INTERNATIONAL STUDENTS' CONFERENCE ON ACCOUNTING & BUSINESS
FORKOMMSA
Magister Sains Akuntansi
Universitas Jenderal Soedirman

ANALYSIS FIRM SIZE, BOD'S, COSO ERM ON COMPANIES FINANCIAL PERFORMANCE: COMPASS INDEX 100

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Abstract

This study aims to analyze the determinants of the Company's Financial Performance on Issuers of the Kompas 100 Index with the Implementation of the COSO Enterprise Risk Management Model as an Intervening variable. The determinant variable of the company's financial performance consists of the size of the company and the number of the board of directors. Based on previous research, there is a Research Gap from the results of the research provided so that researchers are interested in re-testing by including the implementation variable of the COSO Enterprise Risk Management model as an intervening variable. The novelty of this research from previous researchers lies in the use of the intervening variable, namely the application of the COSO Enterprise Risk Management model. This research was conducted using quantitative methods which are classified as explanatory research. Sampling in this study used a purposive sampling method, namely a sampling technique with special considerations. The sample used in this study is stock classified as the Compass Index 100. The sample in this study is 100 companies. The data that has been collected is then analyzed using Smart PLS. The results show that in the first hypothesis for the size of the company does not affect the company's financial performance, then the company's financial performance on the issuers of the compass index 100 did not change. The second hypothesis shows that company size affects the implementation of COSO Enterprise Risk Management, meaning that the higher the size of the company, the implementation of COSO Enterprise Risk Management on issuers of the Kompas 100 Index increases. The third hypothesis shows that the number of boards of directors affects the company's financial performance, meaning that the higher the number of boards of directors, the company's financial performance on issuers of the Kompas 100 Index will increase. The fourth hypothesis shows that the number of boards of directors affects the implementation of COSO Enterprise Risk Management, meaning that the higher the number of boards of directors, the implementation of COSO Enterprise Risk Management on issuers of the Kompas 100 Index will increase. The fifth hypothesis of the study shows that the implementation of COSO Enterprise Risk Management has an effect on the company's financial performance, meaning that the higher the implementation of COSO Enterprise Risk Management, the financial performance of issuers of the Kompas 100 Index will increase.
Keywords: Firm Size, Board of Directors, COSO ERM, Company Financial Performance, and Kompas 100 Index.

INTRODUCTION

Currently with the development of the business world, of course various kinds of business risks will be experienced by companies. Business risks that must be faced by companies make Enterprise Risk Management (ERM) one of the main tools to reduce and handle any risks that may arise (COSO, 2010). Disclosure of Enterprise Risk Management (ERM) is very important for investors in line with the many uncertainties that will arise in the business world (Marks, 2017). COSO (Committee of Sponsoring Organizations of the Treadway Commission) is a private sector voluntary organization consisting of organizations dedicated to guiding executive management towards establishing more effective, efficient and ethical business operations globally sponsoring and disseminating frameworks and guidelines based on in-depth research, analysis and best practice (Moeller, 2011). COSO has updated the 2017 ERM framework in which there are eight components, namely internal environment, goal setting, event identification, risk assessment, risk response, activity control, information and communication, monitoring (COSO, 2010; Moeller, 2011; SCCE & HCCA, 2020). The application of the COSO Enterprise Risk Management model can improve a company's strong financial performance through eight component indicators including internal environment, goal setting, event identification, risk assessment, risk response, activity control, information and communication and monitoring (Munfaida et al., 2020). This indicates that the application of the COSO Enterprise Risk Management model can not only reduce the negative consequences of risk, but also help identify opportunities and improve the company's operational and strategic decision-making processes (Dinoyu & Septiani, 2020).

Companies in improving good performance, of course driven by the goals of a company. The goals of a company include achieving target turnover and achieving maximum profits. One of the assets for a company that has gone public will be reflected by the share price listed on the Indonesia Stock Exchange (IDX). IDX also has indexes as a reference for trading in the capital market such as the Kompas 100 Index, the Composite Stock Price Index (IHSG), the LQ-45 Index and the Jakarta Islamic Index (Kompas 100, 2007). The Kompas 100 Index is a stock index of 100 shares of public companies that are traded on the IDX and can improve the company's financial performance (Kompas 100, 2007).

The company's financial performance in a broad sense refers to the extent to which the company's financial goals are being or have been achieved and is an important aspect of financial risk management, this is done to measure the overall financial health of the company in a certain time and can be used to compare a company with other companies in same industry or compare with different industries (Isbanah, 2015). The company's financial performance is an evaluation of a company regarding assets, liabilities, equity, costs, income, and overall profitability in order to increase the company's effectiveness which can determine potential investment opportunities (Tambunan & Prabawani, 2018). Defining the company's financial performance is something that is in line with stakeholder theory because in the end the company's financial performance becomes information that can be understood differently because it considers relevance to its users (stakeholders), where the company will continue to try to create added value for stakeholders by showing the condition of the company to be understood in overall risk management (Parmar et al., 2010; Shad et al., 2019). Aspects of the company's financial performance are very diverse because it aims to meet the needs of existing

stakeholders (Selvam et al., 2016). For this study, the financial performance of companies that have various measurements taking into account the provision of information on the company's ability to generate profits, the interest of investors and other stakeholders, the Return On Equity (ROE) ratio is used as a measure of the company's financial performance.

