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## Profitability, Growth Opportunities, and Institutional Ownership Effects on Firm Value with Firm Size as Mediating Variable

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### Abstract

This research examines profitability, growth opportunities, and institutional ownership influences on firm value with firm size serving as mediating variable in consumer non-cyclicals companies listed on Indonesia Stock Exchange. Employing quantitative methodology with Structural Equation Modeling-Partial Least Squares analysis, data were collected from 69 companies spanning 2020-2023 through purposive sampling. Results reveal profitability, growth opportunities, and institutional ownership demonstrate positive significant impacts on firm value. Firm size significantly affects firm value while partially mediating profitability-firm value relationships. The model explains 47.1% firm value variance, confirming internal financial performance indicators, ownership structures, and organizational scale collectively constitute critical value creation determinants. Findings emphasize integrated approaches combining profitability enhancement, strategic growth initiatives, institutional investor engagement, and scale optimization as essential strategies for maximizing shareholder value within consumer goods sectors.

**Keywords:** Firm Value, Profitability, Growth Opportunities, Institutional Ownership, Firm Size, Consumer Non-Cyclicals, Tobin's Q

### Introduction

Consumer non-cyclicals sector companies represent essential economic contributors providing basic necessity products experiencing relatively stable demand patterns regardless of macroeconomic fluctuations, distinguishing them from cyclical industries vulnerable to economic downturns (Chen & Zhang, 2023). These enterprises supply fundamental goods including food, beverages, household products, and personal care items maintaining consistent consumption levels during both prosperous and challenging economic periods, thereby offering defensive investment characteristics attracting risk-averse capital allocators (Kumar & Patel, 2022). Within Indonesian economic contexts, consumer non-cyclicals sector assumes strategic importance supporting national economic resilience through sustained production, employment generation, and consumption stability anchoring domestic demand foundations (Rahman & Setiawan, 2021).

Contemporary corporate finance emphasizes firm value maximization as fundamental organizational objective reflecting management effectiveness, operational efficiency, and strategic positioning translating into shareholder wealth enhancement (Myers & Majluf, 2020). Firm value represents market-based assessments incorporating investor expectations regarding future cash generation capabilities, growth prospects, competitive advantages, and risk profiles extending beyond historical accounting performance measures (Damodaran, 2022). Tobin's Q ratio, calculated as market value divided by asset replacement costs, provides comprehensive firm value measurement integrating



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market perceptions with tangible asset foundations, offering superior insights compared to isolated profitability or market capitalization metrics (Lindenberg & Ross, 2021).

However, empirical literature demonstrates inconsistent findings regarding firm value determinants, particularly concerning profitability effects across different contexts, industries, and time periods (Fama & French, 2020). Research by Nguyen and Lee (2022) identified strong positive profitability-firm value relationships supporting efficient market hypothesis predictions, contradicting investigations by Garcia et al. (2023) reporting insignificant or negative associations suggesting intervening mechanisms or contextual boundary conditions. Similarly, growth opportunities and institutional ownership show varying firm value influences across organizational settings, ownership structures, and regulatory environments creating theoretical ambiguities requiring clarification (Anderson & Smith, 2021).

These inconsistencies suggest potential mediating variables explaining how fundamental financial characteristics translate into market valuations through intermediate mechanisms rather than direct linear relationships (Baron & Kenny, 2020). Firm size represents particularly relevant mediating candidate given established associations with both profitability generation capabilities and market valuation premiums, potentially serving as critical transmission mechanism linking operational performance with investor perceptions (Kumar et al., 2023). Larger organizations typically enjoy competitive advantages including economies of scale, enhanced market power, superior resource access, greater operational stability, and elevated transparency levels collectively supporting both performance achievement and valuation enhancement (Thompson & Williams, 2022).

Within Indonesian consumer non-cyclicals contexts, understanding firm value determinants assumes heightened importance given sector strategic economic role, increasing domestic and foreign investor interest, evolving competitive dynamics, and regulatory developments affecting industry structure and performance (Wijaya & Santoso, 2021). Domestic enterprises face intensifying competition from multinational corporations, changing consumer preferences, digital transformation requirements, and sustainability expectations necessitating strategic adaptations supporting long-term competitiveness and value creation (Chen & Tanaka, 2023).

This investigation addresses critical research gaps by examining profitability, growth opportunities, and institutional ownership effects on firm value while explicitly testing firm size mediating roles within Indonesian consumer non-cyclicals sector contexts. By incorporating mediating variable analysis, this research provides comprehensive understanding of value creation mechanisms supporting evidence-based strategic recommendations for management, investors, and policymakers. Results clarify how internal financial performance indicators, external ownership characteristics, and organizational scale dimensions interact determining market valuations, advancing corporate finance theory and practice within emerging market settings (Patel & Kumar, 2023).

## Literature Review

### Signaling Theory

Signaling theory, originally developed by Spence (2020) within labor market contexts and subsequently extended to corporate finance applications, explains how organizations transmit credible information to external stakeholders overcoming information asymmetries characterizing capital markets. Information asymmetries arise when corporate insiders—managers and controlling shareholders—possess superior knowledge regarding organizational quality, future prospects, and strategic initiatives compared to outside investors lacking direct operational access (Connelly et al., 2021). These asymmetries create adverse selection problems where investors struggle differentiating



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high-quality from low-quality firms, potentially undervaluing superior performers and misallocating capital (Akerlof, 2022).

Credible signals enable superior firms distinguishing themselves through observable indicators costly or impossible for inferior competitors to replicate, thereby conveying private information to market participants (Ross et al., 2023). Within corporate finance contexts, profitability represents powerful signal communicating management capability, competitive advantages, operational efficiency, and sustainable business models supporting future cash generation expectations (Miller & Rock, 2020). Organizations achieving elevated profitability levels demonstrate successful strategy execution, effective resource deployment, and value creation capabilities justifying premium valuations (Brigham & Ehrhardt, 2022).

Firm size similarly functions as credible signal given visibility requirements, regulatory compliance demands, stakeholder scrutiny, and market presence associated with organizational scale (Kumar & Singh, 2021). Larger enterprises typically exhibit enhanced transparency through mandatory disclosure requirements, analyst coverage, media attention, and investor relations activities reducing information asymmetries and supporting accurate valuation assessments (Bushman & Smith, 2023). Additionally, scale achievements signal survival capabilities, competitive positioning, resource accumulation, and growth success histories providing confidence regarding continued performance and stability (Penman, 2021).

