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Yen Joe, Wong

Universiti Utara Malaysia

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Wong Yen Joe

Universiti Utara Malaysia

Abstract

A company's profitability performance or return on assets (ROA) can be affected by its internal and external variables. The internal variables that used in this study were operating margin, corporate governance index, current ratio and average collection period whereas the external variables used were inflation, GDP, interest rate, exchange rate and standard deviation. The main objective of this study was to examine the impacts of firm-specific factors and macroeconomics factors towards company performance. The independence variables of firm-specific factors and macroeconomics factors were examine to determine their relationship with the dependence variable which is the company performance or ROA. Data were gathered through company's annual reports, Focus Economics, World Bank and International Monetary Fund (IMF) and was analyzed by using Statistical Package for Social Science (SPSS) version 22. Besides, this study applied descriptive analysis, correlation analysis, coefficients and multiple regression analysis to examine the relationship among the variables. The multiple regression analysis of company performance shows that there is significant relationship with average collection period and inflation. The recommendation for this study is that Salesforce Inc should practices a well risk management in order to mitigate the unexpected threats. In addition, Salesforce Inc should also invest in corporate social responsibility to maintain its sustainability development. This study is able to help people in studying the impacts of the firm-specific variables and macroeconomics variables towards the company performance.

Keywords: *Firm-specific Factors, Macroeconomics Factors, Company Performance*

1.0 Introduction

Salesforce Inc was a company founded in 1999 by Marc Benioff, Dave Moellenhoff, Frank Dominguez and Parker Harris that provides enterprise software, which delivered through the cloud. The company focused on customer relationship management (CRM) and was a global leader of customer relationship management with more than 150,000 users (Salesforce.com, Inc.: Company Profile, n.d.). The customer relationship management (CRM) is a technology that enables companies to improve their interactions and relationships with customers with a goal to improve business relationships. It is also a tool that helps companies with sales management, stay connected to customers, productivity and so on (Salesforce.com, Inc.: Company Profile, n.d.).

Salesforce Inc enables companies of all sizes and industries to connect with customers in a new way through emerging technologies such as cloud, Internet of Things ("IoT"), mobile, artificial intelligence ("AI") and social, to work more efficiently and grow their business as well (Salesforce Inc, 2019). The cloud based applications of Salesforce Inc that can manage customer relationships including Marketing and Commerce Cloud, Sales Cloud, Service Cloud as well as Salesforce Platform (Salesforce.com, Inc.: Company Profile, n.d.). Salesforce Inc provides service that can easily be used. For example, customers can be quickly deployed via mobile devices and internet browsers. Salesforce' customers come from businesses of all sizes and a variety of industries on subscription basis (Salesforce Inc, 2019).

Salesforce Inc operates based on core values such as equality, trust, innovation and growth. Customers trust their technology in the aspect of availability, security and reliability. The continuous of innovation and democratization of both innovation and technology brings mutual growth for the company (Salesforce Inc, 2018). However, Salesforce Inc had faced some issues that might affect the soundness of its corporate governance. For example, Salesforce Inc had faced the issue with its cloud service and caused outage for some customers. Technical snafu results in customers losing access to the company's popular online services. Service Cloud and Sales Cloud, two largest products of Salesforce Inc are affected by downtime. The interruptions that happened caused customers to make claims or terminate their subscriptions against Salesforce, thus reduce company's revenue and affect the reputation of Salesforce Inc (Novet, 2019).

Besides, the company faced some issues that associates with its unfair compensation structure. Marc Benioff, the CEO of Salesforce Inc complained by some investors regarding to his hefty compensation package in 2015 and it is not in line with the company's performance. For example, Benioff would not be eligible for incentive payouts if Salesforce's stock price did not achieve a certain target goal. In July 2015, the excessive compensation of Salesforce's directors had been alleged by shareholders that seek equity in compensation structure (Eugene, 2016). These issues more or less will influence the reputation and soundness of its corporate governance.

There are various types of risks that might be faced by a company. Risks and uncertainties will adversely affect the operations, cash flows and financial condition of a company and consequently impacts on its performance (Salesforce Inc, 2019). The main types of risk that associated with Salesforce Inc including credit risk, liquidity risk, operation risk and market risk. These risks will bring different impacts to the company and will definitely affect its company's corporate governance and performance.

1.1 Problem Statement

The internal and external environments will affect a company's corporate governance and its performance. According to Marwan & Rohami (2018), credit risk, operational risk and liquidity risk are the firm-specific factors that can influence the company performance especially bank. Credit risk has the level of valuable assortment which occurs in debt instruments because of the diversity of indebted individuals and their creditworthiness. Most of the time, it is a key risk for banks. Besides, operational risk is asymmetrical and will affect a company's gains or losses. A company might face loss if there is inadequate or failure in internal procedures, people and systems. Meanwhile, liquidity risk occurs when the company has insufficient liquid resources for new investments and compensating any contractual or financial commitment. According to Klaassen & Eeghen (2009), market risk is the macroeconomics factor that caused loss due to the fluctuation in market indicators such as GDP, interest rate, standard deviation, inflation and exchange rate.

As noted, there are numerous studies conducted to investigate the relationship between internal and external factors and their impact on the bank performance. However, there is lack of study carried out to investigate the relationship between firm-specific and macroeconomics factors and its impacts on company performance especially software company. It is crucial to find out how can the firm-specific factors and macroeconomics factors can actually affect the software company's performance. Therefore, this study is going to examine the impacts of firm-specific factors (credit risk, operational risk and liquidity risk) and macroeconomics factors (market risk) towards the software company's performance. This study conducted to ensure that people has better understanding about the relationship between the variables in this study.

1.2 Research Objectives

1. To examine the firm-specific factors towards company performance
2. To examine the macroeconomics factors towards company performance
3. To examine the firm-specific factors and macroeconomics factors towards company performance

1.3 Research Questions

1. Is there any relationship between firm-specific factors and company performance?
2. Is there any relationship between macroeconomics factors and company performance?
3. Is there any relationship between firm-specific factors and macroeconomics factors and company performance?

