DETERMINANTS OF THE RELATIONSHIP BETWEEN STRATEGIC PERFORMANCE AND SHAREHOLDERS' VALUE CREATION: BEYOND FINANCIALS

A Dissertation

Submitted to the Faculty of Argosy University/Sarasota in partial fulfillments of the requirements for the degree of Doctor of Business Administration

by

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Nowadays, there is a generalized consent in relating strategy with value creation. In this
zeal to define value creation there was a remarkable emphasis to associate it with
financials. This work pivoted between the fields of strategy and value analysis toward the
assessment of determinants of shareholders’ value creation. The purpose of the study was
to identify what kind of relationship links strategic performance with shareholder’s value
creation and what its main determinants were. The research was also focused on
identifying differences between determinants within and among industries and if their
relative weights were different too. The final interest of this work was to assess if
determinants could work as predictors of shareholders’ value creation. A sample of 919
diversified listed companies in the NYSE or NASDAQ were studied along the period
1996-2005. Strategic performance was measured through Fortunes’ Corporate Reputation Report attributes: quality of management, quality of products and services, financial soundness, long-term investment value, wise use of corporate assets, innovativeness, ability to attract and retain talented people, and social responsibility to the community and the environment. Compustat database was used to extract data related to shareholders’ value creation as M/B ratios and shareholders’ annual and abnormal returns. Findings suggested that the relationship between strategy and value analysis, far from being conceptual, is statistically significant and therefore it could be quantified. All strategic performance variables were significantly related to M/B, shareholders’ annual returns and shareholders’ abnormal returns, indicating collateral value creation processes to other stakeholders different than shareholders. Findings also showed that industries present different degrees of differentiation within competitors in determinants and the same differences were accounted among sectors, industry groups and industries. When the prediction power of determinants was assessed, the portfolio of top performers companies were able to explain shareholders’ abnormal returns, being this fact confirmed by the empirical evidence. Implications of this study were related to strategy modeling, corporate performance measurement, market research and portfolio management. Future research was pointed in topics like customers’ value creation, social responsibility and corporate value, determinants differentiation and industries’ regulation, abnormal returns as value creation measurement standard and quality of management.
DEDICATION

To my wife Mónica, for her patience, encouragement and love. She was my strength and guidance through this entire journey. To my daughter Marina and my son Santiago, for their support and understanding when their father could not be with them in some important moments. No words can express how the power of love of my family moved me to surpass difficulties when things seemed to overwhelm me. I can say, without doubts that this work does not belong to me; it is ours. My gratitude and indebtedness to you for ever.
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To my parents, thank you for your education and love, inculcating me the value of knowledge as a priceless asset. Your support that sustained me in all my failures and triumphs, gave me the opportunity to succeed.

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## LIST OF TABLES

Table 2.1: Value-drivers categories (Walters, 1997) ........................................... 32

Table 4.1: Companies in the database .................................................................. 80

Table 4.2: Industries ............................................................................................ 90

Table 4.3: Industry groups .................................................................................. 92

Table 4.4: Sectors ............................................................................................... 93

Table 4.5: Companies total market capitalization frequency distribution .......... 95

Table 4.6: Descriptive statistics for independent and dependent variables .......... 98

Table 4.7: Frequency distribution of M/B values ................................................. 99

Table 4.8: Descriptive statistics for the dependent variable after being filtered ...... 100

Table 4.9: Correlation between overall performance and M/B ....................... 103

Table 4.10: Linear regression coefficients between overall performance and M/B ... 104

Table 4.11: Correlation matrix for $x_1$ to $x_8$, with $y_0$ .................................. 107

Table 4.12: Model summary Linear regression between $x_1$ to $x_8$, and M/B ........ 109

Table 4.13: Linear regression coefficients between $x_1$ to $x_8$, and M/B .......... 110

Table 4.14: Independent variables transformation from scale to categorical .......... 114

Table 4.15: Analysis of variance for quality of management and M/B ............... 115

Table 4.16: Post-Hoc tests, multiple comparisons for $x_1$ to $x_8$ within Oil, Gas &

Consumable Fuels industry .............................................................................. 116

Table 4.17: Post-Hoc tests, multiple comparisons for $x_1$ to $x_8$ within Computers &

Peripherals industry ......................................................................................... 118
Table 4.18: Post-Hoc tests, multiple comparisons for $x_1$ to $x_8$ within Pharmaceuticals industry ................................................................. 120

Table 4.19: Post-Hoc tests, multiple comparisons for $x_1$ to $x_8$ within Commercial Banks industry ......................................................................................... 122

