Anthony and Ramesh (1992). Further researchers may also use other moderating variables into research models such as institutional ownership. Institutional ownership can increase the value of the company, because with the increase of institutional ownership then all activities of the company will be supervised by the institutions.

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Ni Luh De Erik Trisnawati " The Influence Of Enterprise Risk Management (ERM) Disclosure To The Value Of Firm On The Stage Of The Company Life Cycle With Managerial Ownership As A Moderating Variable " International Journal of Business and Management Invention (IJBMI), vol. 08, no. 04, 2019, pp 44-52