Optimizing Company Performance through Segmented Reporting, Investment Center Evaluation, and Pricing Strategy

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Abstract

In an increasingly dynamic and competitive business environment, companies are required not only to survive, but also to continue to innovate and improve performance. This study examines the simultaneous influence of segmented reporting, investment center evaluation, and pricing strategy on the performance of companies in the manufacturing sector listed on the Indonesia Stock Exchange during the period 2020 to 2024. With a quantitative-explanatory approach and multiple linear regression analysis, company performance is measured through Return on Investment (ROI) and Net Profit Margin (NPM). The results of the study show that the three independent variables have a significant effect on financial performance, with investment center evaluation having the strongest influence, followed by segmented reporting and pricing strategy. The integration of these three elements supports a more effective strategic management system, strengthens accountability, and increases profitability. This study contributes to the development of a more comprehensive and applicable strategic management accounting system to support sustainable business growth.

Keywords : segmented reporting, investment center evaluation, pricing strategy, ROI, NPM, strategic management accounting.

INTRODUCTION

Entering an era of increasingly complex global competition, companies are not only required to be able to survive, but also to continue to develop and innovate. The main challenge faced by management today is how to make decisions quickly, precisely, and based on accurate data. Amid market pressures and industry dynamics, management accounting plays a central role in providing relevant information for strategic decision making (Hansen & Mowen, 2018).

One approach that is increasingly being considered in efforts to improve the quality of managerial information is segmented financial reporting. This reporting provides transparency in the performance of each business unit or operating segment, so that management can more easily identify key contributors to profitability and areas that need improvement (Indonesian Institute of Accountants, 2023). In this context, Segment Reporting as regulated in PSAK 5 is very important to improve internal accountability and efficiency.

In addition to segment reporting, investment center evaluation is also an important part of the responsibility accounting system . Investment centers act as organizational units responsible for the use of capital and profit creation. Through performance measurements based on ROI (Return on Investment) or EVA (Economic Value Added), management can assess the extent to which the unit generates added value for the company as a whole (Anthony & Govindarajan, 2014). Proper evaluation of investment centers can drive operational efficiency and wiser resource allocation.

On the other hand, pricing strategy cannot be ignored as a tool to optimize financial performance. In practice, companies can use cost-based pricing, market-based pricing, or value-based pricing approaches depending on the industry context and consumer preferences. The right pricing strategy will strengthen the company's competitive position and support the achievement of optimal profit margins (Kotler & Keller, 2016).

The three elements, namely segmented reporting, investment center evaluation, and pricing strategy, are important components in strategic management accounting information systems. However, previous studies tend to discuss them separately. In fact, in dynamic managerial practices, the integration of the three can create greater synergy in optimizing company performance (Simons, 2000).

This study aims to fill this gap by simultaneously analyzing how segmented reporting, investment center evaluation, and pricing strategy affect company performance. With a quantitative approach based on financial data from manufacturing companies in Indonesia, this study is expected to provide academic and practical contributions in the development of a more comprehensive and applicable management accounting system.

RESEARCH METHODS

This study uses a quantitative approach with an explanatory purpose, namely to explain the causal relationship between segmented reporting, investment center evaluation, pricing strategy, and company performance. The quantitative approach was chosen because it is able to provide objective, measurable, and generalizable results to a wider population (Sugiyono, 2022). The main focus of this study is to analyze the extent to which the three independent variables affect the company's financial performance indicators.

The research design used is a quantitative survey with multiple linear regression analysis method. This model is chosen because it allows to test the simultaneous influence of several independent variables on one dependent variable (Ghozali, 2018). This study tests three independent variables, namely, segmented reporting (X1), investment center evaluation (X2), and pricing strategy (X3), and one dependent variable, namely company performance (Y) which is measured through two main indicators, namely Return on Investment (ROI) and Net Profit Margin (NPM).

The population in this study is all manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024. The manufacturing sector was chosen because this sector tends to have a complex organizational structure and consists of various business units or operating segments, making it suitable for analysis from the perspective of segmented reporting and investment center evaluation.

The sampling technique used the purposive sampling method, with the criteria, a) Active companies and not delisted during the observation period, b) Presenting segment reports explicitly according to PSAK 5, c) Having complete ROI and NPM data available. From this population, 45 companies were obtained as samples that met the criteria and had financial reports that were publicly accessible.