Pangestuti & Susilowati (2017) explain that company size is the level of a company that shows the wealth of the company through labor capacity, production capacity, and capital capacity used, while the scale can be classified according to the size of the company according to various ways, where the size of the company is divided into The 3 categories are large companies, medium size companies and small firms which describe the size of a company shown in total assets, total sales, average sales and total assets. Company size is defined as the total assets owned by the company and is formulated by the natural logarithm of total assets (Suwito, E., & Herawaty, A., 2005). This factor explains that an established and large company has access to improve the company's financial performance, while small companies are not easy to improve the company's financial performance. Company size has an influence on the company's financial performance as measured by return on equity (ROE), meaning that if the number of assets owned by the company is greater, the company's performance will increase. This is also supported by signaling theory which in general this theory will relate to the availability of existing information in the form of financial reports (annual reports) that can encourage investors to make decisions and these reports are the most crucial part of the results of fundamental analysis. Companies that have gone public have generally carried out financial ratio analysis. This analysis needs to be done to interpret the financial statements that have been carried out by management. The use of signaling theory makes profits increase (Akerlof, 1970; Spence, 1973).

Yus (2017) based on research on company size on company financial performance, that company size does not affect company financial performance, the larger the size of a company, the greater the agency problems faced so that it will increase the burden that will be incurred for company operations so that the company those with a large size tend to be more careful in running their business because companies with a large size are noticed more quickly by the community which is supported by several studies (Erawati & Wahyuni, 2019; Tambunan & Prabawani, 2018), however, this research is not in line with research Alim & Destriana (2019) that company size has a significant effect on company performance, this means that large-scale companies will certainly get attention from many parties such as investors. Large companies are considered to have less risk than small companies. Investors are usually more interested in investing in large companies, because large companies are considered to be more likely to maintain and improve their performance. Then for previous research on company size on Enterprise Risk Management disclosure, according to research (Fayola & Nurbaiti, 2020; Riyadi, 2018; Sari, 2013; Tarantika & Solikhah, 2019) that company size has a significant positive effect on Enterprise Risk Management disclosure, p. This is because company size can be used as a reference in Enterprise Risk Management disclosure, where the larger the company size, the wider the company's Enterprise Risk Management disclosure, but this research is not in line with Pangestuti & Susilowati's research (2017) that company size has no effect on Enterprise disclosure. Risk Management in manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2016 period, because the greater the total asset value of a company the

more complex it will be, and the wider the disclosure made by a company, the more information will be published.

Erhard et al. (2003) that the board of directors is a party within a corporate entity tasked with carrying out the operations and management of the company selected by the company's shareholders to represent the interests of the company and ensure that the company's management acts on their behalf, usually meeting periodically to set policies for management and also for company supervision and formulated by the number of members of the board of directors in the company. While members of the board of directors are appointed by the GMS, the board of directors auditing committee places greater expectations on management to strengthen risk oversight across the majority of the organization that in turn may encourage the CEO to assign more responsibilities in management to strengthen risk oversight (IIA et al., 2017). This is supported by agency theory, which is a principal and agent contact, the principal uses the agent to work in carrying out tasks in principal matters including the delegation of power from the principal to the agent. In a company that has capital consisting of company shares, a shareholder is the principal, and the Chief Executive Officer (CEO) is the agent. Shareholders play a role in using the CEO to work and act in accordance with the affairs of the principal (Harahap, 2011). The Board of Directors has the right to represent the company in matters outside and within the company, therefore the more members of the board of directors the clearer the division of tasks for each member will certainly have a positive impact on stakeholders (Dewi et al., 2018). In addition, the more members of the board of directors will make outsiders of the company better and make the company's financial performance better.

Rahmawati, I.A., Rikumahu, Brady., and Dillak (2017) based on previous research on the number of boards of directors on the company's financial performance, that the size of a large board of directors has a lower level of effectiveness than the size of a small board of directors. Companies with a large board of directors will make the management and performance of the company lower and ineffective, including in disclosing risks. This is supported by the results of research (Fadillah, 2017; Hanani & Aryani, 2012; Kartika, 2014) which states that the number of boards of directors has a positive and significant influence on the company's financial performance because the more boards of directors can affect the financial performance of a company used as a consideration for the company to further improve the performance of its management by increasing the size of the board of directors because it can affect the company's financial performance. However, this research is not in line with the research of Fransisca W (2013) that the number of boards of directors has no effect on the company's financial performance. This shows that the number of directors is not an appropriate measure of effectiveness in carrying out their responsibilities in managing the company, so for further research it is recommended to use other variables, such as remuneration for directors.

Tarantika & Solikhah (2019) stated that the number of boards of directors has a significant effect on the implementation of COSO ERM. This is supported by research (Cecasmi, 2016; Maharani, 2019) that based on agency theory, a large number of boards of directors can reduce agency costs because corporate governance mechanisms are already running effectively. However, this research is not in line with research conducted by Surya (2020) that the size of the board of directors has no effect on risk management disclosure, based on this

the larger the number of the board of directors will increase agency problems and make the board of directors ineffective in carrying out their duties and obligations in managing the bank. This may be because the larger the size of the board of directors, the greater the chance of internal conflict. The large size of the board of directors can also slow down the decision-making process because it has to bring together the various views and opinions of members. This causes the members of the board of directors to be ineffective in managing the bank for the implementation of risk management disclosures.

