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The Effect of Enterprise Risk Management (ERM) Implementation on Operational Performance and Firm Value on Indonesian Agricultural Sector

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Abstract: The aim of this research is to analyze the effect of Enterprise Risk Management (ERM) implementation on Operational Performance and Firm Value in the Agricultural Industry sector during the 2016-2022 period. The information about ERM is taken from the annual reports, management reports and annual corporate governance reports disseminated over seven years (2016−2022). The data on firm performance have been obtained through financial report and the Eikon Refinitiv database of LSEG. Through a quantitative approach and panel data with linear regression, this study found that ERM contributes significantly to improved operational performance and firm value (measured through, Return on Assets and Tobin's Q). These results show that the effective implementation of ERM can be an important strategy for improving the competitiveness and resilience of agricultural enterprises to the risks faced.

Keyword: Enterprise Risk Management, ROA, Tobin's Q, Operational Performance, Firm Value

INTRODUCTION

Indonesia is known as a country that relies on the agricultural sector as the main driver of progress, relying on agricultural activities as the main driving force. This sector makes a significant contribution to the economy and the shape of Indonesia's economic landscape (Suryani & Adevia, 2023). In 2022, the total value of Indonesia's agricultural exports will reach 640.56 trillion rupiah, an increase of 3.93%. Plantation remains the main sector that makes the largest contribution to agricultural exports, contributing 622.37 trillion rupiah or 97.16% (Pertanian & Sirait, 2023). Even though the agricultural sector is important, production challenges related to natural factors and risks are an obstacle. Production risk is a type of risk that arises from production activities, including crop failure, productivity that does not meet expectations, damage to products due to pests and diseases, variability in

climate and weather conditions, errors made by the workforce, and many other factors (Siswani et al., 2022).

The link between agriculture and climate change increases the vulnerability of the agricultural sector to the impacts of climate change. Climate change brings the potential for extreme weather, changes in rain patterns, ecosystem disruption, sea level rise, health impacts, and socio-economic instability. The study (Nuraisah & Budi Kusumo, 2019) revealed the negative impacts of extreme climate events such as crop failure, decreased operational performance, and damage to agricultural resources. In this context, changes in rainfall patterns also play an important role in changing agricultural production risks. Excessive rainfall causes floods, while lack of rainfall brings drought. If this occurs simultaneously with an increase in air temperature, the plant is disturbed, especially during important stages such as flowering and seed development (Hidayatullah & Aulia, 2020). Furthermore, changes in air temperature and humidity can trigger an increase in pests and disease outbreaks in plants, as explained by (Komariah et al., 2020).

Operational performance in the financial sector is quite important as a tool for assessing changes in economic resources so that they can be used to predict policies and evaluation results. This is carried out by examining the company's financial reports and utilizing financial ratio comparisons to measure how well the company is performing from a financial perspective which can be measured by ROA (Hasanah et al., 2022).

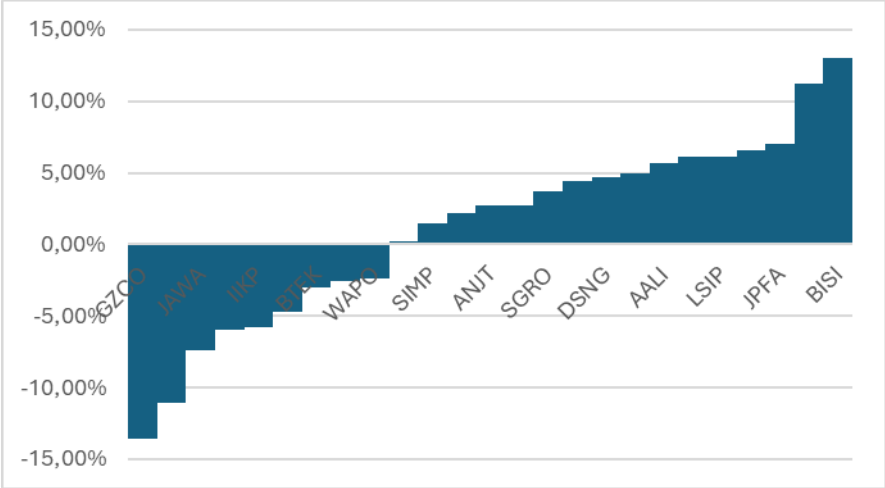

Figure 1. Average Agricultural Company ROA
Source: Refinitv Eikon (data processed 2024)

According to BI Circular No.13/24/DPNP of 2011, a Return on Assets (ROA) value below 1.21% is considered an unhealthy ROA for the Bank. Meanwhile, a healthy average ROA for the Agricultural Industry can range between 5% to 8%. Data findings show that several Indonesian Agricultural Industry Companies still have relatively low ROA levels. Therefore, it is quite important to have a good understanding of the correlation between ROA and operational performance in the agricultural sector, so that companies can identify the right strategy to increase operational efficiency and effectiveness (Hasanah et al., 2022).

