Research Paper

The Effect of Enterprise Risk Management and IT Governance on Company Value

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ABSTRACT: *A company needs capital to be able to carry out its operations, therefore companies need investors or creditors. Information technology needed given the high needs and interests of users to this day. The aim of this study was to determine and analyze the impact of the disclosure of the COSO Enterprise Risk Management and IT Governance can affect the value of the company. This study is a qualitative study using descriptive methods. The independent variable of this research is ERM (X1) and IT Governance (X2), while the dependent variable is the value of the company. The results showed that ERM and IT Governance significant positive effect on firm value.*
KEYWORDS: *Enterprise Risk Management (ERP), IT Governance, COBIT, and Company Value.*

I. INTRODUCTION

A company needs capital in order to carry out its operational activities, therefore the company needs investors or creditors. For investors an accurate and relevant information is very crucial, investors also need to know the objectives of a business entity because the establishment of a business entity must have a definite vision and mission. The things that are the goal of the establishment of a company or business entity include: the main thing that is in order to achieve maximum profits, then that is in order to improve the welfare of stakeholders (stakeholders), and increase the value of the company which can be measured by looking at the share price (Mahendra et al., 2005). The company's value is intended as an expectation of the shareholders' investment value as a reaction to the information presented. The value of a company is reflected in the price of shares traded on the Indonesia Stock Exchange (IDX). Investors want high company value, because high company value also shows the prosperity of high shareholders (Pamungkas and Maryati, 2017). Compan risk profile information and risk management are financial and non-financial information that is so important and needed by investors. The complexity of risks originating from both internal and external companies can disrupt the level of profitability of the company so that companies that do not have good risk management can experience difficulties to maintain the sustainability of the company.

Investors need to think about nonfinancial information not only pay attention to financial information in investing (Devi and Budiasih, 2016). Because investment decisions that only focus on financial information available in financial statements cannot guarantee that the investor has made the right decision. The phenomenon that caused the bankruptcy of Enron and Worldcom companies to the most recent phenomenon is the case of Garuda Indonesia allegedly manipulated. The fraud phenomenon is an example of a company's internal risk that could occur due to lack of enterprise risk management (Devi et al., 2017). Disclosure of Enterprise Risk Management (ERM) within a company will help control management activities so the company can minimize fraud that can harm the company. Risk management or Enterprise Risk Management is a strategy used to evaluate and manage all risks in the company. A company can be considered better if it is able to disclose risks more broadly because it is considered to have been able to apply the principle of transparency (Wijananti, 2015). The existence of ERM disclosure allows companies that are financially closed to be better informed to the public regarding the company's risk profile (Alkubaisi, 2017). Broader and more specific ERM disclosure will be a strategy for increasing company value, but even so, research conducted by Syifa (2013) actually shows that the disclosure of ERM of manufacturing companies listed on the IDX is still relatively low.

Some small and large business entities see that using Information Technology, hereinafter referred to as IT, can help business processes produce something useful (Budiono, 2010). Initially IT was only used in terms of the calculation process, but over time, technology and encouragement in order to facilitate the process of

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business entities and institutions, IT is now used to facilitate various business processes (Setiawan, 2010). Generous et al. (2012) explained that control objectives for information and related technology, hereinafter referred to as COBIT, can be used as a tool to streamline the implementation of IT Governance, namely as a management guideline by using all domains in COBIT.

Based on the description above, the researcher is interested in conducting a study entitled **"The Effect of Enterprise Risk Management and IT Governance on Company Value".** The formulation of the problem in this study is: whether disclosure of Enterprise Risk Management and IT Governance can affect the value of the company

II. LITERATURE REVIEW

According to Nuswandari (2009) signal theory explains that the reason companies present information for the capital market. Signal theory shows the information asymmetry between the company's management and the parties concerned with the information. Signaling Theory explains how a company should give signals to users of financial statements. This signal is in the form of information about what has been done by management to realize the wishes of the owner. The actions of managers in providing the same information to all parties aim that investors who have invested or will invest their shares in a company can see the prospects of the company and can be used to consider making decisions regarding investment capital (Rachmawaty and Pinem, 2015).

