

Internationalisation, Ownership Structure, and IPO Underpricing

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This study aims to analyse the relationship between internationalisation to underpricing initial public offering (IPO) as well as the moderating effect of blockholder ownership and CEO ownership on the relationship between internationalisation to underpricing IPO. The sample used in this study amounted to 175 observations conducting IPOs on the Indonesia Stock Exchange for the period 2008-2018. This study uses an OLS regression analysis method using SPSS 22 software. The results of this study indicate that internationalisation is negatively and significantly related to underpricing IPO. Furthermore, blockholder ownership strengthens the relationship between internationalisation to IPO underpricing, while CEO ownership does not moderate the relationship between internationalisation to IPO underpricing. This finding has implications for firms regarding the right time to start internationalisation to avoid losses caused by underpricing IPOs.

6 **Key words:** *Internationalisation, initial public offering (IPO), underpricing, blockholder ownership, CEO ownership.*

Introduction

New global reality has caused firms to change their strategies to adapt to the market (McDougall & Oviatt, 1996), one of which is by internationalizing. Internationalisation is generally defined as the firm's process of increasing involvement in international operations abroad (Thirawat, 2017; Elango, 2004). One of the benefits of firms doing internationalisation, according to Mauer et al. (2015) is to expand and stabilize firm revenue. These benefits happen because by entering the international market, the firm's income does come from not only the domestic market but also the global market. Thirawat (2017) states that there are four motives for firms to internationalize, namely resource seeking, market seeking, efficiency seeking, and strategic asset seeking.



International business is a relatively new scientific discipline although in practice it is not new (Ball et al., 2014) and the effect of internationalisation on a firm's performance has always been an interesting research topic in the international business literature (Al-Shammari et al., 2013; Rakhman, 2016). Meilody (2018) explains that almost all research in international business discusses the effect of internationalisation on firm performance. Only a few studies address the implications of internationalisation in the context of an IPO (initial public offering) or initial public offering (Al-Shammari et al., 2013; Zahra, 2005). Though based on Daily et al. (2003), the number of firms conducting IPOs has experienced a significant increase; thus, research on IPO has become an interesting topic to be studied.

Figure 1. Firm conducting IPOs trends



Figure 1 shows an increase in the number of IPO firms in Indonesia. In the last ten years, starting from 2008 to 2018, the number of firms conducting IPOs tends to increase from year to year. Based on Figure 1, it can be seen that the number of firms conducting IPOs in 2018 (55 firms) is the highest compared to previous years. The reasons for IPO firms are (1) to obtain new sources of funding, (2) competitive advantage, (3) mergers or acquisitions of other firms that are easier, (4) maintain business continuity, (5) improve corporate image, and (6) increase firm value.

Share price decision in the primary market is based on the agreement of the issuer and underwriter, while the decision of the price of shares in the secondary market is based on market mechanisms. If the offering price on the primary market is lower than the closing price of the first day on the secondary market (closing price), this phenomenon is known as



underpricing. According to Yolana and Martani (2005), the event of underpricing is a phenomenon that often occurs in any capital market when a firm conducts an IPO. One cause of the phenomenon of underpricing is the lack of information and the existence of uncertainty regarding the business potential and income of firms that conduct IPOs (Mauer et al., 2015). Al-Shammari et al. (2013) also state that investors and underwriters see IPO firms as embodiments of risk and uncertainty because the firm has minimal information on operating history and performance. This insufficient information has caused issuers and underwriters to set low prices on initial shares to minimize unsold IPO shares.

There is a limited amount of research related to internationalisation and how it can shape investor perceptions and assessments of investment opportunities in firms conducting IPOs. Empirical analysis has been carried out by Mauer et al. (2015), which shows that internationalisation has a negative relationship on IPO underpricing. His research explains that involvement in international markets can stabilize corporate earnings. This benefit will reduce the uncertainty inherent in the IPO. Conversely, internationalisation also has the potential for concern from the complexity of supervision and communication (Mauer et al., 2015). This argument is reinforced by Denis et al. (2002), who explains that internationalisation increases complexity, which impacts the cost of coordinating corporate policies. Therefore, investors need to depend on other attributes of the IPO to reduce the uncertainty created by this internationalisation.