2.0 Literature Review

2.1 Corporate Governance

Corporate governance does not have a single definition and it can be viewed from a different perspective. Generally, corporate governance describes the processes, policies, institutions, customs and laws that guide organization and companies to take action, manage and control how they operate, achieve organizational goals and manage relationships between stakeholders such as shareholders and board of directors. Governance determines how the company's top decision maker such as executor actually performs such contracts (Khan, 2011). Besides, corporate governance is the system in which corporations or organizations are directed and controlled. The company's corporate governance structure defines the rights and responsibilities between different participants such as shareholders, boards, managers and other stakeholders (Khan, 2011).

Meanwhile, according to Malik & Abdul (2017), corporate governance is a structure and technique that control the business activities of an organization to expand its business. It is a framework that is ultimately used for organizational control and guidance. Senior management is responsible for the governance of the organization. The governance part of the shareholders is to hire those auditors and executives for the company's profit and to perform their duties to ensure the development of a competent corporate structure. Corporate governance arrangements are not limited to internal administration of the company, but also related to the company's relationships with its stakeholder, customers and suppliers. The growing demand for stock and other assets by the organization has expanded the vibrancy of corporate governance in the world. Therefore, raising investment funds is very competitive for the organizations (Malik & Abdul, 2017). The good corporate governance practices of an organization can be measured by using the corporate governance index based on five principles such as accountability, fairness, transparency, independence and sustainability.

2.1.1 Importance of Corporate Governance

In recent years, the company has undergone many changes, including the ownership structure of financial institutions, listed companies and mutual funds. These changes have forced many organizations to effectively control the management structure of companies, leading to the implementation of corporate governance (Radebe, 2017). Good corporate governance helps to prevent company's fraud, potential corporate civil, scandals and criminal liability. This can enhance a company's image and reputation and make it more attractive to customers, investors, suppliers and other stakeholders. Corporate governance is important for shareholders because it enhances the company's confidence in better return on investment. For stakeholders such as employees, suppliers, communities and customers, corporate governance ensures the company is behave and treats society and the environment in a responsible manner (Goel, 2018). According to Shafi (2004), effective corporate governance also makes it difficult for corruption to develop and root in the company, helping to reduce corruption in business transactions.

2.1.2 Impacts of Corporate Governance on Company Performance

The economic success of a company depends not only on innovation, quality management and efficiency but also depends on compliance with the corporate governance principles. This is because the implementation of corporate governance standards has improved the company's financial performance and has had a positive impact on the internal efficiency of companies in developed economies. According to a study which carried out by Millstein and MacAvoy, corporations with the independent and active boards of directors can generate higher economic profit. This further support the assumption that corporate governance is matters to corporate performance (Shafi, 2004). However, the lack of transparency and the poor disclosure practices will reduce the corporate governance mechanisms' effectiveness. In the long term, the global financial crisis and corporate scandals reinforce the advantages of sound corporate governance structures in improving corporate performance and its sustainability (Goel, 2018).

2.2 Major Types of Risk of a Company

Generally, risk involves exposure to certain types of danger. It also involves likelihood of loss or injury. From the perspective of finance, risk usually refers to the opportunity that the actual return of the outcome or investment is different from the expected return of the outcome or investment. Risk may include the possibility of losing all or some of the original investment (James, 2019). For a company, risk refers to the uncertainty that threatens the ability of the company to meet its financial goals (Kenton, 2019). Salesforce Inc might face some risks that threaten its business performance such as credit risk, operation risk, liquidity risk and market risk. Credit risk, operational risk and liquidity risk are considered as firm-specific factors that can influence the company performance whereas market risk is the macroeconomics factor that indirectly influences the company performance.

2.2.1 Credit Risk

Credit risk or 'default risk' refers to the possibility of loss due to the borrower's failure to repay the loan or perform its contractual obligations. Traditionally, it is the risk that the lender may not be able to receive the principal and interest owed, which will cause an interruption in cash flow and an increase in the cost of collection. When borrowers default on debt, the company will face loss. However, the severity of loss can be reduced by proper assessment and management of credit risk (Labarre, 2019). Credit risk can have an effect on a company's performance. According to a study carried out by Miller & Noulas (1997), there is a negative correlation between credit risk and company's performance. Company with higher credit risk is considered less efficient, thus affect its performance (Marwan & Rohami, 2018). The credit risk can be measured by using the following formula:

$$\text{Average Collection Period: } \text{Account Receivable} / (\text{Revenue} / 365 \text{ Days})$$

It is important to manage company's credit risk and have an effective credit risk management. Monitoring credit risk allows the executive management of a company to know which potential accounts are likely to be high risk and exceed their identified risk tolerance. The effective credit risk management helps to reduce company's loss and imperative business's growth and long term sustainability. The company is able to secure a competitive advantage and improve their overall performance by eliminating frauds and bad debts (Cognite, 2019).

2.2.2 Operational risk

Operational risk is the hazards and uncertainties that a company faces in its daily business activities. It is a type of risk that caused by inadequate or failed in systems, internal procedures and people as opposed to the problems that incurred from external forces (Segal, 2019). In essence, they are usually not as visible as other risks and are difficult to determine accurately. The scope of operational risk ranged from very small, such as the risk of loss because of human mistakes, and to very large, for example risk of bankruptcy caused by serious fraud. The operational risk can happen at every level of the organization (Matthews, 2008). Operating margin can have an effect on a company's performance. According to a study conducted by Aruwa & Musa (2014), it is a negative correlation between operational risk and company's performance. The future predicted cash flows is maximized by managing the operational risk and thus increase the company's performance (Marwan & Rohami, 2018). The operational risk can be measured by using the operating margin. The formula for operating margin is shows below:

$$\textit{Operating Margin: Operating Income/ Sales Revenue}$$

It is significant to manage the uncertainty results caused by the business threatening events. A company can examine the operations and facility to identify the potential risk that is costly to the company through the operational risk assessment. Then, an effective operational risk management manages the risks that may occur unexpectedly and that will adversely affect the businesses' operation. Therefore, managing operational risk is very important to limit excessive portfolio concentrations, prevent fraud and reduce errors for a company (Hemrit & Mounira, 2012).

