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The Influence of Value-Added Enterprise, Corporate on Governance on Enterprise Sustainability with Investment Opportunities Set as Intervening Variable

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ABSTRACT

This study was to analyze the causes of the company can be sustained. The company can not survive, may be they have internal problems such as: decreasing performance enterprise, and poor corporate governance. External factors could be also expected affect on sustainable enterprise, such as global economic crisis.

We use sample of public company which are listed in the Indonesia Stock Exchange (IDX) and New York Stock Exchange (NYSE). The results show that investment opportunities has significant influence on sustainable enterprise, and *corporate governance* also has significant affect indirectly on sustainable enterprise through a set of investment opportunities. Moreover, value-added companies significantly affect indirectly on *sustainable enterprise* through a set of investment opportunities.

Keywords: Value-added enterprise, corporate governance, investment opportunity, enterprise sustainability.

1. INTRODUCTION

1.1. Background Research

As a result of management actions selfish self-interest (Veronica, 2014) led to the company suffered losses and even bankruptcy. These conditions have occurred during the crisis Asia in the mid-1997 and the global financial crisis of 2008 in Europe and the United States. Company can not survive maintain business continuity, one of the factors thought to be the cause of the problem is an internal problem: the value-added enterprise is bad and no good corporate governance. External factors could be expected to affect the ability of a company that is sustainable as the global economic crisis.

According Hendriyeni (2014), sustainable business is a business that ensures that all activities and production processes into account the social and environmental conditions, and still make a profit. Elkington (1997), the company wants to sustainable must consider the '3P' (Profit, People, Planet), namely that in addition to the pursuit of profit (*profit*), the company must also pay attention and be involved in the fulfillment of social welfare (*people*) and also contribute actively in protecting the environment (*planet*).

The Companies have a positive growth developments provide a positive signal to investors that use values added enterprise has good prospects. Research on investment opportunities (IOS), it can be seen that the variables are widely used and influential on the first IOS is the use values of added company such as dividend policy, debt policy, profitability, risk and leverage (Belkanuoi, 2001). The reason is that the investment is used by a company when deciding to invest can be obtained from three (3) sources that internal funds, debt to banks or other institutions, and can also with the issue of shares on the stock exchange (Gumanti, 2008).

In determining the type of investment, whether the need for funds filled from within or from outside the company, for the management should pay attention to the level of financial capability (cash flow) company. Source of funding fulfillment men reflects a stage where the company is located, whether in the expansion or growth stage (*growth*). This management in demand can understand every alternative fulfillment with good funding and realistic (according to the ability of the company).

Kaen (2003), corporate governance in principle over who should control the activities of the company and why it should be controlling the activities of the company. "Who" is the shareholders, while the "why" because there is a relationship between the shareholders of the various parties interested in the company. Company has a moral duty to be honest, obey the law, uphold integrity, and financial irregularities.

In the future corporate governance policies (*corporate governance*) should pay attention to the needs of stakeholders (*stakeholders*), because in every activity of the company has always stressed that companies should develop ethical business practices and sustainable (*sustainable*) economic, social and environmental.

1.2. Problem Formulation Research

The extent of constructs are built and based background as described above, this study examines the influence of *corporate governance* models the use values adde company against companies that had advanced to the (*sustainable enterprise*) with a set of investment opportunities (IOS) as an *intervening* variable, subsequently formulated in the form of questions as follows : be further defined in the following questions:

1. Is corporate governance influence on value-added enterprise?
2. Is value-added enterprise influence on sustainable enterprise?
3. Is investment opportunities set influence on sustainable enterprise?
4. Is corporate governance influence on sustainable enterprise?
5. Is value-added enterprise influence on investment opportunities set ?
6. Is *corporate governance* influence on investment opportunities set ?
7. Is value-added enterprise influence on sustainable enterprise through investment opportunities set?
8. Is *corporate governance* influence on sustainable enterprise through investment opportunities set ?

