MEASUREMENT OF FACTORS AFFECTING FIRM VALUE IN THE DIGITAL ERA

Agun Suhadak , Abdul Kadir Djaelani

Faculty of Economics and Business, University of Islam Malang

ABSTRACT

In the digital era, firm value has become a key focus in maintaining competitiveness and growth in a changing market. Measurement of factors affecting firm value is an essential aspect of business strategy. This study aims to identify and analyze the factors that influence firm value in the context of the digital era. The research method used involves analysis of secondary data, literature review, and quantitative approach to collect up-to-date information related to key factors affecting enterprise value in the digital era from various sources to evaluate the impact of innovation technology, data and analytics, digital business strategy, data security, technology adaptation, and adaptability to changes in the digital environment on enterprise value assessment. The results of this study can provide deep insights to business stakeholders, managers, and academics regarding the factors that should be considered in optimizing firm value in the ever-changing digital era. The implications of this research are expected to be the basis for more informed decision-making in the face of future business and technological challenges.

Keywords: **Enterprise Value, Digital Age, innovation technology, data and analytics, digital business strategy, data security, technology adaptation**,

INTRODUCTION

In today's business world, there are many growing companies that are trying to make a profit and improve the quality of the company to be better than its competitors. In running its business, the company will certainly need a manager to assist in making company decisions in order to achieve better performance and continue to increase. The role of managers in a company is indeed very important, but it is not only managers who play a role in improving the quality and profit of a company but there are other factors as well, for example from the company's funding factors and also its employees.

Investing activities for investors require a lot of information about the company they want to invest in. The information needed by investors can be obtained through evaluating the company's stock performance and financial statements. This is so that investors can estimate the optimal return they will get. Investors also need to know the factors that will affect the company's performance in the future. Investors make investment decisions based on changes in company value. The higher the company value, the lower the risk that investors must bear.

Investors highly value the notion of firm value because it serves as a proxy for the overall market opinion on the value of a company (Gunawan & Mayangsari, 2015). If a business is doing well, investors will assume that the business is worth more. Firm value is a value that can be used to measure how much the level of importance of a company can be seen from the point of view of various parties such as investors who associate the value of a company from its stock price. When the share price rises, the company value can create maximum wealth for shareholders. The higher the share price of a company, the greater the wealth of its shareholders. Therefore, firm value is very important to investors.

Company value is the main object and is very important for the future survival of the company. Because of the value of the company that reflects how good the company's assets are. With investment, it will provide a positive signal regarding the company's growth in the future, so that it can increase the company's value (signaling theory). In addition, the role of company management is also very important in order to produce the best company performance so that it can have an influence on maximizing company value. Company management is also expected to produce maximum company performance in order to maximize the value of the company as well.

The factors that determine the stock price as a representation of the company's value can be divided into three, namely internal, external and technical factors of the company. Internal and external factors are factors that are often used in decision making by investors while technical factors are more technical and psychological (Sudiyatno, 2010). The internal factors of the company in capital market analysis are often referred to as the company's fundamental factors. This study emphasizes the fundamental aspects of the company which are considered important in determining stock prices. Analysis of company fundamentals can be done by assessing financial statements, where companies need to know in detail what factors affect the value of the company so as to increase the value of the company in the long term. One of the factors that can affect firm value is digitalization.

Bertaniet al (2021) revealed that company value is not only obtained from something tangible, but can be obtained from something intangible such as digitalization. PwC (2016) defines digitalization as a management tool that helps company development by improving business models and reducing risk levels. Digitalization is also the movement of a business model towards digital. This means, in a business model there is the use of digital technology. The purpose of digitization is to provide new benefits and provide more opportunities to generate new value for business people.

Digital technology is a transition of processes that require less human energy. However, it is usually a highly automated and fully computer-driven operating system. The rapid development of digital technology is characterized by the existence of various communication tools that allow everyone to process, create, send and receive communication messages in any form, anytime and anywhere. As if it does not recognize the limits of space and time, it encourages the development of the mass media sector which is part of the communication component. As a result, we witness an onslaught of information from the mass media, both print and electronic. Whether we realize it or not, we are currently in a circle full of information. Of course, this has certain impacts on companies and their employees, both positive and negative. To survive and compete in the digital economy, actors need to understand the characteristics of the underlying concepts, because these concepts are very different from the classical economy we know. It is not uncommon for companies to have to transform their business in order to compete optimally in the digital economic environment.