2.2.3 Liquidity Risk

Liquidity is the ability of the company to repay debt without suffering catastrophic losses. Meanwhile, liquidity risk is the result of a lack of marketability, which cannot be traded quickly enough to minimize or prevent losses. The liquidity risk occurs when the company is unable to meet their short-term debt obligations. Hence, company may not be able to convert assets into cash due to inefficient market or lack of buyers. A company must sell its assets to increase revenue if it has too much liquidity risk (Bird & Kenton, 2019). Liquidity risk can have an effect on a company's performance. According to a study conducted by Tabari et al. (2013), there is a negative correlation between liquidity risk and company's performance. Liquidity risk will deteriorate the performance of a company if it is not managed well (Marwan & Rohami, 2018). The liquidity risk can be measured by using current ratio. The formula for current ratio is shows as below:

$$\textit{Current Ratio} = \textit{Current Assets} / \textit{Current Liabilities}$$

It is vital for a company to manage liquidity risk because there are so many companies bankrupt because of the cash flow issues. In essence, liquidity represents company's financial performance and the ability to convert asset into cash. Hence, liquidity management is an appropriate way to manage company's assets such as cash which will help them to meet their contemporary liabilities. Moreover, a company can maintain financial stability through managing the cash flow and assets. Financial stability is important for a company because it make sure that the company is able to cover expenses, make investment and continue their business operations (Vickery, 2018).

2.2.4 Market Risk

Market risk is the economic losses caused by the adverse changes in market variables such as gross domestic product (GDP), inflation, interest rate, exchange rate and standard deviation. In other words, it is also a risk that prices of financial assets are determined in financial markets. Thus, market risk is one of the major concerns for investors and traders. It is important for a company to manage market risk because it is unavoidable and tend to occur when fluctuation in exchange rate, interest rate, inflation and GDP. An effective market risk management enables the company to predict fluctuations in all these economic variables and help to improve the company's profitability.

(a) Gross Domestic Product (GDP)

Gross domestic product (GDP) measure the value of the final goods and services which produced by a country for a period of time. GDP is an important indicator to measure the overall domestic production and it can be used as a comprehensive scorecard for the country's economic health (OECD, 2009). The changes in GDP can have an effect on a company's performance. When GDP of the country is strong, the company has confidence to invest more and investment has laid the foundation for future economic growth. Besides, the company can hire more worker and able to pay higher wages or salaries for them when the GDP growth is strong. However, if the GDP growth is low or the economy is in recession, the workers may be retrenched or get lower wages and the company is reluctant to invest (What is GDP and its impact, 2013).

(b) Inflation

Inflation refers to the sustained or continuous rise in general price level. In other words, it is a sustained or continuous decline in value of money. It is caused by the movement in general price level and the rising price level must be substantial and continue for a long period. Besides, inflation also caused by an increase in Consumer Price Index (CPI) (Labonte, 2011). The changes in inflation can have an effect on the company's performance. This is because company's workers believe that all prices will rise due to inflation, so they demand increased salaries. Then, the employer raises the price of the goods to keep up with the cost. Therefore, sales and revenues of the company affected when the price of its goods rise (Rodeck, 2017).

(c) Interest rate

The policy interest rate is a rate that the central bank sets to affect the evolution of main monetary variables. Interest rate also refers to the amount that lender charge for the use of assets and expressed as a percentage of principal. The assets borrowed including cash, vehicle or building and consumer goods. If the borrower that considered low risk by lender will often be charged a lower interest rate. In contrast, if the borrower is considered high risk by lender then a higher interest rate is charge on the borrower (Banton, 2019). The changes in interest rate can have effect on a company's performance. The business planning of the company will be affected by the changes in interest rate. An increase in the interest rate may affect the ability of the company to develop business. This is because bank charge for commercial loan when the interest rate rise. The company may find it more difficult to repay their loans. Meanwhile, higher loan repayments may result in a decline in profitability, which may make it more difficult to obtain future funding. Without these loans, company may be forced to divert their resources from innovation and reinvestment (Jenson, 2015).

(d) Exchange rate

Exchange rate refers to the value of currency in a nation versus the value of currency in another nation. Foreign exchange rate, the value of a country's money in the currency of another currency is important to determine the real value of money for a company. Thus, the exchange rate can influence the country's economy (Korkmaz, 2013). The exchange rate can have an effect on the company's performance because it is important for a company that export goods and import the raw materials. A depreciation or devaluation of currency will make the exporting company profit because the exports become cheaper. However, the importing company will face the higher cost of imports. Conversely, appreciation makes the exports expensive and decreased the competitiveness of the exporting company (Pettinger, 2017).

(e) Standard Deviation

Standard deviation can used to measure market fluctuations or the average of the difference between a single data point and the mean. In short, the standard deviation helps to determine the price difference between the asset price and the average price. The standard deviation is considered high volatility when the price fluctuates up or down. On the other hand,

the standard deviation is considered low volatility when the spread between the trading ranges is narrow. Standard deviation can have an effect on company's performance. This is because it is used by the company's portfolio manager to track risk. Furthermore, standard deviation also helps the company to determine the riskiness of an asset and whether or not to invest in this asset (Beers, 2019).

2.3 Company Performance

The performance of an organization can be affected by its operations and strategies. Performance often referred to the financial viability of a company or the extent on which it can achieves economic goal. A company's performance is influenced by its profits or losses, thus it is important to measure the profitability of a company. The profitability of a company can be measured by using the return on assets (ROA). Return on assets (ROA) has a positive correlation with company's performance in which a higher ROA means that the company is more profitable and thus improve its performance. It can be calculated by using the following formula:

$$\textit{Return on Assets} = \textit{Net Income} / \textit{Total Assets}$$

ROA is a well understood measure for an organization and it represents the actual company performance. Investors can get an idea on how effective a company converts the invested money into net income. Hence, company is better to have a higher ROA in order to attract the interest of investors.

3.0 Methodology

3.1 Sampling Technique

The unit of analysis is real element that being analyzed in the study. For example, individual, group and organization can be used as unit of analysis. Salesforce Inc is the company that chosen as sample to conduct the study. To extract the information about the major types of risk (liquidity risk, operational risk, credit risk and market risk) or firm-specific factors and the performance of the company, five years annual reports of Salesforce Inc from the year 2014 until 2018 were observed. The dependent variable of this study denoted as performance of the company and independent variables are firm-specific factors and macroeconomic factors. This study measured on how the firm-specific factors and macroeconomic factors affect the performance of Salesforce Inc.