The company, which defines ERM as a process, is influenced by the board of directors, management, and other personnel of the entity, which is applied in an organizational and cross-company setting, designed to identify potential events that can affect the organization, and manage risks to suit risk appetite , to provide reasonable guarantees regarding the achievement of the entity's objectives (Bertenetti et al, 2013). ERM disclosures consist of 108 items which include delapandimensions based on the ERM framework issued by COSO namely: internal environment, goal setting, event identification, risk assessment, risk response, monitoring activities, information and communication, and monitoring (Devi et al, 2017).

IT Governance is a determining part of the success of a company or institutional arrangement. Based on the efficiency and effectiveness standards for measurement improvements that are related to business entity processes. With IT Governance, business entities can easily gain advantages over information, maximum profits, capital, opportunities and competitive advantages in competition (Lunardi et al, 2014). Company regulation and the system of the company are directed and controlled through the collection and direction of IT Governance. At the same time, IT can prepare critical input and important components for strategic planning. The Control Objective for Information and Related Technology (COBIT) provides clear policies and good practices in information technology governance by assisting senior management in understanding and managing risks associated with information technology governance by providing a framework for information technology ways and guiding goals detailed control objectives for management, business process owners, users and auditors (Surbakti, 2012). To achieve organizational goals satisfactorily, information must meet several criteria (Utomo and Mariana, 2011). COBIT has established these criteria by referring to the information needs of the organization or company. Supervision and control of IT infrastructure is a form of information technology audit (Rahmayuni and Yusda, 2014).

According to the Committee of Sponsoring Organization of the Tread Way Commission (COSO) (2013) the internal control of the business unit consists of the following components: Control environment, risk assessment, information and communication, and finally, control activities. Internal control is very closely related to COBIT, the better the internal control will improve IT Governance. The COBIT framework is defined into four domains namely planning and organizing / Plan and Organization (PO), delivery of services and support / Deliver and Support (DS), procurement and implementation / Acquire and Implement (AI) as well as monitoring and evaluation / Monitor and Evaluate (ME) (Arumana et al., 2014). The four domains are interconnected, where the PO generates direction in the delivery of AI solutions and the delivery of DS services, AI produces solutions and makes it a service, DS accepts the solution and makes it biased to be used by users, ME monitors all processes to ensure that existing directives have been implemented. Because internal control is actually an active supervision that needs to be included in the organizational structure in order to ensure adequate checks and balances, namely a strong control system.

High company value will be followed by high shareholder prosperity. The higher the share price the higher the value of the company, the high value of the company becomes the desire of the owners of the company because with a high value shows the prosperity of shareholders is also high. Company value can be calculated by Tobin's Q analysis. Tobin's Q analysis is also known as the Tobin's Q ratio. This ratio is a valuable concept because it shows the current financial market estimates of the return on each dollar of investment in the future. According to Smithers and Wright (2007) in Prasetyorini (2013), Tobin's Q is calculated by the ratio of the market value of a company's stock plus debt and then compares it to the company's total assets.

III. CONCEPTUAL FRAMEWORK AND HYPOTHESES

Writing the Effects of Disclosure of COSO Enterprise Risk Management and IT Governance with COBIT on Company Value, Risk Management or Enterprise Risk Management is a strategy used to evaluate and manage all risks in the company. With IT Governance, business entities can easily gain advantages over information, maximum profits, capital, opportunities and competitive advantage in competing COBIT based on the principle of providing information to achieve company goals, so companies need to invest in information technology and regulate and control information technology resources to provide information that companies need. The value of a company is reflected in the price of shares traded on the Indonesia Stock Exchange (IDX). If the company's stock price increases, the value of the company also increases, so does the wealth of its shareholders.

