The Influence of Selling Capability on Moderate Firm Value Relative Strategic Emphasis, Market Volatility and Technology Volatility

Valeria Natasha[1], Kim Sung Suk[2]
[1,2]Universitas Pelita Harapan, Jakarta, Indonesia
Email: valerianatasha0@gmail.com

The company's ability to create sales and strategies to create selling value to consumers are factors that investors pay attention to so that they can influence the value of the company. This research aims to examine the influence of selling capability on firm value which is moderated by relative strategic emphasis, market volatility and technology volatility. Research was conducted on all companies that had IPOs in Indonesia in the 2014-2023 period. The analysis was carried out quantitatively using panel data regression analysis techniques using Stata, as well as data envelopment analysis (DEA) in measuring the selling capability variable. The research results show that selling capability does not significantly influence firm value, apart from that relative strategic emphasis and technology volatility are also unable to moderate the influence of selling capability on firm value. However, market volatility can significantly moderate the influence of selling capability on firm value.
Keywords: Firm Value, Selling Capability, Relative Strategic Emphasis, Market Volatility, Technology Volatility.

Corresponding Author:
Valeria Natasha
Universitas Pelita Harapan, Jakarta, Indonesia
The Plaza Semanggi, Jl. Jend. Sudirman No.50, RT.1/RW.4, Karet Semanggi, Kecamatan Setiabudi, Kota Jakarta Selatan, Daerah Khusus Ibukota Jakarta
valerianatasha0@gmail.com

1. Introduction

Corporate growth is a crucial aspect in maintaining business sustainability and improving shareholder economic well-being. To achieve optimal growth, companies require adequate capital support, one of which is through external investment. In the investment decision-making process, investors generally consider company value as a key indicator in assessing business performance and prospects (Lauda et al., 2021). Company value reflects market perception of the company's condition, making it a strategic objective that management needs to improve (Dang et al., 2023).

Company value reflects not only current performance but also expectations for future performance (Evelyne et al., 2024). Therefore, companies need to manage various factors that can increase this value. One important factor influencing company value is the company's ability to generate sales. Sales are the company's primary source of revenue, thus playing a strategic role in improving financial performance and making the company attractive to investors (Chen et al., 2020).

In this context, selling capability is a relevant concept to study. Selling capability is defined as a company's ability to manage the resources, knowledge, and skills of its sales force to achieve optimal marketing performance (Rahman et al., 2023). This capability not only contributes to increased sales but also serves as a source of sustainable competitive advantage. Companies with strong selling capabilities tend to be more adaptive to market changes, better understand customer needs, and more effective in dealing with competitive pressures (Jardon & Martinez-Cobas, 2022).

Furthermore, strong sales capability has the potential to boost a company's sales growth, ultimately increasing its value (Annunen et al., 2021). Increased sales will strengthen financial performance, encourage business expansion, and increase the value of the company's assets and shares (Pramesti et al., 2021; Artha, 2023). Thus, selling capability can be viewed as a crucial determinant in creating company value.

Nevertheless, previous research indicates that the influence of selling capability on firm value requires further study, particularly in the context of companies in developing countries. Several studies have found that selling capability significantly impacts firm value (Rahman et al., 2023), but other studies are limited in comprehensively examining this relationship. Therefore, this study aims to analyze the influence of selling capability on firm value. This study is expected to provide empirical contributions to the literature and provide practical implications for corporate management in improving performance and competitiveness.

2. Literature Review and Problem Statement

Based on the Resource-Based View (RBV) perspective, a company's competitive advantage is determined by its ability to strategically manage internal resources (Gueler & Schneider, 2021). One important capability is selling capability, which reflects a company's ability to utilize resources, sales force knowledge, and control systems to increase marketing effectiveness (Rahman et al., 2023). This capability enables companies to improve sales performance, meet market needs, and create higher customer value (Chen et al., 2020).

Improved sales performance will impact revenue growth and company profitability, ultimately increasing investor confidence in the company. This is reflected in increased firm value (Annunen et al., 2021). Empirical research also shows that selling capability has a positive and significant impact on firm value (Rahman et al., 2023).
H1: Selling capability has a positive effect on firm value.