Table 4.20: Post-Hoc tests, multiple comp. for $x_1$ to $x_8$ within Software industry........ 124

Table 4.21: Post-Hoc tests, multiple comparisons for $x_1$ to $x_8$ within Food & Staples Retailing industry.................................................................................................................. 126

Table 4.22: Mean differences between top performers and worst performers companies within industry .................................................................................................................. 128

Table 4.23: Estimated marginal means for Sectors by $x_1$ to $x_8$ ............................................. 132

Table 4.24: Analysis of variance for sectors by quality of management......................... 134

Table 4.25: Analysis of variance for sectors by quality of products and services........ 135

Table 4.26: Analysis of variance for sectors by financial soundness........................ 136

Table 4.27: Analysis of variance for sectors by long term investment value............. 137

Table 4.28: Analysis of variance for sectors by use of assets........................................ 138

Table 4.29: Analysis of variance for sectors by innovation........................................... 139

Table 4.30: Analysis of variance for sectors by employee talent ................................ 140

Table 4.31: Analysis of variance for sector by social responsibility......................... 141

Table 4.32: Mean differences between top performers and worst performers companies among major sectors ................................................................................................................ 142

Table 4.33: Estimated marginal means for Industry Groups by $x_1$ to $x_8$ .................. 143

Table 4.34: Analysis of variance for industry groups by quality of management......... 145

Table 4.35: Analysis of variance for industry groups by quality of products and serv... 146
Table 4.36: Analysis of variance for industry groups by financial soundness ................. 147
Table 4.37: Analysis of variance for industry groups by long term investment value ... 148
Table 4.38: Analysis of variance for industry groups by use of assets................................. 149
Table 4.39: Analysis of variance for industry groups by innovation.................................... 150
Table 4.40: Analysis of variance for industry groups by employee talent ....................... 151
Table 4.41: Analysis of variance for industry groups by social responsibility ............... 152
Table 4.42: Mean differences between top performers and worst performers companies among industry groups............................................................................................... 153
Table 4.43: Analysis of variance within industry major sectors for x₁ to xₘ ........................... 154
Table 4.44: Correlation table for independent variables x₁ to xₘ based 1996, and dependent variable M/B 96; M/B 97; M/B 98; M/B 99; M/B 00; M/B 01; M/B 02; M/B 03; M/B 04; and M/B 05 ........................................................................................................ 163
Table 4.45: Regression equation coefficients for independent variables x₁ to xₘ based 1996, and dependent variable M/B 96; M/B 97; M/B 98; M/B 99; M/B 00; M/B 01; M/B 02; M/B 03; M/B 04; and M/B 05 ........................................................................................................ 164
Table 4.46: Regression equation coefficients for independent variables x₁ to xₘ based 2001, and dependent variable M/B 01; M/B 02; M/B 03; M/B 04; and M/B 05 ........................................................................................................ 165
Table 4.47: Regression equation coefficients for independent variables x₁ to xₘ based 2001, and dependent variable M/B 01; M/B 02; M/B 03; M/B 04; and M/B 05 ........................................................................................................ 166
Table 4.48: Companies that performed 10 consecutive years in x₁ to xₘ ........................... 167

x
Table 4.49: Regression equation coefficients for independent variable 5y moving averages overall performance ................................................................. 171

Table 4.50: Discriminant analysis between 5y overall performance moving averages and 5y M/B moving averages ................................................................. 172

Table 4.51: Regression equation coefficients for independent variable 5y mov. avg. overall performance and dependent variable 5y mov. avg. annual return .......... 173

Table 4.52: Discriminant analysis between 5y overall performance moving averages and 5y annual returns moving averages ............................................. 174

Table 4.53: Abnormal returns for Software & Services, and Energy industry groups for the period 1997-2005 .............................................................................. 175

Table 4.54: Regression equation coefficients for independent variable 5y moving averages overall performance and dependent variable 5y moving average abnormal returns ................................................................. 176

Table 4.55: Discriminant analysis between 5y overall performance moving averages and 5y moving averages abnormal returns ......................................... 177

Table 4.56: Summary of hypotheses test results ........................................................................................................... 185
LIST OF FIGURES

Figure 2.1: Framework of Walter's and Rappaport's value drivers .................................................. 26
Figure 2.2: Stakeholders' dynamics ................................................................................................. 37
Figure 2.3: Framework of a cause-and-effect value creation system ............................................ 49
Figure 4.1: Frequency distribution for the dependent variable after being filtered .................. 100
Figure 4.2: Empirical evidence portfolios criteria ............................................................................ 179
Figure 4.3: Empirical evidence 9 year holding portfolios performances ....................................... 181
Figure 4.4: Empirical evidence 5 year holding portfolios performances ....................................... 181
# TABLE OF CONTENTS

