

TAX, MARKETING, AFTER-SALES SERVICE, AND FINANCIAL PERFORMANCE: ROLES OF INNOVATION AND MANAGEMENT

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh manajemen pajak, strategi pemasaran, dan layanan purna jual terhadap kinerja keuangan perusahaan otomotif di Indonesia, dengan fokus pada peran mediasi kualitas manajerial dan inovasi produk. Data dikumpulkan dari 240 responden melalui survei berbasis purposive sampling, dan dianalisis menggunakan pendekatan Partial Least Squares Structural Equation Modeling (PLS-SEM). Hasil menunjukkan bahwa layanan purna jual dan inovasi produk berkontribusi signifikan terhadap kinerja keuangan, baik secara langsung maupun melalui jalur mediasi. Inovasi produk terbukti sebagai mediator yang kuat dan konsisten, menghubungkan strategi hulu dengan hasil keuangan. Sebaliknya, kualitas manajerial hanya menunjukkan efek mediasi yang signifikan dalam hubungan antara layanan purna jual dan kinerja keuangan. Implikasi teoretis mendukung kerangka Dynamic Capabilities, yang menekankan pentingnya inovasi sebagai kemampuan strategis internal. Secara praktis, perusahaan disarankan untuk memperkuat sistem inovasi dan layanan pasca pembelian, serta menyelaraskan pengembangan manajerial dengan fungsi operasional. Penelitian ini menyarankan eksplorasi lebih lanjut dengan pendekatan longitudinal dan lintas sektor untuk menguji generalisasi model secara lebih luas.

Kata kunci: layanan purna jual, kinerja keuangan, kualitas manajerial, inovasi produk, manajemen pajak

ABSTRACT

This study investigates the influence of tax management, marketing strategy, and after-sales service on the financial performance of automotive firms in Indonesia, with a particular emphasis on the mediating roles of managerial quality and product innovation. Utilizing a quantitative approach and Partial Least Squares Structural Equation Modeling (PLS-SEM), data were collected from 240 industry professionals through purposive sampling. The results reveal that after-sales service and product innovation significantly enhance financial performance directly and indirectly. Product innovation is consistent and strong mediators. It also translates upstream strategic initiatives into financial outcomes. In contrast, managerial quality acts as a selective mediator shows significant impact only in the pathway from after-sales service to performance. The findings contribute to the Dynamic Capabilities framework by highlighting product innovation as a strategic internal enabler. Practically, they suggest that firms must integrate innovation and after-sales feedback systems to sustain competitive advantage. Meanwhile, managerial quality improvements should be aligned with operational domains to maximize impact. Furthermore, this study recommends a more integrated approach to tax planning, marketing strategy, service delivery, and innovation. Future research may extend the model to other sectors or use longitudinal data to establish causal relationships.

Keywords: after-sales service, financial performance, managerial quality, product innovation, tax management

INTRODUCTION

Numerous difficulties confront Indonesia's automobile industry, and opportunities are related to tax management, marketing strategy, after-sales service, managerial quality, and product innovation. These factors significantly impact financial performance. Effective tax management is crucial for a company's financial health, as evidenced by studies showing that proper tax planning and compliance enhance financial stability and performance (Tarmidi et al., 2020). On the other hand, charge evasion and monetary trouble can adversely affect an organization's worth and monetary presentation (Dinarjito, 2024; Sadjiarto et al., 2023). Beyond tax considerations, marketing strategy and after-sales service are vital elements influencing financial performance in the automotive sector. Strategic adaptation, especially during challenging periods such as the global Pandemic of 2020, is essential for maintaining business viability and profitability (Setyoko et al., 2021). Furthermore, fulfilled and steadfast clients are helped by a top-notch after-deal administration, which decidedly influences monetary execution.

Managerial quality and product innovation serve as mediating variables that explain the mechanisms through tax management, marketing strategy, and after-sales service affect the financial performance of automotive companies. As mediators, these constructs help to clarify how and why strategic activities influence outcomes rather than altering the strength of those relationships. The mediating role of managerial quality is theoretically grounded in the Resource-Based View (RBV). It considers organizational capabilities—decision-making quality and internal resource optimization—strategic assets that shape firm performance (Abbas, 2020; Samimi et al., 2022). High managerial quality enables better execution of strategies, particularly in areas requiring resource allocation and cross-functional coordination.