Regarding the implementation of risk management disclosures, the application of COSO Enterprise Risk Management in its implementation creates value for companies and stakeholders by avoiding direct costs such as losses, bankruptcy or difficulty paying creditors and for indirect costs such as loss of reputation which can affect relationships with customers and suppliers (Dinoyu & Septiani, 2020). In this case, Enterprise Risk Management can also improve the company's financial performance through the ability to recognize opportunities by increasing the distribution of capital and reducing the company's operational losses (COSO, 2004).

Munfaida et al., (2020) states that the application of COSO ERM has a significant effect on a company's financial performance. This is supported by Wardayati's research (2016) that companies with good COSO Enterprise Risk Management implementation should experience a higher rate of return on capital and the implementation of Good COSO Enterprise Risk Management will have a positive impact on the company's financial performance. However, this research is not in line with research conducted by (Mutaz et al., 2021) that the application of COSO Enterprise Risk Management does not affect the company's financial performance because the application of Enterprise Risk Management itself is not optimal so that the economic benefits generated are not greater of the costs incurred. So what can be done for companies is to increase the application of COSO Enterprise Risk Management so that the resulting effects can be more clearly described.

From several previous studies there were inconsistencies in the results given. For this reason, researchers are interested in conducting a retest by including the application of the COSO Enterprise Risk Management model as an intervening variable. The placement of intervening variables in the application of the COSO Enterprise Risk Management model refers to research (Munfaida et al., 2020) which results in research that the application of the COSO Enterprise Risk Management model has a positive and significant effect on a company's financial performance. However, it is different from research (Mutaz et al., 2021) which states that the application of COSO Enterprise Risk Management does not affect the company's financial performance. Besides that, researchers also refer to research (Erawati & Wahyuni, 2019; Tambunan & Prabawani, 2018; Yus, 2017) examining the effect of company size on company financial performance which results in company size having no effect on company financial performance and referring to research (Fransisca W, 2013) which tested the effect of the number of directors on the company's financial performance which resulted in the number of directors having no effect on the company's financial performance.

In this study, the reason why the researcher chose the Kompas 100 Index as the object of this study was because previous studies related to this research were more dominantly carried out on the Indonesia Stock Exchange or LQ45. The Kompas 100 Index is a stock index of

100 shares of public companies traded on the IDX (Kompas100, 2007). This index was officially launched by the Jakarta Stock Exchange (before becoming IDX) in collaboration with the Kompas newspaper on August 10, 2007. The stocks selected to be included in the Kompas100 index apart from having high liquidity and a large market capitalization value, are also stocks that have good fundamentals and performance. The shares included in Kompas100 are estimated to represent around 70-80% of the total IDR 1,582 trillion market capitalization value of all shares listed on the Jakarta Stock Exchange (now the Indonesia Stock Exchange). Kompas100 index. The main objectives of the Indonesia Stock Exchange in publishing the Kompas100 index include disseminating capital market information and stimulating the public to benefit from the existence of the Indonesia Stock Exchange, both for investment and seeking funding for companies in developing the national economy (Kompas100, 2007). The benefit of this index is that it creates a new benchmark for investors to see which way the market is moving and the performance of their investment portfolio. Besides that, capital market industry players will also have a new reference in creating index-based innovative products, for example referring to the Kompas100 index, it is evaluated every semester, and released on the Indonesia Stock Exchange website each period (Kompas100, 2007).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Stakeholder Theory

Stakeholder theory becomes a point of view in understanding how companies and each party create value and trade each other, then there are problems to focus on in developing stakeholder theory, including trade value creation (Parmar et al., 2010). The value creation in this research is manifested in the form of the implementation of COSO ERM by the company which is disclosed in the annual report to the stakeholders. Where the company will continue to try to create plus value for stakeholders by showing the company's conditions to be understood in overall risk management (Shad et al., 2019). The effective implementation of COSO ERM will improve the company's performance, so that in the end the fulfillment of this value creation for the stakeholders will continue to have an impact on increasing the company's status and goodwill in the community which will ultimately improve the company's performance.

Firm Size

Company size is the level of a company that shows the company's wealth through labor capacity, production capacity, and capital capacity used (Candy, 2021; Tarantika & Solikhah, 2019). Firm size or company size is a scale which can be classified as large or small companies according to various ways, where company size is divided into 3 categories, namely large companies (large firms), medium companies (medium size) and small companies (small firms) which describe the size of the company. a company is shown in total assets, total sales, average sales and total assets (Suwito, E., & Herawaty, A., 2005). Bringham and Houston (2006:25) explain that company size is the average total net sales for the year concerned up to several years. Other characteristics such as companies often do not have special staff, do not use financial plans and do not develop an accounting system into a management system. Therefore, large companies are considered to have less risk than small companies. So that investors are usually more interested in investing in large companies, because large companies are

considered to be more likely to maintain and improve their performance (Alim & Destriana, 2019; Wahyuni & Novita, 2021). Firm Size = Ln_Total Asset

Board of Director's

The board of directors is a party in a corporate entity tasked with carrying out the operations and management of the company (Khalik, 2020). Members of the board of directors are appointed by the GMS. Boards of directors, especially those auditing committees, place greater expectations on management to strengthen risk oversight in the majority of organizations (Thabit, 2019). That in turn might encourage CEOs to assign more responsibilities in management to strengthen risk oversight (IIA et al., 2017; Shatnawi et al., 2019).

