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Conceptualizing the Risk Disclosure Relationship to Ownership Structure and Board Characteristics with Competitive Position and Audit Quality as Interaction Effects

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ABSTRACT

This study conceptualizes the relationship between ownership structure, board characteristics, and risk disclosure, with competitive position and audit quality as moderating factors. Focusing on emerging ASEAN markets, the paper synthesizes theoretical perspectives and empirical evidence from Malaysia's plantation sector, Indonesia's banking sector, and Vietnam's manufacturing industry to explore how governance attributes influence risk reporting practices. The findings highlight that ownership concentration and weak governance structures limit voluntary disclosures, whereas independent boards, institutional ownership, and high audit quality enhance transparency and reliability. Competitive pressures are shown to restrict disclosures in highly competitive industries, although robust governance and audit mechanisms mitigate these effects. The study contributes to corporate governance and risk disclosure literature by presenting a thematic analysis of these factors and provides practical insights for policymakers, regulators, and corporate stakeholders. This framework aims to advance theoretical understanding and inform strategies for improving transparency in emerging markets.

INTRODUCTION

Risk disclosure has gained prominence in corporate reporting as stakeholders demand greater transparency to understand organisations' risks. Risk-related information allows investors, analysts, regulators, and other users to evaluate the potential hazards, threats, and opportunities that impact firms' financial performance, sustainability, and competitive standing (Beretta & Bozzolan, 2004; Linsley & Shrives, 2006). Despite its critical importance, the extent and quality of risk disclosure vary widely across companies, industries, and regulatory environments. Corporate governance mechanisms, such as ownership structure and board characteristics, play a significant role in determining risk disclosure practices, while competitive position and audit quality moderate these relationships (Abraham & Cox, 2007; Ibrahim & Hussainey, 2019).

In emerging markets, particularly in the ASEAN region, risk disclosure is often influenced by unique governance structures, concentrated ownership, and evolving regulatory environments. Companies in these markets must balance transparency demands with competitive pressures, while governance attributes such as board composition, ownership concentration, and institutional oversight determine the extent of risk reporting. However, the relationship between ownership structure, board characteristics, and risk disclosure remains underexplored, particularly in emerging economies where governance mechanisms differ significantly from those in developed markets.

The primary objective of this paper is to conceptualize the relationship between ownership structure, board characteristics, and risk disclosure. Specifically, the study seeks to explore how ownership concentration and board dynamics influence the quality, scope, and extent of risk-related information disclosed by firms. The paper synthesizes existing literature and draws on evidence from three ASEAN industries—Malaysia’s plantation sector, Indonesia’s banking sector, and Vietnam’s manufacturing sector—to provide a theoretical understanding of these relationships. By focusing on ownership and governance factors, this paper contributes to the broader discourse on corporate risk transparency and highlights key determinants of effective risk disclosure practices in emerging markets

Hence, this study focuses on emerging ASEAN markets, which present unique challenges and opportunities for risk disclosure research. Compared to developed economies, ASEAN markets are characterized by concentrated ownership structures, nascent regulatory frameworks, and heightened competitive pressures (Ntim et al., 2013). By examining three distinct cases—Malaysia's plantation industry, Indonesia's banking sector, and Vietnam's manufacturing industry—this paper offers a deeper understanding of how governance attributes and moderating factors influence risk disclosure in diverse economic settings. The findings aim to contribute theoretically to the corporate governance and risk disclosure literature while providing practical insights for policymakers, regulators, and corporate stakeholders.

Central Issues

Ownership Structure

Ownership structure influences firms' risk disclosure practices, particularly in emerging markets where concentrated ownership and family control are prevalent. Family-owned firms often prioritize confidentiality and control, which reduces the extent of voluntary risk disclosure (Ntim et al., 2013). Institutional ownership, on the other hand, promotes greater transparency as institutional investors demand comprehensive risk reporting to protect their investments.

For example, in Malaysia's plantation sector, ownership concentration by family-controlled businesses results in selective disclosure practices. Yusoff et al. (2019) highlight that while mandatory disclosures are met, voluntary disclosures are often limited to protect competitive information and avoid regulatory scrutiny. However, companies with significant institutional ownership or state influence tend to disclose more risk-related information to maintain legitimacy and stakeholder trust.