Meanwhile, product innovation is situated within the Dynamic Capabilities Theory that views innovation as a firm's ability to reconfigure its resources and respond to

environmental changes. Product innovation enhances customer satisfaction and links upstream processes like tax efficiency and marketing precision to actual value creation (Mu et al., 2017; Teece, 2018). This study reframes both constructs as internal transformation mechanisms, not external contingencies, and investigates their mediating roles using a structural equation modelling approach. The model explains how external strategies are internalized and translated into financial performance in the dynamic automotive sector through this perspective. The automotive industry is marked by intense competition, rapid change, and evolving technological, regulatory, and customer expectations obstacles. In global competition, automotive companies must manage various business aspects effectively to achieve optimal financial performance. It is fundamental to consider the job of tax management in mitigating a company's financial burden and ensuring business continuity. Effective tax management enhances regulatory compliance, reduces the tax burden, and improves operational efficiency. Oeta et al. (2019) observe that companies adopting effective tax management strategies typically exhibit superior financial performance due to enhanced tax efficiency. Conversely, Saragih and Ali (2023) suggest that aggressive tax management can lead to additional risks, including legal sanctions and a damaged reputation.

In addition to managing fiscal obligations, implementing effective marketing strategies is crucial for acquiring and retaining customers. A successful marketing strategy should include targeted promotions, competitive pricing, and efficient product distribution. In the face of intense competition, a company's ability to differentiate itself through innovative marketing strategies is a critical determinant of success. Shahijan et al. (2018) demonstrate that a well-devised marketing strategy can enhance brand awareness and customer loyalty, improving a company's financial performance. However, Kukanja et al. (2017) argue that excessive promotion may lead to negative

brand perceptions unless accompanied by superior product quality.

In other words, after-sales service plays a crucial role. Effective after-sales services, such as: the availability of spare parts, satisfactory service, and comprehensive warranty programs can increase customer satisfaction and loyalty. Superior after-sales service supports long-term customer retention and generates positive recommendations, positively impacting financial performance. Mittal and Sridhar (2020) found that customer retention and company profitability are significantly correlated with the quality of after-sales service. Nonetheless, Zhu et al. (2021) highlight that the substantial costs of providing superior after-sales service can reduce a company's profit margin if not managed effectively.

Two important mediating variables, as the findings of this study, are product innovation and managerial quality. These constructs serve as internal mechanisms that explain how tax management, marketing strategy, and after-sales service influence the financial performance of automotive firms. The capacity of company leaders to make sound decisions, effectively manage resources, and foster a productive work environment is known as managerial quality. In contrast, product innovation entails developing novel products and enhancing existing ones to meet customers' shifting requirements and preferences. These two factors can reinforce the interrelationship between tax management, marketing strategy, after-sales service, and company financial performance. The findings of Chen et al. (2020) indicate that effective implementation of marketing strategies and product innovation is contingent upon high managerial quality, as associated with enhanced financial performance. Nevertheless, Chen et al. (2020) posited an excess of innovation without concomitant effective management may result in increased costs that are not commensurate with increasing revenue.

This research also considers the context of the Indonesian automotive industry. A unique set of dynamics and difficulties, such as stringent government regulations, a particular

market setting, and intense competition from domestic and international manufacturers, characterizes the automotive industry in Indonesia. As demonstrated by Gaikindo (Gabungan Industri Kendaraan Bermotor Indonesia), the Indonesian auto market has shown extensive development as of late (Setiawan, (2021). However, it is also confronted with challenges, including exchange rate fluctuations and tax policy alterations. In light of the automotive industry's pivotal role in the Indonesian economy, this study aims to investigate in greater detail the factors that affect the financial performance of automotive companies in Indonesia.

