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The Influence of Company Attributes on Enterprise Risk Management: Mediating Effects of Company Performance

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Abstract

The aim of this research is to understand the impact of company attributes (equity, firm age, and firm size) on Enterprise Risk Management in the financial sector by using Company Performance as a mediating variable. The sample for this research consists of companies that have gone public and the amount of data is 470 data from 94 companies over a period of the last 5 years. This research uses a panel data regression method with the help of the eviews 12 and spss 26 software programs to test the influence between variables. The results of this research confirm that company attributes, especially equity, company age, and company size, together have a significant impact on company performance, especially measured by Return on Equity (ROE).

Keywords: Equity, Age, Size, Financial Sector, Enterprise Risk Management (ERM)

1. Introduction

1.1 Background

Financial performance is a crucial element in the structure of a company, has a role as one of the main indicators of business success, and has a significant direct impact on the company's decision-making process.(Octavianus et al., 2022). Based on data from the Central Statistics Agency (BPS), there has been a quite striking increase in the financial sector's contribution to economic growth (GDP), reaching 8.9%. This shows that the financial sector is one of the main drivers of economic growth in Indonesia. Company performance reflects the financial sector's contribution to overall economic growth(Tang & Fiorentina, 2021). Therefore, great efforts are needed to ensure that the financial performance presented by companies in the

financial sector reflects actual reality and can be relied upon as a basis for informational and accurate decision making.(Syrová & Špička, 2023; Winarto & Chariri, 2022).

Company performance problems include a number of factors that can significantly influence the course of business operations(Ekadjaja et al., 2021). One critical aspect is ineffective management, which can be reflected in errors in management decision making, inability to manage risks efficiently, and lack of clear strategies. In addition, unhealthy financial problems can harm company performance, such as high debt and poor management of the capital structure, as well as a decrease or inconsistency in profitability and liquidity problems.(Settembre-Blundo et al., 2021). Challenges in terms of market and competition require a company to be able to adapt to dynamic market changes, by adopting a holistic and proactive strategy to ensure the sustainability and success of the company's performance.(Rožman et al., 2023).

Risk management needs to be one of the main focuses to achieve optimal levels of company performance(Asir et al., 2023). The implementation of ERM can have a significant positive impact on company performance, as evidenced by the improvements seen after ERM implementation is carried out (Rustam, 2017;Phan et al., 2020). ERM itself is an effort that involves directors, management and all company employees who must play an active role in designing strategies to identify and manage risks with the aim of achieving organizational or company targets (Pamungkas, 2019). The introduction of ERM in the company structure can ensure business sustainability and actively contribute to improving company performance(Rahman & Kennedy, 2022).

The implementation of ERM has a positive influence on improving company performance(Faiq & Septiani, 2020). Implementing ERM not only provides security in facing emerging risks but also has the potential to increase the company's competitiveness and overall performance. Thus, ERM strategy can be considered as a strategic step to respond to risks and become a driver of long-term growth and sustainability (Adissa et al., 2022; Iswajuni et al., 2018). ERM implementation can also reduce the cost of equity capital (Berry-Stölzle and Jianren, 2018).

There are variables that can influence the performance of a company, including equity, company age and company size. Equity shows balanced ownership between shareholders and creditors, where efficient equity management can provide financial stability and increase shareholder confidence(Horvey & Ankamah, 2020; Yegon et al., 2014; Mayranti & Nurhayati, 2023). Company age can be an indicator of experience and stability, where older companies have an advantage in overcoming industry challenges. The company age factor reflects the extent to which a company has operated and is an indicator of its sustainability and competitiveness in the business world (Muzayin and Trisnawati, 2022). Larger company sizes have greater resources. Companies with a larger scale will have easier access to funding sources both from within and outside the company, thereby increasing company value (Novari, 2016).

A company's risk management is greatly influenced by its age and size (Rujin and Sukirman, 2020). The reason there is a negative correlation between company size and financial performance is because large companies often have difficulty tracking all their assets due to the lack of an efficient system for managing and processing them.(Anita & Amalia,

2021). As a result, they spend more money on things like maintenance and depreciation, reducing recorded profits. Therefore, it is necessary to develop risk management that is appropriate to the characteristics and complexity of the company (Isbanah, 2015).

Risk management in the financial sector not only aims to identify potential risks, but also to design and implement policies and procedures that can reduce negative impacts. Knowledge in the field of risk management in the financial sector can mitigate potential systemic risks, maintain economic stability and support sustainable growth(Arta et al., 2021). The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has an Enterprise Risk Management (ERM) Framework, also known as COSO ERM. This framework details the processes that organizations should implement in determining strategy with the aim of identifying potential risks. Implementing the COSO ERM guide can help a company or organization achieve strategic goals and increase resilience to risk(Hidayat & Dwiasnati, 2022; Rikaz et al., 2022).

Based on the background that has been described, this research aims to investigate the influence of company attribute variables, namely equity, company age, and company size, on ERM with the mediation of company performance. The research results are expected to provide strategic insight for companies in improving their risk management capabilities, designing more effective policies, and optimizing overall performance. By integrating COSO ERM 2017 guidance, this research also provides a practical foundation for steering companies toward long-term sustainability and better dealing with risk.