The problems that have been described present potential dangers that must be addressed and resolved by the company. (Suharyanto et al., 2015) emphasized that the term "risk" has significant relevance in decision making, because it includes the possibility of adverse outcomes from certain actions. Farmers are obliged to face increasing risks due to these events. Therefore, recognizing potential risks is quite important in the decision-making process, with the use of an effective risk management methodology. In decision making, investment decisions are concrete examples taken by stakeholders based on financial reports

and annual reports. However, relying solely on financial information is not enough; non-financial information related to company risk is also important. PSAK 60 (Revised 2014) requires companies to provide comprehensive disclosures, including financial instrument risks. The focus is risk identification and management. As emphasized by (Chen et al., 2020) states that the level of a company's commitment to risk management can be seen through the disclosure of risk management practices. It explains how companies identify, evaluate, mitigate, and manage risks. Investor confidence is higher in companies that manage risk well. This can increase the market value of the company's shares and the overall value of the company.

Government Regulation (PER) Number 5 of 2018 concerning the Strategic Plan of State-Owned Enterprises (BUMN) is the legal basis for the implementation of risk management in Indonesia. Apart from that, Financial Services Authority Regulation (POJK) Number 18 of 2018 also includes rules and procedures for risk management, especially in the financial sector. The implementation of risk management has an important role in ensuring operational continuity by involving the process of identifying, evaluating, and managing risks that can influence the achievement of company goals and performance. The implementation of risk management strategies is expected to minimize risks that might hamper company performance. In the context of the agricultural industry, risk management does not only function as a barrier, but rather as a factor that motivates companies to develop faster by understanding and mitigating the risks they may face. This helps in spurring growth and ensuring the sustainability of the company's business.

According to the information provided, to develop an effective risk management strategy, a comprehensive and integrated approach is needed that addresses various types of risks known as Enterprise Risk Management (ERM). Corporate risk management is a comprehensive and coordinated framework for handling market risk, credit risk, operational risk, and risk transfer with the main aim of increasing company value (Hanggraeni, 2010). Findings from various studies such as Chairani and Siregar (2021), (Iswajuni et al., 2018) and (Horvey & Ankamah, 2020) state that disclosure of ERM practices has a positive impact on company value. However, (Emar & Ayem, 2020), (Siregar & Safitri, 2019), and (Ardianto & Rivandi, 2018) state that disclosure of ERM practices does not have a significant influence on company value. The inconsistency of previous research results indicates the need for further evaluation of risk management practices. The aim of this research is to analyze the influence of Enterprise Risk Management (ERM) on Tbk's Operational Performance and Company Value. in the Agricultural Industry sector during the 2016-2022 period.

METHOD

The approach used in the research methodology is a quantitative method. The sample for this research consisted of 54 companies in the agricultural sector listed on the Indonesia Stock Exchange (BEI) in the period 2016 to 2022. The sample selection technique used purposive sampling, which refers to a method where researchers deliberately select individuals or cases that suit their needs. research purposes.

Research data was obtained through secondary methods, referring to previously existing data sources. The company's financial reports and annual reports come from the official website of the Indonesia Stock Exchange. The data analysis method used is Descriptive analysis, namely a statistical method for figuring and concluding the characteristics of a data set, making conclusions that go beyond the data, but instead focus on presenting the data in a concise and informative manner. The next analysis method is panel data regression, which is a type of data that combines the time dimension (time series) with individual or cross-sector dimensions (cross-section).

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive statistics refers to summarizing, organizing, and presenting data in a meaningful and concise manner. It focuses on describing and analyzing the main features and characteristics of a group of data without making any generalizations or conclusions to the larger population.