Abstract .................................................................................................................. iii
Copyright Page ........................................................................................................ v
Dedication ................................................................................................................ vi
Acknowledgements .................................................................................................. vii
List of Tables ........................................................................................................... viii
List of Figures .......................................................................................................... xii

**CHAPTER ONE: PROBLEM**

The Problem ........................................................................................................... 1
Problem Background ............................................................................................... 5
Literature Review .................................................................................................... 7
  Shareholders’ Value Creation ............................................................................... 7
  Measuring Strategic Performance ........................................................................ 10
  Value Based Management and the Balanced Scorecard Convergence ............... 11
  Summary ............................................................................................................... 12
Purpose of the Study ............................................................................................... 13
Importance of the Study ......................................................................................... 14
Research Questions ................................................................................................. 15
Limitations/Delimitations ....................................................................................... 17
Definitions ............................................................................................................... 18
Summary and Overview of the Study .................................................................... 20

**CHAPTER TWO: LITERATURE REVIEW**

Introduction ............................................................................................................ 21
Assessing Shareholders' Value Creation .................................................. 21
Measuring shareholders’ value creation ................................................. 25
Corporate Value as Multiple Stakeholders’ Value Creation Processes .... 34
Measuring Strategic Performance ......................................................... 38
The financial side of strategic performance ........................................... 39
Internal processes and the human capital approach of strategic performance ......................................................... 40
Integrative models: the Balanced Scorecard .......................................... 43
Connecting Strategic Performance with Shareholders’ Value Creation .... 47
The Fortune’s Corporate Reputation Report as a Massive Balanced Scorecard . 50

Literature Review Summary .................................................................. 53

CHAPTER THREE: METHODOLOGY

Purpose of the Study ............................................................................. 56
Research Design .................................................................................... 57
Selection of Participants ....................................................................... 59
Instrumentation .................................................................................... 60
Sources of Data ..................................................................................... 61
Measuring Strategic Performance ......................................................... 61
Measuring Shareholders’ Value Creation .............................................. 66

Data Processing and Analysis ............................................................... 66
Data Presentation .................................................................................. 77

CHAPTER FOUR: FINDINGS

Introduction .......................................................................................... 78
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restatement of the Purpose</td>
<td>78</td>
</tr>
<tr>
<td>Description of the Data Sample Used in the Study</td>
<td>78</td>
</tr>
<tr>
<td>Descriptive Statistics</td>
<td>96</td>
</tr>
<tr>
<td>Results of the Study</td>
<td>101</td>
</tr>
<tr>
<td>Research Question 1</td>
<td>101</td>
</tr>
<tr>
<td>Research Question 2</td>
<td>105</td>
</tr>
<tr>
<td>Research Question 3</td>
<td>111</td>
</tr>
<tr>
<td>Research Question 4</td>
<td>129</td>
</tr>
<tr>
<td>Research Question 5</td>
<td>155</td>
</tr>
<tr>
<td>Empirical evidence</td>
<td>178</td>
</tr>
<tr>
<td>Findings Summary</td>
<td>182</td>
</tr>
<tr>
<td>CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</td>
<td></td>
</tr>
<tr>
<td>Summary</td>
<td>186</td>
</tr>
<tr>
<td>Conclusions</td>
<td>198</td>
</tr>
<tr>
<td>The Relationship between Strategic Performance and Shareholders’ Value Creation</td>
<td>198</td>
</tr>
<tr>
<td>Differentiation and the Determinants of Shareholders’ Value Creation</td>
<td>200</td>
</tr>
<tr>
<td>Determinants of Strategic Performance as Predictors of Shareholders’ Value Creation</td>
<td>201</td>
</tr>
<tr>
<td>Prediction power of determinants</td>
<td>202</td>
</tr>
<tr>
<td>Moving averages versus year to year measures</td>
<td>202</td>
</tr>
<tr>
<td>Shareholders’ value creation, market trends and differential risk</td>
<td>203</td>
</tr>
<tr>
<td>Limitations</td>
<td>204</td>
</tr>
</tbody>
</table>
Implications for Practice .......................................................... 205
Recommendations ................................................................. 206
REFERENCES .................................................................. 208
Appendix A: Standard & Poor’s 500 Index Evolution 1996-2006 .......................... 217