It is hoped that this research can make a positive contribution to the understanding of optimal risk management in a dynamic financial environment. Therefore, the aim of this research is to analyze the influence of company attributes on ERM in the financial sector, with the mediation of company performance.

2. Literature review

2.1 Enterprise Risk Management

COSO's ERM Framework (2017) defines risk management in the following words: "The culture, capabilities, and practices, harmonized with strategy formulation and performance, which organizations depend on to handle risks while generating, safeguarding, and actualizing value." Any organization that wants to manage its risks, strategies and performance results must meet the five most fundamental components introduced by the latest edition of COSO ERM, which differs from the COSO ERM - integrated framework. Here are the five parts:

1. *Governance and Culture*(Governance and Culture)

The organizational structure, urgency, and oversight tasks of corporate risk management are all managed by governance. An organization's culture influences its values, behavioral norms, and awareness of potential risks.

2. *Strategy and Objective-Setting*(Strategy and Goal Setting)

Strategic planning is an integrated process that combines enterprise risk management, strategy, and goal setting. Business objectives embody plans that form the basis for recognizing, evaluating, and responding to risks; Propensity to risk is determined and adjusted to the strategy.

3. *Performance*(Performance)

The success of a company's plans and goals depends on its ability to anticipate and assess potential threats. Taking into account risk appetite, risks are ranked from most serious to least. Next, companies decide how they will react to potential threats, and build a portfolio to show how much risk they have taken. Reports are sent to key parties involved in the risk assessment after this phase.

4. *Review and Revision*(Review and Revision)

Revision Organizations can evaluate the operation of an enterprise's risk management parts over time, identify important changes, and decide whether improvements are needed by analyzing the entity's performance.

5. *Information, Communication, and Reporting*(Information, Communication and Reporting)

In terms of corporate risk management, there needs to be a constant flow of information from all parts of the company, both inside and outside.

As a basis for creating ERM standards and evaluating the quality of ERM in each business, COSO established 20 principles in addition to the five ERM components already described. Defining and applying these concepts is crucial to developing reliable ERM. Research related to ERM was conducted by Phan et al on 77 industrial companies in Vietnam from 2012 to 2018 as a research sample to determine indicators in evaluating the relationship between Enterprise Risk Management (ERM) and company value among industrial companies in Vietnam. International economic integration not only opens up many business opportunities, but also brings many challenges to businesses in Vietnam. One challenge is that financial risks for companies are increasingly diverse and sophisticated. The research results show that the implementation of ERM in the previous year had a strong positive relationship with company value(Phan et al., 2020). Apart from that, Kurniawanto also carried out research related to ERM. This research aims to examine the influence of company characteristics on Enterprise Risk Management (ERM) disclosure. The research object is State-Owned Enterprises listed on the Indonesia Stock Exchange in 2019-2020, with a total sample of 40 annual reports selected deliberately and analyzed using multiple regression. The results of this research prove that company size and leverage do not influence Risk Management disclosure, while profitability influences Risk Management disclosure. The greater the profitability generated by the company, the wider the risk disclosure that will be made to show stakeholders that State-Owned Enterprises in Indonesia can use capital efficiently(Kurniawanto, 2021).

Research on the relationship between company performance and ERM has also been carried out by Faiq & Septiani, Maharani & Yonnedi, Shad et al., and Syrova.Study-This research examines the relationship between several attributes and company performance with ERM(Faiq & Septiani, 2020; Maharani & Yonnedi, 2023; Shad et al., 2022; Syrová, 2022). There is also research by Agustina & Baroroh, Faisal, Martadevi & Mimba which examines the relationship between Enterprise Risk Management (ERM) and Company Value Mediated through Financial Performance, Enterprise Risk Management (ERM) and Company Value, Corporate Social

Responsibility, Enterprise Risk Management, Company Value and Financial Performance as Moderation (Agustina & Baroroh, 2016; Faisal et al., 2021; Marthadevi & Mimba, 2023).

2.2 Company Attributes

Equity

An understanding of equity in funding decisions can be obtained by using the definition of equity that has been provided by a number of financial professionals, as explained by Riyanto (2010: 18). Equity is defined by Meij (Riyanto, 2010:18) as the "collectivity" of equity items recorded on the debit side of the balance sheet. The term "equity items" includes anything that is part of a company's infrastructure and contributes to its ability to make money. The ability to use equity items is defined by Polak (Riyanto, 2010:18), which is why equity is recorded on the credit side of the balance sheet. This equity item is an asset that has not been utilized by the company in its activities. In a similar vein, Bakker notes that equity can be represented on the debit side of the balance sheet by physical goods still owned by the company or, on the credit side, by the purchasing power or exchange price of those products. Equity is a category that includes the owner's share ownership in a corporation, according to Naiggolan (2014:3). Equity is defined as capital used to acquire assets and run a business according to Atmaja (2012:155). The term "equity" is used by Munawir (2015:19) to describe share ownership in a company. It includes wealth created by a company's operations and capital contributed by owners or outside parties.

Company Age

Reducing delays in reporting financial statements is possible, according to Mardiani (2019), as a company grows and its accountants learn more about growth-related concerns. Because of the experience they have accumulated over the years, established organizations are usually better at collecting, processing, and communicating information when needed. This allows them to provide financial reports more quickly.