The relationship between selling capability and firm value is not only direct but also influenced by corporate strategy. Relative strategic emphasis reflects the balance between value creation and value appropriation activities. Companies that effectively manage these two activities will be more optimal in creating and capturing market value (Rahman et al., 2023). When a company has strong selling capability and is supported by the right strategy, the effectiveness of value creation will increase, thereby strengthening its influence on firm value. Conversely, a strategic imbalance can weaken this relationship.
H2: Relative strategic emphasis strengthens the influence of selling capability on firm value.

A dynamic external environment, particularly market volatility, also impacts the effectiveness of a company's capabilities. Market volatility reflects the rate of change in customer preferences and market uncertainty (Rahman et al., 2023). In volatile market conditions, companies are required to be more adaptive in responding to these changes. Based on the dynamic capability perspective, companies that are able to reconfigure their resources and capabilities are better able to maintain performance (Ellström et al., 2022). In this context, selling capability becomes increasingly important because it helps companies adapt their sales strategies to market conditions.
H3: Market volatility moderates the effect of selling capability on firm value.

Besides the market, technological change is also a significant factor influencing corporate strategy. Technology volatility describes the level of uncertainty in industrial technological developments (Rahman et al., 2023). High technological volatility requires companies to be more selective in allocating resources, particularly between innovation and market exploitation.
In this situation, companies with strong selling capabilities need to adjust their strategies to continue creating value. Emphasizing the right strategy will determine the extent to which these capabilities can increase firm value.
H4: Technology volatility moderates the effect of selling capability on firm value.

3. Method

This research is quantitative and employs statistical methods. Hypotheses were tested using a panel data linear regression analysis model, also known as panel data regression analysis. This study was conducted on companies that conducted IPOs between 2014 and 2019 and had published complete annual reports for at least five years. A total of 4,295 data points were observed after the winsorization process . All data used in this study came from third-party data provider Capital IQ. This study uses the variables of relative strategic emphasis, market volatility and technology volatility as moderating variables with the following empirical model:

$$Tobins'\,Q\,it = \beta\,0 + \beta\,1\,SC\,it + \beta\,2\,RS\,it + \beta\,3\,MV\,it + \beta\,4\,TV\,it + \beta\,5\,SC\,it\,x\,RS\,it + \beta\,6\,SC\,it\,x\,MV\,it + \beta\,7\,SC\,it\,x\,TV\,it + \beta\,8\,RS\,it\,x\,MV\,it + \beta\,9\,RS\,it\,x\,TV\,it + \beta\,10\,SC\,it\,x\,RS\,it\,x\,MV\,it + \beta\,11\,SC\,it\,x\,RS\,it\,x\,TV\,it + \beta\,12\,control\,variables\,it + \mathrm{e}$$

4. Research result

Table 1. Hypothesis Test Results

TobinQ	Coefficient	t	P>t	Results
Sales Capability	**0.077**	**0.770**	**0.462**	**No Influential**
Relative SE	- 5,711	- 0.890	0.397	No Influential
Market Volatility	- 0.380	- 0.990	0.348	No Influential
Technology_Volatility	5,271	4,310	0.002	Influential
SCxRSE	**3,272**	**0.530**	**0.606**	**No Influential**
SCxMV	- 0.088	- 0.460	0.657	No Influential
SCxTV	- 0.265	- 0.580	0.573	No Influential
RSExMV	47,737	2,130	0.062	Influential
RSExTV	- 30,436	- 0.200	0.847	No Influential
SCxRSExMV	**- 61,723**	**- 2,830**	**0.020**	**Influential**
SCxRSExTV	**205,453**	**1,200**	**0.261**	**No Influential**
Leverage	0.314	1,170	0.271	No Influential
Capital Intensity	7,165	1,070	0.312	No Influential
Firm Size	- 0.665	- 3,170	0.011	Influential
Employee Productivity	- 0.00000557	- 1,200	0.262	No Influential
Financial Slack	0.048	0.660	0.529	No Influential
Financial Constraint	- 0.046	- 1,400	0.195	No Influential
Growth	0.00178	1,030	0.331	No Influential
Industry Differentiation	- 7,796	- 0.860	0.410	No Influential
Industry Financial Soundness	0.3651	2,360	0.043	Influential
Market Growth	0.1014	2,030	0.073	Influential
_cons	7,473	3,480	0.007	Influential
Observation = 4,295 data				
R-square = 0.073				
F-stat (p value) = 0.000				