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Contingency Theory

Mikes (2014) states the contingency theory is a theory that explains that things happen because of the dependence of each other factors. These factors could be the antecedent and consequent. This theory should have specific hypotheses about the relationship between the organization of certain factors, the design of enterprise risk management structure (enterprise risk management) and systems.

Contingency theory is not merely a theory, but rather as a tool to facilitate the flow in order to understand the situation of an incident and provide an alternative to the company to respond to the flow. Contingency theory can be regarded as a sub-section of an open theory because such open systems theory to understand the dynamic flow of the situation, personnel, and resources that take place within the company.

The Plan Contingent is a response substitute formulated to affect the relationship between antecedent and consequent. In other words, can be described as follows:

A = Antecedents (corporate governance and value-added enterprise)

B = Condition (investment opportunities set)

C = Consequent (sustainable enterprise)

Relationship between A and C improved by B, management strategy requires information that must exist for the marvelous sir and limit alternatives prepared.

Contingency theory as a potentially powerful tool to enhance value added enterprise with the ultimate goal of sustainable enterprise (Betts, 2011). Relation is often much simpler and easier to understand and more elegant than the other theory. Simplicity and scope make contingency theory has greater potential, the potential for the development of simple decision rules that have large-scale impact on the sustainable enterprise.

2.2. Value-Added Enterprise

To increase the value-added enterprise should have a size use value-added enterprise relevant. Economic value added (EVA) is very relevant in this case because EVA measures the value-added enterprise based on the size of the profits earned during a certain period (Utomo, 1999). EVA is a financial analysis tool for measuring the economic profit of the company in which the shareholder wealth created if the company closes all capital costs and operating costs.

EVA is a total reduction of capital costs to operating profit after taxes. EVA is an indicator of the value creation of an investment. The results were positive EVA means the company managed to create value for investors because the company generates returns that exceed returns that exceed the level of the cost of capital. Conversely, if the results are negative EVA indicates the value of the company declined the company has not been able to produce a rate of return higher than the cost of capital. EVA can also be used as a basis for goal setting, capital budgeting, performance assessment, and incentive compensation of a company in the preparation of the company's strategy to lead the company's sustainability.

While the market value added (MVA) by Brigham (2006) The main goal of the company is to maximize shareholder wealth. Increased MVA can be done by increasing EVA which is the measurement value added annual operational, thus EVA has a strong relationship with the MVA. MVA as a measure of value added externally, and can only be measured if the company has gone public, where MVA tend to provide greater assessment of additional investment real wealth.

Based on the above explanation, the researchers used the economic value-added (EVA) and market value added (MVA) to measure values-added enterprise. The reason EVA is a very important measurement used as financial distress signal at a company (Salmi, 2001). A company can not gain above required of return, it will be a negative EVA. This is a warning of financial distress for the company. While MVA is more dependent on the expectations of the value added in the future (Syahlina, 2013). Company with a history of negative EVA can only have a positive MVA provided that the investors expect there is a change in the future.

2.3. Corporate Governance

In Indonesia the concept of *corporate governance* (CG) much discussed since the Asian crisis that occurred in mid 1997. According Hidayah (2008) The economic crisis in Southeast Asia and other countries not only due to macroeconomic factors but also the weakness of good corporate governance (GCG), such as: lack of legal, accounting standards and financial checks that have not been established, the capital market is still under-regulated, weak supervision commissioner, and neglected minority rights. GCG is not only a positive result for shareholders, but for the wider community in the form of national economic growth.

Efendi (2009) stated that CG as a set of rules in order to control the company to generate added value for the stakeholders because of the presence of CG will form working patterns transparent management, clean and professional. Companies with good management and transparent means already implementing implementation good corporate governance (GCG). GCG is not only focused to provide benefits for the management and employees of the company, but also for stakeholders: customers, suppliers, government and society associated with the company (Ramdhanings ih, 2013).