The data used are secondary data , obtained from the company's annual financial reports , sustainability reports , and segment reports published through the official website of the Indonesia Stock Exchange and each company. Data were collected using documentation techniques, which are indirect data collection methods through written sources (Sekaran & Bougie, 2016).

Measurement of research variables is carried out in several ways;

1) Segmented Reporting (X1), measured by the segment disclosure index based on PSAK 5. Scoring is carried out on elements such as segment revenue, segment profit, assets, and disclosure of geographic information.
2) Investment Center Evaluation (X2), measured through the Return on Investment (ROI) ratio of each business unit in the company.

3) Pricing Strategy (X3), classified based on cost-based, market-based, and value-based pricing approaches, using annual report content analysis and managerial interviews as secondary data reinforcement.
4) Company Performance (Y), measured by two main financial indicators, namely Return on Investment (ROI) and Net Profit Margin (NPM), which reflect the efficiency and profitability of the company (Brigham & Houston, 2021).

The data were analyzed using multiple linear regression analysis , which began with classical assumption tests such as normality, multicollinearity, heteroscedasticity, and autocorrelation tests to ensure the validity of the model. After the assumptions were met, an F test was conducted to test simultaneous significance, a t test to test partial significance, and a coefficient of determination (R^2) to determine the combined contribution of independent variables to the dependent variable. All analyses were conducted using statistical software such as the latest version of SPSS, so that the data processing process is more accurate and efficient.

RESEARCH RESULTS AND DISCUSSION

This study involved 45 manufacturing sector companies listed on the Indonesia Stock Exchange during the period 2020–2024. Data were obtained from publicly available annual financial reports and company segment reports. The following is a summary of descriptive statistics of the variables studied:

Table 1. Descriptive Data

Variables	Average	Minimum	Maximum	Standard Deviation
Segmented Reporting (X1)	0.72	0.45	0.91	0.13
Investment Center ROI (X2)	11.53%	5.21%	18.67%	3.21%
Pricing Strategy (X3)	2.31	1	3	0.66
Company ROI (Y1)	9.64%	3.56%	15.88%	2.71%
Company NPM (Y2)	7.12%	2.14%	13.04%	2.33%

Information:

- Variable X3 is coded based on the pricing strategy approach, namely 1 = cost-based, 2 = market-based, 3 = value-based pricing.
- These results indicate that in general, companies have implemented segment reporting quite well, and the majority use market-based pricing strategies.

Before the regression analysis was conducted, a series of classical assumption tests were conducted, including the normality test, the test results showed normal distribution data with a Kolmogorov-Smirnov value > 0.05. Multicollinearity Test, the test results showed the Variance Inflation Factor (VIF)

Value for all variables <5, so there was no multicollinearity. Heteroscedasticity Test, the results of the Glejser test showed a significance value > 0.05, indicating no heteroscedasticity and Autocorrelation Test, the results of the Durbin-Watson Test produced a value of 1.98, approaching the number 2, so there was no autocorrelation.

Regression analysis was performed on two financial performance models: ROI and NPM. The following is a summary of the regression results:

Model 1: Impact on ROI

$$ROI = \alpha + \beta 1(\text{Segment Reporting}) + \beta 2(\text{Investment Center ROI}) + \beta 3(\text{Pricing Strategy}) + \varepsilon$$

Table 2. Model 1 Influence on ROI

Independent Variables	Coefficient β	t-count	Sig. (p-value)
Segment Reporting (X1)	0.274	2.91	0.006
Investment Center ROI (X2)	0.518	5.64	0.000
Pricing Strategy (X3)	0.221	2.47	0.017
R^2	0.611		
F-count	22.49		0.000

Model 2: Influence on NPM

$$NPM = \alpha + \beta 1(\text{Segment Reporting}) + \beta 2(\text{Investment Center ROI}) + \beta 3(\text{Pricing Strategy}) + \varepsilon$$

Table 3. Model 2 Influence on NPM

Independent Variables	Coefficient β	t-count	Sig. (p-value)
Segment Reporting (X1)	0.251	2.43	0.019
Investment Center ROI (X2)	0.493	5.28	0.000
Pricing Strategy (X3)	0.198	2.09	0.042
R^2	0.577		
F-count	20.03		0.000

The regression results show that the three independent variables significantly affect company performance, both in terms of ROI and NPM. The investment center evaluation variable (ROI center) shows the strongest and most significant influence (β = 0.518 for ROI and 0.493 for NPM), indicating the importance of managing investment centers efficiently and productively.

