Does the Market Respond to Management Aggressiveness?

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Abstract

This study aims to examine market behavior towards management aggressiveness from the perspective of screening theory. Screening theory assumes that the market has limited information on companies. This study uses 852 companies taken from companies listed on the IDX from 2016 to 2018. This study provides empirical evidence about the response of capital markets to management aggressiveness. Over-aggressive management is very dangerous for the company. For this reason, the researcher also examines whether the board of commissioners, foreign institutional ownership, and the presence of auditors are capable of improving market response to management aggressiveness. The results provide evidence that the market does not respond to management aggressiveness. It means that the screening theory is able to explain that the market does not consider whether management is aggressive or not in making their investment decisions. However, the existence of foreign institutional ownership as well as the existence of auditors is something that is considered by the market. The market has responded positively to their existence in suppressing management aggressiveness. Thus, Screening theory proves that the market has limited information about company management. However, they require different information from that provided by management in making strategic decisions.

Keywords: *Auditors ; Foreign Institutional Ownership; Management Aggressiveness; Market Respons; Screening Theory; The Board of Commissioners*

INTRODUCTION

All companies will strive to improve their performance. Firm value is a benchmark that is often used to assess company performance as measured by the market value and book value of the company's ordinary shares (Tseng et al., 2015). Management uses firm value to capture market signals for various strategies implemented by management (Kumar, 2015). Apparently, firm value is also able to indicate whether management has high or low capability (Yung & Chen, 2018). This means that the market is able to respond to the signals triggered by the company.

An increase in firm values appears to be close to investment activity. In investing, risk is inherent in making investment decisions. In accordance with investment theory, risk

and rate of return are positively related, which means that a high rate of return is followed by a high risk, on the other hand, a low rate of return will have a low risk (Keynes, 2018). A high rate of return will increase firm value, ultimately attracting investors. Therefore, managers with firm value orientation are constantly competing to boost their performance to win the competition. According to Myers & Turnbull (1977), the higher the risk of investment planning taken by the company, the higher the risk of bankruptcy. One indication of bankruptcy is a continuing decline in income. Meanwhile, management as company manager tries to camouflage its income in financial statements when the real income decreases (Burgstahler & Dichev, 1997). The inappropriate effort to make over income in a short time can be done through earnings management and tax avoidance.

Management controls all resources in the company (Goldberg, 2001) . Ownership of control over assets makes management act as a master in a real company. Therefore, how the management manages the assets is strongly influenced by the economic behaviour of the management, whether it is a risk taker or a risk averse. Risk taker or risk averse is largely determined by how management focuses their attention on critical performance targets (March & Shapira, 1987). Management is called risk aversion or risk taker depending on their choice of expected value prospects (Wakker, 2010). This management character will determine the level of aggressiveness carried out by the company (Dyreng et al., 2010).

The capital market often responds to management aggressiveness. However, the market response to management aggressiveness has had inconsistent results. Various measures can be used to assess management aggressiveness in making strategic decisions, including: marketing strategy (Kurt & Hulland, 2013), tax avoidance (Chen et al., 2014), working capital funding (Naqi & Siddiqui, 2020). Management aggressiveness using the risk choice measure is widely used to explain various strategic decisions taken by the company. Søreide (2009) proved that risk averse firms are more likely to do business bribery than risk taker firms. In another study, risk averse companies prefer to lower their leverage ratio (Marwan & Sedeek, 2018), while Ting at al. (2015) found the opposite. Risk preference also determines the decision-making process in project-based construction companies (Taofeeq et al., 2020). In fact, the risk preference related to the decision to do earning management in China (Bhatti et al., 2021). Most studies try to explain risk preference with the strategic management decisions. Meanwhile, there are still few studies on management aggressiveness that use the risk preference associated with the capital market response. whereas, the capital market community may monitor management aggressiveness in their investment considerations. According to the screening theory, how the market responds is determined by how much information the market has about the company. Therefore, not all information that management might consider relevant becomes relevant to the market. Therefore, researchers are interested in examining the market's response to management aggressiveness.