According to Astuti & Erawati (2018), aging businesses often get better at collecting, analyzing and generating data when needed. This is caused by the entity's past experiences. Additionally, long-standing businesses have a wealth of knowledge about the problems and obstacles associated with data processing, as well as how to overcome them. Additionally, businesses usually adapt easily to new developments because they themselves have gone through many changes. That way, businesses and other organizations can submit their financial reports ahead of schedule.

Company Size

Overall, company size can be defined as a scale that uses metrics such astotal assets, average asset value, stock market capitalization, total sales or income, average sales, overall profits, number of employees, and number of assets to categorize company size. (Dang et al., 2018).

Brigham and Houston (2010: 4) state that total income, total assets and total equity are three ways a company can be classified as having a certain size.The size of a company can be determined by looking at its total assets or by calculating the logarithmic value of these assets, according to Hartono (2008:14). According to Kurniasih (2012: 148), company size, equity value, sales value and asset value all play a role in determining the scale of the company. According to Riyanto (2011:313), equity value, sales value, or asset value all contribute to the size of a company.

2.3 Company performance

Moeheriono (2012:95) states that performance is a reflection of the extent to which a program, activity or policy has been successfully implemented in the process of achieving the goals, targets, vision and mission of an organization, which are outlined in the organization's strategic planning; and according to Rivai (2013: 604), performance is a concept that covers all or part of an organization's actions or activities over a certain period of time, measured based on various criteria such as efficiency, accountability, and projections of past costs, administration, and other aspects.
Research related to company performance was conducted by Malelak & Pryscillia where this research examined the factors that influence the potential adoption of Enterprise Risk Management (ERM) and the impact of ERM adoption on the performance of banking companies listed in Indonesia during the period 2009 to 2017. This research uses logistic regression to test four potential factors as drivers behind ERM adoption and linear regression to test the impact of ERM on company performance. The research results show that companies with a larger size, having higher institutional ownership, and being part of a multinational company are more likely to adopt ERM, while ERM implementation does not have a significant impact on company performance. This research provides new empirical contributions and expands the scope of literature, especially in developing economies such as Indonesia(Malelak & Pryscillia, 2020).

Research by Rahman & Kennedy investigates the relationship between Enterprise Risk Management (ERM) and firm performance in China's trade industry. The ERM index is constructed from a strategic and operational perspective to assess the ERM level of Chinese trading enterprises. ERM is also applied as integrated, comprehensive and strategic management using the Simona-Iulia (2014) approach. This study involved 175 registered Chinese trading companies from 2009 to 2018, and found that imperfect ERM in China's trading industry had a negative impact on corporate performance. This research also finds that company size, financial leverage, and intellectual capital can influence ERM. These results establish a strong relationship between ERM and firm performance in China's trade industry, supported by substantial evidence. This research contributes to the literature by analyzing the impact of ERM when implemented in industry, and our findings show that firm performance is related to the level of ERM implemented(Rahman & Kennedy, 2022).

Horvey & Ankamah's research examines the linear and non-linear relationship between Enterprise Risk Management (ERM) and company performance with a focus on how operational status (financial and non-financial status of listed companies) influences this relationship in Ghana. An analysis of 30 companies listed on the Ghana Stock Exchange between 2010 and 2016 using robust fixed effects and random effects estimation techniques, provides new insights into the ERM literature. This research shows that ERM drives company performance both at the company level (return on assets and equity) and market level (Tobin Q) of listed companies in Ghana. An inverted U-shaped non-linear relationship is observed when return on equity is used as a performance indicator, while a direct U-shaped non-linear relationship is observed when return on assets and Tobin's Q are used as performance indicators. This non-linear relationship exists between ERM and the performance of listed companies in Ghana, and whether the non-linearity is inverted U-shaped or straight U-shaped depends on the performance of the company. This research recommends that companies implement robust measures and dynamic risk management techniques to obtain better ERM results. Enterprise Risk Management should be implemented in both financial and non-financial companies, because companies that implement ERM tend to perform better compared to peers that do not implement ERM(Horvey & Ankamah, 2020).

Syrova & Spicka's research examines the lack of empirical evidence regarding the relationship between enterprise risk management (ERM) and financial performance in small and medium enterprises (SMEs). Structural equation modeling is used to explore new mediators in the relationship between ERM and SME financial performance. The research results show that organizational culture (mission dimension) and strategic risk management performance are full and positive mediators between ERM and financial performance. These findings highlight that implementing ERM in a company will not produce the expected effects without a mature organizational culture and strategic risk management performance monitoring. These findings are particularly relevant for SMEs with "pretend ERM" that lack strategic and operational components. ERM also helps change the negative effect of foreign capital in SME equity on financial performance into a positive effect(Syrová & Špička, 2023).