The value of companies in the digital era and the previous era has changed significantly due to the transformation of technology, business patterns, and ways of interacting with consumers. Here are some differences between the value of companies in the digital era and the previous era:

1. Technology: The digital age is characterized by rapid technological advances, such as the presence of the internet, cloud computing, artificial intelligence, and data analytics. Companies in the digital era tend to have higher value if they are able to effectively leverage these technologies to optimize business processes, improve efficiency, and create more innovative products or services.

2. Market access and reach: In the digital age, companies have wider access to global markets through the internet and digital platforms. They can reach consumers around the world more easily than in previous eras. This enables significant business expansion and faster growth.

3. Focus on consumer experience: A company's value in the digital age is often tied to how well they understand and fulfill consumer needs. Focusing on the consumer experience is more important than ever. Companies that are able to provide consumers with a personalized, responsive, and enjoyable experience have higher value.

4. Changing business models: The digital age brings changes to business models, including an increase in subscription-based businesses, platform models, and the sharing economy. Companies in the digital age often adopt business models that are more flexible and adaptive to market changes.

5. Data availability and analysis: In the digital age, companies have greater access to data on consumer behavior, preferences, and market trends. The ability to analyze this data and draw valuable insights from it is key in optimizing business strategies and decision-making.

As such, companies in the digital age tend to have higher value if they are able to leverage technology, focus on consumer experience, adopt adaptive business models, and use data intelligently to support their business decisions.

Research Objectives

The purpose of this research is to analyze the influence of the progress of the information age on the value of the company, seen from the aspects of Technological Innovation, Data and Analytics, Digital Business Strategy, Adaptability and Cyber Security**.**

METHOD (12pt, bold)

This research method was conducted at service companies listed on the Indonesia Stock Exchange (IDX) by accessing and downloading the official website of the Indonesia Stock Exchange through the website www.idx.co.id . This study uses service companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022. This research uses quantitative methods. The analysis methods used to answer this research question are descriptive statistical analysis, classical assumption test, multiple linear regression analysis, hypothesis testing, and differential testing. In this study, data analysis was processed using the SPSS application. Previously, classical assumption tests and descriptive statistics were carried out. Sampling was carried out using purposive sampling method. This study will examine the measurement of factors that affect firm value in the digital era. This study uses a population of all service companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022.

RESULTS AND DISCUSSION

Based on research studies examining Company Value in the Digital Era, there are several important factors, namely:

Technological Innovation Factor

Technological innovation factors are very important to the value of companies in the digital era due to the fundamental transformation in the way companies operate, interact with customers, and compete in the market. Some of the reasons why technological innovation is critical to enterprise value in the digital age include :

* Competitiveness: Technological innovation enables companies to stay relevant and compete in a constantly changing market. Companies that adopt new technologies or develop innovative solutions often have a significant competitive advantage over their competitors.

* Operational Efficiency: Technological innovations enable companies to improve their operational efficiency. Process automation, the use of advanced software, and system integration can save time, costs, and resources.

* Opening New Opportunities: Technological innovation often opens up new opportunities for companies to explore new markets, develop different business models, or create unprecedented products or services. This can help companies to grow and expand their scope.

As such, technological innovation plays a key role in enhancing enterprise value in the digital age by providing better competitiveness, improving operational efficiency, opening up new opportunities, and maintaining enterprise relevance in a changing business environment.

Data and analytics factors

The data and analytics factor is critical to enterprise value in the digital age for a variety of reasons that include:

1. Better Decision Making: Data and analytics enable companies to make more informed decisions. By collecting and analyzing data thoroughly, companies can better understand trends, patterns, and consumer behavior. Decisions supported by data analysis tend to be more accurate and minimize the risk of errors.

2. Business Performance Optimization: Data analytics allows companies to identify growth opportunities, optimize operations, and improve efficiency. By understanding their operational data, companies can adjust their strategies to achieve better performance.

3. Measuring Performance and ROI: With analytics, companies can measure the performance of various initiatives, marketing campaigns, or business strategies. This allows them to evaluate ROI (Return on Investment) and make the necessary adjustments to improve the effectiveness of their activities.