Board Characteristics

The board of directors’ composition, independence, and effectiveness directly impact risk disclosure quality. Independent directors and diverse boards are more likely to prioritize transparency and accountability, ensuring that risk-related information is communicated to stakeholders (Ibrahim et al., 2019). Conversely, CEO duality—where the CEO also serves as board chairperson—reduces board oversight and diminishes the level of risk reporting.

In Indonesia's banking sector, the two-tier governance structure, consisting of the Board of Commissioners and the Board of Directors, ensures higher oversight. Wulandari & Setiawan (2021) demonstrate that banks with larger and more independent boards disclose more comprehensive risk information. Regulatory mandates further reinforce these practices, as banks must disclose detailed risks to maintain stability in the highly regulated financial sector.

Competitive Position

Competitive position moderates the relationship between governance mechanisms and risk disclosure. Firms operating in competitive industries may restrict voluntary disclosures to avoid revealing strategic information that competitors could exploit (Verrecchia, 1983). However, mandatory risk disclosures ensure a baseline level of transparency in regulated industries, such as banking and insurance.

Vietnam's manufacturing industry illustrates this dynamic. Firms in highly competitive markets are reluctant to disclose detailed risk information due to concerns about competitive disadvantage. However, Le & Moore (2021) argue that firms with high audit quality and strong governance mechanisms, such as diverse and independent boards, are more likely to provide reliable risk information. Audit quality mitigates the adverse effects of competitive pressures, ensuring stakeholders receive accurate and useful risk disclosures.

Audit Quality

Audit quality is a moderating factor that enhances the reliability and comparability of risk disclosures. High-quality audits by reputable firms ensure compliance with regulatory standards and improve stakeholders' confidence in disclosed information (DeAngelo, 1981). Audit quality becomes even more critical for enhancing transparency in ASEAN markets, where regulatory enforcement may be inconsistent.

In Malaysia and Indonesia, firms audited by Big Four audit firms exhibit higher-quality risk disclosures due to rigorous auditing practices and stakeholder expectations. Ibrahim et al. (2019) argue that audit quality mitigates governance weaknesses, ensuring that risk-related information is accurate, complete, and useful for decision-making.

ASEAN Case Examples

Malaysia’s Plantation Industry

Malaysia's plantation industry is a politically sensitive and highly regulated sector. Family-owned businesses dominate the industry, often resulting in selective risk disclosures to maintain control and minimize scrutiny. Yusoff et al. (2019) highlight that firms with significant family ownership prioritize mandatory disclosures while limiting voluntary reporting.

However, firms with independent directors and institutional ownership demonstrate better risk transparency, driven by stakeholder demands for accountability. Audit quality further strengthens these disclosures, ensuring that risk information is credible and reliable.

Indonesia’s Banking Sector

Indonesia’s banking sector operates under a two-tier governance structure, emphasizing strong oversight and regulatory compliance. Banks with larger, independent boards and effective audit committees exhibit higher levels of risk disclosure (Wulandari & Setiawan, 2021). The role of audit quality is particularly significant, as external audits ensure compliance with regulatory mandates and enhance stakeholder confidence. The competitive pressures within the banking sector are mitigated by mandatory disclosure requirements, which standardize risk reporting across firms.

Vietnam’s Manufacturing Industry

Vietnam's manufacturing sector faces intense competition, leading firms to restrict voluntary risk disclosures. However, Le & Moore (2021) argue that firms with high audit quality and strong governance mechanisms, such as diverse and independent boards, are more likely to provide reliable risk information. Audit quality mitigates the adverse effects of competitive pressures, ensuring stakeholders receive accurate and useful risk disclosures. Firms that prioritize transparency benefit from improved investor confidence and reduced information asymmetry.

Significance of the Research

This research contributes to the literature by integrating corporate governance mechanisms, competitive position, and audit quality into a framework for understanding risk disclosure practices. The study provides theoretical insights into the determinants and moderators of risk disclosure, particularly in emerging ASEAN markets. The findings offer valuable recommendations for regulators, policymakers, and corporate stakeholders to improve transparency and accountability.