3.2 Statistical Analysis

The data collection plays a crucial role in statistical analysis. There are various methods can be used to gather information and the sources of information can be classified into two categories which is primary data and secondary data (Douglas, 2015). In this study, secondary data was used to gather the information. Secondary data referred to any data that already produced by others. The data gathered from the five years annual reports (2014 until 2018) and focus the information in consolidated statement of operations and balance sheets. This is to determine the effect of firm-specific factors on the company's performance from the perspective of profitability, liquidity and efficiency. Besides, website of Focus Economics, World Bank and International Monetary Fund (IMF) are used to obtain the macroeconomics indicators data such as GDP, inflation, interest rate and exchange rate. In order to determine market risk, standard deviation is calculated by gathered the historical data (year 2014 until 2018) from Yahoo Finance. Furthermore, there are also numerous of journal articles used to gathered information in this study.

3.3 Data Analysis Technique

In this study, IBM SPSS was used to analyze the data and generate results. SPSS which stands for Statistical Package for the Social Sciences is the software that helps researchers to conduct statistical analysis. Besides, it is popular in data mining and research on the market. This is because SPSS Statistics is capable to conduct descriptive statistics, numerical outcome prediction, prediction for identifying groups and bivariate statistics (Techopedia, n.d.). However, only the descriptive statistics, correlation analysis, coefficients and the multiple linear regression which obtained from quantitative data will be computed by using IBM SPSS. The quantitative data is numerical variables that obtained from the annual report of Salesforce's Inc.

A correlation analysis is carried out to determine the relationship between the independent variables and dependent variables. In the correlation analysis, the sample will be estimated by correlation coefficient called Pearson Correlation Coefficient. Pearson Correlation Coefficient which denoted as r is used to measure the strength of a linear association between two variables. The more close the value of correlation coefficient (r) to zero, the larger the variation in the data. Moreover, the multiple linear regression analysis is used to test the consequence of the changes of independent variables on the dependent variable. The aim of regression analysis is to predict the changes in dependent variable according to independent variables (Borges et al., 2017).

3.4 Variables

In this study, the dependent variable denoted as return on assets while independent variables denoted as operating margin, current ratio, average collection period, corporate governance index, GDP, inflation, exchange rate, standard deviation and interest rate. The formula for those variables is shows as below:

No	Variables	Notation	Measurement
1	Return on Assets	ROA	Net Income/ Total Assets
2	Operating Margin	OM	Operating Income/ Sales Revenue
3	Current Ratio	CR	Current Assets/ Current Liabilities
4	Average Collection Period	ACP	Account Receivable/ (Revenue / 365 Days)
5	Corporate Governance Index	CGI	5-years corporate governance index
6	Gross Domestic Product	GDP	5-years GDP index
7	Inflation	INF	5-years inflation rate
8	Interest Rate	IR	5-years interest rate
9	Exchange Rate	ER	5-years exchange rate
10	Standard Deviation	STDV	5-years standard deviation

Table 1: Measurement of Variables

3.5 Research Framework

In this study, there is one dependent variable and two independent variables. The research framework is as follow:

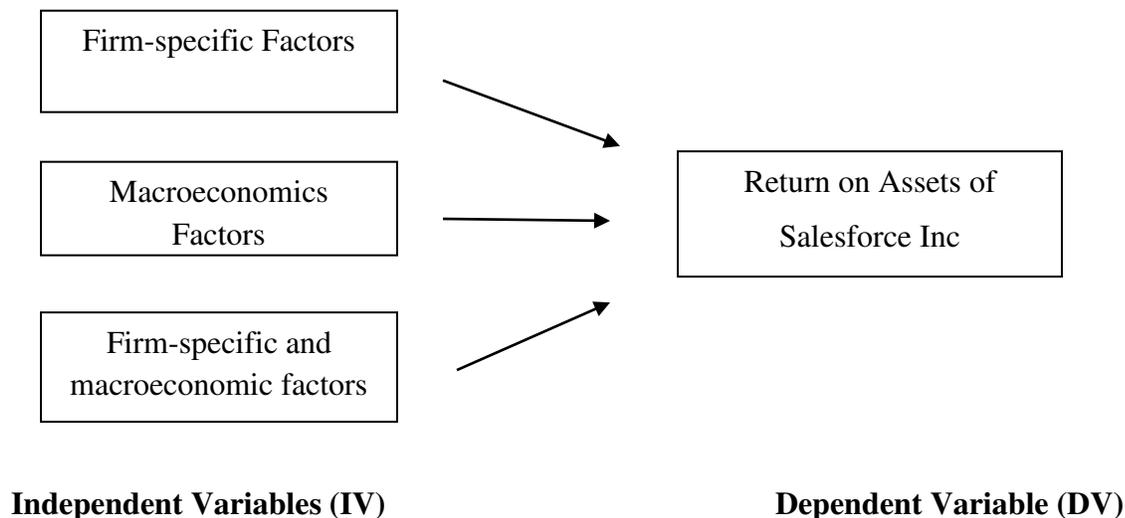


Figure 1: Research Framework

3.6 Ordinary Least Squares (OLS) Method

This method used to estimate the relationship between independent variables and dependent variable and it can be presented in equation form as below:

Equation 1: Firm-specific factors

$$ROA = \beta_0 + \beta_1 IOM + \beta_2 CR + \beta_3 ACP + \beta_4 CGI + e$$

Equation 2: Macroeconomics factors

$$ROA = \beta_0 + \beta_1 GDP + \beta_2 INF + \beta_3 IR + \beta_4 ER + \beta_5 STDV + e$$

Equation 3: Firm-specific and macroeconomics factors

$$ROA = \beta_0 + \beta_1 IOM + \beta_2 CR + \beta_3 ACP + \beta_4 CGI + \beta_5 GDP + \beta_6 INF + \beta_7 IR + \beta_8 ER + \beta_9 STDV + e$$