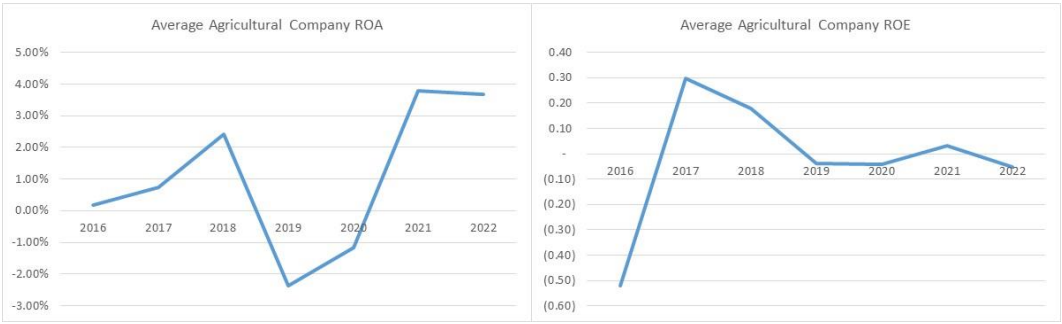

Figure 2. Average ROA and ROE of Agricultural Companies

Based on the graph above, in 2016-2018, the average value of ROA for agricultural companies was positive. In 2019 and 2020 it fell to negative but then increased again in 2021 and 2022. Meanwhile, for ROE in 2016, 2019 and 2020, the average value of ROE for agricultural companies was negative. The Company's ROE in 2017, 2018 and 2021 is positive.

In 2019 there was a decline due to the global economic slowdown and several central banks in the world taking steps to reduce benchmark interest rates. Meanwhile, 2020 was the beginning of the Covid pandemic that hit the world, impacting all existing industrial sectors. A negative ROE is not necessarily a bad thing, especially if the costs are caused by improving the business, such as through restructuring.

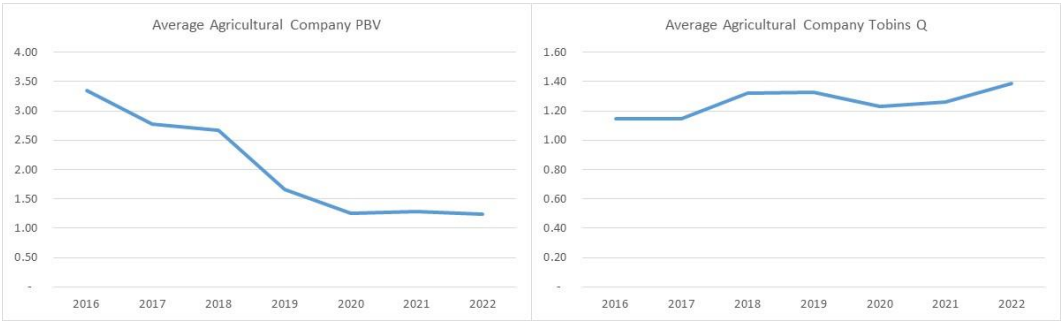

Figure 3. Average PBV and Tobin's Q

PBV of agricultural companies experienced a continuous decline from 2016-202. Issuers Indonesian agricultural companies were affected by the weakening of world commodity prices due to the European and American economies. Tobins' Q Agricultural companies are always above 1 and tend to be stable. When Tobin's Q < 1, a company can be classified as cheap (undervalued) because its book value is higher than its market value.

Table 1. Implementation of Risk Management

AdvERM	f	%
Implementing	66	37.71
Not Implementing	109	62.29
Total	175	100

Based on Table 1, the AdvERM variable used to measure how effectively a company implements enterprise risk management (ERM) was only found in 66 data (37%). Meanwhile, most of the remaining 109 data (62.29%) have not implemented ERM.

Table 2. Implementation of Risk Management Per Aspect

ERM Component	Implement ERM		Not Implement ERM	
	f	%	f	%
CRO	0	0.0	175	100.0
RiskComm	130	74.3	45	25.7
RAfreq	62	35.4	113	64.6
RAleve	51	29.1	124	70.9
RAmethod	117	66.9	58	33.1
ISO/COSO	59	33.7	116	66.3

The table above shows that most agricultural companies do not have a Chief Risk Officer (CRO). Most agricultural companies appoint a Risk Committee, namely 74.3%, within a period of one (1) year they do not carry out risk assessments and make reports at least twice as much as 64.6%, the implementation of Risk management is not applied to all divisions and all levels of the organization as much as 70.9%. Most companies apply quantitative and qualitative risk measurement methods to measure probability and severity as much as 66.9%, the implementation of risk management does not refer to ERM framework standards based on ISO 31000:2018 or COSO as much as 66.3%.

