

Emerging Markets Queries in Finance and Business

# Repeated Measures Analysis on Determinant Factors of Enterprise Value

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## Abstract

Enterprise value is the result of interaction between financial and nonfinancial factors. Financial factors represent important resources in production of goods but their contribution on enterprise has decreased with the development of knowledge-based economy. Acceptance of nonfinancial factors as elements generating future benefits imposed the application of European policies concerning nonfinancial reporting for multinationals.

The objective of this article is the variation analysis of the most significant financial and nonfinancial factors of enterprise value. The analyzed sample consist of 400 european multinationals for the period 2009-2012.

The statistical tool used was SPSS 20 and work method was repeated measures ANOVA. The results showed several evolution of factors analyzed, providing support for developed of factors that increase enterprise value.

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## 1. Introduction

In the knowledge-based economy, non-financial factors are elements which create value, complementary to the financial and tangible capital. Today it is widely accepted by investors and managers that multinationals incorporate inimitable and non-substitutable resources with significant implications on the development of competitive advantages.

Both the role of multinational corporations in developing and effectively managing non-financial factors but also the lack of information released to the investors on these resources imposed the application of a European legislation on non-financial reporting.

## 2. Review of prior literature

In the knowledge-based economy, the company's market value is calculated by the following algorithm: *Market value (MV) = Book value (BV) + nonfinancial factors (IC)*, where MV represents the total value of the issued shares of the company, being equal to the share price times the number of shares outstanding, BV is the excess of all assets and debts of an entity on all their debts and IC - assembly of non-financial factors impacting enterprise results.

The classification of non-financial factors was developed by Stewart (1997) and presents the following structure: (a) human capital represents all the knowledge and competencies of the employees; (b) structural capital represents all policies and procedures that support human capital to create economic value and financial health (Bontis and Serenko, 2009) and (c) relational capital represents all external relationships that contribute to long-term performance of the company (Ittner, 2008).

Based on classification of Stewart, we selected the most important nonfinancial factors from the perspective of social responsibility (table 1).

Table 1. Types of non-financial factors

Variable	Explanation
<i>1. HUMAN CAPITAL</i>	
Compensation& Benefits (CB)	The company's ability to ensure the loyalty and productivity of the workforce through a fair and correct treatment and develop lasting relationships with employees through promotion procedures.
Training (TH)	Enterprise's ability to ensure optimal working conditions through professional development programs and labor protection.
Diversity (DI)	Enterprise ability to support workforce diversity and ensure fair and non-discriminatory treatment.
<i>2. STRUCTURAL CAPITAL</i>	
Product (PR)	Entity's ability to develop, design and effectively manage its impact on civil society
Resource management (RM)	Degree of optimization of resources in the production of goods and services as improving distribution channels and reduce water and energy consumption.
Leadership ethics	Entity's ability to treat his business partners fairly and maintain long-term collaborative relationships.
Transparency & reporting (TR)	Entity's ability to enforce corporate policies aligned with the objectives of sustainability and conducting a transparent management to the shareholders.

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