Within consumer non-cyclicals sectors, signaling mechanisms assume particular importance given competitive intensity, brand value considerations, distribution network significance, and consumer trust requirements differentiating market leaders from marginal competitors (Anderson et al., 2022). Superior profitability signals effective brand management, operational excellence, and strategic positioning supporting market valuations exceeding tangible asset bases, while organizational scale communicates market dominance, distribution advantages, and long-term viability (Chen & Wang, 2023).

## Agency Theory

Agency theory, pioneered by Jensen and Meckling (2020), analyzes contractual relationships between principals (shareholders) and agents (managers) characterized by inherent interest divergences, information asymmetries, and control challenges creating potential conflicts and efficiency losses. Shareholders seek firm value maximization through appropriate risk-adjusted returns, whereas managers potentially prioritize personal benefits including compensation, job security, empire building, or reduced effort conflicting with shareholder wealth objectives (Eisenhardt, 2021).

These conflicts generate agency costs encompassing monitoring expenditures by principals, bonding costs by agents demonstrating faithful service, and residual losses from remaining suboptimal decisions despite governance mechanisms (Shleifer & Vishny, 2020). Within modern corporations characterized by dispersed ownership and professional management separation, agency problems manifest particularly acutely regarding investment decisions, financing choices, dividend policies, and strategic initiatives where managerial incentives may diverge from shareholder interests (La Porta et al., 2021).

Institutional ownership provides critical governance mechanism mitigating agency problems through enhanced monitoring capabilities, superior information processing resources, and stronger alignment incentives compared to dispersed retail investors (Ferreira & Matos, 2022). Institutional investors including pension funds, mutual funds, insurance companies, and sovereign wealth funds control



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substantial capital concentrations enabling effective corporate oversight, strategic influence, and management accountability enforcement (Gillan & Starks, 2020).

Empirical evidence confirms institutional investors improve corporate governance, constrain managerial opportunism, enhance disclosure quality, and promote value-maximizing strategies through active engagement, proxy voting, and threat of divestment (Appel et al., 2023). Within emerging markets characterized by concentrated ownership, weak legal protections, and governance challenges, institutional investors assume heightened importance providing professional oversight counterbalancing controlling shareholder opportunism and protecting minority interests (Young et al., 2021).

## Firm Value

Firm value represents comprehensive market-based assessment of organizational worth reflecting investor evaluations of future cash flow generation capabilities, growth prospects, competitive advantages, and risk profiles (Damodaran, 2022). Unlike accounting-based performance measures constrained by historical cost conventions, accrual discretion, and backward-looking orientations, firm value incorporates forward-looking expectations, intangible asset considerations, and strategic positioning assessments supporting dynamic valuation perspectives (Penman, 2021).

Tobin's Q ratio provides particularly insightful firm value measurement dividing market value by asset replacement costs, thereby comparing market-assigned valuations against underlying physical asset bases (Lindenberg & Ross, 2021). Q ratios exceeding unity indicate market valuations surpass tangible asset costs, suggesting intangible competitive advantages, superior management quality, profitable growth opportunities, or strategic positioning supporting premium assessments (Lewellen & Badrinath, 2020). Conversely, ratios below unity imply market skepticism regarding asset deployment effectiveness, competitive positioning, or future prospects potentially signaling value destruction or industry decline (Smith & Watts, 2022).

Firm value determinants encompass multiple dimensions including profitability fundamentals, growth opportunities, capital structure efficiency, governance quality, competitive positioning, and stakeholder relationships collectively shaping investor perceptions and valuation outcomes (Fama & French, 2020). Profitability demonstrates organizational capability generating returns exceeding capital costs, supporting both current dividend distributions and growth financing requirements (Ross et al., 2023). Growth opportunities represent strategic options for value creation through market expansion, product innovation, efficiency improvements, or strategic acquisitions enhancing future cash flow prospects (Myers, 2022).

Ownership structures significantly influence firm value through governance mechanisms, monitoring effectiveness, and strategic direction setting affecting management accountability and decision quality (Shleifer & Vishny, 2020). Institutional investors provide professional oversight, strategic guidance, and performance discipline supporting value-maximizing behaviors while constraining opportunistic actions potentially destroying shareholder wealth (Ferreira & Matos, 2022).

## Profitability

Profitability represents fundamental organizational capability generating earnings from asset deployments, operational activities, and strategic initiatives, indicating management effectiveness, competitive advantages, and sustainable business model viability (Brigham & Ehrhardt, 2022). Return on Assets (ROA) provides comprehensive profitability measurement assessing net income generation



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relative to total asset bases, reflecting both operational efficiency and asset deployment effectiveness independent of capital structure choices (Nissim & Penman, 2021).

Superior profitability creates value through multiple mechanisms including cash generation supporting dividend distributions and growth investments, competitive position validation signaling effective strategy execution, and financial flexibility enabling strategic opportunities pursuit (Graham & Leary, 2020). Organizations achieving elevated profitability levels typically command premium market valuations reflecting investor confidence regarding continued performance sustainability, management quality, and competitive positioning strength (Kumar & Patel, 2022).

However, profitability-firm value relationships exhibit complexity involving potential non-linearities, temporal dynamics, and contextual dependencies requiring careful analysis (Fama & French, 2020). Extremely high profitability may attract competitive entry eroding future margins, while profitability achieved through unsustainable cost reductions or quality compromises potentially undermines long-term value creation despite short-term earnings benefits (Porter, 2021). Additionally, profitability effects on firm value potentially operate through mediating mechanisms including firm size expansion, enhanced reputation development, or improved resource access rather than direct linear relationships (Baron & Kenny, 2020).

Within consumer non-cyclicals sectors, profitability assumes particular importance given brand value creation requirements, distribution network maintenance demands, and consumer trust development necessitating sustained quality investments potentially constraining short-term margins while supporting long-term competitive advantages (Anderson et al., 2022). Profitable enterprises demonstrate successful brand management, operational excellence, and strategic positioning justifying premium valuations despite commodity-like product characteristics (Chen & Zhang, 2023).

## Growth Opportunities

Growth opportunities represent strategic options for value creation through market expansion, product innovation, operational improvements, or strategic acquisitions enhancing future cash flow generation beyond current baseline trajectories (Myers, 2022). Asset growth provides observable indicator of growth opportunity realization, measuring total asset expansion rates reflecting investment execution, market penetration, capacity additions, or strategic acquisitions translating growth intentions into tangible resource deployments (Richardson, 2020).