Screening theory was first proposed by Stiglitz (1975). Initially, this theory was mostly used to highlight how the education function of workers is a differentiating factor for employers. Stiglitz (1975) describes the existence of social benefits by conducting screening. He also wrote down some of the social benefits of screening, namely (1) tradeoffs. The absence of sufficient information for employers regarding the differentiating capabilities of workers means that the wages received often cannot be commensurate with the true marginal product, (2) matching. Matching problems often occur in companies,

when one capability can be exchanged according to user needs. For example, a salesperson can have capabilities in production, and vice versa, a production operator can control marketing. This phenomena allows for an exchange of jobs between them. This study provides insight into whether the capital market community also considers information about management aggressiveness in making their investment decisions. Thus, this study seeks to provide evidence whether management aggressiveness is relevant information for investors according to the perspective of screening theory

The determination of risk sometimes does not depend on action. But it is more directed at how someone maximizes an opportunity (Drucker, 1999). Management who has the courage to take the opportunity, in various risky decisions that aim to win in the competition, will achieve an encouraging rate of return and growth in the long run (Damodaran, 2007). According to Drucker (1999), there are three opportunities that can be maximized by management, namely: (1) additive (tends to utilize the resources owned by the company and does not change the characteristics of a business entity) (2) complementary (use of opportunities that have the potential to change the characteristics or structure of the company), and (3) breakthrough (maximizing opportunities that will fundamentally change the total characteristics and capacity of the company). Meanwhile, Yates (1992) has another opinion about risk taking. According to him, risk taking is more appropriate with regard to decision issues. He revealed three components of risk, namely: loss, the significance of loss, and the uncertainty associated with loss.

Different views on risk taking are how to view a risk. When examined further, risk taking tends to be a person's action to address something because of the perception of possible outcomes, benefits, or costs (Trimpop, 1994). Meanwhile, Atkinson (1957) proved that risk-taking behavior is more motivated by the actors' motivation regarding decision making. Risk taking is often perceived positively in the millennial era because it is part of modernity (Zinn, 2020).

Management aggressiveness frequently indicates the level of management capability (Yung & Chen, 2018). High-capability management tends to take a risk taker position (Kaplan & Sorensen, 2016). The question is whether the management's performance is also considered by the market or the investor community. Screening theory believes that investors lack information related to management quality (Stiglitz, 1975). For this reason, often the management capabilities proxied by management aggressiveness are often not seen by investors (Kaur & Singh, 2017; Yorke et al., 2016). Meanwhile, there are other findings that the market dislikes management that is too aggressive by taking high-risk diversified ventures (Golec, 1988; Karpavičius & Yu, 2018). Therefore,
H1: Management's aggressiveness in dealing with risks affects firm value.

The board of commissioners is very likely to influence the economic behaviour of management (Chatterjee, 2019). There are several characteristics of board members, such as the involvement of women and board interlocks. Most people presume that women tend to make ethical decisions (Franke et al., 1997). Social Role Theory explains that there are differences in behaviour between women and men (A. H. Eagly, 1997). Gender has the potential to improve a company's reputation (Kaur & Singh, 2017). However, the presence of women on board members has a negative effect on investment efficiency, because women board members tend to be risk averse (Hurley & Choudhary, 2020) especially unmarried women and widows ((Thackeray, 2018). Another study found women's

involvement even suppressed management in terms of overinvestment (Mirza et al., 2020; Shin et al., 2020). In fact, the viewpoint of women is not always correct. One study found no link between gender involvement and decisions in business (Fernández-Temprano & Tejerina-Gaite, 2020). In a feminism perspective, the choice to become an averse or a risk taker is more precisely determined by the emotional level of stress and anxiety (Marlow et al., 2014), as well as personal identity (age, race and number of children) (Jianakoplos & Bernasek, 1998). In addition to gender, board interlocks have the potential to play a role as a trigger for management behaviour, because board interlocks enable the dissemination of knowledge, resources and practices (Whitler & Puto, 2020). The interlock board provides insight into various strategic decisions including the emergence of new products (Srinivasan et al., 2018). The existence of the interlock board can be used as social capital in the company (Fennema & Tillie, 2008).