This research aims to investigate the mediating roles that managerial quality and product innovation play in the influence that tax management, marketing strategy, and after-sales service have on the financial performance of automotive companies. This approach provides a comprehensive overview of how the company's operations influence financial performance. Prior research in the automotive industry has broadly examined individual strategic dimensions in isolation. For instance, Oeta et al. (2019) focused on tax management, Morgan et al. (2018) explored marketing strategy, and Mittal and Sridhar (2020) examined after-sales service. However, studies investigating tax management, marketing strategy, and after-sales service—particularly through the mediating roles of managerial quality and product innovation—remain limited.

The integrated approach has not been extensively studied in the context of Indonesian automotive firms. Thereby it creates a clear research gap in understanding how strategic and internal capabilities jointly influence financial performance. The simultaneous integration of tax management, marketing strategy, and after-sales service within the automotive sector has not been extensively studied. As a result, automotive companies in Indonesia must fully comprehend how these factors interact with one another to managerial quality and product innovation, and how they affect financial performance.

THEORETICAL FRAMEWORK AND HYPOTHESES

Tax Governance and Financial Performance

Effective tax management is a crucial aspect of financial management, significantly influencing a company's financial performance. Oeta et al. (2019) found that organizations implementing effective tax management strategies typically demonstrate superior financial performance due to enhanced tax efficiency. Such strategies help companies comply with tax regulations and minimize the legal tax burden, improving cash flow and profitability (Jain et al., 2020; Refmasari & Supriyono, 2019). However, Saragih & Ali (2023) argue that overly aggressive tax management can lead to additional risks, including legal sanctions and reputational damage. Additionally, Sadjarto et al. (2020) suggest that strategic tax management can improve a company's cash flow. While Fernández-Rodríguez et al. (2019) show that effective tax compliance enhances a firm's reputation among investors. Conversely, Chen et al. (2020) argue that aggressive yet lawful tax management can provide competitive advantages, albeit with associated risks.

Marketing Strategy and Financial Performance

A well-defined marketing strategy is a crucial element in attracting and retaining customers. The findings of Choshin and Ghaffari (2017) indicate that implementing an efficacious marketing strategy can enhance brand awareness and customer loyalty, subsequently improving the company's financial performance. Kukanja et al. (2017) posit that robust marketing communications are indispensable for cultivating enduring customer relationships and enhancing sales and profitability. Morgan et al. (2018) demonstrated that an effective marketing strategy can improve a business's financial and market performance. Kuehnl et al. (2019) demonstrated that the differentiation of products through effective marketing can enhance customer value and financial performance. However, Kukanja et al. (2017) posited marketing

strategies prioritizing excessive promotion may engender adverse perceptions of the brand unless accompanied by superior product quality. Kumar et al. (2017) address that integrating digital marketing with traditional strategies can enhance market reach and cost efficiency.

After-sales Service and Financial Performance

The arrangement of afterdeals administration is a fundamental part of keeping up with consumer loyalty and steadfastness. Mittal and Sridhar (2020) found that providing satisfied service and effective after-sales services, like the availability of spare parts, are crucial to cultivating consumer loyalty and devotion. A research by Zhu et al. (2021) indicates that high-quality service boosts customer loyalty and perceived value. Rust and Zahorik (2018) suggest that efficient after-sales service can boost profitability and customer retention. Braun et al. (2017) demonstrate that putting money into customer service after the sale increases customer trust and loyalty. Kim & Kim (2020) argued that better customer service improves the financial health of the business as well as its reputation. However, Zhu et al. (2021) emphasize that if a company's after-sales service costs are not adequately managed, they can have a negative impact on its profit margin.

Managerial Quality as a Mediating Variable

The quality of managerial personnel significantly influences the effectiveness of corporate strategy. Chen et al. (2020) find that high managerial quality enhances the effectiveness of tax management strategies by fostering superior decision-making abilities. Abbas (2020) convinces that competent managers are better equipped to identify and efficiently utilize tax management opportunities. Similarly, Mehralian et al. (2018) demonstrate how important managerial quality is to the success of marketing strategies. Additionally, Wilson and Liguori (2023) contend that skilful administrators are better ready to recognize and answer market needs.

Samimi et al. (2022) show that managerial ability impacts the efficacy of financial strategies and tax management. Wolff et al. (2020) demonstrate that effective leadership and high-quality management enhance the efficiency and quality of after-sales service.