4.0 Findings and Analysis

4.1 Descriptive Analysis

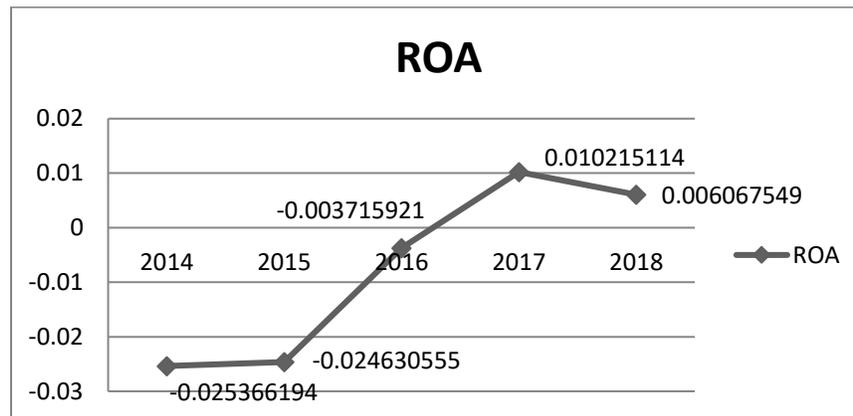
	Mean	Std. Deviation	N
ROA	.00748600	.01676961	5
CG Index	.800	.0000	5
Average Collection Period	132.71321	6.9760812	5
Operating Margin	.00999700	.03884143	5
Current Ratio	.84669262	.13028059	5
GDP	2.395	.5408	5
Inflation	1.500	.8916	5
Interest Rate	2.030	.4225	5
Exchange Rate	.2580	.03114	5
STDV	1.3398428	.68705164	5

Table 2: Descriptive statistics for firm-specific factors and macroeconomic factors

Mean or average is the measure of central tendency. It shows the average for each variable. Meanwhile, standard deviation is used to measure the spread of observations. In other words, standard deviation is the spread of scores around mean, indicates how much variation of the data. Thus, the larger the value of standard deviation as relative to the mean, the more dispersed of the scores are. From the table 2, the standard deviation of return of assets (ROA) is 0.1677, which is higher than the mean of 0.0075. This implies that less set of data value clustered around the mean value of ROA and the score is more dispersed. The operating margin experienced the same condition as ROA. Average collection period has the standard deviation of 6.9761 which is lower than the mean of 132.7132. It reflects that there are more set of data value clustered around the mean of average collection period and is also represents that the dispersion of the average collection period around the average mean value of average collection period. This is similar to the condition of current ratio, GDP, CG index, inflation, interest rate, exchange rate and STDV.

4.2 Trend Analysis

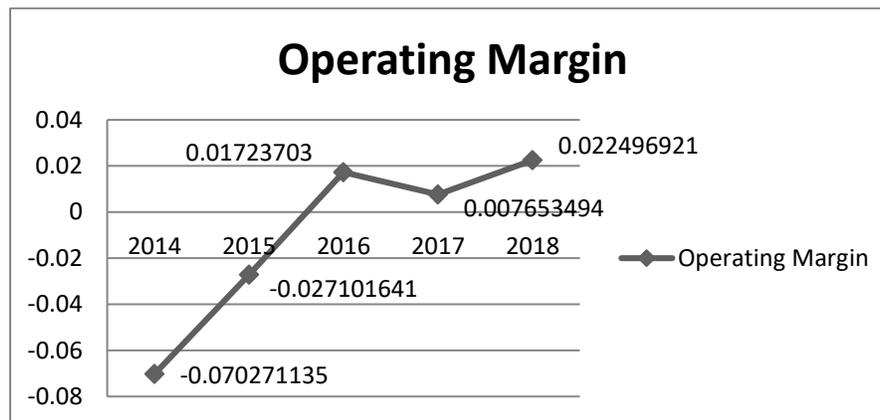
4.2.1 Return on Assets (ROA)



Graph 1: Return on assets (ROA) from 2014 to 2018

Return on assets (ROA) is a profitability ratio that can be used to measure the efficiency of a company to generate profits by managing its assets during a period. This ratio also helps the investors or management to see how effective a company can convert the investment in assets into earnings. In other words, ROA measures the return on investment for a company because capital assets are usually the largest investment for most of the companies. The higher the ROA is better because it means that the company is more efficient in managing its assets to generate profits (Grant, 2019). From the graph, it shows an increasing trend from year 2014 to 2018. In particular, ROA increase dramatically from -0.0037 in 2016 to 0.0102 in 2017 due to the Salesforce's acquisition of seven companies in 2016 and most of them are artificial intelligence, predictive analytics and machine learning company (Bajpai, 2016). There is a surge in company's revenues after the acquisitions and contributed to the ROA. This improvement shows that Salesforce Inc is more effectively using its assets to generate greater net income. However, Salesforce's ROA slightly dropped from 0.0102 in 2017 to 0.0061 in 2018 because it facing rising competition from Oracle, SAP and Microsoft Corporation and caused the revenues or return to decrease (Rana, 2018).

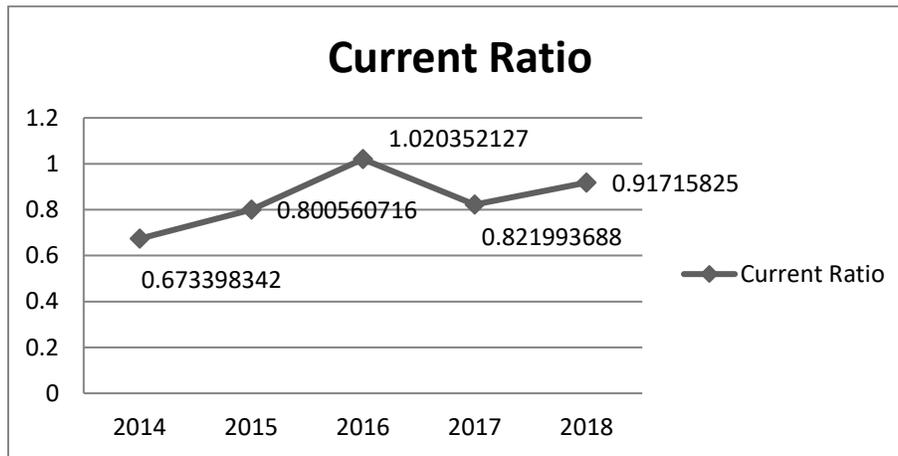
4.2.2 Operating Margin



Graph 2: Operating margin from 2014 to 2018

Operating margin measures the profit earned by a company after paying variable production costs such as raw materials and wages but it is before paying tax or interest. Operating margin indicates how much revenues are available to cover the non operating costs such as paying interest. It is because these items such as raw materials and wages are directly relate to the daily decisions a company's management make, so operating margin can also be used to measures the managerial competency and flexibility. The higher the operating margin is better because it indicates more profitable the core business of the company is (Kenton, 2019). From the graph, the operating margin fluctuated from year 2014 to 2018. The lowest operating margin was in year 2014 while the highest operating margin was in year 2018, which is -0.0703 and 0.0225 respectively. The operating margin increased from year 2014 to 2016 because there was a dramatic rise in operating income due to the acquisitions, investment in complementary businesses and opportunities in joint ventures (Salesforce Inc, 2016).