H2: The characteristics of the board of commissioners moderate the relationship between management aggressiveness and firm value.

The company always strives to build a reputation through a good image. Reputation is socially constructed from non-observers (Suchman, 1995). The investor community often has positive perceptions of institutional ownership (Shi et al., 2017), because of its ability to lessen management aggressiveness (An et al., 2014; Ying et al., 2017). The investor community believes that foreign institutional ownership will create an atmosphere that encourages management to innovate (Bena et al., 2017), minimizing local culture and economic policy uncertainty (Deng et al., 2018) Thus,

H3: Management aggressiveness with moderation of foreign institutional ownership affects firm value.

The independent auditor is expected to mediate the relationship between agent and principal. Theory of inspired confidence states that an auditor should not disappoint rational outsiders (Hayes et al., 2014). In fact, auditors are often expected to prevent fraud in companies (Jeppesen, 2019). Thus, auditors are actually also appointed to become police, as stated in the policeman theory (Hayes et al., 2014). Comprehensive professional capabilities enable auditors to understand the company's operations well, so that it is possible to give advice to management (Yang, 2020). For this reason, it is likely that auditors are also able to influence management aggressiveness.

H4: Audit quality moderates the relationship between management aggressiveness and firm value

RESEARCH METHOD

This research is quantitative because it seeks to find a relationship between audit quality and risk taking in creating value in business units using deductive logic. Meanwhile, the unit of analysis used in this research is all non-financial business entities listed on the Indonesia Stock Exchange (BEI) during 2016-2018. Researchers used non-probability purposive sampling with purposive sampling type. From the population, we used 1674 companies to observe. The dependent variable in this study is firm value or company value obtained from the difference between the book value of ordinary shares and the market value of the company's common stock. The independent variable or independent variable in this study is risk taking or management aggressiveness in taking risks.

Measurement of risk is carried out through the standard deviation of the stock return. Return is positively related to risk, meaning that high return indicates the high risk of the company. Meanwhile, the moderating variables in this study are the characteristics of the board of commissioners, foreign institutional ownership and audit quality. The board of commissioner's proxies are the board diversity and board interlock. The board diversity is measured by a dummy variable where the number 1 is given if a woman occupies a position on the board of commissioners while others are assigned a number of 0, while board interlock is measured using the proportion of commissioners who work as commissioners in other companies to the total board of commissioners. The Foreign institutional ownership is measured by the proportion between ownership or shares owned by foreign institutions and the total shares outstanding. Audit quality is proxied by the size of the public accounting firm as measured by the interval variable. 0 for companies audited by local KAP, 1 for companies audited by non-big four foreign KAP and 2 for companies audited by big four foreign ACCOUNTING FIRM. The control variable is leverage which is measured using the ratio of total company debt to total assets of the company and profitability of Return on Assets (ROA) which is measured using the ratio of current year earnings to total assets. This study uses the following four models:

Model 1 :
$$Vc = \beta_0 + \beta_1 RT_{it} + \beta_2 LEV_{it} + \beta_3 PROF_{it} + e_{it} \tag{1}$$

Model 2 :
$$Vc = \beta_0 + \beta_1 RTt_{it} + \beta_2 BD_{it} + \beta_3 Bi_{it} + \beta_4 BD \cdot RT_{it} + \beta_5 Bi \cdot RT_{it} + \beta_6 LEV_{it} + \beta_7 PROF_{it} + e_{it} \tag{2}$$

Model 3 :
$$Vc = \beta_0 + \beta_1 RTt_{it} + \beta_2 FIO_{it} + \beta_3 FIO \cdot RT_{it} + \beta_4 LEV_{it} + \beta_5 PROF_{it} + e_{it} \tag{3}$$

Model 4 :
$$Vc = \beta_0 + \beta_1 RTt_{it} + \beta_2 AQ_{it} + \beta_3 AQ \cdot RT_{it} + \beta_4 LEV_{it} + \beta_5 PROF_{it} + e_{it} \tag{4}$$