Monda (2013) designed a multi-dimensional index to measure the quality of *corporate governance* system which was adopted by the company to determine the relationship between the quality of corporate governance and value of the company. As a result a positive relationship and significant statistically between corporate governance, as measured by a subset of 12 variables, with the value of the company. Meanwhile, according Limanto (2014), the effect of the implementation of GCG score is positive significant towards sustainable enterprise. Based on the above reasons, researcher used a measurement indicator CG berpendoman in Asean Corporate Governance Scorecard years 2012-2013.

2.4. Investment Opportunity Set (IOS)

Ratnawati (2007), sustained growth of the company is the degree to which the company's sales could grow depending on how the asset support to increase sales and how the funds are available (*in the form of current liabilities, debt, retained earnings and new sales*) on the growth of assets by assuming the company is willing and able to provide new debt and capital increase. This assumption to overcome financial constraints to growth. According Saputro (2003) the growth of the company is a party desired expectation that the company's internal management and the eksternal companies such as investors and creditors. This growth is expected to give a positive aspect for companies such as the existence of an opportunity to invest in the company. Growing the company's prospects for investors is a lucrative prospect for capital invested is expected to

give a high *return*. Research Vogt (1997) showed that companies that grow will be responded positively by the market. According to Smith and Watts (1992) opportunities to grow the company looks at investment opportunities that proxy with various combinations of indicators set of investment opportunities.

Based on the above understanding, researcher concluded that the investment is sacrifice some funds to have one or several assets during a given period that will give results in the form of receipts / payments in the future are uncertain. IOS is a variable that can not be observed with certainty that the necessary a proxy to measure it (Indrawati, 2012). Most of the proxy in the calculation of the IOS more using the stock price and the size of the market value of equity sebgai proxy of IOS.

According to research Yuliani (2012) that a da variable intervening where IOS significantly and positively as an intermediate variable that affects the relationship between strategy of the company ber to advanced. While research Chaibi (2014) and the Goddess (20 12) and Hasnawati (2005) variable set of investment opportunities proxied in three proxy yait u: (1) Proxy IOS, price based proxies based on the differences between assets and stock market value. , (2) Proxy IOS, investment-based proxies shows a high level of investment activity is positively associated with a firm set of investment opportunities, and (3) Proxy IOS, variance measure is based on the idea of choice will become more valuable as the variability of *return* on the basis of the increase in assets.

Based on this, the researcher used price based proxies that market to book value of assets ratio (MVABVA), market to book value of equity ratio (MVEBVE), and firm value to book value of property, plant and equipement ratio (VPPE) to measure the investment opportunity set.

2.5. Sustainable Enterprise

Companies that have expansion plans will require additional funding from external parties either through creditors and the sale of shares in the capital market. It is to be considered by the bank as a creditor and investor does have the company's growth prospects such as sales, profits and assets. Growth that has prospects for growth in the use values of t dd would be in the interest of business. The company's growth is not always good as expected by shareholders and other parties (*stakeholders*), if the sale is too high the company can obtain the pressure on financial resources. Conversely, if the sales are too low, the company is considered unable to take advantage of existing enterprise resources.

Growth companies are often carried out as factors that influence the sustainable company. Praptitorini (2011) sustainable company is always associated with the ability of management to manage the company in order to maintain service continuity in the company led. Each company not only aims to generate profits but also aims to maintain continuous service. Corporate social responsibility is a mechanism for an organization to voluntarily integrate social and environmental concerns into its operations and interactions with stakeholders, which exceeds the responsibility of the organization in the field of law (Anggriani, 2006).

Corporate social responsibility is expressed in the report called Sustainability Reporting. Sustainability Reporting is reporting on economic policy, environmental and social, influence and performance of the organization and its products in the context of sustainable development (sustainable development). Sustainability Reporting includes reporting on economic, environmental and social influence on organizational performance (ACCA, 2004 in Anggriani, 2006). Sustainability report should be a high-level strategic document which puts the issues, challenges and opportunities sustainability development which took him to the core business and industrial sectors.