COSO ERM Model

COSO (Committee of Sponsoring Organizations of the Treadway Commission) is a private sector voluntary organization made up of organizations dedicated to guiding executive management and governance participants towards the establishment of more effective, efficient and ethical business operations globally that sponsors and disseminates frameworks and guidelines based on in-depth research, analysis and best practices (COSO, 2010; IIA et al., 2017; SCCE & HCCA, 2020). ERM Indicator Components, according to COSO ERM consists of eight interrelated components. It is derived from the way management runs the company and the integration of process management. The eight components are (COSO, 2010; SCCE & HCCA, 2020):

a. Internal Environment, related to the organizational ethos and the way it operates and refers to the process of creating an atmosphere in which people can carry out their activities and carry out their control responsibilities, so that in the end an overall control culture is created in the company.
b. Goal setting, part of ERM's main strategy for the benefit of business entities. Objectives are an important component in ERM because they must exist before management can identify potential events that will later affect management's achievements.
c. Identification of Events, this component by identifying events or occurrences, both internally and externally, can affect the achievement of the objectives of a company's business entity.
d. Risk Assessment, risk analysis through ERM can produce an assessment and consideration of the possibility and impact of these risks.
e. Risk Response, the existence of ERM can enable management to choose a particular response to the risks found.
f. Activity Control, the ERM component implemented through company or management policies and procedures.
g. Information and Communication, both of which play an important role in the process of carrying out responsibilities within a company or business.
h. Monitoring, being the last component of ERM. This is done to monitor the entire ERM process and generate evaluations to be modified according to the interests of the company, monitoring is carried out through ongoing management activities and separate evaluations.

Company Financial Performance

The company's financial performance in a broad sense refers to the extent to which the company's financial goals are being or have been achieved and is an important aspect of financial risk management, this is done to measure the overall financial health of the company in a certain time and can be used to compare a company with other companies in same industry or compare with different industries (Isbanah, 2015). The company's financial performance is the evaluation of a company regarding assets, liabilities, equity, costs, revenues, and overall profitability and can be measured through various formulas that make it possible to determine the company's effectiveness internally. The company's financial performance is examined to determine benchmarks or current company achievements. This and for external financial performance are analyzed to determine potential investment opportunities and determine whether a company is feasible for external parties (Tambunan & Prabawani, 2018). Before analyzing the company's financial performance, it is better to analyze the financial statements first, which will later be a process carried out by the company's internal and external parties to get a better understanding of how the company is performing. The process consists of analyzing four important financial statements in business, including: company balance sheet, income statement, cash flow statement, and annual report. There is a ratio that is widely used in the business world to help and evaluate company performance as a whole (Selvam et al., 2016). ROE = (Net profit after tax)/(Shareholders' Equity) x 100%

Compass Index 100

According to Kompas100 (2007) the Kompas 100 Index is a stock index of 100 shares of public companies traded on the Indonesia Stock Exchange (IDX). This index was officially launched by the Jakarta Stock Exchange (before becoming IDX) in collaboration with the Kompas newspaper on August 10, 2007. The stocks that were selected to be included in the Kompas100 index apart from having high liquidity, as well as a large market capitalization value, are also stocks that have good fundamentals and performance. The shares included in Kompas100 are estimated to represent around 70-80% of the total IDR 1,582 trillion market capitalization value of all shares listed on the Jakarta Stock Exchange (now the Indonesia Stock Exchange). Kompas100 index. However, this could be in the opposite direction to the Jakarta Composite Index (IHSG) or other indices. The main objectives of the IDX in publishing the Kompas100 index include disseminating capital market information and stimulating the public to benefit from the existence of the IDX, both for investment and seeking funding for companies in developing the national economy (Kompas100, 2007).

Firm Size on Company Financial Performance

Firm size is the level of a company that shows the wealth of the company through labor capacity, production capacity, and capital capacity used, while the scale on which companies can be classified according to various ways, where company size is divided into 3 categories, namely large companies), medium size companies and small firms which describe the size of a company shown in total assets, number of sales, average sales and total assets (Suwito, E., & Herawaty, A., 2005) . Company size is defined as the total assets owned by the company and is formulated by the natural logarithm of total assets (Ln_Total Assets). Company size has an influence on the company's financial performance as measured by return on equity (ROE), meaning that if the number of assets owned by the company is greater, the company's

performance will increase. This is also supported by signaling theory which in general this theory will relate to the availability of existing information in the form of financial reports (annual reports) that can encourage investors to make decisions and these reports are the most crucial part of the results of fundamental analysis. The use of signaling theory makes profits increase (Akerlof, 1970; Spence, 1973). Based on previous research on company size on company financial performance, according to Yus (2017) that company size does not affect company financial performance, the larger the size of a company, the greater the agency problems faced so that it will increase the burden that will be incurred for company operations so companies that have a large size tend to be more careful in running their business because companies with a large size are more quickly noticed by the community which is supported by several studies by (Erawati & Wahyuni, 2019; Tambunan & Prabawani, 2018), but this research is not in line with Alim & Destriana's research (2019) that company size has a significant effect on company performance, this means that large-scale companies will certainly get the attention of many parties such as investors. Large companies are considered to have less risk than small companies. Therefore, investors are usually more interested in investing in large companies, because large companies are considered to be more likely to maintain and improve their performance. Based on the description and results of previous studies, the first hypothesis is proposed as follows:

H1: Firm size affects the company's financial performance.