LITERATURE REVIEW

Risk Disclosure Overview

Prior research on risk disclosure highlights its complexity, varying definitions, and inconsistent practices across industries and countries. Elshandidy et al. (2018) reviewed archival studies from 1997–2016 and categorized the literature into two themes: the incentives for risk reporting and its informativeness. Key divergences include differences between mandatory and voluntary disclosure, content analysis methods (manual vs. automated), and variations across regions (domestic vs. cross-country studies). They emphasized the need for clarity in defining risk and examining the costs and benefits of regulatory involvement.

Tahat et al. (2019) analyzed 19 studies from 1998–2018, focusing on accounting standards for financial instruments (FI) under FASB and IASB. While standards generally improved transparency and comprehensiveness, issues like complexity (IAS 39) and reduced comparability were noted (Gebhardt, 2012; Harrington, 2012). Khandelwal et al. (2019), in their systematic review of 61 articles, highlighted limited research linking risk disclosure to corporate governance and recommended longitudinal studies to improve generalizability.

Industry-Specific Risk Disclosure

Risk disclosure varies across industries. Highly regulated sectors, such as banking and insurance, often disclose more due to mandatory reporting requirements (Altunbaş et al., 2022; Azevedo et al., 2022). In contrast, industries like hospitality and plantation show selective practices influenced by ownership structures and regulatory scrutiny (Penela & Serrasqueiro, 2019; Yusoff et al., 2019).

Country-specific studies reveal similar patterns. For instance, risk reporting practices differ in the US (Elsayed & Elshandidy, 2021), India (Arora et al., 2021), and Bangladesh (Nahar et al., 2020). Cross-country analyses also highlight variations, such as studies comparing US and Canada (Kassamany et al., 2022) or MENA countries (Grassa et al., 2022).

Factors Influencing Risk Disclosure

Mandatory vs. Voluntary Disclosure

Risk disclosure can be categorized into mandatory and voluntary forms. Mandatory disclosures are those required by regulations, accounting standards, or legal frameworks. These disclosures ensure a minimum level of transparency across firms, enabling comparability and regulatory compliance. However, mandatory disclosures often lack depth and specificity, as firms focus on fulfilling requirements rather than enhancing stakeholder understanding (Arena et al., 2021). For example, firms in regulated industries like banking and insurance comply with baseline standards, but the content may remain generic. Conversely, voluntary disclosures go beyond regulatory mandates, providing additional insights into a firm's risk management practices and future uncertainties.

Voluntary disclosures are often influenced by firms' strategic decisions and stakeholder expectations. While they enhance transparency and stakeholder confidence, firms may withhold certain risk information to protect competitive advantage or prevent negative market reactions (Mcchlery & Hussainey, 2021). This dichotomy highlights the tension between compliance-driven reporting and proactive transparency, where firms must balance regulatory obligations with strategic discretion.

Governance Mechanisms

Corporate governance plays a crucial role in determining the quality and extent of risk disclosure. Key governance mechanisms include board size, independence, and ownership structure. A larger board with diverse and independent directors is more likely to ensure robust oversight and advocate for comprehensive risk reporting (Ibrahim et al., 2019). Independent directors, in particular, bring objectivity and stakeholdercentric perspectives that promote transparency. However, governance effectiveness is often shaped by ownership structure. Institutional ownership encourages transparency as institutional investors demand detailed risk information to assess and protect their investments (Abraham & Cox, 2007). In contrast, family-owned firms often exhibit lower voluntary disclosures, as controlling families prioritize confidentiality and minimize external scrutiny. Board expertise and audit committee effectiveness also influence disclosure quality, with experienced boards ensuring the communication of risk information aligned with stakeholder expectations (Alkurdi et al., 2019; Alshirah et al., 2020). Strong governance mechanisms, therefore, enhance accountability and reduce information asymmetry by promoting more detailed and reliable risk disclosures.

Audit Quality

Audit quality significantly enhances the credibility, reliability, and comparability of risk disclosures. High-quality audits, particularly those conducted by reputable firms like the Big Four, play a crucial role in validating disclosed information, ensuring it meets regulatory and stakeholder expectations (DeAngelo, 1981). By providing independent assurance, auditors reduce the risk of manipulation, enhance investor confidence, and improve transparency. Audit quality is especially critical in emerging markets, where inconsistent enforcement and governance weaknesses pose challenges to risk disclosure practices (Agyei-Mensah, 2019).