Hypothesis

Equity Against ERM

*Corporate risk disclosure*has a positive impact in reducing capital costs, as investors obtain more comprehensive information regarding company risk management and build confidence in business operations (Nahar et al., 2016). Companies that implement ERM experience a decrease in the cost of equity capital, an aspect that then contributes significantly to increasing company value (Berry-Stölzle and Jianren, 2018). The role of equity can have a direct impact on the effectiveness of a company's risk management(Faisal et al., 2021; Horvey & Ankamah, 2020; Mottoh & Sutrisno, 2020; Phan et al., 2020; Slamet et al.,

2023). Equity has a negative influence on the implementation of ERM. This means that the greater the level of equity of a company, the more likely the company is to experience a decrease in the cost of capital as a result of implementing ERM(Horvey & Ankamah, 2020). The greater the level of equity of a company, the higher investor confidence in it because equity is part of shareholder ownership(Fahila, 2020). Implementing Enterprise Risk Management (ERM) helps reduce uncertainty and increase company risk transparency. With ERM, companies can manage risk more effectively, providing confidence to investors. This results in a decrease in the cost of capital as investors feel more comfortable and are willing to invest at lower interest rates(Fahila, 2020; Horvey & Ankamah, 2020).
H1: Equity has a negative effect on ERM

Firm Age Against ERM

Companies that have gone far can be considered as entities that are more professionally mature and have competent resources to support the continuity of their operations (Horvey & Ankamah, 2020). Agethe company has a positive influence on enterprise risk management disclosure Choiru Rujiin & Sukirman, 2020); Meilody & Suhendah, 2019). Organizations that have been operating for a long period of time are considered to have a greater level of experience(Muslih & Marbun, 2020; Oktavia et al., 2020). The longer a company has been around, the higher its probability of engaging in transparent and effective risk management practices(Mayranti & Nurhayati, 2023; Rujiin & Sukirman, 2020).
H2: Firm Age has a significant positive effect on ERM

Firm Size Against ERM

Company size (firm size) has a positive impactCompany size (firm size) significantly contributes positively to ERM implementation (Septyanto and Nugraha, 2021). Company size has developed into a crucial process within the corporate sphere, where company management is committed to making the best efforts to maximize revenue, with the aim of adding substantial value to the company (Utami et al., 2021). The larger the size of a company, the higher the likelihood that the company will actively engage in coordinated and comprehensive risk management practices. The reason is that the larger the size of a company, the more complex and diverse the challenges it faces. Larger companies have more risks to which they may be exposed, and awareness of the need to manage these risks effectively tends to increase as the size of the company grows.(Syrová, 2022). The size of a company can influence its risk management strategy, and the extent to which this creates added value for the company as a whole(Yegon et al., 2014; Mayranti & Nurhayati, 2023; Rujiin & Sukirman, 2020; Sari & Witjaksono, 2021; Syrová, 2022).
H3: Firm Size has a significant positive effect on ERM

Equity on Company Performance

Equity has a negative impact on a company's financial performance. This phenomenon is caused by the high level of equity used by companies, which can present significant financial challenges (Kisavi Mule & Suleiman Mukras, 2019). The company has the potential to

experience difficulties in paying off its equity obligations, so that the company's financial performance tends to decline. Equity has a negative effect on financial performance. This means that a company's financial performance will most likely decline as the level of equity it uses increases(Fahila, 2020; Horvey & Ankamah, 2020). Increased use of equity can have a negative impact on a company's financial performance. This is caused by dividend payments or returns of capital to shareholders, which can reduce net profit. Additionally, high levels of equity can increase the cost of capital, placing additional pressure on a company's financial performance. As a result, a company's financial performance will likely decline as the level of equity used increases (Agustina & Baroroh, 2016; Fahila, 2020; Faisal et al., 2021; Horvey & Ankamah, 2020; Slamet et al., 2023).

H4: Equity has a negative effect on company performance

Firm Size on Company Performance

The performance of a company is greatly influenced by its age (Aprilliani and Totok, 2018). The longer a company has been around, the more likely it is that its age will play an important role in achieving peak performance.(Muslih & Marbun, 2020). The reason is that company age can be an indicator of a company's experience, stability and sustainability. The longer a business has been in operation, the more likely it is that the company has overcome business challenges, built relationships with customers and business partners, as wellaccumulate significant knowledge and expertise in a particular industry or market. A longer business life can also reflect the company's stability and resilience to market fluctuations. Therefore, a company's performance is influenced positively and significantly by its age (Yudha, 2021; Krisdamayanti, 2020; Arisadi and Djazuli, 2013).

H5: Firm Age has a significant positive effect on company performance

Firm Age on Company Performance

Company size positively and significantly influences financial performancecompany. This is because the size of a company is seen as a proxy for its scope and dimensions. As a result, investors tend to be more inclined to invest their money in larger companies because larger companies have easier access to obtain larger amounts of external capital (Dewi and Buchory, 2019). Large companies have a greater chance of outperforming small companies financially. The reason is that large companies tend to have a larger operational scale, can access more resources, and have an advantage in negotiations with suppliers and customers. Large operational scale can result in cost efficiencies, including reduced production costs per unit, savings in distribution, and other benefits from economies of scale. Large companies also often have the ability to diversify their business, invest in research and development, and better meet long-term market challenges. Thus, large companies have a greater chance of achieving better financial performance due to these advantages(Aprilyani et al., 2021; Mayranti & Nurhayati, 2023; Mulyasari et al., 2013; Muslih & Marbun, 2020; Virdiani & Setiyono, 2021).