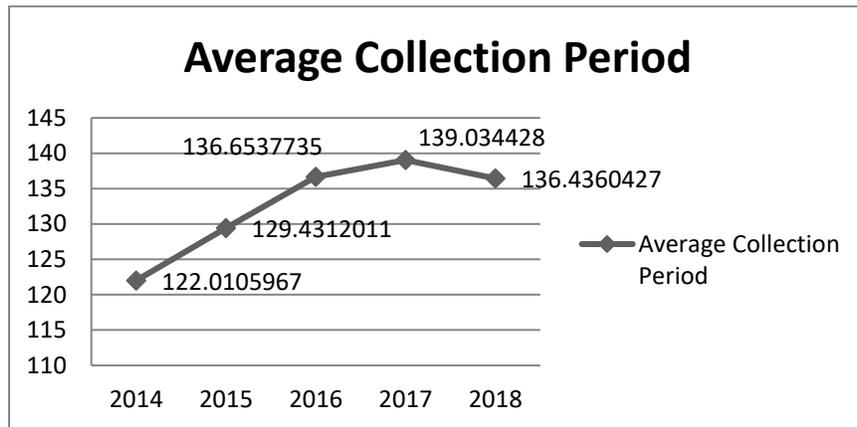
4.2.3 Current Ratio



Graph 3: Current ratio from year 2014 to 2018

Current ratio or sometimes called the working capital ratio can be used to measure the ability of the company to pay its short term debts which due within one year. It helps a company to maximize the current assets on the balance sheet to satisfy current debts. The higher the ratio is better because it indicates the more liquidity a company is. Normally, the acceptable current ratio is 2 but it is different for every company. However, a lower current ratio (less than 1) means that the company may have difficulty to meet its current obligations (Kenton, 2019). In overall, it shows positive current ratio from year 2014 to 2018 but the value is less than 1 except for year 2016. The highest current ratio of 1.0204 in year 2016 indicates that Salesforce Inc has more than enough current assets to cover its current liabilities. The increased of Salesforce's current assets were particularly in cash and cash equivalents, short-term marketable securities, account receivables, deferred commissions and prepaid expenses (Salesforce Inc, 2016).

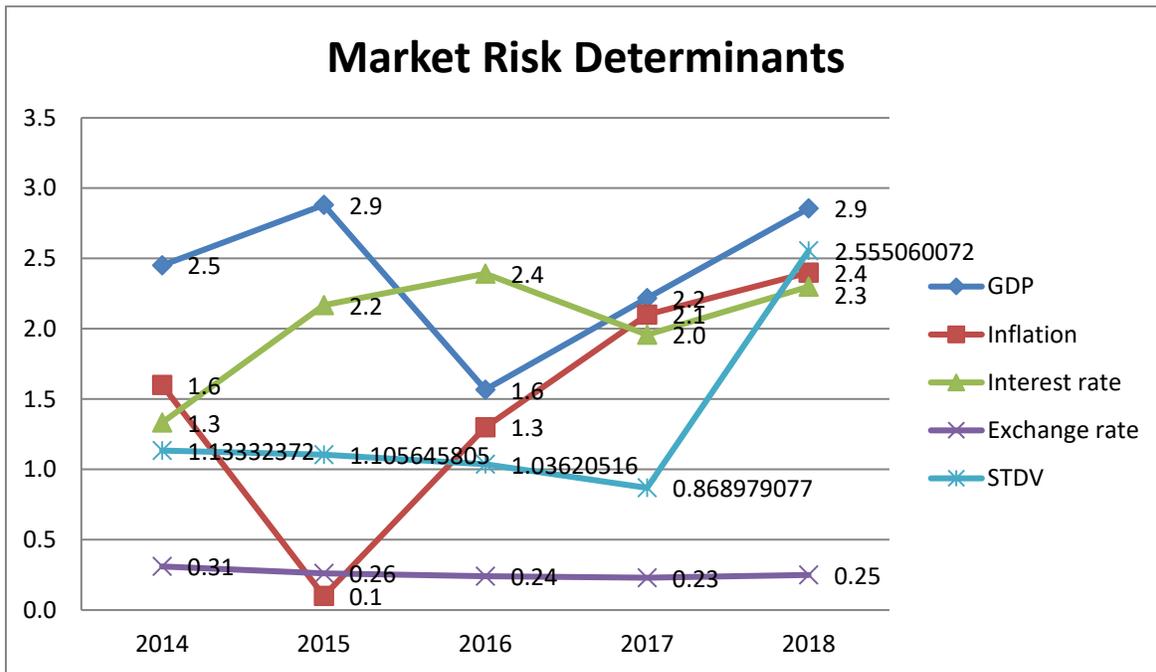
4.2.4 Average Collection Period



Graph 4: Average collection period from 2014 to 2018

Average collection period measures the amount of time a company takes to receive payment owed by its customer in accounts receivable. A lower average collection period is better because it indicates that the company collects payment faster. This makes sure that the company has enough cash to meet financial obligations (Kenton, 2019). From the graph, generally it shows an upwards trend of average collection period from year 2014 to 2018. The lowest average period was in year 2014 and the highest average collection period was in year 2017, which are 122 days and 139 days respectively. In 2014, the account receivables of Salesforce Inc is the lowest among these few years and the shortest average collection period indicates that the company can collect payment owed by its customers in a shortest period.