Firm Size on COSO ERM Implementation

Firm size can be used as a reference in Enterprise Risk Management disclosure because the larger the company size, the wider the ERM disclosure, large companies should have demands to disclose Enterprise Risk Management as a form of public transparency for the risks faced so that the larger company size encourages companies to revealed Enterprise Risk Management (Fayola & Nurbaiti, 2020). This is reinforced by research results which show that company size has a positive effect on Enterprise Risk Management disclosure, according to research (Fayola & Nurbaiti, 2020; Riyadi, 2018; Sari, 2013; Tarantika & Solikhah, 2019) that company size has a significant positive effect on disclosure of Enterprise Risk Management, this is caused by the size of the company can be used as a reference in disclosure of Enterprise Risk Management, the larger the size of the company, the wider the disclosure of Enterprise Risk Management of the company due to the relatively high complexity and the fact that it faces wider risks as well as institutional size that allows for bear the administrative costs of adopting Enterprise Risk Management, however this research is not in line with the research of Pangestuti & Susilowati (2017) that company size has no effect on Enterprise Risk Management disclosures in manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2016 period, because the greater the value the total assets of a company will be more complex, and the wider the disclosure made by a company, the more information will be published. Therefore, this study proposes the development of the following hypotheses:

H2: Firm size has an effect on COSO ERM implementation.

Implementation of COSO ERM to Company Financial Performance

The application of COSO Enterprise Risk Management in its implementation creates value for companies and stakeholders by avoiding direct costs such as losses, bankruptcy, or difficulty paying creditors and for indirect costs such as loss of reputation which can affect relationships with customers and suppliers (Dinoyu & Septiani, 2020). In this case, Enterprise Risk Management can also improve the company's financial performance through the ability to recognize opportunities by increasing the distribution of capital and reducing the company's operational losses (COSO, 2004). Munfaida et al., (2020) states that the application of COSO ERM has a significant effect on a company's financial performance. This is supported by Wardayati's research (2016) that companies with good COSO Enterprise Risk Management implementation should experience a higher rate of return on capital and the implementation of Good COSO Enterprise Risk Management will have a positive impact on the company's financial performance. However, this research is not in line with research conducted by (Mutaz et al., 2021) that the application of COSO Enterprise Risk Management does not affect the company's financial performance because the application of Enterprise Risk Management itself is not optimal so that the economic benefits generated are not greater of the costs incurred. So what can be done for companies is to increase the application of COSO Enterprise Risk Management so that the resulting effects can be more clearly described. Based on the theoretical basis and supporting explanations from existing previous research statements, the following hypotheses are proposed:

H3: Implementation of COSO Enterprise Risk Management affects the company's financial performance.

Board of Directors on the Implementation of COSO ERM

While the number of directors appointed by the GMS, the board of directors auditing committee places greater expectations on management to strengthen risk oversight across the majority of the organization that in turn may encourage the CEO to assign more responsibility in management to strengthen risk oversight (IIA et al., 2017). This is supported by agency theory, which is a principal and agent contact, the principal uses the agent to work in carrying out tasks in principal matters including the delegation of power from the principal to the agent. In a company that has capital consisting of company shares, a shareholder is the principal, and the Chief Executive Officer (CEO) is the agent. Shareholders play a role in using the CEO to work and act in accordance with the affairs of the principal (Harahap, 2011). Based on agency theory, the board of directors in fulfilling its functions is assigned with the entire management of the company for the size of the board of directors using the number of members of the board of directors in a company. Which if the size of a large board of directors will increase agency problems making the board of directors ineffective in carrying out their duties and obligations to manage the company including in terms of implementing COSO ERM, in this case it also means that the ineffective function of the board of directors will also make management of management disclosures decreased company risk (Tarantika & Solikhah, 2019). The results of previous research that support this theory are research conducted by Tarantika & Solikhah (2019) stating that the number of boards of directors has a significant effect on the implementation of COSO ERM. This is supported by research (Cecasmi, 2016; Maharani, 2019) that based on agency theory, a large number of boards of directors can reduce agency costs

because corporate governance mechanisms are already running effectively. However, this research is not in line with research conducted by Surya (2020) that the size of the board of directors has no effect on risk management disclosure, based on this the larger the number of the board of directors will increase agency problems and make the board of directors ineffective in carrying out their duties and obligations in managing the bank. This may be because the larger the size of the board of directors, the greater the chance of internal conflict. The large size of the board of directors can also slow down the decision-making process because it has to bring together the various views and opinions of members. This causes the members of the board of directors to be ineffective in managing the bank for the implementation of risk management disclosures. Based on the description above, the hypothesis proposed is as follows:

H4: The number of the Board of Directors influences the implementation of COSO ERM.