For example, firms audited by high-quality auditors are more likely to disclose comprehensive risk information because auditors ensure compliance with accounting standards and encourage firms to adopt best practices in reporting. Additionally, audit quality mitigates agency problems by holding management accountable for transparent risk reporting (Le & Moore, 2021). In essence, robust auditing mechanisms serve as an external governance tool that reinforces the integrity and usefulness of risk disclosures.

Competitive Position

Competitive pressures play a dual role in influencing firms’ risk disclosure practices. On one hand, firms operating in highly competitive industries may be reluctant to voluntarily disclose detailed risk information to avoid revealing sensitive strategies or vulnerabilities to competitors (Verrecchia, 1983). For instance, firms in dynamic industries like manufacturing or technology face the risk of losing competitive advantage if proprietary information about risks and mitigation strategies is publicly disclosed.

However, firms in regulated industries, such as banking and insurance, are often compelled to disclose risks mandatorily, ensuring baseline transparency regardless of competitive pressures. Strong corporate governance mechanisms and high audit quality can mitigate the deterrent effects of competition. Firms with independent boards and robust oversight structures are better positioned to disclose risks transparently without compromising their strategic edge (Beretta & Bozzolan, 2004). Audit quality further strengthens this relationship by ensuring that disclosed information remains credible and balanced, thus reducing stakeholder skepticism. Therefore, while competition influences disclosure behavior, governance quality and auditing practices enable firms to balance transparency with strategic interests effectively.

Definitions and Styles of Risk Disclosure

Risk disclosure is broadly defined as the communication of opportunities or hazards that may impact a firm's outcomes (Beretta & Bozzolan, 2004; Linsley & Shrives, 2006). Ibrahim & Hussainey (2019) argue for a negative risk perspective, focusing on losses or threats rather than opportunities, aligning with regulatory and stakeholder priorities. Disclosure styles can be quantitative, which enhances risk assessment, or qualitative, which provides context and narrative (Cabedo & Tirado, 2004; Linsley & Shrives, 2006).

METHODOLOGY

This study employs a conceptual research design grounded in an extensive and systematic literature review to explore the relationships between risk disclosure, ownership structure, and board characteristics, with moderating effects of competitive position and audit quality. The methodological approach synthesises theoretical perspectives and empirical findings from existing research, offering a comprehensive framework for understanding risk disclosure practices in emerging ASEAN markets.

Conceptual Framework Development

The conceptual framework integrates insights from corporate governance, risk management, and disclosure theories. Theoretical constructs were selected based on their relevance to the study objectives, emphasizing ownership concentration, board dynamics, and their interactions with competitive pressures and audit quality. The framework aims to capture the unique challenges and opportunities in ASEAN markets, characterized by nascent regulatory environments, concentrated ownership, and varying governance practices.

Literature Synthesis

The study adopts a structured review approach to identify and evaluate key literature across interdisciplinary domains, including accounting, corporate governance, and strategic management. Databases such as Scopus, Web of Science, and Google Scholar were searched using a combination of keywords (e.g., "risk disclosure," "ownership structure," "board characteristics," "audit quality," and "ASEAN markets"). Studies were included based on their relevance, methodological rigor, and contribution to understanding risk disclosure practices.

Comparative Industry Analysis

Empirical evidence from three industries—Malaysia's plantation sector, Indonesia's banking sector, and Vietnam's manufacturing sector—was synthesized to contextualize theoretical findings. These industries were chosen due to their distinct governance attributes, competitive dynamics, and regulatory environments. Using secondary data from prior research and regulatory reports, a case study approach was applied to analyze industry-specific nuances in risk disclosure practices.

Validation of Conceptual Relationships

Key relationships and moderating effects hypothesized in the framework were validated through triangulation of findings across theoretical and empirical studies. Factors such as board independence, audit committee effectiveness, and ownership concentration were examined for their impact on risk disclosure. Moderating influences of competitive pressures and audit quality were analyzed to highlight their role in enhancing or constraining transparency.

Limitations and Scope

This study is conceptual and does not involve primary data collection or empirical testing. The focus is synthesizing existing knowledge to propose a robust framework for future empirical validation. While the findings are specific to ASEAN markets, the conceptual model may offer broader applicability to other emerging economies with similar governance and regulatory landscapes.