Data Panel Analysis

Three effect models are available: common effect model, fixed effect model, and random effect model to be tested to determine the most suitable regression model for this research. Therefore, panel data regression models must be used for research estimation. The test results are as follows:

Table 3. Model Selection Results

Uji Penentuan model	ROA	ROE	Tobin'sQ	PBV
Chow Test	FEM	CEM	FEM	FEM
Hausman Test	REM	FEM	FEM	FEM
Lagrange Multiplier Test	REM	REM	CEM	REM
Best Model	**REM**	**REM**	**FEM**	**FEM**

According to Table 3, the best model for the operational performance equation (Y1) with ROA and ROE proxies is the Random Effect Model (REM). On the other hand, the fixed effect model (FEM) is the best model for the firm value equation (Y2) with Tobin's Q and PBV proxies.

Because research estimates require panel data, testing must be carried out to select the appropriate regression model to use in this research. In general, this research uses a panel data regression equation to analyze the impact of company risk management on operational performance and company value in the agricultural industry listed on the IDX from 2016 to 2022. The panel data regression equation used is as follows:

Table 4. Random Effect Model (REM) Estimation Analysis with ROA variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.372	0.225	-1.652	0.100
ADVERM	0.034	0.016	2.041	0.043
SIZE	0.017	0.007	2.340	0.020
LEV	-0.137	0.031	-4.427	0.000
LIQ	-0.001	0.001	-1.530	0.128
SGRWTH	0.028	0.016	1.721	0.087
BODSIZE	0.004	0.013	0.306	0.760
BOCIND	-0.116	0.087	-1.328	0.186
BODEDU	-0.047	0.043	-1.094	0.276
BOCEDU	0.043	0.032	1.347	0.180
	Effects Specification			
			S.D.	Rho
Cross-section random			0.037	0.154
Idiosyncratic random			0.088	0.846
	Weighted Statistics			
R-squared	0.198	Mean dependent var		0.007
Adjusted R-squared	0.155	S.D. dependent var		0.095
S.E. of regression	0.088	Sum squared resid		1.272
F-statistic	4.534	Durbin-Watson stat		1.552
Prob(F-statistic)	0.000			
	Unweighted Statistics			
R-squared	0.279	Mean dependent var		0.010
Sum squared resid	1.440	Durbin-Watson stat		1.371

Source: Processed data, 2024.

Based on the Random Effect Model (REM) estimation results shown in 4, the model that explains the ROA (Y1) ADVERM, SIZE, LEV, LIQ, SGRWTH, BODSIZE, BOCIND, BODEDU, and BOCEDU values from 2016 to 2022 is as follows:

Y_i=-0.372+ 0.034.ADVERM + 0.017.SIZE - 0.137.LEV- 0.001.LIQ + 0.028.SGRWTH + 0.004.BODSIZE - 0.116.BOCIND - 0.047.BODEDU + 0.043.BOCEDU

The AdvERM regression coefficient (X1) is 0.034 with a probability value or p-value of 0.043, indicating that AdvERM has a positive effect on operational performance (Y1) (ROA).

The R-square (R2) value is 0.279 for the Random Effect Model (REM) estimate, according to the report in Table 4. So it can be concluded that the AdvERM variable and control variables are able to contribute 27.9 percent of the annual variation in operational performance variables (ROA) for the company agriculture from 2016 to 2022. The contribution of 62.1% comes from variables outside the model that were not examined in this research.

An F-count value of 4.534 with an F-count probability of 0.000 was found, so the F-statistic probability of 0.000 was smaller than alpha 5% (0.000 < 0.05), so the hypothesis H0 was rejected. This means that the AdvERM variable and control variables significantly influence the operational performance (ROA) of agricultural companies if used together or simultaneously.

Table 4 shows the estimated probability value of the t test for the independent variable AdvERM (X1) which is 0.043 < 0.05. The study conclusion shows that the AdvERM variable (X1) significantly influences Operational Performance (Y1) (ROA).