Based on the above, researchers used indicators berpendoman on the Global Reporting Initiative (GRI) version 3 or better known as G3. GRI is a network-based organization that has pioneered the development of the world, the most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide.

2.6. Inflation

Heightened global oil prices because not seimbangannya supply and demand for oil, the cause is due to: (a) the growth of the world economy very rapidly within the last year, especially in the countries of China, (b) factors that bad weather in the Gulf of Mexico oil shipments menyebabkan be reduced, (3) Geo-politics developed in Turkey, and fears the outbreak of war between the United Anerika state with the Iranian state.

Oil prices are rising too high overall impact on inflation because it can trigger an increase in the price of other goods and services for the oil as one of the basic components for manufacturing companies, companies transporasi, and other industries as well as households. The increase in oil prices could push up the rise in production costs of goods and services that increase the price of goods and services in general.

Inflation shows the prevailing price level in general and conceptually prices measured by the weighted average rate. Practice to measure the overall level of prices. The most important price index is the consumer price index (CPI), the GNP *deflator* and producer price index (PPI). Based on the above research using the consumer price index some countries.

3. RESEARCH METHOD

3.1. Research Design

This research design using quantitative methods, and the population of this research is *the* company listed in Indonesia Stock Exchange (IDX), Jakarta and New York Stock Exchange (NYSE). Sample selection technique in this research is the method purposive sampling, the samples taken from certain considerations based on the destination (Sekaran 2011). Sampling criteria: (1) public company listed in Indonesia Stock Exchange (IDX) and the New York Stock Exchange (NYSE), (2) annual reports (AR) and *sustainability report* (SR) in 2009 to 2013, (3) not in delisting years 2009-2013, (4) manufacturing company.

4. RESULTS

4.1. Descriptive Statistics

Descriptive statistics for the dependent variable, independent variable, intervening variables and control variables used in this study the following:

The samples used in this study were 150, which consists of 30 companies in the period from 2009 until 2013. The businesses acquired from the developing world through the Indonesia Stock Exchange (IDX) and the developed countries through the New York Stock Exchange (NYSE).

Independent variables used in this study are *Corporate Governance*, Value Added Enterprise, Investment Opportunity Set and the dependent variables used in this study is a *sustainable enterprise* measured by the scale ratio for comparing the existing data with the instrument *the Global Reporting Initiative* (GRI) version 3. The control variable using *leverage* and inflation.

The measurement result value-added companies showed an average *market value added* (MVA) of 10764.4040 greater than average *economic value added* (EVA) for -6,138.2480 so it can be concluded the company more attention to a single measure that does not require analysis of *trends* and industry norms of the capital structure, the identification of activities or projects to provide a return of capital costs. Another thing with the measurement of *corporate governance*, the average yield no great difference is about 0.7388 to 0.8883. The average score of *shareholder rights* (RS) of 0.8051, the average *equitable treatment* (ET) 0.8188, the average *role of stakeholders* (RK) 0.7388, the average *disclosure and transparency* (DT) .8722, the average *responsibility of the board* (RB) 0.8883, *bonus i tems for companies that go beyond the minimum standards* (Bo) 0.7688 and the average *penalty last items for companies with poor practices* is 0.7845. The result can be concluded that all 30 companies from 2009 to 2013 for the corporate governance system in above average so that it can be said the company has been running *good corporate governance*.

IOS measurements for the average market-to-book value of equity (MVEBVE) is 508,532.45, market to book value of assets (MVABVA) is 255,739.3964 and firm value to book value of property, plant and equipment (VPPE) 10 779. 362,506,147.72 very large. Conclusion that the set of investment opportunities, the company has studied showed good growth prospects for the company and could be the sustainability of enterprise).

Average economic (EC) is 4.7556, the average environmental (EN) is 5.1478, labor practices and decent (LA) is 4.4905, *human rights* (HR) was 3.6192, the average *society* (SO) is 3.5038 and the final *product responsibility* (PR) is 3.6489. The results of the measurement of *enterprise sustainability* by using the GRI version 3 shows the company who researched describe tersbut company concerning the environment, society and economy. In the end will produce a positive thing for a sustainable company.