Product Innovation as a Mediating Variable

Product development is important in making a company more competitive and adding value. Teece (2018) finds that practical product innovation can bolster a company's competitiveness and intrinsic product value, thereby strengthening the positive impact of tax management on financial performance. Piano (2017) emphasizes that product innovation improves a company's efficiency and profitability. Kolapo et al. (2021) demonstrate that continuous product innovation and effective marketing strategies enhance customer satisfaction and sales. Mu et al. (2017) show that item development expands the adequacy of promoting procedures. Vargo et al. (2020) argue that businesses that constantly innovate their post-sale services give customers unique added value, which can increase customer loyalty and the company's financial performance. A survey of the writing uncovers that charge the board, showcasing system, and aftersale service significantly impact a company's financial performance. Managerial quality and the degree of product innovation can further reinforce this relationship. This research will examine the interrelationships between these variables within the context of the Indonesian automotive industry, providing managers and stakeholders with more in-depth and comprehensive insights.

Hypothesis Development

Effective tax management signifies proficiency in financial planning and the implementation of sophisticated financial strategies. According to Oeta et al. (2019), companies that adopt effective tax management strategies demonstrate superior managerial performance because they can optimize tax burdens and capitalize on available tax incentives. Saragih and Ali (2023) identify that

competent managers mitigate tax risks and avoid sanctions that could damage the company's reputation, establishing a correlation between managerial proficiency and effective tax management. Furthermore, Sánchez-Ballesta & Yagüe (2024) argue that high level of expertise and knowledge are required for efficient tax management and indication of superior managerial quality. Effective tax management also reflects managerial proficiency in adhering to complex tax regulations and policies. Fernández-Rodríguez et al. (2019) demonstrate that effective tax management enhances a company's reputation among investors, showcasing managerial competence in maintaining stakeholder relationships. Sadjarto et al. (2020) show that effective tax management can enhance operational efficiency, reflecting managerial quality in optimizing company resources. Chen et al. (2020) suggest that managers with proficient tax management abilities should be better to make sound financial resource allocation decisions, indicative of superior managerial quality.

H₁: Managerial quality mediates the relationship between effective tax management and financial performance in the automotive industry.

An effective marketing strategy indicates managerial capability in planning and executing successful marketing campaigns. Wengler and Kolk (2023) demonstrate that effective marketing strategies can increase brand awareness and customer loyalty, suggesting a correlation between managerial quality and the success of marketing efforts. Kukanja et al. (2017) argue that understanding and meeting customer needs through effective marketing strategies indicates superior managerial quality. Morgan et al. (2018) show that managers proficient in marketing strategy can enhance market and financial performance, reflecting superior managerial quality. Kuehnl et al. (2019) find that the capacity of managers to manage product differentiation through effective marketing strategies also indicates superior managerial quality. Zainali et al. (2019)

suggest that effective marketing strategies are a marker of superior managerial quality, especially in maintaining and enhancing customer loyalty. Kumar et al. (2017) demonstrate that successfully integrating digital and traditional marketing strategies showcases managerial quality in utilizing diverse marketing channels to achieve organizational objectives.

H₂: Managerial quality mediates the relationship between a robust marketing strategy and financial performance in the automotive industry.

The provision of effective after-sales service reflects managerial competence in planning and implementing superior customer service. Mittal and Sridhar (2020) indicate that effective after-sales service bolsters customer satisfaction and retention, as the quality of managerial expertise. Zhu et al. (2021) find that managers capable of delivering high-quality services exhibit superior managerial quality in managing after-sales service resources and operations. Rust and Zahorik (2018) argue that effective after-sales service requires exceptional managerial abilities in planning and implementing customer satisfaction strategies. Braun et al. (2017) say that investment in effective after-sales service reflects managerial budgetary and resource management skills to enhance customer satisfaction and loyalty. Kim & Kim (2020) present that exemplary customer service signifies superior managerial quality in developing and executing customer-oriented service strategies. Leninkumar (2017) suggest that managers who respond quickly and resolve after-sales issues effectively exhibit high managerial quality in maintaining customer satisfaction and loyalty.