The results of the regression model test indicate that the research model is simultaneously significant (F-stat p-value = 0.000), but has a relatively low explanatory power with an R^2 value of 0.073, which means that only 7.3% of the variation in firm value (Tobin's Q) can be explained by the variables in the model. This indicates that there are other factors outside the model that also influence firm value.

Furthermore, relative strategic emphasis was also unable to moderate the effect of selling capability on firm value, thus rejecting the second hypothesis. This indicates that a company strategy focused on balancing value creation and value appropriation has not been effective in strengthening the relationship between selling capability and firm value.

In contrast to the two previous hypotheses, the results of this study indicate that market volatility significantly moderates the relationship between selling capability, relative strategic emphasis, and firm value, thus accepting the third hypothesis. This confirms that in dynamic market conditions, a company's ability to adapt to changing consumer preferences is a critical factor in creating corporate value.

Meanwhile, technological volatility was not shown to moderate this relationship, thus rejecting the fourth hypothesis. This condition indicates that technological uncertainty does not directly strengthen the role of strategy and sales capabilities in increasing firm value.

In addition to testing the main hypothesis, it was found that technology volatility, firm size, industry financial soundness, and market growth significantly influence firm value, while most other control variables did not show a significant effect. This finding indicates that external industry factors and specific firm characteristics remain important determinants in explaining firm value.

Research Implications

The research results show that selling capability, or a company's ability to generate sales, does not significantly impact company value in the Indonesian market. The ability to generate sales through promotional input and the ability to provide receivables to customers are not primary concerns for investors. However, the moderating effect of market volatility on the combined effect of relative strategic emphasis and selling capability indicates that market volatility and a company's ability to create value for consumers are crucial for driving increased company value. Therefore, investors are advised to invest in companies with strong adaptability.

Limitations and Suggestions for Further Research

This study has several limitations that could be addressed in future research. First, the r-square value in this study is relatively small, at less than 10%. Future research should analyze it by adding variables that could potentially influence company value. Second, this study did not specifically analyze a particular industrial sector and only conducted a general analysis of all public companies in Indonesia. Future research should conduct a more industry-specific analysis, as each industry likely has unique characteristics that cause certain variables to significantly influence company value

5. References

Annunen, P., Mustonen, E., Harkonen, J., & Haapasalo, H. (2021). Sales capability creation during new product development – early involvement of sales. Journal of Business and Industrial Marketing, 36(13), 263–273. https://doi.org/10.1108/JBIM-06-2020-0274

Artha, I. W. B. (2023). Determination of Sales Growth Factors and Growth of Total Assets to Price to Book Value. Journal of Accounting and Finance Management, 4(1), 17–23. https://doi.org/10.38035/jafm.v4i1.187

Brooks, C. (2019). Introductory Econometrics for Finance, FOURTH EDITION. In Introductory Econometrics for Finance, Fourth Edition. Cambridge University Press. https://doi.org/10.1017/9781108524872

Budiharjo, R. (2023). The Effect of Sales Growth, Financial Performance, and Firm Size on Firm Value: Using Indonesian Infrastructure Companies. Asian Journal of Economics, Business and Accounting, 23(18), 9–15. https://doi.org/10.9734/ajeba/2023/v23i181053

Chen, H. C., Sun, S. Y., & Chen, L. S. (2020). Impact of capabilities on firm value offering in the e-commerce service setting. International Journal of Information Systems in the Service Sector, 12(3), 19–33. https://doi.org/10.4018/IJISSS.2020070102

Dang, G. T. T., Huu, A. N., & Nguyen, T. P. (2023). Impact of Corporate Governance on Firm Value: Empirical Evidence from Vietnam. Atlantis Press International BV. https://doi.org/10.2991/978-94-6463-150-0_5