H6: Firm Size has a significant positive effect on company performance

Company Performance on ERM

There is a positive correlation between ERM implementation and company performance. The more effectively a company implements integrated risk management (ERM), the greater the possibility of the company achieving better performance. The reason is that implementing Enterprise Risk Management (ERM) can helpcompanies identify, measure and manage risks more effectively. By integrating risk management into strategy and daily operations, companies can reduce uncertainty, anticipate potential risks, and respond to market changes more quickly and adaptively. In other words, the positive correlation between ERM implementation and company performance shows that the better a company implements integrated risk management, the greater the company's potential to achieve better performance.(Candy, 2021; Kurniawanto, 2021; Maharani & Yonnedi, 2023; Phan et al., 2020; Rahman & Kennedy, 2022; Shad et al., 2022).

H7: Company performance has a significant positive effect on ERM

3. Research methods

2.1 Enterprise Risk Management

Population & Sample

This research uses a quantitative approach which includes secondary data collection and analysis. Secondary data used in this research was obtained from various literature sources relevant to the problem being researched. The main focus of this research is on companies listed on the Indonesia Stock Exchange (BEI) and have a business orientation in the financial sector. The time span that is the focus of the research covers a five-year period, starting from 2018 to 2022. Information contained in financial reports and various related documentation is identified, collected and analyzed systematically. A quantitative approach is applied using statistical analysis to analyze the factors that influence companies in the financial sector over a specified time period. The criteria for sample companies are presented in Table 1.

Table 1. Sample and Research Data

Information	Number of companies
Financial sector companies listed on the IDX as of December 31, 2022	106
The company has not published an annual report for 5 consecutive years	(12)
Sample of companies that meet the criteria	94
Total data in research	**470**

(94 x 5)

Based on these criteria, there are 94 companies whose annual reports meet the criteria, so there are 470 company data that need to be observed.

Research variable
Independent Variable
Equity

*Equity*or equity is a claim to ownership of company assets after deducting all liabilities listed in the balance sheet. In a business context, equity is defined as the capital or wealth value of an entity, calculated by subtracting total liabilities from total assets owned. Equity calculations are carried out using Equation 1(Maryanti & Widodo, 2020):

Equity = Assets - Liabilities (1)

Firm Age

Company age refers to the length of time that has passed since the company was founded or since the start of its operational activities which can be measured in years. The length of time a company has been in operation is an indicator of its level of development and maturity; businesses with a longer history may have weathered the storm and mastered the art of running a successful company. Company age is expressed by Equation 2(Puspita, 2019).

Company Age = Year founded – Year of research (2)

Firm Size

Various metrics can be used to measure company size; this includes total assets, total sales, and number of shares owned. Total assets or the number of assets owned by a company, usually called Ln (Assets), are used to indicate the size of a company in this research. Equation 3 shows the formula for determining the size of a company(Puspita, 2019).
Company Size = Ln(Total Assets) (3)

Dependent Variable
Company performance

Company performance is measured based on ROE (Return on Equity). ROE is a financial performance evaluation method that indicates how efficiently a company uses its equity or net assets to generate profits. This reflects the company's ability to achieve maximum profits with the resources it has. The ROE formula is presented in Equation 4.

ROE = (net profit)/(total equity)×100 (4)

Mediation Variables
Enterprise Risk Management

Organizational and governance risks are both addressed within COSO's Enterprise Risk Management model, an internal control structure.(The Committee of Sponsoring Organizations of the Tradway Commissions) (COSO, 2017). The indicators used come from the corporate risk management framework issued by COSO, which contains twenty ERM disclosure items with five components: 1) governance and culture; 2) strategy and objective setting; 3) performance; 4) review and revision; 5) information, communication, and reporting. A value of one is given to each item if it is disclosed in the annual report, and a value of zero is given to the item if it is not reported. To determine the extent to which a company discloses information regarding risk management, the scale used is the ERM disclosure index. The ERMDI index calculation is presented in Equation 4 (Devi et al., 2017).

$$ERMDI = (\sum ij\ ADitem) / (\sum ij\ ADitem) \quad (5)$$

Where :

ERMDI	= Enterprise risk management disclosure index
∑ij Ditem	= Total score of disclosed enterprise risk management items
∑ij ADitem	= Total enterprise risk management items that should be disclosed

Data analysis

The hypothesis testing method is carried out using regressioni panel data, namely time series data (time series) and data (cross section) both are forms of data that are combined into panel data. As a result, panel data has a combination quality, which includes the fact that the data covers a large amount of time and a large number of objects (Winarno, 2011). When performing regression analysis with cross section data, the least squares method, sometimes called Ordinary Least Squares (OLS), is usually used to estimate the correlation coefficient parameters.

With the help of this panel data regression test, we can study how Equity, Company Age, and Equity, Firm Age, and Firm Size relate to ERM, the dependent variable that mediates Company Performance.

4. Results and Discussion

Descriptive statistics

This research uses descriptive statistical analysis to provide an overview of the data. These statistics summarize or explain data by finding out whether variables have a normal distribution using metrics such as calculating the mean, standard deviation, maximum value, and minimum value. This research uses ERM as the dependent variable and the following as independent variables, namely Equity, Firm Age, and Firm Size. Then with the mediating variable the company's performance.