H₃: Managerial quality mediates the relationship between the provision of effective after-sales service and financial performance in the automotive industry.

Effective tax management can facilitate allocating greater financial resources toward investment in product innovation. According to Oeta et al. (2019), companies demonstrate

effective tax management tend to exhibit superior cash flow, which can be utilized to fund innovation projects. Saragih & Ali (2023) report that organizations successfully reducing their tax burden through meticulous tax planning can reallocate a greater proportion of their resources toward research and development (R&D). Fernández-Rodríguez et al. (2019) demonstrate that effective tax management enhances a company's capacity for long-term investments, including new product development. Furthermore, Sadjiarto et al. (2020) discover that strategic tax management provides organizations with enhanced financial flexibility, a crucial element in supporting innovation activities. Sánchez-Ballesta & Yagüe (2024) argue that effective tax management reflects proficiency in corporate finance management. It facilitates investment in product innovation. Additionally, Chen et al. (2020) find that firms with effective tax management strategies are more likely to invest in new technology and product development due to the greater availability of funds.

H₄: Product innovation mediates the relationship between effective tax management and financial performance in the automotive industry.

An effective marketing strategy can stimulate product innovation by providing invaluable insights into customer needs and preferences. Heriqbaldi et al. (2023) hypothesize that effective marketing facilitates the sale of existing products and identifies opportunities for developing new products that align with market needs. Kukanja et al. (2017) assert that a customer-centric marketing strategy enables organizations to gather invaluable feedback that can be used to enhance and develop new products. Morgan et al. (2018) found that organizations with effective marketing strategies are more inclined to innovate as they are better equipped to understand market trends and consumer behaviour. Kuehnl et al. (2019) demonstrated that integration between marketing and R&D enhances a company's capacity to develop innovative products that meet market demands. Zainali et al. (2019)

suggest that a proactive marketing strategy encourages companies to continue innovating to maintain competitiveness. Additionally, Kumar et al. (2017) posit that effective digital marketing helps companies conduct superior market segmentation, which can foster more targeted product innovation.

H₅: Product innovation mediates the relationship between a robust marketing strategy and financial performance in the automotive industry.

Providing effective after-sales service can facilitate the acquisition of valuable feedback, which can inform and drive product innovation. Mittal and Sridhar (2020) demonstrate that engaging with customers through after-sales service yields insights crucial for new product development or enhancing existing products. Zhu et al. (2021) observe that superior customer service enables businesses to comprehend customer requirements and issues, facilitating the creation of novel products. Rust & Zahorik (2018) posit that organizations allocating resources to after-sales service are likelier to adopt innovative practices as they cultivate stronger customer relationships and gain direct feedback. Braun et al. (2017) demonstrate that satisfied customers are increased by efficient after-sales service, encouraging loyalty and the willingness to share innovative ideas with the company. Kim & Kim (2020) propose that organizations excelling in after-sales service are more likely to innovate because they have a superior understanding of product utilization and customer expectations. Leninkumar (2017) claim that prompt responses and practical solutions in after-sales service can motivate companies to innovate their products to align with customer expectations continuously.

H₆: Product innovation mediates the relationship between the provision of after-sales service and financial performance in the automotive industry.

The nature of high-level administration is vigorous for improving the monetary execution of auto organizations. Chen et al. (2020) find

that supervisors with advanced decision-making and strategic skills optimize resources, positively impacting financial performance. Samimi et al. (2022) illustrate that effective business strategies, driven by superior managerial skills, increase profitability. Abbas (2020) affirms that capable managers better discern market opportunities and navigate risks, improving efficiency and financial performance. Mai et al. (2022) assert that strong leadership enhances employee motivation and productivity, benefiting financial outcomes. Blake et al. (2022) emphasize that managerial experience and education significantly influence strategy implementation and financial success. Seidel et al. (2019) also find that proficient leadership fosters a productive work environment, boosting financial performance.

H₇: Managerial quality and product innovation jointly mediate the relationship between tax management and financial performance in the automotive industry.