Duah, F. A., Abeeku Bamfo, B., & Serbe Marfo, J. (2024). Marketing capability and firm performance: the mediating role of resource orchestration capability. Cogent Social Sciences, 10(1). https://doi.org/10.1080/23311886.2024.2318880

Ellström, D., Holtström, J., Berg, E., & Josefsson, C. (2022). Dynamic capabilities for digital transformation. Journal of Strategy and Management, 15(2), 272–286. https://doi.org/10.1108/JSMA-04-2021-0089

Evelyne, T., Imelda, E., & Hidajat, N. C. (2024). the Effect of Capital Structure on Firm Value With Profitability As Variable Mediator in Industrial Companies Listed on the Idx. International Journal of Application on Economics and Business (IJAEB, 2(3), 2987–1972. https://doi.org/10.24912/ijaeb.v2i3.227-235

Ghozali, I. (2018). Aplikasi analisis multivariate dengan program IBM SPSS 25.

Goh, T. S., Henry, Erika, & Albert. (2022). MIX : Jurnal Ilmiah Manajemen Jurnal Ilmiah Manajemen. MIX: Jurnal Ilmiah Manajemen, 18(1), 31–43. https://doi.org/10.22441/jurnal

Gueler, M. S., & Schneider, S. (2021). The resource-based view in business ecosystems: A perspective on the determinants of a valuable resource and capability. Journal of Business Research, 133(May), 158–169. https://doi.org/10.1016/j.jbusres.2021.04.061

Hoechle, D. (2007). Robust standard errors for panel regressions with cross- sectional dependence. Stata Journal, 7(3), 281–312. https://doi.org/10.1177/1536867x0700700301

Jardon, C. M., & Martinez-Cobas, X. (2022). Leadership and Marketing Capabilities in Small Businesses of Subsistence Marketplaces. SAGE Open, 12(2). https://doi.org/10.1177/21582440221079935

Lauda, F., Fitri, R., & Hasanah, Q. (2021). Determinants of Islamic Bank Share Price Fluctuation During the Covid 19 Pandemic: The Case of BTPN Syariah Bank Shares. Al-Iqtishad: Jurnal Ilmu Ekonomi ..., 13(2), 255–274. https://doi.org/10.15408/aiq.v

Liu, Y., Zhao, X., & Wang, T. (2023). Value-Based Selling Capability: Antecedents and Implications for B2B Sales Performance. Journal of Business-to-Business Marketing, 30(4), 395–418. https://doi.org/10.1080/1051712X.2023.2272985

Pramesti, N. P. E., Yasa, P. N. S., & Ningsih, N. L. A. P. (2021). The Effect of Capital Structure and Sales Growth on Company Profitability and Value in the Cosmetics Manufacturing and Household Needs Manufacturing Companies. Jurnal Ekonomi & Bisnis JAGADITHA, 8(2), 187–193. https://doi.org/10.22225/jj.8.2.2021.187-193

Rahman, M., Jang, S., & Ahmed, S. (2023). How Does Selling Capability Impact Firm Value? The Moderating Roles of Relative Strategic Emphasis, Market Volatility, and Technological Volatility. British Journal of Management, 34(3), 1655–1676. https://doi.org/10.1111/1467-8551.12659

Wang, X., Dass, M., Arnett, D. B., & Yu, X. (2020). Understanding firms' relative strategic emphases: An entrepreneurial orientation explanation. Industrial Marketing Management, 84(April), 151–164. https://doi.org/10.1016/j.indmarman.2019.06.009

Yi, H. T., Cha, Y. B., & Amenuvor, F. E. (2021). Effects of sales-related capabilities of personal selling organizations on individual sales capability, sales behaviors and sales performance in cosmetics personal selling channels. Sustainability (Switzerland), 13(7). https://doi.org/10.3390/su13073937

Zhang, Y., Fong, P. S. W., & Yamoah Agyemang, D. (2021). What should be focused on when digital transformation hits industries? Literature review of business management adaptability. Sustainability (Switzerland), 13(23). https://doi.org/10.3390/su132313447