Board of Directors on the Company's Financial Performance

The board of directors is a party within a corporate entity tasked with carrying out the operations and management of the company elected by the company's shareholders to represent the company's interests and ensure that the company's management acts on their behalf, usually meeting periodically to set policies for management and also for company oversight and formulated by the number of members of the board of directors in the company (Erhard et al., 2003). The Board of Directors has the right to represent the company in matters outside and within the company, therefore the more members of the board of directors the clearer the division of tasks for each member will certainly have a positive impact on stakeholders (Dewi et al., 2018). In addition, the more members of the board of directors will make outsiders of the company better and make the company's financial performance better. This is supported by the results of research (Fadillah, 2017; Hanani & Aryani, 2012; Kartika, 2014) which states that the size of the board of directors has a positive and significant influence on the company's financial performance because the more boards of directors can affect the financial performance of a company used as a consideration for companies to further improve their management performance by increasing the size of the board of directors because it can affect the company's financial performance, however this research is not in line with the research of Fransisca W (2013) that the number of boards of directors has no effect on the company's financial performance. This shows that the number of directors is not an appropriate measure of effectiveness in carrying out their responsibilities in managing the company, so for further research it is recommended to use other variables, such as remuneration for directors. Therefore, this study proposes the development of the following hypotheses:

H5: Board of Directors has an effect on the company's financial performance.

RESEARCH METHOD

Research Design

This study uses a quantitative method that emphasizes theory testing by measuring the research variables in the form of numbers and then analyzing the data through statistical

procedures. Now (2017) explains that the quantitative method is research that is based on the philosophy of positivism, using population testing or certain samples, then data is collected using research instruments, and quantitative or statistical data analysis is carried out with the aim of testing the hypotheses that have been set. Based on the characteristics of the problem this research is classified as Explanatory Research. According to Sekaran (2017) Explanatory Research research is research that explains the position between the variables studied and the relationship between one variable and another through the process of testing the hypotheses that have been formulated. This study analyzes company size and number of boards of directors (independent/exogenous variables) on company financial performance (dependent/endogenous variables) by using the COSO Enterprise Risk Management model as an intervening variable and for the analysis tool used in this study using the SmartPLS application.

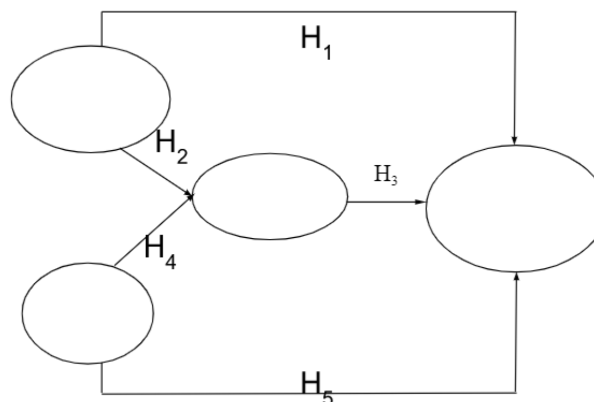
Population and Sample

The population used in this study are all companies that are members of the Kompas 100 Index and are listed on the Indonesia Stock Exchange. The sampling technique in this study used purposive sampling. Purposive Sampling according to Sugiyono (2016) is a sampling technique based on certain criteria.

Methods of Data Analysis and Hypothesis Testing

Data analysis in this study will use PLS smart software. Structural Equation Modeling (SEM) is a method used to cover the weaknesses found in the regression method (Ghozali, 2021). Partial Least Square is a powerful analytical method which is not based on many assumptions classified as non-parametric type, therefore, in PLS modeling, data with a normal distribution is not needed (Ghozali, 2021).

Conceptual Framework



RESULTS AND DISCUSSION

The Kompas 100 Index shares were launched and managed in collaboration with media company Kompas Gramedia Group (publisher of the Kompas daily newspaper). Updated every 6 months, the period for the list of shares included in the calculation of the Kompas 100 Index shares is February-July and August-January. The process of selecting the 100 stocks included in

the calculation of the Kompas 100 Index shares considers various factors, namely the number of the Board of Directors, market capitalization, and the fundamental performance of these stocks.

Table Sampling Process

Criteria	Amount
Companies listed on the Kompas 100 Index	100
Companies listed on the Kompas 100 Index did not publish annual reports for 1 year during the 2019 period and did not have complete data according to research	(0)
The number of samples of companies listed in the Kompas 100 Index was taken according to the criteria	100
Number of Samples (1 year x 100 Companies listed on the Kompas Index 100)	100

Description Analysis

Table 1. Descriptive Statistical Results

Research variable	N	Min	Max	Mean	Standar Deviasi
Firm Size (X1)	100	23,21	33,86	29,20	2,6965
Board of Directors (X2)	100	2,00	12,00	6,28	2,3358
COSO ERM (X3)	100	0,92	1,00	0,99	0,0207
CFP (Y)	100	0,01	0,21	0,04	0,0421