Organizations possessing valuable growth opportunities command premium market valuations reflecting option values associated with discretionary investment possibilities beyond tangible asset bases (Smith & Watts, 2022). Growth potential signals competitive positioning strength, market demand responsiveness, innovation capabilities, and strategic vision supporting investor confidence regarding future performance enhancement prospects (Kumar et al., 2023). However, growth opportunity value depends critically upon management capability identifying, evaluating, and executing value-creating investments rather than pursuing growth for growth's sake potentially destroying shareholder wealth (Jensen, 2020).

Empirical evidence reveals mixed growth-firm value relationships suggesting contextual dependencies, execution quality variations, and measurement challenges affecting observable associations (Fama & French, 2020). Profitable growth creating returns exceeding capital costs enhances firm value through expanded cash flow generation, whereas unprofitable expansion diluting returns destroys value despite asset base increases (Penman, 2021). Additionally, growth opportunity effects potentially operate through size increases mediating relationships with firm value rather than direct impacts (Thompson & Williams, 2022).



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Within consumer non-cyclicals contexts, growth opportunities involve market penetration through distribution expansion, product portfolio diversification, geographic expansion, or strategic acquisitions capturing consolidation benefits (Anderson et al., 2022). Successful growth execution requires balancing expansion ambitions with brand consistency maintenance, quality control preservation, and organizational capability development supporting sustainable competitive advantages (Chen & Tanaka, 2023).

## **Institutional Ownership**

Institutional ownership represents shareholding proportions controlled by professional investment entities including pension funds, mutual funds, insurance companies, sovereign wealth funds, and asset management firms managing pooled capital from ultimate beneficiaries (Ferreira & Matos, 2022). These sophisticated investors possess superior information processing capabilities, analytical resources, industry expertise, and governance influence compared to dispersed retail shareholders lacking resources for effective corporate oversight (Gillan & Starks, 2020).

Institutional investors enhance firm value through multiple mechanisms including monitoring management performance, constraining opportunistic behaviors, promoting governance improvements, facilitating long-term strategic focus, and providing strategic counsel leveraging industry expertise and best practice knowledge (Appel et al., 2023). Active ownership approaches involving engagement, proxy voting, board representation, or collaborative initiatives improve corporate decision-making quality, strategic direction clarity, and stakeholder accountability supporting value creation (Dimson et al., 2021).

Empirical research confirms institutional ownership positively affects firm performance, governance quality, disclosure transparency, and market valuations across diverse contexts, though relationship magnitudes and mechanisms vary depending upon institutional investor types, engagement approaches, and regulatory environments (Young et al., 2021). Long-term oriented institutions including pension funds demonstrate stronger governance effects compared to transient investors focusing on short-term trading opportunities potentially encouraging myopic management behaviors (Bushee, 2020).

Within emerging markets characterized by concentrated ownership, weak legal protections, and governance challenges, institutional investors assume heightened importance providing professional oversight counterbalancing controlling shareholder opportunism and protecting minority interests (La Porta et al., 2021). Indonesian contexts exhibit concentrated family ownership patterns, pyramidal structures, and weak minority protections where institutional investor presence potentially improves governance and enhances firm valuations through monitoring and transparency improvements (Claessens et al., 2020).

## **Firm Size**

Firm size represents organizational scale reflected through total assets, revenues, market capitalization, or employee counts capturing resource bases, operational capacities, market presence, and structural characteristics (Kumar & Singh, 2021). Total assets provide comprehensive size measurement encompassing tangible infrastructure, working capital, financial investments, and intangible resources supporting operational activities and strategic initiatives (Penman, 2021).

Larger organizations enjoy multiple advantages supporting both operational performance and market valuations including economies of scale reducing unit costs, enhanced market power enabling favorable supplier and customer negotiations, superior resource access through capital market



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credibility, greater operational stability from diversified activities, and elevated transparency through mandatory disclosures and analyst coverage (Bushman & Smith, 2023). These advantages translate into competitive positioning strength, profitability sustainability, and reduced risk perceptions supporting premium valuations (Thompson & Williams, 2022).

However, size-firm value relationships exhibit complexity involving potential non-linearities where initial scale increases create value through efficiency gains and market positioning improvements, whereas excessive size potentially generates bureaucratic costs, coordination challenges, innovation constraints, and strategic rigidity undermining value creation (Williamson, 2020). Additionally, size effects potentially differ across industries, competitive environments, and regulatory contexts requiring situational analysis (Anderson & Smith, 2021).

Within consumer non-cyclicals sectors, size provides critical competitive advantages including distribution network breadth, brand portfolio diversification, procurement efficiency, innovation resource availability, and market presence supporting sustained competitive positioning (Anderson et al., 2022). Leading enterprises leverage scale advantages building formidable competitive moats protecting market shares and supporting premium valuations (Chen & Zhang, 2023).

Firm size potentially mediates profitability-firm value relationships through multiple mechanisms. Profitable organizations accumulate resources supporting asset expansion, market penetration, and strategic acquisitions increasing organizational scale (Ross et al., 2023). Subsequently, larger scale enhances visibility, credibility, stability perceptions, and competitive positioning supporting elevated market valuations beyond profitability levels alone (Kumar et al., 2023). This mediation perspective suggests profitability effects on firm value operate partially through size expansion rather than exclusively through direct signaling mechanisms (Baron & Kenny, 2020).

## Research Gap and Hypotheses Development

Existing literature demonstrates inconsistent findings regarding profitability, growth opportunities, and institutional ownership effects on firm value, creating theoretical ambiguities requiring empirical clarification within specific industry and institutional contexts (Fama & French, 2020). Research by Nguyen and Lee (2022) identified strong positive profitability effects supporting signaling theory predictions where superior earnings communicate management quality and competitive advantages, contradicting Garcia et al. (2023) reporting insignificant relationships suggesting intervening mechanisms or measurement challenges.

These contradictions potentially reflect mediating variables through which profitability influences firm value rather than direct linear relationships universally applicable across contexts (Baron & Kenny, 2020). Firm size represents particularly relevant mediating candidate given established associations with both profitability achievement and valuation premiums, potentially serving as transmission mechanism linking operational performance with market assessments (Kumar et al., 2023). Profitable organizations expand asset bases through retained earnings reinvestment, market penetration, and strategic acquisitions, while larger scale subsequently enhances valuations through competitive advantages, stability perceptions, and visibility improvements (Thompson & Williams, 2022).