Enterprise Risk Management (X1)

IT Governance (X2)

The value of the company (Y)
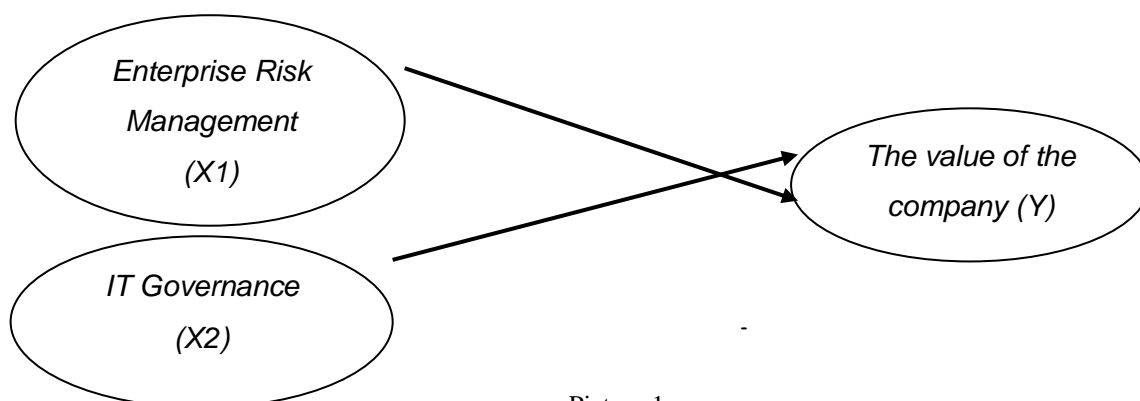
Picture 1
Research Model

The more information disclosed in the annual report can determine investors and shareholders in making decisions and increasing the value of the company. This is supported by research conducted by Devi et al. (2017), Bertinetti et al. (2013), Waweru and Kisaka (2013) which said that there is an influence on the implementation of ERM on the company's value. Therefore drawn a hypothesis, namely:

$H_1=$ **Effect of Enterprise Risk Management does not significantly influence the value of the company.**

In a Personal research (2015) stated that the company's arrangements and systems for the company are directed and controlled through the collection and direction of IT Governance. In line with research Setiawan (2010) states that IT Governance influences Company Value. In line with the research of Lunardi et al. (2014) which examines IT Governance also suggests that IT Governance influences Corporate Financial Performance and also firm value.

$H_2=$ **The Effect of IT Governance using COBIT has a significant effect on firm value.**

IV. RESEARCH METHODS

The object of this study is the Effect of Enterprise Risk Management, IT Governance on Company Value. The unit of analysis of this research is the listing companies listed on the Indonesia Stock Exchange in the 2014-2018 period. The independent variables in this study are Enterprise Risk Management and IT Governance. While the dependent variable is the value of the company with the size of Price to Book Value. The research approach used in this research is descriptive research

The type of data used in this study is secondary data in the form of financial reports and annual reports of non-financial companies listed on the Indonesia Stock Exchange in the period 2014-2018, which were first collected and published by companies or other parties. Company listings and annual company reports are obtained from the IDX official website. The data collection method used to analyze the disclosure of ERM and IT Governance is content analysis and each sample has a different way of delivering the contents of each item of ERM and IT Governance in the annual report.

The form of the instrument used in this study is the form of documentation instrument in which the form of documentation is categorized into two types, namely documentation by outlining the categories or categories to be searched for and a checklist that lists the variables to be collected. The documentation in question is the tracking of data that has been documented by the company that is quantitative to several parts or divisions of the company. Data collection techniques are related to the problems in this study and published on the Indonesia Stock Exchange (IDX). Methods of data analysis using descriptive statistics, test data quality, test classic assumptions and test hypotheses with the help of computers through the IBM SPSS 21 program for windows.

Descriptive statistical analysis is used to provide an overview of the variables studied. Descriptive statistical tests include the mean value, the minimum value, the maximum value, and the standard deviation value of the research data. Descriptive statistics are used to provide a description or description of data. Descriptive statistics can be seen from the mean (mean), standard deviation, maximum value, and minimum value.

After getting the regression model, the interpretation of the results obtained cannot be directly carried out. This is because the regression model must be tested beforehand whether it meets the classical assumptions. The classic assumption test includes the following: Normality test, Multicollinearity test, Heteroscedasticity test, and Autocorrelation test.

