

DISCLOSURE ON ENTERPRISE RISK AND COMPANY PERFORMANCE: EVIDENCE FROM SPAIN

Elena Merino ^{*}, Jesús Antonio Sánchez ^{**},
Montserrat Manzanque ^{***}

* University of Castilla-La Mancha, Spain



How to cite: Merino, E., Sánchez, J. A., & Manzanque, M. (2019). Disclosure on enterprise risk and company performance: Evidence from Spain. *Corporate Governance: Search for the Advanced Practices*, 35. <https://doi.org/10.22495/cpr19a7>

Copyright © 2019 The Authors
This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0).
<https://creativecommons.org/licenses/by/4.0/>

Received: 14.12.2018
Accepted: 26.12.2018
JEL Classification: G32, G34, G38
DOI: 10.22495/cpr19a7
Keywords: Enterprise Risk, Company Performance, Disclosure, Audit Committee

Abstract

As a result of the last economic crisis, several international (OECD) and supranational (European Union) organizations showed special concern for the establishment of an adequate control and supervision of risks, transferring this concern to the business context. In fact, the lack of efficiency in the function of supervision and control of risks by companies has been pointed out as one of the causes of the recent crisis from different areas (academic and institutional). In this sense, different reports, standards and recommendations are guiding the process of implementation of risk control and supervision systems by companies as well as delimiting the information to disclosure.

At theoretical level, the disclosure of information on risks has important advantages for both companies and investors. On the one hand, it will allow companies to know the factors that could affect future results or flows (Cabedo & Tirado, 2009) thus improving the accuracy of the estimation of benefits. On the other hand, investors can reduce their uncertainty about the risks to which the companies are exposed (Cabedo & Tirado, 2009), which will allow them to estimate their market value (Abraham & Cox, 2007).

In this context, this study empirically investigates the association between disclosure on enterprise risk that they face in the development of their activity and firm performance over a sample of Spanish companies that were listed in Continuous Market during 2013-2017 period. The objective is to contribute to the literature on information disclosure to show if there is a relationship or not between the previous variables.