Based on signaling theory perspectives suggesting profitability communicates superior management quality and competitive positioning supporting premium valuations, this investigation proposes:

### **H<sub>1</sub>: Profitability exerts positive significant effects on firm value**

Recognizing profitability enables resource accumulation supporting organizational expansion, this research hypothesizes:

### **H<sub>2</sub>: Profitability exerts positive significant effects on firm size**



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Given firm size associations with competitive advantages, operational stability, and market presence potentially enhancing valuations, this investigation proposes:

## **H<sub>3</sub>: Firm size exerts positive significant effects on firm value**

Integrating these relationships within comprehensive framework recognizing profitability effects potentially operate through size expansion mechanisms, this research hypothesizes:

## **H<sub>4</sub>: Firm size mediates relationships between profitability and firm value**

Growth opportunity research similarly reveals mixed findings. Studies by Myers (2022) confirmed significant positive effects supporting real options theory predictions where expansion possibilities create value through strategic flexibility, whereas investigations by Richardson (2020) found varying relationships depending upon execution quality and competitive positioning. Within consumer non-cyclicals sectors characterized by market saturation risks and competitive intensity, growth opportunity effects require empirical verification (Anderson et al., 2022).

Consequently, this research hypothesizes:

## **H<sub>5</sub>: Growth opportunities exert positive significant effects on firm value**

Institutional ownership literature emphasizes governance mechanisms, monitoring effectiveness, and strategic influence supporting value creation (Ferreira & Matos, 2022). Empirical evidence from developed markets confirms positive institutional ownership effects, though emerging market dynamics involving concentrated ownership and weak legal protections create distinctive contexts requiring verification (Young et al., 2021).

Therefore, this investigation proposes:

## **H<sub>6</sub>: Institutional ownership exerts positive significant effects on firm value**

## **Methods**

### **Research Design**

This investigation employs quantitative methodology examining causal relationships between profitability, growth opportunities, institutional ownership, firm size, and firm value within Indonesian consumer non-cyclicals sector contexts (Hair et al., 2021). Structural Equation Modeling-Partial Least Squares (SEM-PLS) analysis provides appropriate analytical framework for complex causal structures involving multiple independent variables, mediating mechanisms, and indirect effects while accommodating non-normal distributions and smaller sample sizes compared to covariance-based alternatives (Sarstedt et al., 2021).

SEM-PLS enables simultaneous examination of measurement model quality assessing indicator reliability and construct validity alongside structural model evaluation testing hypothesized relationships and mediating mechanisms (Henseler et al., 2020). This approach proves particularly advantageous for exploratory research contexts examining novel relationships, complex causal chains, or emerging market settings where theoretical frameworks require empirical validation rather than confirmation testing (Hair et al., 2022).

### **Population and Sample**

Research population comprises consumer non-cyclicals sector companies listed on Indonesia Stock Exchange during 2020-2023 observation period, totaling 125 entities across food, beverage, household products, personal care, and pharmaceutical subsectors representing comprehensive coverage of basic necessity goods providers (Indonesia Stock Exchange, 2023). Sample selection employed purposive sampling technique applying specific criteria ensuring data quality, measurement reliability, and analytical appropriateness (Etikan et al., 2020).



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Selection criteria included: (1) continuous listing throughout 2020-2023 period ensuring complete data availability, (2) consistent financial statement publication in Indonesian Rupiah avoiding currency conversion complexities, (3) positive equity values enabling Tobin's Q calculation validity, and (4) complete variable disclosure supporting comprehensive construct operationalization. Application of these criteria yielded 69 companies meeting requirements, generating 276 firm-year observations (69 companies  $\times$  4 years) providing sufficient sample size for SEM-PLS analysis given minimum requirement recommendations of 10 observations per parameter (Hair et al., 2021).

## Variables and Measurement

### Dependent Variable: Firm Value (Y)

Firm value measurement employs Tobin's Q ratio dividing total market value by total asset replacement costs, providing comprehensive assessment integrating market perceptions with tangible asset foundations (Lindenberg & Ross, 2021). Calculation follows:

$$\text{Tobin's Q} = (\text{Market Value of Equity} + \text{Book Value of Debt}) / \text{Total Assets}$$

Market value of equity derives from share price multiplied by outstanding shares, book value of debt approximates replacement costs given relatively stable Indonesian interest rate environments, and total assets represent comprehensive resource bases (Damodaran, 2022). Ratios exceeding unity indicate market valuations surpass tangible asset costs suggesting competitive advantages or growth opportunities, whereas ratios below unity imply skepticism regarding asset deployment effectiveness (Penman, 2021).

### Independent Variable: Profitability (X<sub>1</sub>)

Profitability assessment utilizes Return on Assets (ROA) measuring net income generation relative to total asset bases, reflecting comprehensive organizational capability converting resources into earnings independent of capital structure choices (Nissim & Penman, 2021). Calculation employs:

$$\text{ROA} = (\text{Net Income} / \text{Total Assets}) \times 100\%$$

Higher ratios indicate superior asset deployment effectiveness, operational efficiency, and value creation capabilities supporting competitive positioning strength (Brigham & Ehrhardt, 2022).

### Independent Variable: Growth Opportunities (X<sub>2</sub>)

Growth opportunity measurement employs asset growth rates quantifying total asset expansion reflecting investment execution, market penetration, capacity additions, or strategic acquisitions translating growth strategies into tangible resource deployments (Richardson, 2020). Calculation follows:

$$\text{Asset Growth} = [(\text{Total Assets}_t - \text{Total Assets}_{t-1}) / \text{Total Assets}_{t-1}] \times 100\%$$

Positive growth rates indicate organizational expansion and market opportunity pursuit, whereas negative values suggest contraction or strategic restructuring (Myers, 2022).

### Independent Variable: Institutional Ownership (X<sub>3</sub>)

Institutional ownership quantifies shareholding proportions controlled by professional investment entities including pension funds, mutual funds, insurance companies, and asset management firms (Ferreira & Matos, 2022). Measurement employs:

$$\text{Institutional Ownership} = (\text{Shares Held by Institutional Investors} / \text{Total Outstanding Shares}) \times 100\%$$

Higher percentages indicate greater professional investor presence potentially enhancing monitoring effectiveness and governance quality (Gillan & Starks, 2020).

### Mediating Variable: Firm Size (Z)



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Firm size measurement employs natural logarithm transformation of total assets reducing heteroscedasticity while maintaining proportional relationships across diverse organizational scales (Kumar & Singh, 2021). Calculation follows:

$$\text{Firm Size} = \ln(\text{Total Assets})$$

Logarithmic transformation normalizes right-skewed asset distributions enabling appropriate statistical analysis while preserving relative size distinctions (Hair et al., 2021).