4.3. Discussion of hypothesis 1

The coefficient of corporate governance -0.269 which means there is a negative effect of corporate governance on the value added of -0.26 means that if the company's corporate governance has increased the unit, the company value added will go down one unit and vice versa with the value of the t -statistic for 1.264 because the value t -statistics more t_{table} smaller than 1.97 (5% significance $t_{Table} = 1.97$) or in other words H_01 acceptable means there is no significant relationship between corporate governance towards value added enterprise.

These results differ from the results Retno (2012) and Kukreja (2013) which states the application of corporate governance form a good working culture and provide significant influence on the value-added enterprise. In conjunction with previous studies corporate governance perception index (CGPI) by asking the company to fill out questionnaires (using primary data) while researchers use the ASEAN Corporate Governance Scorecard. ASEAN Corporate Governance Scorecard using secondary data with more detailed indicators (219 items) so that the results are more accurate for detecting the application of the principles of corporate governance (GCG) international.

4.4. Discussion hypothesis 2

The magnitude of the coefficient value-added enterprise 0. 393 which means there is a positive influence on the value-added enterprise towards sustainable enterprise by 0363 meaning that if the value added enterprise increased one unit of the company continuing to rise one unit and vice versa with the value of the t -statistic for 1. 458 because the value of the $t_{statistic}$ is smaller than t_{table} 1. 97 (t_{table} significance 5% = 1. 97), or in other words H_02 acceptable means there is no significant effect of added value added enterprise towards sustainable enterprise.

The results are in contrast to studies Ammons (2007), reveals a good added value measurements will reveal the strengths and weaknesses of the company's operations. The company's operations are well made and sustained growth firms. Ulupui (2007), stated that a sustainable company is determined by the earnings power of the company's assets. The results showed that the higher the positive earnings power more efficiently and asset turnover or higher profit margins obtained by the company, and this will have an impact on sustainable enterprise. The reason there is a difference with previous studies because the data used are different. Previous research as Ammons (2007), using a sample of companies in the United States in 2005-2007 and Ulupui (2007) used a sample listed in Indonesia Stock Exchange (IDX) years from 1999 to 2005 where the research was not the global financial crisis of 2008, while researchers using a sample of listed companies not only of BEI but also listed on the New York Stock Exchange (NYSE) with the study of the global financial crisis of 2008.

4.5. Discussion hypothesis 3

The magnitude of the coefficient sets 0.0199 investment opportunities which means there is a negative effect on the investment opportunity set towards sustainable enterprise at 0.0199 pales set of investment opportunities has increased one unit of the company continuing to be down one unit and vice versa with the value of the t -statistic of 1.387 for t -statistic value smaller than 1.97 t table (t Table significance 5% = 1.97) or in other words Ho3 acceptable means there is no significant relationship between the set of investment opportunities for sustainable enterprise.

Research Chen (2010) and Adam (2007) the company's growth is partially represented by the stock price. This means that IOS can be observed from the growth of the company's book value in the future. Growth companies with positive developments from year to year, and in the end make the company remains ongoing, whereas no significant research results

Difference because previous research examining the global economic crisis, while researchers at that time was experiencing a global economic crisis.

4.6. Discussion hypothesis 4

The coefficient of *corporate governance* 0.818 which means there is a positive influence on the company's corporate governance that had advanced to at 0.824 means that if *corporate governance* is an increase of one unit of the company continuing to rise one unit and vice versa with the value of the t -statistic of 10.14 as the value of t statistics greater than t_{table} 1.97 (t_{table} significance 5% = 1.97), or in other words Ho4 rejected it means a significant difference between the corporate governance towards sustainable enterprise.

Results are consistent with research Limanto and Juniarti (2014) which states the application of *corporate governance* significant effect on sustainable enterprise, supported also by the researcher Monda (2013) found a positive relationship with the significant influence of corporate governance for sustainable enterprise.