Introducing innovative products presents a significant opportunity for automotive companies to enhance their financial performance. Teece (2018) theorize that practical product innovation boosts a company's competitive advantage and attracts a larger customer base, increasing revenue and profitability. Piano (2017) indicate that product innovation can generate new markets and expand market share, positively impacting financial performance. Acemoglu et al. (2018) originate that organizations with a propensity for innovation tend to demonstrate superior financial performance because they offer products of greater intrinsic value and satisfy customer needs. Behavior and Stephan (2022) observe that innovation is a pivotal determinant of long-term success, helping companies maintain relevance and competitiveness in a dynamic market. O'Reilly III and Tushman (2021) highlighted that disruptive innovation can transform the industry landscape and provide substantial competitive advantages, enhancing financial performance. Additionally, Sihvonen and Pajunen (2019) posited that companies that consistently innovate are more

likely to have higher market value and inspire greater investor confidence, further boosting financial performance.

H₈: Managerial quality and product innovation jointly mediate the relationship between marketing strategy and financial performance in the automotive industry.

Chen et al. (2020) demonstrate that high managerial quality enhances tax management effectiveness through improved decision-making. Abbas (2020) finds that competent managers efficiently exploit tax management opportunities. Mai et al. (2022) note that strong leadership aids in implementing financial strategies. Samimi et al. (2022) show that managerial competence impacts financial strategies and tax management. Blake et al. (2022) find that experience and education influence tax management decisions. Seidel et al. (2019) demonstrate that strong leadership skills improve tax management strategy implementation. According to research, effective marketing and after-sales strategies largely depend on managerial quality. Mehralian et al. (2018) and Wilson & Liguori (2023) highlight that competent managers can identify and respond to market needs. Stathakopoulos et al. (2019) emphasize that managerial ability and leadership enhance marketing strategy success and responsiveness to market dynamics. Ferraris et al. (2019) and Chari et al. (2017) state that skilled managers efficiently implement marketing strategies and align them with business objectives. Additionally, Wolff et al. (2020) and Wirtz et al. (2020) demonstrate that effective leadership boosts customer satisfaction by increasing after-sales service efficiency and quality. Wirtz et al. (2020) reveal that managerial competence positively impacts service quality and customer perceptions.

H₉: Managerial quality mediates the effect of tax management on the financial performance of automotive firms.

H₁₀: Managerial quality mediates the effect of marketing strategy on the financial performance of automotive firms.

H₁₁: Managerial quality mediates the effect of after-sales service on the financial performance of automotive firms.

Teece (2018) postulates that practical product innovation enhances a company's competitiveness and product value, amplifying the positive impact of tax management on financial performance. Piano (2017) proves that product innovation boosts a firm's efficiency and profitability. Acemoglu et al. (2018) find that innovative firms typically exhibit superior financial performance. Behavior and Stephan (2022) assert that innovation is crucial for long-term business success. O'Reilly III and Tushman (2021) highlight that disruptive innovation can transform the industry landscape and offer a competitive advantage. Sihvonen and Pajunen (2019) add that continuous product innovation increases shareholder value and customer satisfaction. Kolapo et al. (2021) argue that continuous product innovation and effective marketing strategies enhance customer satisfaction and sales. Mu et al. (2017) and Nguyen et al. (2018) show that innovative firms employ more effective marketing strategies. While Workman-Stark (2022) discover that product innovation strengthens the connection between financial performance and marketing, Otto et al. (2020) state that new product success relies on robust marketing strategies, and Grimpe et al. (2017) advise that combining product innovation with synergistic marketing strategies boosts competitiveness. Additionally, Durugbo (2020) establish that after-sales service innovation increases customer satisfaction, loyalty, and financial performance. Gebauer et al. (2020) highlight that innovative after-sales services strengthen customer relationships, enhance perceived value, and provide competitive advantages. Vargo and Lusch (2017) confirm that after-sales service innovation improves customer satisfaction and financial performance.

H₁₂: Product innovation mediates the effect of tax management on the financial performance of automotive firms.

H₁₃: Product innovation mediates the effect of marketing strategy on the financial performance of automotive firms.