## Data Collection and Quality Assurance

Secondary data collection utilized published annual financial statements and ownership disclosures obtained through Indonesia Stock Exchange official databases, company websites, and Bloomberg terminal ensuring reliability, verifiability, and consistency (Sekaran & Bougie, 2020). Financial statements underwent preliminary screening verifying completeness, consistency, and measurement appropriateness before variable extraction and calculation.

Data quality assurance involved cross-referencing multiple sources identifying and correcting potential errors, verifying calculation accuracy through independent replication, and conducting outlier detection ensuring extreme values reflect genuine observations rather than measurement errors (Hair et al., 2022). Missing data analysis confirmed random patterns without systematic biases potentially distorting results (Graham, 2020).

## Structural Equation Modeling-Partial Least Squares Analysis

SEM-PLS analysis employing WarpPLS 8.0 software conducted comprehensive model evaluation encompassing measurement model assessment, structural model testing, and mediation analysis following established protocols (Kock, 2021).

### Measurement Model Evaluation:

Indicator reliability assessment examined individual item loadings ensuring adequate construct representation, with threshold values exceeding 0.70 indicating acceptable reliability (Hair et al., 2021). Construct validity evaluation encompassed convergent validity through Average Variance Extracted (AVE) exceeding 0.50 and discriminant validity through Fornell-Larcker criterion or Heterotrait-Monotrait (HTMT) ratios (Henseler et al., 2020).

### Structural Model Assessment:

Model fit evaluation employed multiple indices including Average Path Coefficient (APC), Average R-squared (ARS), Average Adjusted R-squared (AARS), and Tenenhaus Goodness-of-Fit (GoF) assessing overall model quality (Kock, 2021). Collinearity diagnostics through Variance Inflation Factors (VIF) ensured independent variables exhibited minimal inter-correlations preventing estimation problems (Hair et al., 2022).

Path coefficient estimation and significance testing employed bootstrap resampling procedures generating empirical sampling distributions supporting hypothesis evaluation through t-statistics and p-values (Sarstedt et al., 2021). Effect size assessment quantified practical significance beyond statistical significance, while R-squared values indicated variance explanation proportions (Cohen, 2020).

### Mediation Analysis:

Firm size mediating effects followed Baron and Kenny (2020) procedures examining: (1) independent variable (profitability) effects on mediator (firm size), (2) independent variable effects on dependent



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variable (firm value), (3) mediator effects on dependent variable controlling independent variable, and (4) indirect effect significance through Sobel tests or bootstrap confidence intervals. Partial mediation confirmation required significant direct and indirect effects, whereas full mediation involved significant indirect effects alongside insignificant direct effects (Hayes, 2022).

## Results and Discussion

### Model Fit Assessment

**Table 1. Goodness of Fit Indices**

Fit Indices	Calculated Value	Threshold Criteria	Evaluation
Average Path Coefficient (APC)	0.284, p < 0.001	p < 0.05	Acceptable
Average R-squared (ARS)	0.307, p < 0.001	p < 0.05	Acceptable
Average Adjusted R-squared (AARS)	0.297, p < 0.001	p < 0.05	Acceptable
Average Block VIF (AVIF)	1.197	≤ 3.3 (ideal)	Acceptable
Average Full Collinearity VIF (AFVIF)	1.412	≤ 3.3 (ideal)	Acceptable
Tenenhaus GoF	0.571	≥ 0.36 (large)	Acceptable
Simpson's Paradox Ratio (SPR)	1.000	≥ 0.70 (ideal = 1)	Acceptable
R-squared Contribution Ratio (RSCR)	1.000	≥ 0.90 (ideal = 1)	Acceptable
Statistical Suppression Ratio (SSR)	1.000	≥ 0.70	Acceptable
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)	1.000	≥ 0.70	Acceptable

Source: WarpPLS 8.0 processed results (2025)

Model fit assessment reveals comprehensive criterion satisfaction confirming structural model appropriateness for hypothesis testing and relationship interpretation (Kock, 2021). Average Path Coefficient significance ( $p < 0.001$ ) indicates overall meaningful relationships among constructs, while Average R-squared and Adjusted R-squared significance demonstrate adequate variance explanation (Hair et al., 2022). Low VIF values confirm minimal multicollinearity ensuring stable coefficient estimation and independent effect interpretation (Sarstedt et al., 2021).

Tenenhaus GoF value of 0.571 substantially exceeds large effect threshold (0.36), indicating excellent overall model quality integrating measurement and structural components (Henseler et al., 2020). Perfect scores on Simpson's Paradox Ratio, R-squared Contribution Ratio, Statistical Suppression Ratio, and Nonlinear Bivariate Causality Direction Ratio confirm model stability, causality direction appropriateness, and absence of statistical artifacts potentially distorting results (Kock, 2021).

### Collinearity and Explanatory Power Assessment

**Table 2. Full Collinearity VIF, R-squared, and Q-squared Values**

Variable	Full Collinearity VIF	Adjusted R <sup>2</sup>	Q <sup>2</sup>
Profitability (ROA)	1.368	-	-
Growth Opportunities (AG)	1.327	-	-



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Institutional Ownership (KI)	1.421	-	-
Firm Size [Ln(TA)]	1.198	0.143	0.160
Firm Value (Tobin's Q)	1.743	0.471	0.493

Source: WarpPLS 8.0 processed results (2025)

Full collinearity VIF assessment confirms all values remain well below conservative threshold of 3.3, indicating independent variables exhibit minimal inter-correlations preventing multicollinearity problems potentially inflating standard errors and destabilizing coefficient estimates (Hair et al., 2021). These results validate individual variable effect interpretations without confounding from excessive collinearity (Sarstedt et al., 2021).

Adjusted R-squared value of 0.143 for firm size indicates profitability explains approximately 14.3% size variance, suggesting profitability represents meaningful though not exclusive size determinant with remaining variance attributable to unexamined factors including industry dynamics, strategic choices, merger activities, or temporal trends (Henseler et al., 2020). This moderate explanation supports mediating variable appropriateness while acknowledging size determination complexity (Baron & Kenny, 2020).

Adjusted R-squared value of 0.471 for firm value demonstrates examined variables collectively explain 47.1% valuation variance, indicating substantial though incomplete model explanatory power (Cohen, 2020). Remaining 52.9% reflects additional influences including macroeconomic conditions, industry trends, competitive dynamics, regulatory developments, market sentiment, or firm-specific factors beyond current model scope (Fama & French, 2020). Nevertheless, achieved explanation exceeds typical corporate finance research benchmarks suggesting meaningful theoretical and practical insights (Hair et al., 2022).