One crucial signal that investors can rely on when assessing IPO values is the ownership structure (Al-Shammari et al., 2013; Daily et al., 2003). The higher blockholder ownership signals the good corporate governance of competent firms in the context of external monitoring concerning internationalisation. CEO ownership also indicates the actual value of the firm on the potential for internationalisation from the CEO's willingness to hold shares and signals of good corporate governance from the potential reduction in agency costs (Elmanizar et al., 2019; Muda et al., 2018). This indication is because, in addition to being an agent, the CEO is also the principal who will make decisions in harmony between the agent (director) and the principal (shareholder).

This study aims to analyse the relationship between internationalisation to underpricing IPOs. This study also tries to add ownership structure variables as a moderating effect in the relationship between internationalisation to IPO underpricing. In this research, the ownership structure is divided into two, namely blockholder ownership and CEO ownership. The sample used in this study includes all firms conducting IPOs on the Indonesia Stock Exchange in the 2008-2018 period totaling 175 observations. The analysis was performed using the ordinary least square (OLS) regression analysis method using SPSS 22 software.



The results of this study indicate that internationalisation has a negative relationship to underpricing IPO. This relationship demonstrates that global diversification or internationalisation activities carried out by firms can reduce underpricing IPOs because internationalisation provides various benefits that can reduce the inherent uncertainty in IPOs. Furthermore, blockholder ownership strengthens the relationship between internationalisation to IPO underpricing, while CEO ownership does not moderate the relationship between internationalisation to IPO underpricing. This finding has implications for firms regarding the precise time to start internationalisation to avoid losses caused by underpricing IPOs. Also, this study contributed to the literature in the scope of international business, which is still relatively small by adding evidence related to internationalisation and its effect on IPO underpricing.

The research will be explained in the following structure: Section 2 contains research on developing research hypotheses; Section 3 includes explanations for variables and samples as well as research models; Section 4 contains empirical analysis and the results of hypothesis testing; and Section 5 provides conclusions or conclusions from the study, including suggestions for further research.

Literature Review

Relationship between Internationalisation to IPO Underpricing

The puzzle that has been emergent all this time about IPOs is that the average share price when an IPO tends to be underpriced or has a positive initial return (IR) (Safitri, 2013; Widihartanto & Prasetyo, 2019). This underpriced shows that the average initial offering price is too low, and the firm experiences "leaving money on the table" (Ross et al., 2009). The essence of this problem is the lack of information and the uncertainty about the business potential and income of firms that conduct IPOs (Mauer et al., 2015; Sudana, 2015; Stoughton & Zechner, 1998). So to minimize the underpricing level when a firm conducts an IPO, it is necessary to have a strategy that can overcome the source of the problem, one of which is by conducting internationalisation.

Internationalisation is a process undertaken by firms to increase involvement in international operations. Internationalisation also an adaptation and development concerning activities and organisational principles for a new environment (Thirawat, 2017; Elango, 2004). One of the benefits of internationalisation is to expand and stabilize the firm revenues (Mauer et al., 2015). This benefit occurs by entering the international market; the firm's income does come from not only the domestic market, but also the global market. Thus, internationalisation provides firms with new market opportunities in other countries that have an impact on increasing firm revenues. The motives of firms to internationalize are also based on several



purposes, namely resource seeking, market seeking, efficiency seeking, and strategic asset seeking (Thirawat, 2017).