Based on the results of the analysis in Table 1, it can be seen that the Firm Size variable (X1) shows an average value (mean) of 29.20. The lowest value of the Firm Size variable (X1) is 23.21 and the highest value is 33.86. The standard deviation is 2.6965. This means that the value of the standard deviation is close to the average value (mean) and the size of the data spread is getting smaller. Based on the results of the analysis in Table 1, it can be seen that the variable Number of the Board of Directors (X2) shows an average value (mean) of 6.28. The lowest value of the variable Number of the Board of Directors (X2) is 2.00 and the highest value is 12. The standard deviation is 2.3358. This means that the value of the standard deviation is close to the average value (mean) and the size of the data spread is getting smaller. Based on the results of the analysis in Table 1, it can be seen that the COSO Implementation variable (X3) shows an average value (mean) of 0.99. The lowest value of the COSO Implementation variable (X3) is 0.92 and the highest value is 1.00. The standard deviation is 0.0207. This means that the value of the standard deviation is close to the average value (mean) and the size of the data spread is getting smaller. Based on the results of the analysis in Table 4.2, it can be seen that the Financial Performance variable (Y) shows an average value (mean) of 0.04. The lowest value of the Financial Performance variable (Y) is 0.01 and the highest value is 0.21. The standard deviation is 0.0421. This means that the value of the standard deviation is close to the average value (mean) and the size of the data spread is getting smaller.

Table. 2 Influence between variables

Variable	*Path Coefficients*	*P-value*	Information
FS – CFP (H_1)	0.149	0.110	Not Signifikan
FS – COSO (H_2)	0.120	0.016	Signifikan
COSO – CFP(H_3)	0.008	0.029	Signifikan
BoD – COSO (H4)	0.188	0.005	Signifikan
BoD – CFP (H_5)	0.052	0.006	Signifikan

DISCUSSION

a. Effect of Company Size on Financial Performance (H1)

The results of the hypothesis test show that company size has no effect on financial performance by looking at the significance level, which is equal to 0.110, meaning that the higher the company size, the financial performance of Issuers on the Kompas 100 Index does not change (H1 is rejected).

Companies with large assets can easily access the capital market. With the ease of accessing the capital market, the company has the flexibility and ability to obtain funds (Ernawati, 2010). The size of the company does not necessarily mean that the company has good performance, because a company with a large size does not necessarily have a good work system. This could be due to the large size of the company which has not been supported by good management. Large company size cannot be used as a guarantee that the company has good performance.

The results of this study are in line with research conducted by Yus (2017) that company size does not affect the company's financial performance, the larger the size of a company, the greater the agency problems faced so that it will increase the burden that will be incurred for company operations so that companies that Large companies tend to be more careful in running their business because companies with large sizes are noticed more quickly by the community, which is supported by several studies (Erawati & Wahyuni, 2019; Tambunan & Prabawani, 2018).

b. Effect of Company Size on COSO Implementation (H2)

The results of the hypothesis test show that company size has an effect on the implementation of COSO by looking at the significance level of 0.016, meaning that the higher the company size, the higher the application of COSO by Kompas 100 Issuers (H2 is accepted).

Company size can be used as a reference in Enterprise Risk Management disclosure because the larger the company size, the wider the ERM disclosure, large companies should have demands to disclose Enterprise Risk Management as a form of public transparency for the risks faced so that the larger company size encourages companies to revealed Enterprise Risk Management (Fayola & Nurbaiti, 2020).

This is reinforced by research results which show that company size has a positive effect on Enterprise Risk Management disclosure, according to research (Fayola & Nurbaiti, 2020; Riyadi,

2018; Sari, 2013; Tarantika & Solikhah, 2019) that company size has a significant positive effect on disclosure of Enterprise Risk Management, this is caused by the size of the company can be used as a reference in disclosure of Enterprise Risk Management, the larger the size of the company, the wider the disclosure of Enterprise Risk Management of the company due to the relatively high complexity and the fact that it faces wider risks as well as institutional size that allows for bear the administrative costs of adopting Enterprise Risk Management, however this research is not in line with the research of Pangestuti & Susilowati (2017) that company size has no effect on Enterprise Risk Management disclosures in manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2016 period, because the greater the value the total assets of a company will be more complex, and the wider the disclosure made by a company, the more information will be published.

c. Effect of COSO Implementation on Financial Performance (H3)

The results of the hypothesis test show that the implementation of COSO has an effect on financial performance by looking at the significance level, which is equal to 0.029, meaning that the higher the application of COSO, the financial performance of Issuers on the Kompas 100 Index will increase (H3 is accepted).

The application of COSO Enterprise Risk Management in its implementation creates value for companies and stakeholders by avoiding direct costs such as losses, bankruptcy, or difficulty paying creditors and for indirect costs such as loss of reputation which can affect relationships with customers and suppliers (Dinoyu & Septiani, 2020). In this case, Enterprise Risk Management can also improve the company's financial performance through the ability to recognize opportunities by increasing the distribution of capital and reducing the company's operational losses (COSO, 2004).

The results of this study are supported by research by Munfaida et al., (2020) stating that the application of COSO ERM has a significant effect on company financial performance. This is supported by Wardayati's research (2016) that companies with good COSO Enterprise Risk Management implementation should experience a return on capital. higher levels and the good implementation of COSO Enterprise Risk Management will have a positive impact on the company's financial performance. However, this research is not in line with research conducted by (Mutaz et al., 2021) that the application of COSO Enterprise Risk Management does not affect the company's financial performance because the application of Enterprise Risk Management itself is not optimal so that the economic benefits generated are not greater of the costs incurred. So what can be done for companies is to increase the application of COSO Enterprise Risk Management so that the resulting effects can be more clearly described.

d. The Influence of the Board of Directors on the Implementation of COSO (H4)

The results of the hypothesis test show that the number of the Board of Directors influences the implementation of COSO by looking at the significance level of 0.005. The influence shown by the regression coefficient is positive, meaning that the higher the number of the Board of Directors, the application of COSO to the personnel of Issuer Kompas Index 100 will increase (H4 is accepted).