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
Equity	470	-670794096000000	2983618590000000	22927101589206.14	14996137539735 1.620
Firm Size	470	21.99341922514 29	35.65630018878 02	29.81359165955 286	2.358626908299394
Firm Age	470	4	127	41.28	20,708
ERM	470	.2	1.0	,723	.2413
ROE	470	-2.2280	1.8557	.014968	.2528316
Valid N (listwise)	470				

Table 4.1*Descriptive Analysis Results*

Source: SPSS 26 data processing results (2023)

Based on the findings of the descriptive statistical analysis presented in table 4.2 which can be seen above, there were 470 samples for each variable studied. It can be seen from the data for the Equity variable that the minimum value is –670794096000000. Meanwhile, the highest possible data is 2983618590000000. The standard deviation value of 149961375397351.620 is associated with the average equity value, namely 22927101589206.14. The data shown here shows that the average value (mean) is lower than the standard deviation; So, it can be concluded that the equity variable shows a significant level of variation.

Based on the Firm Size variable data, the minimum value found is 21.9934192251429. Meanwhile, the highest possible data is 35.6563001887802. The standard deviation value of Firm Size is 2.358626908299394, while the average value of Firm Size is 29.813591659552486. The data presented here shows that the mean value

is higher than the standard deviation value; Therefore, data related to the Firm Size variable is considered to have a lower or less variable level.

It can be seen from the Firm Age variable data, the minimum data is 4. Meanwhile the maximum data is 127. The standard deviation of the Firm Age value is 20.708, while the average (mean) Firm Age value is 41.28. The data presented here shows that the mean value is higher than the standard deviation value; Therefore, data related to the Firm Age variable is considered to have a lower or less variable level.

It can be seen from the ERM variable data that the minimum data is 0.2. The current maximum number of data is one. It is known that the average value of Company Size is 0.723, while the standard deviation is 0.2413. The data presented here shows that the mean value is higher than the standard deviation value; Therefore, data related to the Firm Size variable is considered to have a lower or less variable level.

It can be seen from the data obtained from ROE, the minimum value for the respective Company Performance variables is -2.2280. Meanwhile, the highest data is 1.8557. The standard deviation value for Firm Size is 0.2528316, while the average value for Firm Size is 0.014968. The data presented here shows that the mean value is higher than the standard deviation value; Therefore, data related to the Firm Size variable is considered to have a lower or less variable level.

The results of the outlier test using z-score show that the research included a total of 470 data as samples. However, after outlier detection, 53 data had Z-score values outside the range of -2.5 to 2.5, resulting in a sample of 417 data. The following are the results of descriptive statistics after the outlier test:

Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
Equity	417	-2652927600000000.00000000	1517529440000000.00000000	97391329802407000.00000000	198901723307240.96700000
FirmSize	417	23.35673972928864	34.56817680402621	29.65006362012483	2.14165625280 3239
FirmAge	417	4	81	38.83	15,571
ERM	417	.15	1.00	.7186	.23451

ROE	417	-.2967	.3848	.040612	.0875031
Valid N (listwise)	417				

Table 4.2*Descriptive Analysis Results after outlier testing*

Source: SPSS 26 data processing results (2023)

Based on the findings of descriptive statistical analysis after the outlier test presented in table 4.3 which can be seen above, there were 417 samples for each variable studied. It can be seen from the data for the Equity, ERM and ROE variables that the average value (mean) is lower than the standard deviation; So, it can be concluded that the equity, ERM and ROE variables show a significant level of variation. Meanwhile, the Firm Size and Firm Age variables show that the mean value is higher than the standard deviation value; So, it can be concluded that the Firm Size and Firm Age variables have a lower or less variable level.

Chow Test Results

If the Sig value is > 0.05 then H0 is accepted
If the Sig value <0.05 then H1 is accepted

Effects Test	Sig.
Cross-section F	0.0000
Chi-square cross-section	0.0000

Table 4.3 *ROE to ERM*

Source: Data Processing Results (2023)

Effects Test	Sig.
Cross-section F	0.0000
Chi-square cross-section	0.0000

Table 4.4*Company Attributes to ROE*

Source: Data Processing Results (2023)

Effects Test	Sig.
Cross-section F	0.0000
Chi-square cross-section	0.0000

Table 4.5*Company Attributes to ERM*

Source: Data Processing Results (2023)

The significance value of Chi-square Cross-section and F Cross-section of 0.0000 is less than 0.05 according to the Chow test shown in tables 4.3, 4.4, and 4.5 above. As a result, the hypothesis H0 is statistically rejected, and the hypothesis H1 is accepted, which means the estimation model is correct. In the context of panel data regression, the Fixed Effects Model should be used. Based on the findings of the Chow test, the Fixed Effect Model is the most appropriate choice. To further narrow down the choices, the Random Effect Model and Fixed Effect Model must be compared using the Hausman test. Model, namely a more practical model. Random Effect Model regression is carried out first, then the Hausman test is carried out afterwards.