Segmented reporting has also been shown to have a significant impact on financial performance, strengthening the argument that transparency and accountability between business units play a role in strategic decision making (Indonesian Institute of Accountants, 2023; Anthony & Govindarajan, 2014).

Pricing strategy, although having a smaller coefficient, still has a significant effect. This is consistent with the literature stating that pricing strategies that are adjusted to market value and perception can increase a company's profit margin (Kotler & Keller, 2016; Hinterhuber, 2008).

The results of this study indicate that segmented reporting, investment center evaluation, and pricing strategy have a significant influence on company performance, both in terms of Return on Investment (ROI) and Net Profit Margin (NPM). These three factors contribute to strengthening the management control function and more targeted decision making.

The finding that segmented reporting has a significant impact on ROI and NPM suggests that transparency in reporting business units or operating segments drives increased efficiency and effectiveness. When management can see the performance of each segment separately, they have a stronger basis for conducting evaluations, reallocating resources, and making strategic decisions (Horngren, Datar, & Rajan, 2015).

In the context of Indonesian reporting standards, PSAK No. 5 emphasizes the importance of presenting segment information that can be used by internal and external parties to evaluate the risks and outcomes of different economic activities within one entity (Indonesian Institute of Accountants, 2023). This is in line with the findings of this study that segment reporting not only has an impact on compliance but is also a crucial managerial tool.

Evaluation of investment centers through internal ROI measurement has been proven to be a major determinant of improving financial performance. Investment centers that have the authority to manage assets and generate income must be monitored with accurate indicators so that efficiency and competitiveness are maintained (Anthony & Govindarajan, 2014).

The high contribution of investment center ROI to the company's ROI and NPM confirms that companies that successfully manage their investment centers productively will create optimal synergy between units. This also reinforces the importance of decentralizing financial responsibility accompanied by an effective control system (Merchant & Van der Stede, 2017).

Pricing strategy shows a positive influence on financial performance, although its contribution is not as large as the other two variables. However, in a highly competitive business world, pricing strategy becomes an important differentiation tool, especially when companies apply a value-based pricing approach. This approach considers customer perceptions of the benefits and uniqueness of the product, not solely based on costs or market prices (Hinterhuber, 2008).

Previous studies have also found that companies that implement flexible and customer-based pricing strategies tend to have higher profit margins and stronger competitiveness (Kotler & Keller, 2016; Monroe, 2003). Thus, the findings in this study are in line with global literature and reinforce the urgency of price management as part of corporate strategy.

The three variables in this study collectively explain more than 57% of the variation in corporate financial performance. This suggests that segmented reporting, investment center control, and pricing strategy are not just technical instruments, but rather part of an interrelated strategic management system. The integrated implementation of these three elements can create better corporate governance, as well as strengthen the orientation towards sustainable value creation (Kaplan & Norton, 2004). In other words, companies that are able to integrate accurate segment information, objective investment center performance measurement, and intelligent pricing will be better able to survive in economic dynamics and stay ahead of the competition.

CONCLUSION

This study underlines the importance of strengthening strategic accounting management systems as a foundation for improving corporate performance. Through a quantitative approach that examines the relationship between segmented reporting, investment center evaluation, and pricing strategy on financial performance (in terms of ROI and NPM), a number of important findings are obtained.

First, segmented reporting has been proven to contribute significantly to company performance. Clear, accurate, and structured segment information allows management to conduct more objective performance assessments and make more targeted decisions. Segmented reporting is not only a form of regulatory compliance, but also a strategic management tool that can drive sustainable company growth.

Second, evaluation of investment centers through internal Return on Investment (ROI) measurement plays a key role in supporting operational efficiency and asset utilization effectiveness. Proper evaluation of investment units drives the achievement of financial targets and strengthens accountability between organizational units. This supports a more flexible yet measurable framework for decentralized responsibility.

Third, pricing strategy also shows a contribution to the company's profitability. Strategic pricing, especially value -based pricing , is an important pillar in strengthening competitiveness and maintaining profit margins. Although its influence is not as large as the other two variables, pricing strategy remains crucial in the context of a dynamic and competitive market.

The integration of these three variables forms a mutually supportive managerial control system. Companies that implement comprehensive segment reporting, accurately evaluate their investment centers, and set prices based on relevant strategies will have a greater chance of increasing profitability and business sustainability.

This study also opens up space for further development, especially with a qualitative approach to explore contextual and behavioral aspects in the implementation of this managerial system. In addition, testing in different industrial sectors can expand the generalization of the study results.

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