FV_{it}	= Firm Value
β_0	= Constant
RT_{it}	= Risk Taking
BD_{it}	= Board Diversity
BIi_{it}	= Board Interlock
FIO_{it}	= Foreign Institutional Ownership
AQ_{it}	= Audit Quality
LEV_{it}	= Leverage
$PROF_{it}$	= Profitability
$\beta_1 - \beta_7$	= Correlation coefficient
e_{it}	= Error coefficient

This study uses a panel data model with the Generalized Least Square (GLS) method. Previously, researchers used Ordinary Least Square (OLS). However, researchers found

problems in heteroscedasticity. The consequence of this heteroscedasticity is that the OLS method will still meet the unbiased criteria, but the variants obtained will tend to enlarge so that it is no longer efficient (Maziyya et al., 2015). According to Greene (2012), the method that can be used in models that experience heteroscedasticity problems is Generalized Least Square (GLS).

RESULTS AND DISCUSSION

This study uses 1674 companies consisting of all non-financial sector companies listed on the Indonesia Stock Exchange during 2016 to 2018. Then the researchers limit the sampling by eliminating companies that do not use the rupiah currency in their financial statements, not providing stock market value data. complete in the source used by the researcher, does not provide complete financial reports, does not provide stock market value and does not provide information on foreign shareholders, board of commissioners information and complete financial reports. After eliminating all companies that do not meet the criteria, 822 companies were not used in this study, so it can be concluded that this study used a total of 852 companies as the research sample. Table 1 is the results of descriptive statistical tests carried out on the finances of companies that meet the requirements on the Indonesia Stock Exchange from 2016 to 2018. Furthermore, companies that use local ACCOUNTING FIRM services (36 companies), affiliated with Non Big-4 (533 companies), and affiliated Big-4 (283 companies).

Table 1. Descriptive Statistics of Variable Scale Ratio

	FV	RT	BD	BI	FIO	LEV	PROF
Mean	-4.624.732	0.123976	0.129831	0.344190	0.169074	0.514416	0.080842
Median	3.538.391	0.094409	0.000000	0.333333	0.000000	0.462860	0.030000
Maximum	59061.87	1.388.511	1.000.000	1.500.000	3.132.808	6.827.618	3.658.547
Minimum	-4511855.	-0.116534	0.000000	0.000000	0.000000	0.000000	-1.470.000
Std. Dev.	154687.6	0.129577	0.190846	0.315490	0.281428	0.484812	1.266.630
Skewness	-2.908.601	4.642.895	1.516.209	0.460050	2.538.200	7.267.813	2.815.255
Kurtosis	8.480.027	3.469.556	5.273.120	2.190.146	1.737.513	7.886.676	8.116.808
Jarque-Bera	25468178	38724.61	5.098.734	5.333.694	8.250.708	211830.3	23328286
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Observations	852	852	852	852	852	852	852

Source: processed industrial data

When testing classical assumptions, the researcher found a heteroscedasticity problem. Furthermore, researchers used GLS to analyze data. Table 2 shows the results of the regression test. The regression test results in model 1 in this study indicate the constant value of model 1 is -2062.77, which means that if the independent variable and control variable have no value or have a value of 0 then the firm value will decrease by 2062.77 units. The RT variable has a positive influence on the FV value so that if the RT value goes up or down by 1 unit, there will be a unidirectional change in the FV value of 1507,131 assuming the other variables are fixed. . Based on the regression test performed on model

1, the F-statistic value in this model is 36.22979 while the probability is 0.000000. This means that the RT, LEV and PROF variables as independent variables together have a significant effect on firm value as the dependent variable at the 1% level. From the table, the F-statistic value in this model is 36.22979 while the probability is 0.000000. This means that the RT, LEV and PROF variables as independent variables together have a significant effect on firm value as the dependent variable at the 1% level. It can be concluded that the independent variable is able to estimate the dependent variable well. In model 1, the RT variable has a probability above 0.05, which is equal to 0.1963, so this variable has no partial effect on firm value as the dependent variable.