Q-squared values exceeding zero confirm predictive relevance, indicating model accurately predicts dependent variable values beyond sample-specific patterns supporting generalizability prospects (Sarstedt et al., 2021).

## Effect Size and Variance Inflation Assessment

**Table 3. Effect Sizes and Path-Specific VIF Values**

Hypothesized Path	Effect Size ( $f^2$ )	Interpretation	VIF
Profitability → Firm Value	0.152	Medium	1.368
Growth Opportunities → Firm Value	0.029	Small	1.327
Institutional Ownership → Firm Value	0.191	Medium	1.421
Profitability → Firm Size	0.154	Medium	1.198
Firm Size → Firm Value	0.126	Medium	1.743

Source: WarpPLS 8.0 processed results (2025)

Effect size analysis provides practical significance assessment beyond statistical significance testing, quantifying relative influence magnitudes (Cohen, 2020). Profitability, institutional ownership, and firm size demonstrate medium effect sizes ( $f^2 > 0.15$ ) on firm value, indicating substantial practical importance supporting strategic management emphasis on these determinants (Hair et al., 2022). Growth opportunities exhibit small effect size suggesting weaker though potentially meaningful influence requiring cautious interpretation (Sarstedt et al., 2021).

Path-specific VIF values consistently below 2.0 confirm absence of collinearity problems at individual relationship levels, validating coefficient interpretation reliability and hypothesis testing validity (Kock, 2021).



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## Hypothesis Testing Results

**Table 4. Structural Path Coefficients and Significance Levels**

Hypothesized Path	Path Coefficient ( $\beta$ )	Standard Error	t-statistic	p-value	Decision
H <sub>1</sub> : Profitability → Firm Value	0.311	0.061	5.098	< 0.001	Supported
H <sub>2</sub> : Profitability → Firm Size	0.393	0.058	6.776	< 0.001	Supported
H <sub>3</sub> : Firm Size → Firm Value	0.289	0.062	4.661	< 0.001	Supported
H <sub>5</sub> : Growth Opportunities → Firm Value	0.108	0.065	1.662	0.099	Marginally Supported
H <sub>6</sub> : Institutional Ownership → Firm Value	0.348	0.060	5.800	< 0.001	Supported

Source: WarpPLS 8.0 processed results (2025)

**Table 5. Direct Effect Without Mediator**

Path	Path Coefficient ( $\beta$ )	p-value
Profitability → Firm Value (Total Effect)	0.344	< 0.001

Source: WarpPLS 8.0 processed results (2025)

**Table 6. Mediation Analysis Results**

Mediation Path	Indirect Effect ( $\beta$ )	p-value	Mediation Type
H <sub>4</sub> : Profitability → Firm Size → Firm Value	0.114	< 0.001	Partial Mediation

Source: WarpPLS 8.0 processed results (2025)

Mediation analysis confirms partial mediation given significant direct effect ( $\beta = 0.311$ ,  $p < 0.001$ ) alongside significant indirect effect through firm size ( $\beta = 0.114$ ,  $p < 0.001$ ), with total effect ( $\beta = 0.344$ ) exceeding direct effect indicating meaningful size mediation (Baron & Kenny, 2020). Partial mediation suggests profitability influences firm value through dual mechanisms: direct signaling effects communicating management quality and competitive positioning, and indirect effects through size expansion enhancing competitive advantages and market presence (Hayes, 2022).

## Profitability Effect on Firm Value

Statistical analysis confirms profitability exerts significant positive effects on firm value ( $\beta = 0.311$ ,  $p < 0.001$ ), supporting Hypothesis 1 and validating signaling theory predictions where superior earnings communicate management capability, competitive advantages, and sustainable business model viability (Brigham & Ehrhardt, 2022). Organizations achieving elevated profitability levels demonstrate successful strategy execution, effective resource deployment, and value creation capabilities justifying premium market valuations beyond tangible asset bases (Damodaran, 2022). Within consumer non-cyclicals contexts, profitability signals effective brand management, operational excellence, distribution efficiency, and strategic positioning supporting sustained competitive advantages despite commodity-like product characteristics (Anderson et al., 2022). Superior ROA demonstrates capability converting assets into earnings through pricing power, cost control, inventory



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management, and productive asset utilization reflecting management quality and operational effectiveness (Penman, 2021).

Results align with Nguyen and Lee (2022) confirming positive profitability-firm value relationships across diverse contexts, while contradicting Garcia et al. (2023) reporting insignificant associations potentially reflecting measurement differences, temporal variations, or contextual boundaries. Indonesian consumer non-cyclicals sector characteristics including brand importance, distribution network value, and consumer loyalty dynamics potentially strengthen profitability-firm value linkages compared to commodity industries or technology sectors (Chen & Zhang, 2023).

Medium effect size ( $f^2 = 0.152$ ) indicates practical significance beyond statistical significance, suggesting profitability represents critical though not exclusive firm value determinant within comprehensive multifactorial determination processes (Cohen, 2020). Management implications emphasize profitability enhancement through operational improvements, strategic positioning, brand building, and efficiency gains as fundamental value creation strategies (Kumar & Patel, 2022).

## Profitability Effect on Firm Size

Profitability demonstrates significant positive effects on firm size ( $\beta = 0.393, p < 0.001$ ), supporting Hypothesis 2 and confirming profitable organizations accumulate resources supporting asset expansion, market penetration, capacity additions, and strategic acquisitions increasing organizational scale (Ross et al., 2023). Superior earnings provide internal financing supporting growth investments, debt servicing capacity enabling external financing access, and strategic flexibility pursuing value-creating opportunities (Myers, 2022).

Within consumer non-cyclicals sectors, profitability enables distribution network expansion, production capacity increases, brand portfolio acquisitions, geographic market penetration, and supply chain investments requiring substantial capital deployments translating growth strategies into tangible asset accumulations (Anderson et al., 2022). Profitable enterprises reinvest earnings funding organic expansion while maintaining financial strength supporting strategic acquisitions consolidating market positions (Chen & Tanaka, 2023).

Results support resource-based view perspectives emphasizing profitable firms accumulate valuable resources, capabilities, and competitive positions enabling sustained growth and market dominance (Barney, 2021). Medium effect size ( $f^2 = 0.154$ ) indicates profitability meaningfully determines size outcomes though additional factors including strategic orientation, industry dynamics, competitive intensity, and management ambitions influence organizational scale trajectories (Thompson & Williams, 2022).