Table 5. Random Effect Model (REM) Estimation Analysis with ROE variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.420	1.837	-1.862	0.064
ADVERM	-0.049	0.161	-0.306	0.760
SIZE	0.087	0.055	1.585	0.115
LEV	-0.274	0.268	-1.025	0.307
LIQ	0.004	0.009	0.422	0.674
SGRWTH	0.057	0.180	0.316	0.753
BODSIZE	0.158	0.125	1.264	0.208
BOCIND	0.624	0.862	0.724	0.470
BODEDU	0.126	0.391	0.322	0.748
BOCEDU	0.434	0.272	1.598	0.112
	Effects Specification			
			S.D.	Rho
Cross-section random			0.000	0.000
Idiosyncratic random			0.995	1.000
	Weighted Statistics			
R-squared	0.041	Mean dependent var		-0.02
Adjusted R-squared	-0.011	S.D. dependent var		1.01
S.E. of regression	1.020	Sum squared resid		171.59
F-statistic	0.788	Durbin-Watson stat		1.52
Prob(F-statistic)	0.628			
	Unweighted Statistics			
R-squared	0.04	Mean dependent var		-0.021
Sum squared resid	171.59	Durbin-Watson stat		1.522

Source: Processed data, 2024.

Based on the Random Effect Model (REM) estimation results shown in Table 5, the model that explains the ROE (Y1) ADVERM, SIZE, LEV, LIQ, SGRWTH, BODSIZE, BOCIND, BODEDU, and BOCEDU values from 2016 to 2022 is as follows:

Y_i=-3.420- 0.049.ADVERM + 0.087.SIZE - 0.274.LEV + 0.004.LIQ + 0.057.SGRWTH +0.158.BODSIZE + 0.624.BOCIND + 0.126.BODEDU + 0.434.BOCEDU

The AdvERM regression coefficient (X1) is -0.049 with a probability value or p-value of 0.760, indicating that AdvERM has a negative impact on the operational performance (ROE) of an organization.

The R-square (R2) value is 0.041 for the Random Effect Model (REM) estimate, according to the report in Table 5. So, it can be concluded that the AdvERM variable and control variables are able to contribute 4.1 percent of the annual variation in operational performance variables (ROE) for the company agriculture from 2016 to 2022. Other variables outside the model that were not examined in this research contributed 95.9 percent.

An F-count value of 0.788 and an F-count probability of 0.414 were found, so the F-statistic probability of 0.628 was greater than alpha 5% (0.628 > 0.05), so the hypothesis H0 was accepted. This means that the AdvERM variable and control variables do not have a significant influence on the operational performance (ROE) of agricultural companies if used simultaneously or simultaneously. Table 5 shows the estimated probability value of the t test for the independent variable AdvERM (X1) which is 0.760 > 0.05. The study conclusion shows that the AdvERM variable (X1) does not affect Operational Performance (Y1) (ROE).

Table 6. Fixed Effect Model (FEM) Estimation Analysis with Tobin's Q variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.284	7.940	-0.036	0.971
ADVERM	0.930	0.114	8.187	0.000
SIZE	0.069	0.270	0.254	0.800
LEV	-0.312	0.316	-0.985	0.326
LIQ	0.005	0.005	0.897	0.372
SGRWTH	-0.048	0.091	-0.524	0.601
BODSIZE	0.127	0.099	1.281	0.202
BOCIND	-1.727	0.575	-3.004	0.003
BODEDU	-0.169	0.329	-0.512	0.609
BOCEDU	-0.312	0.312	-1.000	0.319

Effects Specification
Cross-section fixed (dummy variables) Period fixed (dummy variables)

R-squared	0.710	Mean dependent var	1.441
Adjusted R-squared	0.626	S.D. dependent var	2.683
S.E. of regression	0.459	Akaike info criterion	4.720
Sum squared resid	28.426	Schwarz criterion	5.443
Log likelihood	-89.284	Hannan-Quinn criter.	5.013
F-statistic	8.464	Durbin-Watson stat	2.790
Prob(F-statistic)	0.000		

Source: Processed data, 2024.

Based on the Fixed Effect Model (FEM) estimation results shown in Table 4.9. model that explains the values of Tobin's Q (Y2), ADVERM, SIZE, LEV, LIQ, SGRWTH, BODSIZE, BOCIND, BODEDU, and BOCEDU from 2016 to 2022 as follows:

Y_i=-0.284+ 0.930.ADVERM+ 0.069.SIZE - 0.312.LEV+ 0.005.LIQ -0.048.SGRWTH + 0.127.BODSIZE - 1.727.BOCIND- 0.169.BODEDU- 0.312.BOCEDU

The AdvERM regression coefficient (X1) is 0.930 with a probability value or p-value of 0.000, indicating that AdvERM has a positive effect on company value (Y2) (Tobin's Q).