H₁₄: Product innovation mediates the effect of after-sales service on the financial performance of automotive firms.

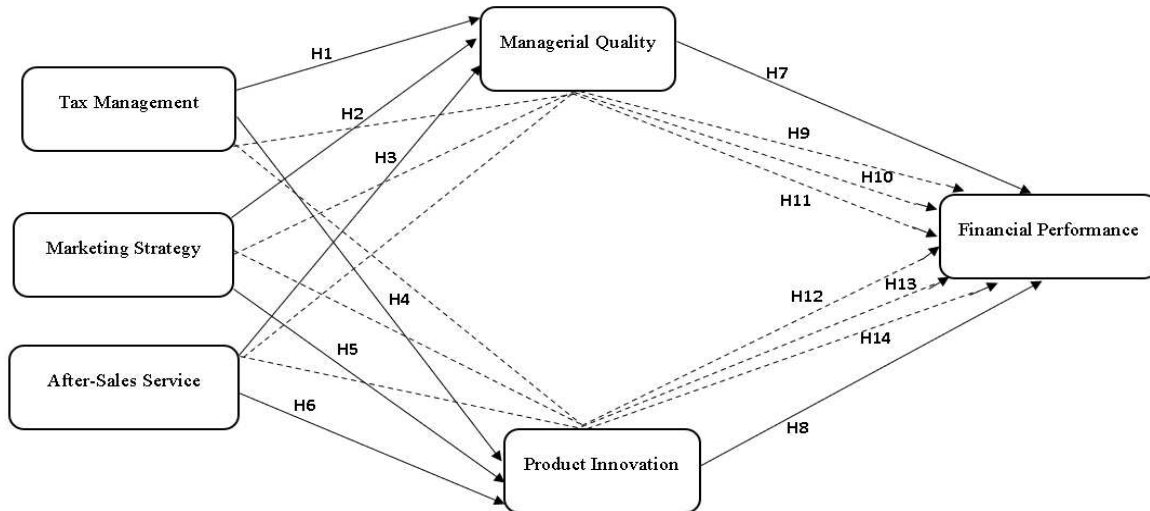


Figure 1
Research Model

Source: Developed by Author

RESEARCH METHOD

Sample and population selection

Purba et al. (2020) underscore the importance of sampling in population studies, emphasizing that sampling involves selecting a representative subset from a larger population for analysis. The review utilizes a non-likelihood purposive examining method (Hult et al., 2021). They argue that assessing sample quality becomes challenging when the sample size is considerable. They recommend a minimum of 5 to 10 observations per parameter estimated. Given the broad scope of this study, the upper limit of ten observations per parameter was used. As a result, the initial 24 survey statements were multiplied by 10, giving 240 respondents as the desired sample size. This strategy aims to have a 10% error rate with a confidence level of 90% (Hair et al., 2017).

The target population of this study comprises professionals working in Indonesian automotive companies, including those in finance, marketing, after-sales service, and product development departments. This population is considered finite, drawn from a known and bounded list of firms registered under national automotive associations such as

Gaikindo. This study employed a non-probability purposive sampling technique to select respondents. It is suitable for obtaining expert-driven responses. The selection criteria required that respondents having at least two years of experience in a functional managerial or operational role and be actively involved in decision-making processes related to strategic or service activities within their organization.

Three hundred questionnaires were distributed through email and professional networks, and 240 valid responses were received, resulting in an 80% response rate. The respondents represented a diverse mix of domestic and multinational automotive companies across Java and other major industrial regions in Indonesia, ensuring a broad yet targeted industry representation. While purposive sampling was appropriate for capturing informed insights. This study acknowledges the potential for sampling bias and the limited generalizability of the results due to the non-random nature of the sample. To mitigate this, efforts were made to ensure balance in organizational function, position, and company type, as summarised in Table 1.