Table 2. Regression Test

Variabel	Model 1			Model 2			Model 3			Model 4		
	Koef.	t	Prob.	Koef.	t	Prob.	Koef.	t	Prob.	Koef.	t	Prob.
C	-2.062.772			-1.129.255			-1.503.605			-3.392.121		
RT	1.507.131	1.363.518	0.1731	1.566.761	0.240762	0.8098	2083	7.678.014	0.0000	-3.570.221	-2.799.483	0.0052
BD				-1.130.213	-2.810.782	0.0051						
BI				4.593.130	1.535.923	0.1249						
BDxRT				2.150.787	1.948.781	0.0517						
BIxRT				-1.653.555	-0.636175	0.5248						
FIO							1.516.325	6.848.275	0.0000			
FIOxRT							-5.090.810	-9.258.903	0.0000			
AQ										5.513.824	9.931.581	0.0000
AQxRT										-6.793.612	-4.411.471	0.0000
LEV (Kontrol 1)	2.301.950	2.352.665	0.0189	1.650.753	4.516.628	0.0000	1.510.354	4.385.919	0.0000	6.759.034	1.033.931	0.0000
PROF (Kontrol 2)	8.796.126	2.583.062	0.0000	8.885.749	1.812.008	0.0000	1.010.974	6.221.151	0.0000	1.214.448	3.092.108	0.0021
R-Squared		0.113610			0.060679			0.074875			0.385899	
Adj. R-Squared		0.110474			0.052888			0.069407			0.382269	
F-Statistics		36.22979			7.788.716			1.369.423			1.063.245	
Prob (F-statistic)		0.000000			0.000000			0.000000			0.000000	

Source: processed industrial data

The regression test in model 2 shows that the constant value of this equation is -1129,255, meaning that if the independent and variable variables do not have a value or have a value of 0 then the Firm value will decrease by 1129,255 units. The BDXRT variable has a positive influence on the FV value so that if the BDXRT value increases or decreases by 1 unit, the FV value will increase or decrease by 2150,787 units, assuming the other variables are constant. While the BIXRT variable has a negative effect on the FV value, if the BIXRT value increases or decreases by 1 unit, the FV value will decrease or increase by 1653,555 units, assuming the other variables are constant. The F-statistic value in model 2 is 7.788716 while the probability is 0.000000. This shows that RT, BD, BI, BDXRT, BIXRT, PROF and LEV as independent variables together have a significant effect on firm value as the dependent variable. For the t test in model 2, the RT, BI, BIXRT and BDXRT variables have a probability greater than 0.05, so it can be concluded that these two variables do not partially affect firm value as the dependent variable. While the variables BD, LEV and PROF have a probability of less than 0.05, which means that these two variables have a partial effect on firm value.

The regression test results in model 3 show a constant value of -1503,605, meaning that if the independent and variable variables do not have a value or have a value of 0, the firm value will decrease by 1503,605 units. The FIOXRT variable has a coefficient of -5090,810 which means that FIOXRT has a negative effect on the FV value so that if the FIOXRT value goes up or down by 1 unit, the FV value will decrease or increase by

5090,810 units assuming the other variables are constant. The F-statistic value in model 3 is 13,69423 while the probability is 0.000000. This shows that RT, FIO, FIOXRT, PROF and LEV as independent variables together have a significant effect on firm value as the dependent variable at the 1% level. It can be concluded that the independent variable is able to estimate the dependent variable well. In model 3, all independent variables, namely RT, FIO, FIOXRT, LEV and PROF have a probability of less than 0.05, it can be concluded that all independent variables in model 3 have a partial effect on firm value as the dependent variable.

The result of regression model 4 shows that the constant value of this equation is -3392,121, meaning that if the independent and variable variables have no value or 0 then the Firm value will decrease by 3392,121 units. The AQXRT variable has a coefficient of -6793,612, which means that the AQXRT variable has a negative effect on the FV value so that if the AQXRT value goes up or down by 1 unit, the FV value will change in the direction of 6793,612 units, assuming the other variables are fixed. The F-statistic value in model 4 is 106.3245 while the probability is 0.000000. This shows that RT, AQ, AQxRT, PROF and LEV as independent variables together have a significant effect on firm value as the dependent variable at the 1% level. It can be concluded that the independent variable is able to estimate the dependent variable well. In model 4, all independent variables, namely RT, AQ, AQXRT, LEV and PROF have a probability of less than 0.05, it can be concluded that all independent variables in model 4 have a partial effect on firm value as the dependent variable.