While the number of directors appointed by the GMS, the board of directors auditing committee places greater expectations on management to strengthen risk oversight across the

majority of the organization that in turn may encourage the CEO to assign more responsibility in management to strengthen risk oversight (IIA et al., 2017). This is supported by agency theory, which is a principal and agent contact, the principal uses the agent to work in carrying out tasks in principal matters including the delegation of power from the principal to the agent. In a company that has capital consisting of company shares, a shareholder is the principal, and the Chief Executive Officer (CEO) is the agent. Shareholders play a role in using the CEO to work and act in accordance with the affairs of the principal (Harahap, 2011). Based on agency theory, the board of directors in fulfilling its functions is assigned with the entire management of the company for the size of the board of directors using the number of members of the board of directors in a company. Which if the size of a large board of directors will increase agency problems making the board of directors ineffective in carrying out their duties and obligations to manage the company including in terms of implementing COSO ERM, in this case it also means that the ineffective function of the board of directors will also make management of management disclosures decreased company risk (Tarantika & Solikhah, 2019).

The results of previous research that support this theory are research conducted by Tarantika & Solikhah (2019) stating that the number of boards of directors has a significant effect on the implementation of COSO ERM. This is supported by research (Cecasmi, 2016; Maharani, 2019) that based on agency theory, a large number of boards of directors can reduce agency costs because corporate governance mechanisms are already running effectively. However, this research is not in line with research conducted by Surya (2020) that the size of the board of directors has no effect on risk management disclosure, based on this the larger the number of the board of directors will increase agency problems and make the board of directors ineffective in carrying out their duties and obligations in managing the bank. This may be because the larger the size of the board of directors, the greater the chance of internal conflict. The large size of the board of directors can also slow down the decision-making process because it has to bring together the various views and opinions of members. This causes the members of the board of directors to be ineffective in managing the bank for the implementation of risk management disclosures.

e. The Influence of the Number of Board of Directors on Financial Performance

The results of the hypothesis test show that the number of the Board of Directors has an effect on Financial Performance by looking at the significance level of 0.006, meaning that the higher the Number of Directors, the Financial Performance of Issuers with the Kompas 100 Index will increase (H5 is accepted).

The board of directors is a party within a corporate entity tasked with carrying out the operations and management of the company elected by the company's shareholders to represent the company's interests and ensure that the company's management acts on their behalf, usually meeting periodically to set policies for management and also for company oversight and formulated by the number of members of the board of directors in the company (Erhard et al., 2003). The Board of Directors has the right to represent the company in matters outside and within the company, therefore the more members of the board of directors the clearer the division of tasks for each member will certainly have a positive impact on stakeholders (Dewi et al., 2018). In addition, the more members of the board of directors will make outsiders of the company better and make the company's financial performance better.

This is supported by the results of research (Fadillah, 2017; Hanani & Aryani, 2012; Kartika, 2014) which states that the size of the board of directors has a positive and significant influence on the company's financial performance because the more boards of directors can affect the financial performance of a company used as a consideration for companies to further improve their management performance by increasing the size of the board of directors because it can affect the company's financial performance, however this research is not in line with the research of Fransisca W (2013) that the number of boards of directors has no effect on the company's financial performance. This shows that the number of directors is not an appropriate measure of effectiveness in carrying out their responsibilities in managing the company, so for further research it is recommended to use other variables, such as remuneration for directors.

CONCLUSION

Based on the results of the analysis and discussion that the researcher has explained, it can be concluded as follows:

a. The results show that company size has no effect on financial performance, meaning that the higher the company size, the financial performance of the Kompas 100 index issuers does not change.
b. The results show that company size has an effect on the implementation of COSO, meaning that the higher the company size, the COSO implementation of the Kompas 100 Index Issuer is increasing.
c. The results of the study show that the number of the board of directors has an effect on financial performance, meaning that the higher the number of the board of directors, the financial performance of the Kompas 100 index issuers will increase.
d. The results of the study show that the number of the Board of Directors has an effect on the implementation of COSO, meaning that the higher the number of the Board of Directors, the application of COSO to the personnel of the Kompas 100 Index Issuer will increase.
e. The results of the study show that the application of COSO has an effect on financial performance, meaning that the higher the application of COSO, the financial performance of Issuers on the Kompas 100 Index will increase.

Based on the results of the study indicate the presence of several limitations, namely: This study focuses on companies listed on the Kompas 100 Index Issuers so that the number of samples obtained is very large in one period. The sampling technique in this study used purposive sampling so that it cannot describe the real condition of all companies on the Indonesia Stock Exchange.

Suggestions for further researchers that can be given based on the results of the research are as follows: For future researchers, it is better to use a different object so that research results on financial performance can be generalized, for example to LQ-45 issuers and the Sri Kehati Index as well as the sharia sector. For future researchers, it is better to use a

different sampling technique so that the results of the research give a greater influence of the independent variable on financial performance.

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