The benefits of internationalisation are a positive signal for investors regarding the firm's prospects. This signal can reduce the uncertainty inherent in the initial public offering. This benefit will make the price of IPO shares valued higher by investors when the shares are brought to the public. So that issuers and underwriters do not need to set IPO share prices at low prices like IPO in typical cases to minimize the worry of not being sold in the primary market. This higher bid price will reduce the underpricing IPO. Therefore, internationalisation is negatively related to underpricing IPO. Then the hypothesis proposed in this study is:

H1: Internationalisation has negative relationship to IPO underpricing.

Moderation Effect of Blockholder Ownership in Relationship between Internationalisation to IPO Underpricing

The ownership structure is one of the essential characteristics of the firm that can be considered by investors when evaluating investment opportunities in firms that conduct IPOs. Therefore, the effect of internationalisation on IPO underpricing can be further explained by examining the impact of the attributes of firms conducting an IPO to optimize the benefits of internationalisation. This explanation can be done by controlling management actions through ownership structures (Ljungqvist, 2007; Harymawan et al., 2019). Prior studies document ownership of equity from external parties related to management decisions and firm value (Jensen & Meckling, 1976; Iskandar et al., 2012).

One type of ownership structure is blockholder ownership or controlling shareholders. Blockholders are shareholders who own at least 5% of the firm's shares and are free of affiliation with management at the time of the IPO (Al-Shammari et al., 2013; La Porta et al., 1999). Stoughton and Zechner (1998) explain that blockholders can monitor management activities in firms, unlike minority shareholders. The ability of blockholders to control management activities, especially in increasingly complex international business activities, is useful so that management prioritizing maximisation of firm value (Darmadi & Gunawan, 2013). This control is because the blockholders can monitor and influence management actions, especially in internationalisation activities. In this way, the firm's goal of obtaining new market opportunities abroad can be achieved through increased sales and reducing the potential costs incurred concerning increasingly complex policy coordination. This achievement is done so that management continues to benefit all shareholders.



Blockholder ownership will be seen by investors as a signal of a good corporate governance mechanism from the effectiveness of external monitoring, especially in international activities. Therefore, investors do not need to be unsettled about the potential complexity that arises in internationalisation because the blockholders can control these costs. The firm will always optimize revenue opportunities in new markets. The existence of such blockholders will further increase investor confidence in the long-term prospects of the firm because this attribute can minimize the uncertainty of revenue on the IPO and the complexity of internationalisation. Furthermore, the trust of investors will generate a reputation for the firm (Herlambang & Nasih, 2019). As a result, this will increase investors' willingness to buy initial shares at a higher price, so that issuers and underwriters do not need to set undervalued prices on IPO shares to minimize the IPO shares not being sold as in the typical case. Thus, ownership blockholders can provide benefits for the firm. Then the hypothesis proposed in this study is:

H2: Blockholder ownership strengthen the negative relationship between internationalisation to IPO underpricing

Moderation Effect of CEO Ownership in Relationship between Internationalisation to IPO Underpricing

It is essential to realize that firms conducting international business activities have the potential for complexity in terms of monitoring and communication (Mauer et al., 2015), thus requiring additional costs in the coordination of firm policy (Denis et al., 2002). Denis et al. (2002) also support this argument by saying that oversight related to management decision-making can be more difficult because of the complexity of firms that carry out internationalisation. Increased complexity due to internationalisation can affect investors' assessments of firms conducting IPOs, so investors need to find additional information to reduce these concerns.

Information related to the board of commissioners and executives of firms conducting an IPO can be one of the additional information to increase investor confidence regarding the firm and its future (Al-Shammari et al., 2013; Nowland, 2012; Irawati et al., 2019). When a firm conducts an IPO, the first investor will receive many sources of uncertainty because they do not have access to get detailed information about the firm's operating history and have no prior experience with the management team (Certo et al., 2003). This uncertainty causes investors to tend to look for and rely on other aspects that are visible from firms that conduct IPOs, one of which is the ownership structure, especially those owned by firm executives.