The R-square (R2) value is 0.710 for the Fixed Effect Model (FEM) estimation, according to the report in Table 6. So it can be concluded that the AdvERM variable and control variables are able to contribute 71.0 percent of the annual variation in the Company Value variable (Tobin'sQ) for agricultural companies from 2016 to 2022. Other variables outside the model that were not examined in this research contributed 29.0 percent.

An F-count value of 8.464 and an F-count probability of 0.000 were found, so that the F-statistic probability of 0.000 was smaller than alpha 5% (0.000 < 0.05), so the hypothesis H0 was rejected. This means that the AdvERM variable and control variables have a significant

effect on the firm value (Y2) (Tobin's Q) of agricultural companies if used simultaneously or simultaneously. Table 6 shows the estimated probability value of the t test for the independent variable AdvERM (X1) which is 0.000 < 0.05. The study conclusion shows that the AdvERM variable (X1) significantly influences company value (Y2) (Tobin's Q).

Table 7 Fixed Effect Model (FEM) Estimation Analysis with PBV variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-22.822	51.492	-0.443	0.658
ADVERM	1.210	0.737	1.642	0.103
SIZE	0.833	1.753	0.475	0.636
LEV	0.459	2.051	0.224	0.823
LIQ	-0.244	0.035	-6.938	0.000
SGRWTH	0.023	0.591	0.039	0.969
BODSIZE	1.152	0.644	1.787	0.076
BOCIND	-5.331	3.728	-1.430	0.155
BODEDU	-0.014	2.135	-0.007	0.995
BOCEDU	-0.489	2.023	-0.242	0.809
Effects Specification				
Cross-section fixed (dummy variables)				
Period fixed (dummy variables)				
R-squared	0.629	Mean dependent var		2.035
Adjusted R-squared	0.522	S.D. dependent var		4.304
S.E. of regression	2.976	Akaike info criterion		5.217
Sum squared resid	1195.492	Schwarz criterion		5.940
Log likelihood	-416.448	Hannan-Quinn criter.		5.510
F-statistic	5.870	Durbin-Watson stat		1.942
Prob(F-statistic)	0.000			

Source: Processed data, 2024.

Based on the Fixed Effect Model (FEM) estimation results shown in Table 4.10, the model that explains the values of PBV (Y2), ADVERM, SIZE, LEV, LIQ, SGRWTH, BODSIZE, BOCIND, BODEDU, and BOCEDU from 2016 to 2022 is as follows:
Y_i=-22.822+ 1.210.ADVERM + 0.833.SIZE + 0.459.LEV - 0.244.LIQ+ 0.023.SGRWTH + 1.152.BODSIZE - 5.331.BOCIND - 0.014.BODEDU -0.489.BOCEDU
The AdvERM regression coefficient (X1) is 1.210 with a probability value or p-value of 0.103, indicating that AdvERM has a positive effect on company value (Y2) (PBV).

The R-square (R2) value is 0.629 for the Fixed Effect Model (FEM) estimation, according to the report in Table 7. So it can be concluded that the AdvERM variable and control variables are able to contribute 62.9 percent of the annual variation in the Company Value (PBV) variable for the company agriculture from 2016 to 2022. Other variables outside the model that were not examined in this research contributed 37.1 percent.

An F-count value of 5.870 and an F-count probability of 0.000 were found, so that the F-statistic probability of 0.000 was smaller than alpha 5% (0.000 < 0.05), so the hypothesis H0 was rejected. This means that the AdvERM variable and control variables have a significant effect on the firm value (Y2) (PBV) of agricultural companies if used simultaneously or simultaneously. Table 7 shows the estimated probability value of the t test

for the independent variable AdvERM (X1) which is 0.103 > 0.05. The study conclusion shows that the AdvERM variable (X1) does not affect company value (Y2) (PBV).

The results of the analysis of the influence of AdvERM on 4 dependent variables:

Table 8 T Test Estimates of the Effect of Implementing Risk Management (AdvERM)

Dependent Variable	t-Statistic	Prob.	Hypotesis
ROA	2.041	0.043	**Supported**
ROE	-0.306	0.760	Not Supported
Tobin's Q	8.187	0.000	**Supported**
PBV	1.642	0.103	Not Supported

Source: Processed data, 2024.