Haussman Test Results

To determine whether a model with random effects or fixed effects is more appropriate, the Hausman test can be applied. In the Hausman test, the following hypothesis is proposed:
H0: Random Effect Model
H1: Fixed Effect Model
Criteria:
If the Sig value is > 0.05 then H0 is accepted
If the Sig value <0.05 then H1 is accepted

Test Summary	Prob.
Random cross-section	0.0000

Table 4.6*ROE to ERM*

Source: Data Processing Results (2023)

Test Summary	Prob.
Random cross-section	0.0001

Table 4.7 *Company Attributes to ROE*

Source: Data Processing Results (2023

Tables 4.7 and 4.8 show the Hausman test results; with significance values of 0.0000 and 0.0001 respectively, which are less than 0.05, we can reject H0 and accept H1 statistically; Therefore, we can say that the Fixed Effext Model estimation model is suitable for panel data regression. The estimation model used is the random effect model, but as can be seen in table 4.16, the significance value of the random cross-section is 1.0000, which is more than 0.05, which means the selected model is the random effect model. This requires the use of the Lagrange Multiplier test

Test Summary	Prob.
Random cross-section	1,0000

Table 4.8*Company Attributes to ERM*

Source: Data Processing Results (2023)

	Test Hypothesis		
	Cross-section	**Time**	**Both**
Breusch-Pagan	740.6073 (0.0000)	1.109505 (0.2922)	741.7168 (0.0000)
Honda	27.21410 (0.0000)	-1.053331 (0.8539)	18.49846 (0.0000)
King-Wu	27.21410 (0.0000)	-1.053331 (0.8539)	4.668658 (0.0000)

Standardized Honda	27.81730 (0.0000)	-0.827194 (0.7959)	13.57605 (0.0000)
Standardized King-Wu	27.81730 (0.0000)	-0.827194 (0.7959)	2.141082 (0.0161)
Gouriereux, et al.	--	--	740.6073 (0.0000)

Table 4.9 *Company Attributes to ERM*

Source: Data Processing Results (2023)

Lagrange Multiplier Test Results

The Lagrange Multiplier (LM) test determines the best Random Effect or Common Effect (OLS) model. The Breusch Pagan method for the significance test of the Sипадnуа effect comes from the residual value of the OLS method. The hypothesis used is:

H0: Common Effect Model

H1: Random effect model

Criteria:

If the Sig value is > 0.05 then H0 is accepted

If the Sig value <0.05 then H1 is accepted

Table 4.10 shows that the alternative hypothesis (the presence of a random effect) is accepted in all tests while the null hypothesis (the absence of a random effect) is rejected. After comparing ERM with CEM, it is clear that ERM is superior due to the presence of random effects in the model. Each test finds evidence that supports the alternative hypothesis (the presence of a random effect), rejecting the null hypothesis (the absence of a random effect). After comparing ERM with CEM, it is clear that ERM is superior due to the presence of random effects in the model.

The results from Table 4.10 are where variable Company performance. So H5 and H6 are accepted while H4 is rejected.

The results from Table 4.11 are variable So H1, H2, H3 are rejected.

The results from Table 4.12 are variable Z (Company Performance) and Variable Y (ERM) where Company Performance has a significant influence on ERM with a significant value of 0.0000 < 0.05. So H7 is accepted.

Overall, these results indicate that company attributes, such as equity, company age, and company size, influence company performance, but do not have a significant

influence on ERM implementation. On the other hand, company performance has a significant impact on ERM implementation.

The reason why company attributes such as equity, company age, and company size have a significant effect on company performance can perhaps be explained by the logic that these factors can influence the company's competitiveness and ability to manage risk. High equity may reflect a company's financial stability, company age may indicate experience and sustainability, while company size may influence available resources and operational scale. All of these factors can contribute to overall company performance.

The reason why company attributes do not significantly influence ERM could be because factors such as equity, company age, and company size may not be directly related to ERM implementation. It is possible that other factors not measured in this study could be more dominant in influencing a company's decision to adopt ERM.

The reason why company performance has a significant effect on ERM implementation can be explained by the logic that companies that achieve high performance may be more inclined to adopt ERM as part of their management strategy. Operational and financial success can create awareness of the importance of risk management to maintain and improve the achievement of good performance. Conversely, companies facing underperformance may be more likely to delay or not prioritize ERM implementation

Hypothesis Test Results
T Test Results

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	-1.365815	0.346212	-3.945028	0.0001
EQUITY	-3.18E-15	1.07E-15	-2.977267	0.0031
FIRMAGE	-0.004851	0.002212	-2.192629	0.0290
FIRMSIZE	0.054833	0.012050	4.550496	0.0000

Table 4.10 Company Attributes to ROE
Source: Data Processing Results (2023)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.715542	0.022202	32.22819	0.0000
EQUITY	-2.19E-38	5.78E-27	-3.79E-12	1,0000
FIRMAGE	2.81E-25	1.19E-14	2.35E-11	1,0000
FIRMSIZE	1.16E-24	6.51E-14	1.78E-11	1,0000

Table 4.11*Company Attributes to ERM*

Source: Data Processing Results (2023)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.718585	1.06E-16	6.78E+15	0.0000
ROE	-2.85E-14	1.58E-15	-18.00509	0.0000

Table 4.12*ROE to ERM*

Source: Data Processing Results (2023)

F Test Results

Table 4.13 Company Attributes to ROE

R-squared	0.654657
Adjusted R-squared	0.556597
SE of regression	0.058267
Sum squared resid	1.099995
Log likelihood	646.3299
F-statistic	6.67606

	9
	0.00000
Prob(F-statistic)	0

Table 4.14 Company Attributes to ROE
Source: 2023 Data Processing Results

	0.00000
R-squared	0
	-0.007264
Adjusted R-squared	
SE of regression	1.68E-13
	0.00000
F-statistic	0
	1,00000
Prob(F-statistic)	0