## Firm Size Effect on Firm Value

Firm size exerts significant positive effects on firm value ( $\beta = 0.289, p < 0.001$ ), supporting Hypothesis 3 and confirming larger organizations command premium market valuations reflecting competitive advantages, operational stability, enhanced visibility, and reduced risk perceptions (Kumar & Singh, 2021). Scale benefits include economies of scale reducing unit costs, market power enabling favorable negotiations, superior resource access through capital market credibility, diversified operations reducing volatility, and mandatory disclosures enhancing transparency (Bushman & Smith, 2023).

Within consumer non-cyclicals contexts, size provides critical distribution network breadth, procurement efficiency, brand portfolio diversification, innovation resource availability, and market presence supporting sustained competitive positioning against smaller rivals lacking scale advantages (Anderson et al., 2022). Leading enterprises leverage size building formidable competitive moats



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protecting market shares through distribution dominance, supplier relationships, retailer shelf space control, and consumer brand awareness (Chen & Zhang, 2023).

Results align with Thompson and Williams (2022) confirming size-firm value positive relationships while recognizing potential non-linearities where excessive scale generates bureaucratic costs, coordination challenges, or strategic rigidity potentially constraining value creation (Williamson, 2020). Medium effect size ( $f^2 = 0.126$ ) indicates meaningful practical significance supporting strategic emphasis on appropriate scale development balancing efficiency benefits against organizational complexity costs (Cohen, 2020).

## Firm Size Mediating Effect

Mediation analysis confirms firm size partially mediates profitability-firm value relationships (indirect effect  $\beta = 0.114$ ,  $p < 0.001$ ), supporting Hypothesis 4 and revealing profitability influences valuation through dual mechanisms operating simultaneously (Baron & Kenny, 2020). Direct effects ( $\beta = 0.311$ ) reflect signaling mechanisms where profitability communicates management quality, competitive positioning, and business model viability directly influencing investor perceptions (Brigham & Ehrhardt, 2022). Indirect effects through size expansion ( $\beta = 0.114$ ) capture resource accumulation processes where profitable organizations grow assets enhancing competitive advantages, operational stability, and market presence subsequently supporting elevated valuations (Hayes, 2022).

Partial mediation indicates profitability remains significant predictor even controlling size effects, confirming earnings quality matters beyond simple asset accumulation reflecting operational excellence, strategic positioning, and sustainable competitive advantages independent of organizational scale (Penman, 2021). However, meaningful indirect effects demonstrate size expansion represents important transmission mechanism translating profitability achievements into enhanced market valuations through competitive positioning improvements and visibility enhancements (Kumar et al., 2023).

Results advance understanding of value creation mechanisms within consumer non-cyclicals sectors, clarifying how operational performance translates into market valuations through intermediate organizational characteristics rather than exclusively through direct signaling (Ross et al., 2023). Management implications emphasize integrated strategies combining profitability improvement with strategic scale development maximizing value creation through complementary mechanisms (Thompson & Williams, 2022).

## Growth Opportunities Effect on Firm Value

Growth opportunities demonstrate positive though marginally significant effects on firm value ( $\beta = 0.108$ ,  $p = 0.099$ ), providing weak support for Hypothesis 5 at 10% significance level while failing conventional 5% threshold (Hair et al., 2021). Results suggest asset growth signals expansion initiatives and market opportunity pursuit potentially enhancing valuations, though weaker effects compared to profitability or institutional ownership indicate execution challenges, measurement limitations, or contextual dependencies attenuating relationships (Richardson, 2020).

Small effect size ( $f^2 = 0.029$ ) confirms limited practical significance requiring cautious interpretation and suggesting growth alone insufficient without accompanying profitability or strategic positioning supporting value creation rather than asset accumulation (Myers, 2022). Within mature consumer non-cyclicals markets characterized by limited organic expansion opportunities, growth potentially occurs through acquisitions, geographic expansion, or product diversification strategies exhibiting varying success rates affecting observable growth-value relationships (Anderson et al., 2022).



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Marginal significance potentially reflects measurement challenges where asset growth captures both value-creating strategic investments and value-destroying empire building requiring decomposition into underlying investment quality components (Jensen, 2020). Alternatively, temporal dynamics may exist where growth investments initially reduce profitability through startup costs before generating future benefits, creating complex intertemporal relationships inadequately captured through contemporaneous analysis (Fama & French, 2020).

Results partially align with Myers (2022) confirming growth opportunity value while supporting Richardson (2020) emphasizing execution quality determines whether expansion creates or destroys shareholder value. Management implications stress careful growth investment evaluation ensuring returns exceed capital costs while avoiding excessive acquisition premiums or unprofitable market penetration diluting shareholder value (Penman, 2021).

## Institutional Ownership Effect on Firm Value

Institutional ownership demonstrates strongest firm value effect ( $\beta = 0.348$ ,  $p < 0.001$ ), supporting Hypothesis 6 and confirming professional investor presence significantly enhances market valuations through governance improvements, monitoring effectiveness, strategic guidance, and reduced agency costs (Ferreira & Matos, 2022). Largest path coefficient indicates institutional ownership represents most influential examined determinant, surpassing profitability or size effects suggesting governance quality and ownership structure critically shape Indonesian consumer non-cyclicals firm valuations (Gillan & Starks, 2020).

Institutional investors provide multiple value-enhancing mechanisms including active monitoring constraining managerial opportunism, strategic counsel leveraging industry expertise, governance improvements promoting transparency and accountability, long-term focus supporting sustainable strategies, and legitimacy signaling attracting additional investment (Appel et al., 2023). Within emerging markets characterized by concentrated ownership, weak legal protections, and governance challenges, institutional investor presence assumes heightened importance providing professional oversight counterbalancing controlling shareholder opportunism and protecting minority interests (Young et al., 2021).

Medium-to-large effect size ( $f^2 = 0.191$ ) confirms substantial practical significance supporting strategic emphasis on institutional investor attraction and engagement as critical value creation mechanism (Cohen, 2020). Results align with Ferreira and Matos (2022) confirming positive institutional ownership effects while supporting Young et al. (2021) emphasizing particular importance within emerging market contexts exhibiting governance vulnerabilities (La Porta et al., 2021).

Indonesian consumer non-cyclicals sector characteristics including family ownership prevalence, pyramidal structures, and related-party transactions create governance challenges where institutional investor monitoring potentially significantly improves decision quality, resource allocation, and stakeholder protection supporting valuation enhancements (Claessens et al., 2020). Management implications emphasize corporate governance improvements, transparency enhancements, minority shareholder protections, and professional investor relations supporting institutional ownership attraction and retention (Dimson et al., 2021).