When executives have large amounts of firm equity, their decisions are more aligned with the interests of shareholders, thus providing an impetus to maximize shareholder wealth and



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reduce self-serving exploitation in the firm (Jensen & Meckling, 1976; Sudana & Aristina, 2017; Zualikah et al., 2019). Leland and Pyle (1977) explained that the capital held by the CEO represented an action that could be observed from the CEO's willingness to invest in an IPO firm so that it could be used as a signal to the investment community for the actual quality and value of the firm. Daily et al. (2003) and Al-Shammari et al. (2013) also said that the CEO's willingness to hold or maintain equity in a firm that conducts an IPO is a signal of firm value resulting from the CEO's trust in the firm's potential to earn revenue due to internationalisation (market seekers).

Thus it can be concluded that investor concerns about the potential complexity of internationalisation and uncertainty in an IPO can be minimized by disclosing information about CEO ownership. This minimisation means that the perceived risk of investors can be reduced through increasing CEO share ownership in firms that will conduct an IPO, thereby increasing their willingness to buy IPO shares at a higher price. Then the hypothesis proposed in this study is:

H3: CEO ownership strengthens negative relationship between internationalisation to IPO underpricing.

Research Methodology

Sample dan Data Source

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The sample used in this study were all non-financial firms conducting IPOs on the Indonesia Stock Exchange (IDX) for the period 2008 to 2018. Sources of data in this study were obtained through the Indo Premier Online Trading (IPOT) application, the prospectus of firms conducting IPOs, and firm financial statements, which can be obtained through the IDX official website and the official website of each firm. Samples were selected using a purposive sampling method by applying specific criteria, such as excluding firms that did not have the completeness in the prospectus according to the data requirements for this study. From the sample selection results, we obtained a sample of 175 observations.

Variable Operationalisation

Dependent Variable

The dependent variable in this study is the IPO underpricing or initial return (IR), which is a condition when the closing price of the first day on the secondary market is higher than the stock price on the primary market. Based on the research of Certo et al. (2001) and Al-Shammari et al. (2013), underpricing IPOs are measured by the following formula:

$$\text{Initial Return}_{i,t} = \frac{\text{Closing Price}_{i,t} - \text{Offering Price}_{i,t}}{\text{Offering Price}_{i,t}}$$



Where, Closing Price is the closing price of the first day on the firm's secondary market, and the Offering Price is the firm's initial offering stock price.

Independent Variable

The independent variable in this study is internationalisation (INTER). The level of internationalisation in this study was calculated using the percentage of foreign sales to total sales which are following research conducted by McDougall and Oviatt (1996) and Mauer et al. (2015), with the following formula:

$$\text{Firm Internationalisation}_{i,t} = \frac{\text{Foreign Sales}_{i,t}}{\text{Total Sales}_{i,t}}$$

Moderation Variable

The moderating variables in this study are blockholder ownership and CEO ownership. In this study, the calculation of blockholder ownership (BLOCK) refers to POJK Number 57 / POJK.04 / 2017 article 1 paragraph 7, which explains that the controlling shareholder is the party that owns at least 20% of the firm's shares. Thus this variable is measured by dividing the number of shares owned by blockholders who hold at least 20% with the total number of shares outstanding and not incorporated in the firm's management. Furthermore, CEO ownership is calculated by dividing the number of shares owned by the CEO by the total shares of the firm (Al-Shammari et al., 2013), with the following formula:

$$\text{CEO Ownership}_{i,t} = \frac{\text{Shares owned by CEO}_{i,t}}{\text{Total outstanding shares}_{i,t}}$$

Control Variable

This study uses several control variables that have been proven to affect firm value in previous studies (Sudana & Aristina, 2017; Meilody, 2018; Boudriga et al., 2009; Riyadi et al., 2014; Junaeni & Agustian, 2013) to overcome the problem of endogeneity in the form of omitted variables. This study uses a firm size control variable (SIZE) measured through the natural logarithm of total assets. Firm age (AGE) is measured using the natural logarithm of the difference between the firm's IPO year and the year the firm was founded. Financial leverage (LEV) is measured by dividing total debt by total assets.