Table 4.15*Company Attributes to ERM*

Source: 2023 Data Processing Results

	1,00000
R-squared	0
	1,00000
Adjusted R-squared	0
SE of regression	1.72E-15
Sum squared resid	9.67E-28
	13635.70
Log likelihood	
	8.57E+28
F-statistic	
	0.00000
Prob(F-statistic)	0

Table 4.16*ROE to ERM*

Source: 2023 Data Processing Results

Table 4.14 shows an F-statistic value of 6.676069 with a significant value of 0.000000 <0.05, so it can be concluded that the Equity, Firm Size and Firm Age variables together have an effect on Company Performance (ROE). Table 4.14 shows an F-statistic value of 0.0000 with a significant value of 1.000000 > 0.05, so it can be concluded that the Equity, Firm Size and Firm Age variables together have no effect on ERM. Table 4.15 shows an F-statistic value of 8.57 with a significant value of 0.000000 <0.05, so it can be concluded that the Company Performance variables together have an effect on ERM.

These results indicate that the combination of equity variables, company size, and company age has an effect on company performance (ROE). However, when taken together, these variables have no effect on ERM implementation. In addition, company performance collectively has a significant impact on ERM implementation.

The company performance variable, in this case measured by Return on Equity (ROE), can be influenced by factors such as equity, company size and company age. Good company performance can be reflected in a high ROE, and these variables can have a significant influence together on ROE. This could be due to the fact that high equity, large company size, and long company age can provide stability and sustainability that supports good performance.

Although individually the variables equity, company size, and company age can influence company performance, when taken together, it turns out that these variables do not have a significant influence on the implementation of Enterprise Risk Management (ERM). This may be due to the complexity of other factors that influence a company's decision to implement ERM. It is possible that non-measure factors such as organizational culture or management characteristics also play a role in ERM implementation decisions.

The results show that company performance together has a significant impact on ERM implementation. This can be explained by the logic that the company achievesGood performers tend to be more aware of the importance of risk management to maintain and improve performance achievements. In this context, companies that perform well are more likely to implement ERM as a proactive management strategy to maintain sustainability and achieve long-term business goals.

4.4.3 Coefficient of Determination Test Results (R-squared)

The coefficient of determination test shows the extent to which the independent variable explains the dependent variable using the R-squared test. The R-squared value of variables X and Z is 0.654657 which is determined based on regression findings with the Fixed Effect Model. This shows that the independent variables (Firm Size, Equity, and Firm Age) are able to explain 65.47% of the variance in the mediating variable (Company Performance), while the remaining 34.53% can be explained by other factors. The R-squared value of variables X to Y is 0.00000. Therefore, independent variables cannot take into account dependent and independent variables simultaneously. Finally, the R-squared value is 1.00000 for variables Z to Y. This shows

that the mediating variable is able to provide a 100% explanation simultaneously for the dependent and independent variables.

Variables X and Z to Variable Y (Company Performance):

The R-squared value of 0.654657 indicates that the independent variables (Firm Size, Equity, and Firm Age) are able to explain around 65.47% of the variability in the mediating variable, namely company performance (Y). This indicates that most of the variation in company performance can be explained by a combination of the variables company size, equity, and company age. The remainder, around 34.53%, could be influenced by other factors not measured in the study.

Variable X to Variable Y (ERM Implementation):

The R-squared value of 0.00000 indicates that the independent variables (Firm Size, Equity, and Firm Age) cannot account for variations in the implementation of Enterprise Risk Management (ERM) (Variable Y) together. This could indicate that other factors outside company size, equity and company age influence the company's decision to implement ERM.

Variable Z to Variable Y (Company Performance to ERM Implementation):

The R-squared value of 1.00000 indicates that the mediating variable (Company Performance) is able to provide a perfect explanation (100%)to variations in ERM implementation (Variable Y). This indicates that the company's performance can fully influence the company's decision to implement ERM, without any other factors that are not explained.

Overall, these R-squared results provide an illustration of the extent to which certain variables can explain variations in other variables in the context of this research. Meanwhile, the remainder that cannot be explained by these variables can be caused by other factors that are not included in the research model.

Conclusion

This research shows that company attributes, such as equity, company age, and company size, do not have a significant influence on ERM implementation. However, this research confirms that company attributes, especially equity, company age, and company size, together have a significant impact on company performance, especially measured by Return on Equity (ROE). This shows that company attributes play an important role in shaping company performance. Furthermore, this research finds that company performance positively influences ERM implementation, supporting the research objectives regarding the relationship between company performance and ERM. These conclusions provide further understanding of the factors that influence ERM performance and implementation in a corporate context, helping companies to design more effective and comprehensive risk management strategies.

Suggestion

In evaluating research results, it is important to consider several factors. First, make sure to use broad and representative data to increase external validity. Second, select an appropriate statistical model or analysis method to support appropriate interpretation. Third, acknowledge

the possibility that there are unmeasured variables that could influence the results. Finally, pay attention to aspects of temporality to ensure better generalization of the findings. By paying attention to these matters, research can make a more significant contribution to the understanding of the phenomena being studied.

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