4.2.5 Market Risk Determinants



Graph 5: GDP, Inflation, Interest rate, Exchange rate and Standard deviation from 2014 to 2018

From the graph, it shows the trends of market risk determinants (GDP, inflation, interest rate, exchange rate and standard deviation) from year 2014 to 2018. For the first determinant, the value of GDP in United States was fluctuated from year 2014 to 2018. The highest GDP of 2.9 in 2015 and 2018 were due to the solid business and consumer spending which contributed to the US GDP (Mutikani, 2019). This shows that for these two years, the economy of United States is in good shape and the country is moving forward. In contrast, the GDP reached a lowest point at 1.6 in year 2016 because of the declined in business investment and increased of trade tensions. Generally, the inflation shows a fluctuation trend from year 2014 to 2018. The inflation increased from 0.1 in year 2015 to 2.4 in year 2018 due to the increased of US Consumer Price Index (CPI) throughout these few years. This also indicates that the currency of United States was declining or experiencing devaluation due to the continuously increase in general price level. Hence, the purchasing power of the citizens has been reduced.

Besides, the interest rate was fluctuated from year 2014 to 2018. The highest US interest rate was 2.4 in year 2016 because the Federal Reserve purposely increased the interest rate to

improve the United States economy (Gillespie, 2016). The rising interest rate was used to curb currency depreciation, inflation and excessive credit growth. In this study, we determine the exchange rate of United States to Malaysia. The exchange rate was quite consistent from year 2014 to 2018. The lowest exchange rate was 0.23 in year 2017 and it increased to 0.25 in year 2018. Low exchange rate indicates that exports for United States will be cheaper and GDP of the country will rise and consequently improve the economy for United States for that particular year. Furthermore, the standard deviation was quite consistent from year 2014 to 2017 and reached the highest point of 2.5551 in 2018.

4.3 Correlations Analysis

Correlations

		ROA	CG Index	Average Collection Period	Operating Margin	Current Ratio	GDP	Inflation	Interest Rate	Exchange Rate	STDV
Pearson Correlation	ROA	1.000	.	.908	.855	.579	-.258	.740	.489	-.783	.319
	CG Index	.	1.000
	Average Collection Period	.908	.	1.000	.961	.769	-.323	.397	.763	-.967	.174
	Operating Margin	.855	.	.961	1.000	.880	-.267	.378	.869	-.912	.369
	Current Ratio	.579	.	.769	.880	1.000	-.494	.132	.900	-.746	.255
	GDP	-.258	.	-.323	-.267	-.494	1.000	-.104	-.148	.299	.519
	Inflation	.740	.	.397	.378	.132	-.104	1.000	-.089	-.162	.481
	Interest Rate	.489	.	.763	.869	.900	-.148	-.089	1.000	-.810	.313
	Exchange Rate	-.783	.	-.967	-.912	-.746	.299	-.162	-.810	1.000	-.027
	STDV	.319	.	.174	.369	.255	.519	.481	.313	-.027	1.000
Sig. (1-tailed)	ROA	.	.000	.017	.033	.153	.338	.076	.201	.059	.300
	CG Index	.000	.	.000	.000	.000	.000	.000	.000	.000	.000
	Average Collection Period	.017	.000	.	.005	.064	.298	.254	.067	.004	.390
	Operating Margin	.033	.000	.005	.	.024	.332	.265	.028	.015	.271
	Current Ratio	.153	.000	.064	.024	.	.199	.416	.019	.074	.340
	GDP	.338	.000	.298	.332	.199	.	.434	.406	.313	.185
	Inflation	.076	.000	.254	.265	.416	.434	.	.443	.397	.206
	Interest Rate	.201	.000	.067	.028	.019	.406	.443	.	.048	.304
	Exchange Rate	.059	.000	.004	.015	.074	.313	.397	.048	.	.483
	STDV	.300	.000	.390	.271	.340	.185	.206	.304	.483	.

Table 3: Correlations for firm-specific factors and macroeconomics factors

The correlation analysis is conducted to determine the association or relationship between dependent variable (ROA) and independent variables (firm-specific factors and macroeconomic factors). Correlation test is considered significant if p-value is less than 0.1. Meanwhile, the relationship between dependent variable and independent variables can be determined based on the degree of correlation below.

Degree of Correlation	Interpretation
0.75 to 1.00 (-0.75 to -1.00)	High degree of correlation
0.50 to 0.75 (-0.50 to -0.75)	Moderate Correlation
0.25 to 0.50 (-0.25 to -0.50)	Low degree of correlation
0.00 to 0.25 (0.00 to -0.25)	Absence of correlation

Source: Patrick & Pettinger as cited in The Economic Journal (2015)

From table 3, the result shows that there are four variables that significant to the return on assets (ROA) which are corporate governance index, average collection period, operating margin, inflation and exchange rate since the p-value < 0.1. Average collection period is significant to the return on assets (ROA) with p-value of 0.0170. It is also has a high positive correlation with ROA. Positive correlation means that both variables are move in the same direction. Therefore, a longer average collection period will increase Salesforce's ROA because majority customers seek for a more lenient credit term. This also means that the tolerant payment term helps company to attract more customers and subsequently increase the company's sales revenues and returns (Kenton, 2019).

Besides, operating margin is significant to the ROA with p-value of 0.0330. The operating margin is also highly positive correlated to the ROA. The increase in operating margin will improve the ROA because the core business of the company is more profitable (Kenton, 2019). Inflation is significant to the ROA with p-value of 0.0760. It has a high positive correlation with ROA which indicates that Salesforce's ROA increase if there is continuously raise in general price level (Rodeck, 2017). Furthermore, exchange rate is significant to the ROA with p-value of 0.0590. The exchange rate is also highly negative related to the ROA in which a decline in exchange rate will increase the company's ROA. An export oriented software company can benefit from a decline in exchange rate because it made the exports cheaper (Pettinger, 2017). Corporate governance index is significant to the ROA with p-value of 0.0000 and but it does not shows correlation with the company's ROA.

4.4 Coefficients

The coefficients analysis shows how the independent variables (firm-specific factors and macroeconomic factors) have an influence on dependent variable of ROA and it can be determined by using the significant of p-value. The test is considered significant if the p-value less than 0.1. The result was generated by using stepwise method.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
2	-.253	.016		-15.874	.004		
	.002	.000	.729	14.156	.005	.842	1.187
	.008	.001	.451	8.758	.013	.842	1.187

a. Dependent Variable: ROA

Table 4: Coefficients

Model 2 was used in coefficient analysis because it was the best fit for the company. The result of model 2 above shows that average collection period and inflation are relevant and significant with ROA since the p-value of 0.0050 and 0.0130 are less than 0.1 respectively. Those variables that are irrelevant to the ROA such as operating margin, current ratio, corporate governance index, GDP, interest rate, exchange rate and standard deviation are excluded from the model 2. The average collection period has a higher impact than inflation since the standardized coefficients beta of average collection period is 0.7290 which higher than 0.4510 of inflation.