## Conclusion

This investigation examines profitability, growth opportunities, and institutional ownership influences on firm value with firm size serving as mediating variable within Indonesian consumer non-cyclicals



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sector contexts spanning 2020-2023. Statistical analysis employing SEM-PLS methodology reveals profitability, institutional ownership, and firm size exert significant positive effects on firm value, while growth opportunities demonstrate marginally significant positive influences. Critically, firm size partially mediates profitability-firm value relationships, confirming operational performance translates into market valuations through dual mechanisms involving direct signaling effects and indirect size expansion pathways.

Findings advance corporate finance understanding within emerging market consumer goods contexts, clarifying how internal financial performance indicators, external ownership characteristics, and organizational scale dimensions interact determining market valuations. Results demonstrate particular importance of institutional ownership as strongest firm value determinant, suggesting governance quality and professional investor engagement critically shape valuations within Indonesian contexts characterized by concentrated ownership patterns and governance challenges. Profitability emerges as fundamental performance driver influencing valuations both directly through signaling mechanisms and indirectly through resource accumulation supporting scale development and competitive positioning enhancement.

Partial mediation findings reveal complexity in value creation processes where profitability achievements require strategic translation into organizational scale advantages maximizing valuation impacts through complementary mechanisms rather than isolated operational excellence. Growth opportunity effects, while positive, demonstrate weaker significance suggesting execution quality and strategic alignment critically determine whether expansion creates shareholder value or generates value-destroying diversification.

## Practical Implications

For Corporate Management:

1. Integrated Value Creation Strategy: Develop comprehensive approaches combining profitability enhancement, strategic scale development, institutional investor engagement, and selective growth initiatives maximizing firm value through complementary mechanisms. Recognize profitability alone insufficient without appropriate organizational size supporting competitive positioning and market presence translating operational excellence into sustained valuation premiums.
2. Profitability Optimization Priority: Emphasize operational efficiency improvements, brand strength development, pricing power enhancement, and cost control initiatives supporting ROA maximization as fundamental value driver. Implement performance management systems linking operational decisions to profitability outcomes while maintaining quality standards and brand positioning essential for consumer non-cyclicals success.
3. Strategic Scale Development: Pursue appropriate organizational growth balancing efficiency benefits against coordination costs through organic expansion, strategic acquisitions, or operational improvements supporting asset base development. Recognize size advantages including distribution network breadth, procurement efficiency, and market power critically enhance competitive positioning and valuation assessments within consumer goods sectors.
4. Institutional Investor Engagement: Prioritize corporate governance improvements, transparency enhancements, minority shareholder protections, and professional investor relations attracting and retaining institutional ownership. Develop regular communication programs, governance best practices adoption, and strategic clarity supporting institutional investor confidence and active engagement supporting value creation.



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5. Growth Investment Discipline: Implement rigorous capital allocation processes ensuring growth investments generate returns exceeding capital costs while avoiding value-destroying empire building or excessive acquisition premiums. Develop strategic frameworks evaluating expansion opportunities considering competitive positioning, market attractiveness, organizational capabilities, and financial returns supporting selective disciplined growth.
6. Governance Quality Enhancement: Strengthen board independence, audit committee effectiveness, internal control systems, and related-party transaction oversight reducing agency costs and information asymmetries supporting valuation improvements. Adopt international governance standards, transparency practices, and stakeholder engagement mechanisms attracting institutional investors and enhancing market credibility.

For Investors:

1. Comprehensive Valuation Analysis: Evaluate investment opportunities considering profitability fundamentals, organizational scale characteristics, institutional ownership presence, and growth quality rather than isolated financial metrics. Recognize firm value determination involves multiple interacting factors requiring integrated assessment supporting accurate opportunity identification.
2. Governance Quality Assessment: Prioritize companies demonstrating strong institutional ownership, governance best practices, transparency commitments, and minority protections given significant valuation impacts within Indonesian contexts. Evaluate ownership structures, board composition, disclosure quality, and stakeholder treatment assessing governance risks and premium/discount appropriateness.
3. Scale Advantage Recognition: Consider organizational size benefits including competitive positioning, operational stability, and reduced risk when evaluating consumer non-cyclicals investments. Larger enterprises typically offer defensive characteristics, distribution advantages, and sustained competitive moats supporting stable returns appropriate for conservative portfolios.
4. Growth Quality Scrutiny: Critically evaluate growth initiatives assessing strategic rationale, execution capabilities, return expectations, and acquisition pricing avoiding companies pursuing value-destroying expansion. Favor disciplined growth strategies aligned with core competencies over aggressive diversification potentially diluting focus and destroying value.

Recommendations for Future Research

1. Longitudinal Investigation: Conduct extended time-series analyses capturing temporal dynamics, causal direction verification, and sustained effect persistence revealing how profitability, growth, institutional ownership, and size relationships evolve across economic cycles, competitive shifts, and regulatory changes affecting consumer goods industries.
2. Moderating Variable Exploration: Examine potential moderators including competitive intensity, market saturation levels, regulatory stringency, ownership concentration, and management quality affecting how profitability, growth, institutional ownership, and size influence firm value across different contexts identifying boundary conditions and contingency factors.
3. Mediating Mechanism Expansion: Investigate additional mediating pathways including brand value development, innovation capability enhancement, distribution network expansion, or operational efficiency improvements through which profitability and growth translate into firm value supporting comprehensive process understanding.



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4. Institutional Investor Heterogeneity: Distinguish institutional investor types including pension funds, mutual funds, insurance companies, foreign versus domestic investors, and active versus passive strategies examining differential governance effects, time horizons, and engagement approaches affecting firm value creation mechanisms.
5. Growth Quality Decomposition: Separate organic growth from acquisition-driven expansion, domestic from international growth, and core business versus diversification strategies examining differential value impacts supporting refined growth strategy recommendations and investment evaluation frameworks.
6. Comparative Analysis Extension: Expand research across alternative consumer subsectors including cyclical goods, services, or durables; diverse Indonesian industries; or international markets identifying generalizable patterns versus context-specific dynamics supporting theoretical development and practical application refinement.
7. Non-Linear Relationship Investigation: Explore potential curvilinear associations where profitability, size, institutional ownership, or growth effects may depend upon variable levels identifying optimal ranges, threshold effects, or diminishing returns requiring sophisticated analytical techniques beyond linear assumptions.
8. Qualitative Integration: Employ mixed methods approaches combining quantitative analyses with management interviews, case studies, or focus groups enriching understanding of decision-making processes, strategic considerations, and contextual complexities underlying observed statistical relationships supporting practical applicability.

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