

The Effect of Business Strategy on Firm Value, Performance Measurement Model and Company Performance as Intervening Variable: Empirical Study on Jakarta Islamic Index

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Abstract. This study aims to obtain empirical evidence about the relationship between Corporate Strategy, Performance Measurement Model, Company Performance and Value of the Firm. The research subjects are companies that have publicly well-known and recorded in the Jakarta Islamic Index between 2013 and 2017. The number of samples in this study were 30 companies. Using Path analysis in analyzing data, it is revealed that the Company Strategy has a positive effect on Value of the Firm. Company strategy through company performance had a positive effect on Value of the Firm. The company's strategy also had a positive effect on Company Performance both directly and through the Performance Measurement Model. Meanwhile, the Performance Measurement Model did not affect the Company's performance. Furthermore, the Performance Measurement Model had a positive effect on company value both directly and through company performance. It is expected that this research will be used as a basis for decision making about the company's strategy and its performance measurement model.

Keywords: company strategy, performance measurement model, company performance, value of the firm.

INTRODUCTION

As one of the instruments in carrying out the functions of a company control system, the selection and use of a form of performance measurement that is appropriate and in line with the needs of the company is very necessary. [1] [2]. The choice to use performance measures is the most critical and decisive challenge faced by the company [3], [4], [5]. This is because the performance measurement system plays an important role in the development of several important elements in the company. This form of development includes the development of the company's strategic plan, evaluating

the achievement of company goals, and manager compensation. These three elements are seen as elements that can determine the development and future success of the company. Thus, indirectly the use of a performance measurement system that suits the needs of the company will contribute to the development and future success of the company.

In situations of increasingly business competition, the company's performance is always driven to be better, so that the company can win competition in its industry. Company performance is a goal between companies, because it is expected that good performance will have an impact on Firm Value [6], [7]. Because the company's performance is a lag indicator, it will be sought by all human resources in business organizations. Many factors play a role in the success of company managerial performance, including selected business strategies, performance measurement systems, human resource readiness, information capital readiness, organization capital readings, and customer satisfaction [8], [9]. This research will focus on the effect of business strategy and performance measurement models on Company Performance and will subsequently have an impact on firm value.

The main purpose of establishing a company is to maximize the value of the company through the prosperity of shareholders as Bringham and Houston state that maximizing shareholder wealth in the long run is the main goal of financial management [10]. Optimizing the value of the company can be achieved through the implementation of financial management functions with one financial decision taken which will have an impact on other financial decisions which ultimately affect the value of the company. The financial management function includes several important decisions including dividend decisions and profitability, the decision will maximize the value of the company and ultimately will increase shareholder wealth [11], [12], [13].

The purpose of this research is to prove empirical whether business strategies have an effect on which can increase Firm Value.

METHOD

This study was designed as a quantitative study to empirically examine the Effect of Business Strategy on Corporate Values through a model of performance measurement and company performance. The object of this research is a company that has been listed on the IDX and entered into JII between 2013-2017. The unit of analysis is the organization in this case is the company selected in the sample.

Company value (Value of the Firm) is called the company's market value is the price that is willing to be paid by prospective buyers if the company is sold. The value of the company in this study is measured using price book value (PBV), which is a comparison between the market price of the closing of the shares of the company concerned at the end of the year and the book value of shares.

Company performance is the result of work that can be achieved by a person or group of people in a company in accordance with the authority and responsibility of each in an effort to achieve corporate goals legally, and not violate the law, and not contrary to morals and ethics. Company performance is something that is produced by a company in a certain period with reference to the standards set (Rivai & Basri, 2004: 16). Measurement of company performance activities is designed to assess how the performance of the activity and the final results achieved. The company performance variables in this study are stated using the proxy Return on Assets (ROA) as accounting based performance indicators. ROA is measured by profit before extraordinary items divided by total assets.

Performance size variables are expressed by the Performance Measurement Model (PMM) variable. This variable is expressed in the form of a dummy that is given a score of 1 if using a non-financial measure that complements the financial measure, and 0 if it only uses financial measures. The criteria of companies use non-financial and financial measures through the use of balance scorecards in companies that are obtained through explanation in the company's annual report. Performance Measurement Model (PMM) is measured accordance to Rudy J. Pusung, [14], [15].

The main approach in corporate strategy is diversification [16]. In theory, companies will diversify if they have excess funds, capabilities, and core competencies that have various uses [17]. Diversification in companies varies greatly, depending on the level of diversification and the relationship between business units in one corporation. The main question to be answered in business strategy is how we should compete [18]. Two questions to be answered in the business strategy, namely: (1) what should be the mission of the business unit, and (2) how business units compete to realize the mission that has been proclaimed. [19]. Cost

Leadership Strategy (CLS) variable is measured by the ratio of sales to total assets to determine its tendency. This measure is accordance to Gani and Jermias [20]. Product Differential Strategy (PDS) variables are measured by the ratio of gross margin to sales, accordance to Gani and Jermias [21].

Research Model

1. $PMM = \alpha + \beta_1 CLS + \beta_2 PDS + e$
2. $CP = \alpha_1 + \beta_3 CLS + \beta_4 PDS + \beta_5 PMM + e_2$
3. $FV = \alpha_2 + \beta_6 CLS + \beta_7 PDS + \beta_8 PMM + \beta_9 CP + e_3$

RESULT

Based on 90 samples processed from companies that listed in the Jakarta Islamic Index (JII) between 2015 and 2017, descriptive data are obtained as follows: All variables with above average have an average above their mean value, Strategic Cost Leader (8,809: 4,549), Product Deferential Strategic (1,818: 0.939), Performance Management Model (2,065: 1,066), Corporate Performance (6,711: 3,465) and Firm Value (90,602: 46,787).

			Estimate	S.E.	C.R.	P	Label
PMM	<---	CLS	0,321	0,095	3,37	0,000	par_4
PMM	<---	PDS	-0,181	0,278	-0,65	0,516	par_6
CP	<---	PDS	0,749	0,07	10,66	0,000	par_3
CP	<---	CLS	0,393	0,025	15,432	0,000	par_5
CP	<---	PMM	0,025	0,027	0,935	0,35	par_8
FV	<---	CLS	-1,002	36,316	-0,028	0,978	par_1
FV	<---	PDS	-34,53	78,838	-0,438	0,661	par_2
FV	<---	CP	55,588	78,845	0,705	0,031	par_7
FV	<---	PMM	14,116	19,979	0,707	0,038	par_9

Figure 1. Output of Pth analysis Regression estimate

The results of analysis using path analysis, can be explained that the Cost Leader Strategic (CLS) had a significant effect on the Performance Measurement Model (p value = 0,000), while the Product Deferential Strategic had no effect on the Performance Measurement Model (p value = 0.516). Cost Leader Strategic (CLS) has an effect on Corporate Performance (p value = 0,000), as well as Product Deferential Strategic had a significant effect on

Corporate Performance (p value = 0,000). The Performance Measurement Model did not affect Corporate Performance (p value = 0.350). For factors that influence Firm Value can be explained as follows: Cost Leader. Strategic (CLS) and Product Deferential Strategic did not affect Firm Value (p value 0.978 and 0.661). While Corporate Performance and Performance Measurement Models had a significant effect on Firm Value with p value 0.031 and 0.038).

CONCLUSION

Based on the results of this study, it can be concluded that Firm Value is directly influenced by the variable. Corporate Performance and Performance Measurement Model. The Cost Leader Strategic variable influences the Corporate Performance and Performance Measurement

Model variables, while the Product Differential Strategic directly influences Corporate Performance. It is recommended to conduct research with more sample sizes.

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