Screening theory assumes that the market has little information about performance management, so it is possible to look for other sources to obtain information (Sanders & Boivie, 2004). Hypothesis 1 attempts to highlight whether management aggressiveness is considered by the investor community to make economic decisions. The results show that the market does not pay attention to the difference between aggressive and non-aggressive management, so they treat it the same. Based on the test, the coefficient of the RT variable is 1507,131, while the probability is 0.1731, so hypothesis 1 in this study is rejected. This indicates that management aggressiveness is not a differentiator for actors in the capital market. Thus, this study actually provides information that management aggressiveness is not a determinant of investors' decisions regarding market prices, so they see no difference between aggressive and less aggressive management. This means, there is a possibility that stock players do not screen the aggressiveness of the company's management, so they will ignore (indifference) with quality (the aggressiveness that management tries to show). This study supports the applicability of the screening theory in the investor community. Several studies show the incomplete information held by capital market investors, including those related to divestments carried out by management (Bergh et al., 2020), corporate sociopolitical activism (Bhagwat et al., 2020).

BOC is an organ that is expected to provide advice to management and to monitor strategic management decisions (Fama & Jensen, 1983; Jensen & Meckling, 1976). To carry out its function properly, the board of commissioners needs conducive atmosphere (Kosnik, 1987). There are various factors that are suspected of providing conducive conditions for the board of commissioners. One of the characteristics of the board of commissioners that can bring benefits to the company is board diversity and interlock. Hypothesis 2 aims to see whether the board of commissioners as a factor originating from internal companies is able to strengthen or weaken the relationship between management

aggressiveness in dealing with corporate risk and the creation of firm value or firm value. Board diversity (BD) and board interlocks (BI). Based on the tests that have been done, the BDXRT variable shows a significance level of 0.0517 and a coefficient of 2150,787. While the BIXRT variable has a significance level of 0.5248 and a coefficient of -1653.555, then hypothesis 2 in this study is rejected. This shows that board diversity and board interlocks cannot moderate the relationship between management aggressiveness and firm value.

The board diversity is calculated from the percentage of women to all members of the board of commissioners. Social role theory believes that women have special capabilities that men do not have, thus affecting how their social behavior is (Eagly et al., 2000) The availability of women has the potential to improve company performance by encouraging companies to develop innovations (Attah-Boakye et al., 2020). However, sometimes the presence of women does not improve the conduciveness of BOD to encourage or discourage management aggressiveness (Damak, 2018). This research does not support social role theory. The image of the woman on the board of commissioners is apparently not quite visible to investors. For investors, the presence or absence of women in the BOD does not have any impact on them.

The existence of boards interlock is expected to create added value in the form of network expansion between companies (Carpenter & Westphal, 2001). This is actually a representation of social capital (Goncalves et al., 2019). This study proves that the interlock board fails to build social capital in the company. This means that the board interlock has no effect on the board of commissioners to carry out the function of monitoring strategic management activities, including management aggressiveness. Information asymmetry is still ongoing and is unable to make the market respond to the aggressiveness of risk by management. This shows that the board interlock is not able to narrow the information asymmetry, so that the market still does not respond to management aggressiveness that occurs and does not have an impact on firm value.