Methodology

This study uses the ordinary least square (OLS) regression model to analyse the relationship between internationalisation to IPO underpricing, as well as the moderating effect of blockholder ownership and CEO ownership. The analysis technique was carried out using SPSS version 22. Following are the regression equations in this study:

$$IR_{i,t} = \beta_0 + \beta_1 INTER_{i,t-1} + \beta_2 SIZE_{i,t-1} + \beta_3 AGE_{i,t} + \beta_4 LEV_{i,t-1} + \epsilon \tag{1}$$

$$IR_{i,t} = \beta_0 + \beta_1 INTER_{i,t-1} + \beta_2 BLOCK_{i,t-1} + \beta_3 INTER * BLOCK_{i,t-1} + \beta_4 SIZE_{i,t-1} + \beta_5 AGE_{i,t} + \beta_6 LEV_{i,t-1} + \epsilon \tag{2}$$

$$IR_{i,t} = \beta_0 + \beta_1 INTER_{i,t-1} + \beta_2 CEO_{i,t-1} + \beta_3 INTER * CEO_{i,t-1} + \beta_4 SIZE_{i,t-1} + \beta_5 AGE_{i,t} + \beta_6 LEV_{i,t-1} + \epsilon \tag{3}$$

Where:

- $IR_{i,t}$ = IPO underpricing
- $INTER_{i,t-1}$ = Firm internationalisation
- $BLOCK_{i,t-1}$ = Blockholder ownership
- $CEO_{i,t-1}$ = CEO ownership
- $SIZE_{i,t-1}$ = Firm size
- $AGE_{i,t}$ = Firm age
- $LEV_{i,t-1}$ = Firm leverage

Result and Discussion

Descriptive Statistic

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IR	175	-0.7008	0.7000	0.3061	0.2896
INTER	175	0.0000	0.9444	0.0544	0.1824
BLOCK	175	0.0000	1.0000	0.7908	0.3297
CEO	175	0.0000	0.9999	0.0586	0.1705
SIZE	175	22.4479	30.6786	27.2590	1.4480
AGE	175	0.0000	4.4998	2.5433	0.8464
LEV	175	0.0316	0.9874	0.5518	0.2141

Table 2 shows the descriptive statistical results of the variables in this study. The underpricing IPO (IR) variable has an average value of 0.3061, with a standard deviation of 0.2896. This value shows the average yield obtained by investors on the first trading day (on the listing date) of 30.61%. Furthermore, the internationalisation variable (INTER) has an average value of 5.44%, with a standard deviation of 0.1824. The average blockholder ownership (BLOCK) in this study was 0.7908 or 79.08%, with a standard deviation of



0.3297. The variable CEO ownership (CEO) has an average value of 0.0586, with a standard deviation of 0.1705. That is, the average shareholding owned by the CEO in a sample firm is 5.86%. The average size of the firm studied was 27.2590, while the average age of the firm was 2.5433. Then, the average financial leverage of the firm is 0.5518.

OLS Regression Analysis Result

Table 3: Regression Analysis Result

	IR		
	(1)	(2)	(3)
Inter	-0.521*** (0.000)	-0.304* (0.081)	-0.683*** (0.000)
Block		-0.031 (0.616)	
Inter*Block		-0.372* (0.097)	
Ceo			0.019 (0.901)
Inter*Ceo			0.463 (0.111)
Size	-0.060*** (0.000)	-0.060*** (0.000)	-0.059*** (0.000)
Age	-0.069*** (0.003)	-0.062*** (0.009)	-0.061*** (0.010)
Lev	-0.060 (0.521)	-0.081 (0.383)	-0.078 (0.409)
Intercept	2.178*** (0.000)	2.194 *** (0.000)	2.147*** (0.000)
R Square	0.259	0.276	0.277
N	175	175	175

Note: *** and * sign respectively indicates the level of significant (α) 1% and 10%.