THEMATIC FINDINGS

The thematic table in the paper is a summary table that organizes the study's findings into structured themes, such as Ownership Structure, Board Characteristics, Competitive Position, and Audit Quality. Each theme is presented alongside its key points, supported by references to relevant literature and contextual examples from ASEAN industries like Malaysia's plantation sector, Indonesia's banking sector, and Vietnam's manufacturing sector.

Following Webster and Watson (2002), the Thematic Table below highlights the importance of using structured synthesis in literature reviews to identify patterns, gaps, and connections in prior research, providing a foundation for developing conceptual models and advancing theoretical understanding. The thematic table below helps to enhance clarity and conciseness by summarizing key findings in an easily digestible format, allowing readers to grasp the main insights quickly. Second, it facilitates comparative analysis by presenting the various themes side by side, enabling readers to identify similarities and differences in how each factor

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influences risk disclosure. Finally, it integrates theoretical, empirical, and contextual evidence, demonstrating how governance and disclosure elements interconnect within the study's conceptual framework. This approach is particularly effective in conceptual and literature-based research, where summarizing and synthesizing multi-dimensional findings is critical for reader comprehension.

Table 1: Thematic Synthesization

Theme	Main Points	References
Ownership Structure	- Ownership concentration reduces voluntary risk disclosure.- Institutional ownership promotes greater transparency. - Family-owned firms prioritize control over disclosure.	(Ntim et al., 2013; Yusoff et al., 2019)
	Example: Malaysia's plantation sector demonstrates limited voluntary risk disclosure due to family ownership but improved transparency with institutional investors.	
Board Characteristics	- Board independence and diversity enhance risk disclosure quality.- CEO duality weakens board oversight and reduces transparency.- Two-tier governance systems (e.g., Indonesia) promote higher oversight.	(Ibrahim et al., 2019; Wulandari & Setiawan, 2021)
	Example: Indonesia's banking sector benefits from strong board oversight under the two-tier system.	
Competitive Position	- Competitive industries may restrict voluntary disclosures to avoid strategic disadvantages.- Mandatory disclosures ensure baseline transparency in regulated industries.- Governance and audit quality mitigate competitive pressure.	(Le & Moore, 2021; Verrecchia, 1983)
	Example: Vietnam's manufacturing industry faces competitive pressures, but firms with strong governance provide reliable risk disclosures.	
Audit Quality	- High audit quality enhances the credibility and comparability of risk disclosures.- Reputable auditors ensure regulatory compliance and improve stakeholder confidence.- Audit quality mitigates weak governance practices.	(DeAngelo, 1981; Ibrahim et al., 2019; Le & Moore, 2021)
	Example: Big Four audit firms improve disclosure quality in Malaysia and Indonesia by enforcing rigorous standards.	
ASEAN Case Examples	- **Malaysia's Plantation Industry**: Limited voluntary disclosures due to family ownership but improved transparency with independent directors and institutional influence.- **Indonesia's Banking Sector**: Higher levels of risk disclosure due to two-tier governance and regulatory mandates.- **Vietnam's Manufacturing Sector**: Competitive pressures limit disclosure, but audit quality and governance mitigate concerns.	(Le & Moore, 2021; Wulandari & Setiawan, 2021; Yusoff et al., 2019)

CONCLUSION

This paper conceptualizes the relationship between ownership structure, board characteristics, and risk disclosure, with competitive position and audit quality as moderating factors. The findings emphasize that concentrated ownership and weak governance structures limit voluntary risk disclosure, while independent boards, institutional ownership, and high audit quality enhance transparency and reliability.

The three ASEAN cases illustrate how governance attributes, competitive dynamics, and audit quality influence risk disclosure practices. Malaysia's plantation industry highlights the challenges of family ownership, while Indonesia's banking sector demonstrates the benefits of regulatory oversight and independent boards. Vietnam's manufacturing industry underscores the moderating role of audit quality in competitive environments.

Implications

The implications of this research are substantial. Policymakers should strengthen regulatory frameworks to enforce consistent risk disclosure standards. Companies must prioritize board independence, diversity, and robust audit practices to enhance transparency. For investors and stakeholders, improved risk disclosure reduces information asymmetry, enhances decision-making, and builds confidence in corporate governance systems. By addressing these issues, firms operating in emerging ASEAN markets can achieve greater transparency, foster stakeholder trust, and enhance long-term sustainability.

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