The foreign Institutional Ownership is expected to provide added value to the company. FIO can encourage company innovation and the investor community responds by increasing the number of share sales (Bena et al., 2017). Institutional ownership is considered to reduce information asymmetry between management and shareholders (Ajina et al., 2015). Hypothesis 3 aims to prove empirically whether Foreign Institutional Ownership (FIO) (company external factors) is able to influence the relationship between management aggressiveness and firm value creation. This foreign institutional ownership is measured by the percentage of ordinary shares owned by foreign institutions to the total shares outstanding. Based on the tests that have been done, the FIOXRT variable has a significance level of 0.0000 and a coefficient of -5090.810, then hypothesis 3 in this study is accepted. This means that FIO can negatively moderate the relationship between management aggressiveness and firm value. In other words, the FIO is able to make the market respond negatively to this management aggressiveness. This occurs because even though on a small scale foreign institutional ownership has a role in increasing voluntary disclosure and transparency to the public (Liang et al., 2012). The impact, the higher the level of foreign institutional ownership in the company, the narrower the information asymmetry, so that the market will respond to management aggressiveness that occurs in the company. The narrowing of information asymmetry is due to the active role of foreign institutional investors who are capable of improving corporate governance (Aggarwal et al., 2011; Ferreira & Matos, 2008). Foreign institutional ownership encourages companies

to act more conservatively (Khalil et al., 2019). In addition, foreign institutional ownership increases control over management performance (Li et al., 2020) . High control is able to suppress agency problems (Aghion et al., 2013). It can be concluded that foreign institutional ownership is able to harmonize information between managers and company owners, so that the picture of the company's condition becomes more transparent to the market. The capital market responds to this by correcting company value in the form of a decrease. This finding indicates that the market responds to the influence of foreign institutional ownership on management aggressiveness

Screening theory places more emphasis on various signals that they believe are closely related to various unobservable elements (Gottschalk, 2018). One element that is often believed by the investor community is the quality of auditors. The higher rank accounting firms tend to perform better than lower ones (Francis & Yu, 2009; Huang et al., 2019). The question is whether the market sees auditor involvement in influencing management aggressiveness. For this reason, hypothesis 4 seeks to prove empirically whether audit quality as an external factor of the company can have a greater influence on the relationship of management aggressiveness in facing risks to firm value. The proxy used to measure audit quality in this study is the size of the public accounting firm. Based on tests that have been carried out by the AQXRT variable, which has a significance level of 0.000 and a coefficient of -6793,612, then hypothesis 4 in this study is accepted. This means that auditors are able to suppress management aggressiveness and are responded to by the investor community. Auditors as credibility signalers were welcomed positively by the investor community (Gomulya & Mishina, 2017). From the empirical results, the market does not like overly aggressive management. The auditors prove that their existence is able to suppress management behavior and are responded to by investors. Audit is able to control management's actions in managing the company and will be accounted for in the financial statements that will be audited. The size of the accounting firm turns out to be influential in reducing the influence of management aggressiveness. This study proves that auditors are able to play their role as Sherlock Holmes in the company (Hüpkes, 2006). In the end, the existence of qualified auditors can mediate conflicts between agents and principals (ElKelish, 2018; Safdar et al., 2019).

CONCLUSION
Based on the research and discussion that has been done above, it can be concluded that the investor community ignores management aggressiveness that is proxied by firm value. Furthermore, whether the management background is not considered by the investor committee. The results of further studies show that board diversity and board interlock are not able to moderate the relationship between management aggressiveness and firm value. Foreign institutional ownership and audit quality can negatively moderate the relationship between management aggressiveness and firm value. Both are able to increase supervision and control so that ultimately suppress asymmetry so that the market responds to management aggressiveness in the form of decreasing company value.

This research is only limited to 3 periods, namely 2016 to 2018. Due to time and data limitations, there are several objects that cannot be used and must be removed from the sample so that the number of samples used in this study is limited to 852 samples only. In

future studies, it is recommended that the period used in the study be longer so that more samples are used. This will help reflect the real situation. The control variables used in this study only consisted of two variables, namely leverage and profitability. We recommend that the control variables used by researchers as a comparison are more, for example, the dividend payout ratio or operational cash flow. In addition, this study only uses board of commissioners' diversity and interlock as proxies to represent the characteristics of the board of commissioners. The further researchers can add other proxies to measure the characteristics of the board of commissioners in order to describe real conditions such as independence, size of public accounting firms and role duality. Furthermore, this study also only uses the size of the public accounting firm as a proxy to represent the audit quality variable. Advanced researchers can add proxies to measure audit quality in order to describe actual conditions such as specialization of tenure audit auditors or audit reports.

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