Based on the table above, the effect of implementing risk management on operational performance (ROA) and company value (Tobin's Q) has a significant effect. In other words, all research hypotheses are partially accepted.

The Effect of AdvERM on Operational Performance

The results of research on the effect of AdvERM on operational performance (ROA) and (ROE) show that the estimated probability value of the t test for the independent variable AdvERM variable (X1) is 0.043 less than 0.05, which indicates that the AdvERM variable (X1) influences operational performance (Y1) (ROA) significantly. Other test results show that the AdvERM (X1) variable does not significantly influence Operational Performance (Y1) (ROE), because the estimated probability value of the t test for the independent variable is 0.760 which is greater than 0.05.

This research is in line with the findings of M. Faiq Dinoyu and Aditya Septiani (2020), which show that implementing enterprise risk management (ERM) increases company performance and company value, as measured by return on assets (ROA). This finding is also in line with Florio & Leoni (2017) in research on Corporate Risk Management and Company Performance.

COSO states that Enterprise Risk Management (ERM) is a process carried out by the board of directors, management, and personnel at all levels of the organization and applied both in strategy setting and throughout the company. ERM is designed to identify potential incidents that could impact the business and manage risk to keep risk levels below acceptable limits. The aim of managing this risk is to provide reasonable assurance of achieving company goals.

The concept of risk which is a challenge for a company can mean a condition where the company knows and can determine objectively the possibility of an unexpected event occurring. This includes managing operational risk, credit risk and liquidity risk which are internal risks from the business activities carried out by the company. In relation to company performance, risk management is very influential, but not only because corporate governance is also an issue raised in this topic. Where risk management in relation to company performance is also influenced by corporate governance. Information related to corporate governance is also usually shared with the public so that it becomes a factor that can have an influence that can play a moderating role between operational risk, credit risk and liquidity risk on company performance.

The Effect of AdvERM on Company Value

The results of research on the effect of AdvERM on company value (Tobin's Q) and (PBV) show that the probability value in the t test estimate of the independent variable AdvERM variable (X1) is 0.000 < 0.05, which indicates that the AdvERM variable (X1) significantly influences company value (Y2) (Tobin's Q). Other test results show that the AdvERM variable (X1) does not significantly influence firm value (Y2) (PBV), with the independent variable t test estimated probability value of 0.103 greater than 0.05.

The results of this study are in line with Nguyen et al. (2020), which shows that ERM implementation has a significant positive relationship with company value. This is also in line with M. Faiq Dinoyu and Aditya Septiani (2020), who show that ERM implementation has a significant positive relationship with companies as measured using Tobin's Q.

The public's right to purchase shares can be considered capital market capitalization, representing investors' interest in the value of the company. Valuation is critical for investors to determine performance and profit potential, and investors will benefit from rising share prices, according to Suwardika and Mustanda. (2017).

Effective ERM contributes to the development of a strong risk management plan. This plan outlines the organization's risk appetite, establishes risk tolerance, and defines the roles and responsibilities of key stakeholders. It serves as a roadmap for implementing risk management strategies and ensuring alignment with organizational goals. A well-implemented risk management plan will improve an organization's ability to deal with uncertainty, protect assets and create sustainable value.

Enterprise risk management must impact business value and use an enterprise-wide approach to managing these risks. The fundamental goal of risk management is to increase shareholder value. However, vulnerability has recently become a phenomenon that has spread to all aspects. Managing each type of risk separately can lead to inefficiencies due to lack of coordination between different risk management divisions. Although the concept of risk management applies to all types of businesses, the risk assessment and risk management attitude of the owner-manager determine the effectiveness of a company's risk management actions.

CONCLUSION

The research results show that the AdvERM variable has a significant effect on operational performance with the ROA indicator and company value with the Tobin's Q indicator. Although these findings show the insignificant influence of the AdvERM variable on ROA and PBV, it is necessary to consider identifying the influence of AdvERM on these two factors. This can help in better understanding the factors that influence the operational performance and value of agricultural companies. It is hoped that this research can be a reference in studying operational performance and company value as well as the implementation of risk management. Future researchers can add other variables to analyze their influence on the operational performance and value of agricultural companies. Apart from that, further research can also use a longer time span.

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