Therefore, in the highly connected and information-driven digital age, data and analytics are becoming a very important foundation for companies. Being able to collect, analyze, and take action based on data is the key to achieving competitive advantage and increasing enterprise value in a dynamic business environment.

Digital Business Strategy Factors

Digital business strategy is critical in determining the value of a company in the digital age as it plays a key role in directing the company to capitalize on the potential of technology and the opportunities offered by the digital environment. Here are some of the reasons why digital business strategy factors are so important to a company's value in the digital age:

1. Adaptation to Change: Today's business environment is changing rapidly due to technological advancements. A digital business strategy allows companies to adapt to these changes. Companies that have a solid digital strategy are better equipped to deal with changes in the market, technology, and consumer needs.

2. Operational Efficiency: A digital business strategy helps improve operational efficiency through process automation, software usage, data analysis and technology infrastructure optimization. This can reduce operational costs and increase productivity, which in turn increases enterprise value.

3. Access to Global Markets: Through digital business strategies, companies can expand access to global markets by using online platforms and digital networks. This allows companies to reach consumers in different parts of the world, which can contribute to revenue growth and company value.

Therefore, digital business strategy is key in creating enterprise value in the digital age as it helps companies to adapt to change, increase innovation, improve efficiency, provide a better consumer experience, and enable access to a wider market. By having the right strategy in the use of technology and digital ecosystems, companies can increase their competitiveness and value in a changing business environment.

Adaptability Factor

Adaptability is critical to enterprise value in the digital age as today's business environment is characterized by rapid and constant change. Some of the key reasons why adaptability is so important in the digital age include:

1. Technological Change: Technology continues to evolve rapidly in the digital age. Companies that are unable to adapt to technological changes can fall behind and lose competitiveness. The ability to adopt new technologies or design innovative technology-based solutions can help companies to improve efficiency, expand markets, and create significant added value.

2. Changing Consumer Patterns: Consumer preferences and behaviors are constantly changing along with changing trends, cultural developments, and technological advancements. Companies that are able to adapt quickly to these changes can adjust their products, services, and marketing strategies so that they remain relevant and attractive to consumers.

3. Business Environment Uncertainty: The digital age is often characterized by high levels of uncertainty, such as regulatory changes, market fluctuations, and other unexpected events. Adaptability allows companies to be more responsive to unexpected changes in the business environment, thereby mitigating risks and capitalizing on emerging opportunities.

Overall, adaptability is critical in the digital age as it helps companies to remain relevant, innovative and competitive in the face of rapid and dynamic changes in today's business environment. Good adaptability can increase the value of companies by enabling them to respond quickly to market and technological changes.

Cyber Security Factors

Cyber security factors are important to enterprise value in the digital age for a variety of reasons including:

1. Customer Data Protection: Companies in the digital age often collect and store customer data online. Poor cyber security can result in sensitive data leaks, such as customers' personal information or financial transaction data. Vulnerabilities in security can undermine customer trust, which can reduce brand value and lead to decreased consumer confidence.
2. Financial Loss: Cyber attacks such as hacking, malware, or ransomware attacks can cause huge financial losses to companies. The costs associated with recovering from an attack, data loss, or ransom payments can be devastating. This can directly affect a company's financial health and lower its value in the eyes of investors and shareholders.
3. Decreased Productivity and Operational Performance: A successful cyberattack can disrupt overall business operations. Disrupted or malware-infected systems can hamper employee productivity and disrupt services to customers. This can lead to a decline in operational performance and a negative impact on company value.

Thus, cyber security factors in data protection, financial risk mitigation, preservation of competitive advantage, maintaining operational productivity, and complying with laws and regulations. Efforts to strengthen cyber security are not only an important step to protect corporate assets, but also play a key role in maintaining enterprise value in the online-connected digital age.

CONCLUSION

In the digital age, measuring the factors that influence enterprise value has become increasingly complex. Some of the important factors that play a major role in determining a company's value in the digital era include technological innovation, effective data presence and management, adaptability to market and technological changes, presence in relevant online spaces, and the ability to digitally leverage and understand consumer behavior. In conclusion, in the digital era, enterprise value is greatly influenced by a company's ability to adapt, innovate, and effectively utilize technology and data to meet changing market needs and expectations.

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