4.7. Discussion hypothesis 5

The magnitude of the coefficient value-added enterprise 0.775 which means there is a positive influence on the value added enterprise investment towards investment opportunities set at 0.775 pales in value-added enterprise increased one unit then the investment opportunities set will go up one unit and vice

versa with the value of the t-statistic for 10.447 because the value of the $t_{\text{statistic}}$ is greater than t_{table} 1.97 (t_{table} significance 5% = 1.97), or in other words H_0 5 rejected it means a significant difference between the value added enterprise towards investment opportunities.

These results indicate there is significant value added enterprise towards the set of enterprise IT investment return. This is consistent with research Martati (2011) who said that the influence of value-added enterprise proxied by increasing the value of shares of the investment opportunities set to increase.

4.8. Discussion hypothesis 6

The coefficient of *corporate governance* -0.085 which means there is a negative effect of *corporate governance* towards the investment opportunities set - 0.085. In *corporate governance* has increased one unit of the investment opportunity set will go down one unit and vice versa with the value of the $t_{\text{statistic}}$ of 1.024 for values $t_{\text{statistic}}$ is smaller than t_{table} 1.97 (t_{table} significance 5% = 1.97), or in other words H_0 6 acceptable means there is no significant relationship between *corporate governance* towards investment opportunities set.

Based on the results of the study of Liu (2006) can be said that the participation of foreign investors are proxied by corporate governance positively correlated investment opportunities. While the results of this study showed no significant difference between the *corporate governance* of the investment opportunity set. The reason for the study period Lin (2006) did not experienced the global economic crisis, while researchers used a study is experiencing a global economic crisis.

To answer to the hypothesis 7 and 8 using the guidelines Ghazali (2012: 181) models simultaneously testing the effect of exogenous variables (X) and variable *intervening* (M) to the endogenous variable (Y). in the final phase of testing is expected effect of exogenous variables (X) to endogenous (Y) is not significant, while the influence of variables *intervening* (M) to the endogenous variable (Y) to be significant in the $t_{\text{statistic}} > 1.97$.

4.8. Discussion hypothesis 7

The value added enterprise to *sustainable enterprise* has no significant influence and also variable *intervening* investment opportunity set does not have a significant impact on *sustainable enterprise*, so it can be concluded H_0 7 acceptable means to not have a significant effect.

4.9. Discussion hypothesis 8

Corporate Governance has significant influence on sustainable enterprise but variable *intervening* investment opportunity set does not have a significant impact on sustainable enterprise. Furthermore, based on results show that sets of investment opportunities as a variable *intervening* does not have a significant impact on the enterprise sustainable. The reason of the results, it seems that may be the state of the world economy just starting to recover around 2014 from the global financial crisis that began in 2008.

4.10. Sensitivity Analysis

This analysis is done, to overcome the impact of bias because of economic crisis. In this analysis we use period 2006 and 2007 that do not have global economic crisis period. The samples in this analysis are 60 firms.

5. CONCLUSION, LIMITATIONS, AND IMPLICATIONS

5.1. Conclusion

This study aims to test the influence of the value added enterprise, *corporate governance* on *enterprise sustainability* through investment opportunities set as a variable *intervening*. Based on previous research, we developed 8 hypotheses. All hypotheses related to *sustainable enterprise*.

The samples are taken from the manufacturing company during 2009-2013. We use ultimate criteria that company must publish *annual report* and *sustainability report* during 2009-2013.

The results show that corporate governance significantly affect significantly on sustainable enterprise, and value-added companies significantly influence on investment opportunity set.

5.2. Limitation

This study has limitations. First, the period of the study was limited, however this study has conducted a sensitivity analysis to determine the consistency of the results of hypothesis testing, and the results show consistency with previous research. Second, we only use manufacture industries as our sample. This limitation make constraint on generalization.

5.3. Implications for Further Research

In future research to consider additional broader sampling of various types of enterprises so that the resulting conclusions more generalize.

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