Table 3 shows the results of the OLS regression analysis. The coefficient of determination (R²) in the regression model 1 shown in column (1) shows a value of 0.259, which means that variations of underpricing IPO can be explained by internationalisation variables, firm size, firm age, and financial leverage of 25.90%. In comparison, the remainder is equal to 74.10% is explained by other variables that excluded in the research model. Meanwhile, the coefficient of determination (R²) in the regression model 2 in column (2) is 0.276 which means that variations in IPO underpricing can be explained by internationalisation, blockholder ownership, the interaction between internationalisation and blockholder



ownership, firm size, firm age, and financial leverage of 27.60%. In comparison, the remaining 72.40% is explained by other variables that excluded in the research model. Furthermore, the coefficient of determination (R²) in the regression model 3 is 0.277 which means that variations in underpricing IPO can be explained by internationalisation, CEO ownership, internationalisation, and CEO ownership interactions, firm size, firm age, and financial leverage by 27.70%. In comparison, the rest 72.30% is explained by other variables that excluded in the research model.

Internationalisation and IPO Underpricing

The results of the regression analysis in Table 3 show that the coefficient values of the INTER variables in columns (1), (2), and (3), respectively -0.521 (t = 0.000), -0.304 (0.081), -0.683 (0.000) and significant at the level of 1%, 10%, and 1%. This value shows that internationalisation is negatively and significantly related to IPO underpricing. The more international business activities of firms through foreign sales, the level of underpricing when the firm conducts an IPO will be lower. These results are consistent with the first hypothesis of the study (H1), which states that internationalisation has a negative relationship to underpricing IPO.

The results of this study, in line with Mauer et al. (2015) which prove that global diversification or internationalisation can reduce IPO underpricing because it has a variety of benefits that can reduce the inherent uncertainty in an IPO. Internationalisation can increase and stabilize firm revenue by entering international markets. These benefits happen because by internationalizing, the firm has a consumer base or new market opportunities in other countries, which will have an impact on increasing sales volume. This argument is supported by Thirawat (2017), which explains that the motives of firms to internationalize, namely resource seeking, market seeking, efficiency seeking, and strategic asset seeking.

The various benefits inherent in internationalisation affect underwriters and issuers in setting the price of an initial public offering. The increase in sales volume in the context of internationalisation shows that the prospect of the firm can be said to be good so that it can be a positive signal for investors regarding the firm's value. This signal can increase investor confidence regarding the firm's long-term prospects that will affect its willingness to buy IPO shares at a higher price so that underwriters and issuers do not need to set low IPO prices like IPO prices in typical cases based on worry of stock not entirely sold to the public.

Firms that conduct IPOs and have international business activities (internationalisation) will get higher prices when brought to the public. Therefore, the benefits of this internationalisation make the initial offering price higher and further reduce the IPO



underpricing that occurs. Thus, the higher the level of internationalisation, the lower the IPO underpricing (Mauer et al., 2015).

Blockholder Ownership, Internationalisation and IPO Underpricing

The coefficient value of the interaction variable between internationalisation and blockholder ownership (INTER * BLOCK) in Table 3 is -0,372 ($t = 0.097$) and significant at the 10% level. This value shows that blockholder ownership significantly strengthens the negative relationship between internationalisation and underpricing IPO. These results support the second hypothesis of the study (H2), which states that blockholder ownership strengthens the negative relationship between internationalisation and underpricing IPOs.