Hypothesis testing of the effect of independent variables on dependent variables is carried out using multiple linear regression analysis. Regression analysis is used to predict the effect of more than one independent variable on one dependent variable, both partially and simultaneously. This hypothesis test is done through the coefficient of determination test and partial regression test (t-test): Analysis of the coefficient of determination, simultaneous regression test (F test), and partial regression test (T test).

V. RESULTS AND DISCUSSION

1. Data analysis
a. Descriptive Statistics Analysis
Descriptive statistical test results in this study are presented in Table 5.1 below.

table 5.1
descriptive Statistics

	N	Minimum	maximum	mean	Std. deviation
Enterprise Risk Management	75	33.33	76.85	56.1358	10.91414
IT Governance	75	-, 12	, 73	, 0736	, 15484
The value of the company	75	05	4847.34	410.6560	1123.54246
Valid N (listwise)	75				

Source: Adapted SPSS, 2019

Variables Enterprise Risk Management (X1)
Based on Table 5.1 is known that the minimum value of 33.33 and a maximum value of 76.85. These results indicate that ERM disclosure index ranges from 33.33 to 76.85 with a mean (average) of 56.1358 and a standard deviation of 10.914.

Variable IT Governance (X2)
Based on Table 5.1 is known that the minimum value of -0.12 and a maximum value of 0.73. These results Return on Assets menjukkan that ranged from -0.12 to 0.73 with an average of 0.0736 and a standard deviation of 0.1548.

Variable Value Company (Y)
Based on Table 5.1 is known that the minimum value of 0.05 and a maximum value of 4847.34. These results indicate that Tobin's Q ranges from 0.05 to 4847.34 with an average of 410.6560 and a standard deviation of 1123.542.

b. Classic assumption test
Normality test
Normality test results using the One Sample Kolmogorov-Smirnov presented in Table 5.2 below.

table 5.2
One-Sample Kolmogorov-Smirnov Test

		Residual unstandardized
N		75
Normal Parametersa, b	mean	, 0000000
	Std. deviation	355.37900389
Most Extreme Differences	Absolute	, 099
	positive	, 099
	negative	-, 070
Test Statistic		, 099
Asymp. Sig. (2-tailed)		, 068c

a. Test distribution is Normal.
b. Calculated from data.
c. Significance Lilliefors Correction.

Source: Adapted SPSS, 2019

Based on Table 5.2 above Asymp values obtained. Sig. (2-tailed) Overall obtained a value of 0.068. The obtained value is greater than the significance level is 0.50. That is, the regression model to meet the assumptions of normality.

Test Multicollinearity
The test results are shown in Table multikolinearitas 5.3 to see the value of Variance Inflation Factor (VIF) below.

table 5.3
Coefficientsa

Model		collinearity Statistics	
		tolerance	VIF
1	Enterprise Risk Management	, 928	1,077
	IT Governance	, 928	1,077

a. Dependent Variable: Value Company

Based on Table 5.3 shows the results of two independent variables multicollinearity test has a tolerance value> 0.10 and VIF <10. Thus, it can be interpreted that the two independent variables is free from multicollinearity.

test Heteroskidastity
This test is done by regressing the absolute value of the residuals of the dependent variable (Gujaranti 2003 in Ghozali, 2013). Here can be seen in Table 5.4 glejser test results as follows:

table 5.4
Coefficientsa

Model		Coefficients unstandardized		standardized Coefficients	t	Sig.
		B	Std. Error	beta		
1	(Constant)	299.101	150.199		1,991	.050
	Enterprise Risk Management	-, 848	2,684	-, 039	-, 316	, 753
	IT Governance	117.693	189.190	, 076	, 622	, 536

a. Dependent Variable: AbsUt

Source: Adapted SPSS, 2019

Based on Table 5.4 above can be seen the two variables do not contain heteroskedastisity because both have significant value greater than 0.05.

c. Hypothesis testing
The coefficient of determination
Coefficient determination test is useful to provide an overview of how the proportion of variation of the independent variables together in influencing the dependent variable. Determination coefficient test results can be seen in Table 5.5 below.

table 5.5
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	, 949a	900	, 897	360.28101

a. Predictors: (Constant), IT Governance, Enterprise Risk Management

Source: Adapted SPSS, 2019

In Table 5.5 in mind that the test results obtained determination coefficient R value of 0.949. Based on the guidelines for the interpretation of the correlation coefficient, the values obtained are included in the rate a very strong relationship. This shows that the Enterprise Risk Management and IT Governance is strongly influencing the value of the Company.