The positive standardized coefficients beta of average collection period implies that a longer average collection period increase the Salesforce's ROA. According to Kenton (2019), longer average collection period improve a company's profit because lenient credit term attracts more customers. This will definitely caused the company's sales to increase and contributed to its revenues and profit. Hence, the ROA of the company increased. Besides, the positive standardized coefficients beta of inflation shows that higher inflation rate increase the company's ROA. According to Rodeck (2017), the company can gain from inflation as they can charge a higher price on their products, thus increasing the company's profit. Salesforce Inc that provides high quality of software products and services can charge more on their products and services

during inflation. It will still increase the company's demand because it is considered worth from customers' perception of quality. Therefore, the ROA increase when inflation rate increase. Since the collinearity statistics VIF is less than 10 so there is no collinearity exists in the data and it is free from bias.

4.5 Multiple Regression Analysis

The multiple regression analysis can be used to determine the company's performance based on the firm-specific and macroeconomics factors. Meanwhile, adjusted R square can used to determine the fitness level of regression line and the effect of the change of independent variable on dependent variable. The result generated by using stepwise method.

Model Summary^e

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df.	df2	
2	.998 ^b	.996	.991	.00158482	.171	76.710	1	2	.013

b. Predictors: (Constant), Average Collection Period, Inflation

e. Dependent Variable: ROA

Table 5: Model summary

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	.001	2	.001	222.932	.004 ^c
	Residual	.000	2	.000		
	Total	.001	4			

a. Dependent Variable: ROA

c. Predictors: (Constant), Average Collection Period, Inflation

Table 6: Anova

Model 2 was used in multiple regression analysis because it was the best fit for the company since the adjusted R square is the highest among three model. Meanwhile, model 3 and will be excluded since the adjusted R square is 0% where it does not explain any variation in the variable. Based on the table above, the adjusted R square for model 2 is 99.1%. This means that if the average collection period and inflation are used as variables, 99.1% of variance in Salesforce's ROA is able to be explained but the remaining of 0.9% adjusted R square is remained unknown and cannot be explained by the average collection period and inflation. In short, model 2 is the best fit because it included several predictors and higher adjusted R square of 0.9910. Besides, the Anova for model 2 shows a significant value of 0.0040 because $p < 0.1$ which means that both average collection period and inflation are significant and the model of study is reliable and acceptable.

5.0 Conclusion and Recommendation

All in all, Salesforce Inc is emphasizing its profitability performance which measured by return on assets (ROA). However, Salesforce Inc should also consider its efficiency and effectiveness of business operations in order to enhance the competitive advantage. Therefore, this study is conducted to examine impacts of firm-specific factors and macroeconomics factors towards company performance. From the study, average collection period is the main internal variable that affecting ROA whereas inflation is the most significant macroeconomic variable that can affect ROA. The inflation is considered as market risk that cannot be eliminated by diversification. Hence, Salesforce Inc should practices the risk management in order to reduce the business losses that caused by the market risk.

In the aspect of corporate governance, there is no direct relationship between good practices of corporate governance and ROA. However, corporate governance is Salesforce's controlling mechanism that can influence its decisions and actions made and the profitability performance of Salesforce Inc will also directly or indirectly be influenced by the decisions made. So, corporate governance should be considered by Salesforce Inc in order to maximize its company value. Moreover, Salesforce Inc should invest more in corporate social responsibility in order to maintain its sustainability development. This will further improved company's reputation as well as the profitability in long term. In addition, Salesforce Inc should improve from the aspect of customer service, cleanliness and security. The risk committees also have to enhance the efficiency and effectiveness of Salesforce Inc to meet with the unexpected threats, and consequently contribute to the company's performance.

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7.0 Appendix

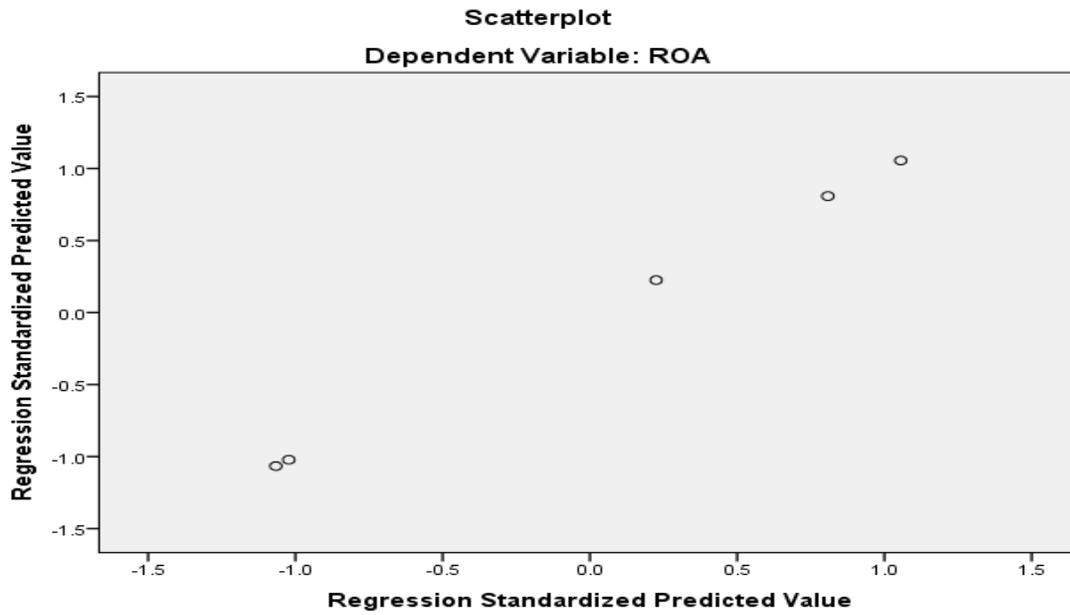


Chart 1: Scatterplot for firm-specific factors and macroeconomics factors