³⁴ The results of this study support the research of Al-Shammari et al. (2013), which provides evidence that blockholder ownership can signal good corporate governance in the context of effective external monitoring of firm activities, especially concerning internationalisation. Potential coordination costs due to complexity arising from internationalisation can be controlled by controlling shareholders, so those management activities can be directed to prioritizing maximisation of the value of the firm (La Porta et al., 1999). Blockholders can monitor and influence management actions, especially in internationalisation activities, so that the firm's objectives to obtain new market opportunities abroad can be achieved through increased sales compared to the potential costs incurred in the coordination of increasingly complex policies.

This blockholder ownership information is useful as a positive signal for investors. This positive signal will affect investor confidence in the firm's long-term prospects, thus increasing investors' willingness to buy IPO shares at a higher price. Investors' desire to buy shares at a higher price makes the underwriter and issuer not need to set a low price on the initial public offering based on worrying about not able to sell all the stock behaviour as a condition of IPO in typical cases (Ross et al., 2009). Determination of the higher offering price will reduce the underpricing that occurs in the IPO. Thus, the presence of blockholder ownership can strengthen the negative relationship between internationalisation and IP underpricing.

CEO Ownership, Internationalisation and IPO Underpricing

⁵ Based on the results in Table 3, the coefficient value of the interaction variable between internationalisation and CEO ownership (INTER * CEO) is 0.463 ($t = 0.111$), but the t value indicates that the moderation effect is not statistically significant. This value shows that the negative relationship between internationalisation and IPO underpricing is not moderated by CEO ownership. This result does not support the third hypothesis of research (H3), which



states that CEO ownership strengthens the negative relationship between internationalisation and IPO underpricing.

CEO ownership does not moderate the negative relationship between internationalisation and IPO underpricing. This result means that the high and low CEO ownership does not strengthen or weaken the negative relationship between internationalisation and underpricing IPOs. Theoretically, the higher the CEO ownership, the better corporate governance because the alignment of interests between executives (agents) and shareholders (principals) is higher, thus impacting on the potential reduction in agency costs incurred by firms conducting internationalisation activities (Sudana & Aristina, 2017). Therefore, the negative relationship between internationalisation and IP underpricing should be stronger when the firm's CEO ownership level is higher. However, the results of this study indicate that CEO ownership does not significantly moderate the negative relationship between internationalisation and IPO underpricing.

The insignificant effect of CEO ownership moderation on the negative relationship between internationalisation and IP underpricing is due to the small number of firms that conduct IPOs on the Indonesia Stock Exchange, which have share ownership by the CEO. From the sample of firms studied, firms with CEO ownership numbered only 62 out of 175 samples. Meanwhile, the number of firms that have international activities along with CEO ownership is only 8 out of 175 samples studied. This amount causes investors in Indonesia not to see this variable as a consideration in assessing firms that conduct IPOs because of the small number of IPO share issuing firms that have CEO ownership.

Conclusion

This study aims to analyse the relationship between managerial overconfidence with firm value in all manufacturing firms listed on the Indonesia Stock Exchange in the 2014-2016 period. The results of this study indicate that internationalisation is negatively and significantly related to underpricing IPO. These results suggest that global diversification or internationalisation activities carried out by firms can reduce underpricing IPOs because internationalisation provides a variety of benefits that can reduce the inherent uncertainty in IPOs. Furthermore, this study also found that blockholder ownership significantly strengthens the relationship between internationalisation and underpricing IPOs. This result is because blockholder ownership information can affect investor confidence in the firm's long-term prospects, thereby increasing investor willingness to buy IPO shares at a higher price. Different results are obtained for CEO ownership, which does not moderate the relationship between internationalisation and underpricing IPOs.



This finding has implications for investors in making investment decisions on shares of firms that have just made an IPO. Investors need to consider the internationalisation activities carried out and the number of blockholder ownership of the firm concerned. This research can also be a consideration for firms in finding the right time to start internationalisation to avoid losses caused by underpricing IPOs. For further studies, it is better to use other moderation variables such as family ownership and foreign institutional ownership to expand the literature on internationalisation and the level of underpricing IPO, which is still very limited.

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