Feasibility Model
Test the feasibility of the model used to measure statutes sample regression function in assessing the actual value. The results of the feasibility test model can be seen in Table 5.6 below.

table 5.6
ANOVAa

Model		Sum of Squares	df	mean Square	F	Sig.
1	Regression	84,067,952.663	2	42,033,976.331	323.830	, 000b
	residual	9,345,773.494	72	129,802.410		
	Total	93,413,726.157	74			

a. Dependent Variable: Value Company
b. Predictors: (Constant), IT Governance, Enterprise Risk Management
Source: Adapted SPSS, 2019

Based on Table 5.6 shows that the value of F at 323.830 and significant value of 0.000. That is, the model is feasible to be used and partial testing can proceed. From the ANOVA output showed a significant value 0.000 <0.05, so the hypothesis is accepted. Then the Enterprise Risk Management (X1) and IT Governance (X2) simultaneously affect the enterprise value (Y).
To determine whether the independent variable (X) partially affect the dependent variable (Y), the authors used a partial t test. The following is a partial t test results can be seen in Table 5.7 below.

table 5.7
Coefficientsa

Model		Coefficients unstandardized		standardized Coefficients		
		B	Std. Error	beta	t	Sig.
1	(Constant)	-674.413	222.875		-3.026	, 003
	Enterprise Risk Management	10.622	3,983	, 103	2.667	.009
	IT Governance	6645.014	280.733	, 916	23.670	, 000

a. Dependent Variable: Value Company
Source: Adapted SPSS 2017

Based on Table 5.7 above is known to the significant value of each variable is as follows:
1.   Value Sig. variable Enterprise Risk Management (ERM) is 0.009. Because the value of Sig. 0.009 <0.05, it can be concluded that the first hypothesis (H1) is rejected. Meaning ERM significant effect on the value of the company.
2.   Value Sig. IT Governance variable is 0,000. Because the value of Sig. <0.05, it can be concluded that the second hypothesis (H2) is accepted. This means that IT governance significant effect on the value of the company.

Discussion
Enterprise Risk Management **(ERM) significant positive effect on the value of the company**
Partially based on test results obtained by the Sig. variable Enterprise Risk Management (ERM) is 0.009. Because the value of Sig. 0.009 <0.05, it can be concluded that the first hypothesis (H1) is rejected. Positive β value indicates that the X1 has a direct relationship with Y, so that Enterprise Risk Management concluded that the positive and significant effect on firm value. This is in line with research that has been done Devi et al. (2017), Bertinetti et al. (2013), Waweru and Kisaka (2013) which says that there are significant implementation of ERM on firm value.

IT Governance using COBIT significant positive effect on the value of the company
        Partially based on test results obtained Sig value. IT Governance variable is 0,000. Because the value of Sig. <0.05, it can be concluded that the second hypothesis (H2) is accepted. Valueβ Positive indicates that the X2 has a direct relationship with Y, so it is concluded that IT Governance positive and significant effect on firm value.In line with the research Setiawan (2010) states that IT Governance affect the value of the Company. In line with the research Lunardi et al, (2014), which examines the IT Governance IT Governance also noted that the effect on the Corporate Financial Performance and also the value of the compan

VI. Conclusion
Based on the results of research and discussion that has been stated that:
1.   *Enterprise Risk Management* (ERM) significant positive effect on firm value. That is, the more information that is disclosed in the annual report can determine the investors and shareholders in making decisions.
2.   IT Governance using COBIT significant positive effect on firm value. That is Companies with good IT governance can increase the value of the Company.

Suggestion
Results of this research are expected to be the basis for the belief in the company's management to improve the implementation of ERM and governance of IT in the company if it wants to go forward and develop.

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