Table 1
Profil Respondent

Characteristic	Category	Frequency	Percentage
Department	Finance	60	25
	Marketing	70	29,2
	Operations	110	45,8
Position	Manager	80	33,3
	Supervisor	100	41,7
	Staff	60	25
Experience (in years)	2–5 years	90	37,5
	6–10 years	90	37,5
	>10 years	60	25
Company Size	Large	90	37,5
	Medium	100	41,7
	Small	50	20,8
Company Origin	Domestic	170	70,8
	Multinational	70	29,2

Source: Author's Compilations

Data collection methods

This study utilizes a source-based approach to deal with information assortment, using both essential and optional information sources. Essential information was gathered straightforwardly from respondents through surveys dispersed to people with direct information and contributions to the activities of car organizations. This approach ensured that the data collected provided a comprehensive perspective. Secondary data came from sources like other people's writing or literature not involving any direct interaction with the people who provided the data. The authors reviewed books, journals, articles, and previous research to gather the necessary information.

Statistical analysis techniques

The study employed smartPLSSEM software for data analysis, utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM). It is proficient at elucidating relationships among variables and conducting comprehensive analyses within a single framework. Its primary objective is to validate theories and determine the relationships among latent variables. According to Hair et al. (2019),

the PLS approach can define latent variables that are not directly observable using indicators. The researcher selected Partial Least Squares because the study focuses on latent variables, allowing for precise and extensive analyses based on indicator-measured constructs.

Research design

This research applied surveys as the primary data collection method, emphasizing a quantitative approach. Data regarding respondents were selected from various relevant departments and management levels, including finance, marketing, customer service, product development, human resources, executive management (CEOs or senior executives), operations, and risk management. Most of these questionnaires were emailed, and some were administered directly by the authors. The questionnaire and an introduction letter outlining the research goals and protecting respondents' privacy were sent to them.

This study employed a structured survey as the primary data collection method, aligned with a quantitative research approach. The questionnaires were distributed to professionals in various departments—such as

finance, marketing, customer service, operations, and product development—across multiple automotive firms operating in Indonesia, including both domestic and multinational companies. Three hundred questionnaires were distributed, and 240 valid responses were received, resulting in a response rate of 80%.

To ensure diversity and avoid firm-level bias, participants were not drawn from a single organization but represented a broad spectrum of companies within the industry. To minimize

self-reporting bias, several mitigation strategies were implemented: the questionnaire design incorporated reverse-coded items to detect inconsistent responses; anonymity and confidentiality were guaranteed in the cover letter; and questions were randomized where appropriate to prevent response patterns. Additionally, expert validation was conducted during the instrument development phase to enhance clarity and reduce measurement error.

Table 2
Functional Definition of Variables

Variable	Functional Definition	Indicator	Reference
Tax Management	A comprehensive effort by a tax manager within a company or organization aims to ensure that all matters related to taxation are managed properly, efficiently, and economically, thereby maximizing the contribution to the business.	Fiscal compliance Taxation planning Tax Reports Tax Efficiencies	(Rina, 2023)
Marketing Strategy	A set of business measures designed to persuade consumers to purchase a product.	Promotions Price Determination Distribution Marketing Communications	(Song et al., 2018)
After-sales Service	Processes ensure buyers are satisfied with products and services, encouraging indirect recommendations.	Parts Availability Servicing Guarantee Customer Support	(Shokouhyar et al., 2020)
Managerial Quality	A company implements a quality policy in order to guarantee the quality of a product or service.	Leadership Decision-making Managerial Competence Internal Communication	(Baik et al., 2017)
Product Innovation	The efforts made by business	New Products Development	

Variable	Functional Definition	Indicator	Reference
	professionals to improve, refine, and develop existing products.	Product Enhancement Design Creativity New Technology Adoption	(van de Ven et al., 2023)
Financial Performance	The company's financial position over a specified period measures its success.	Profitability Revenue Growth Operating Efficiency Value of Shares	(Tudose et al., 2022)

Source: Author's Compilations

DATA ANALYSIS AND DISCUSSION

External Model Assessment

Because of the legitimacy and unwavering quality experimental outcomes introduced in Table 3, all things on the builds show loadings surpassing 0.7, connoting areas of strength between the pointers and their particular developments. All constructs have Cronbach's alpha values above 0.7, indicating good

internal reliability. All constructs exhibit Composite Reliability (CR) values exceeding 0.7, indicating robust internal consistency. Furthermore, all constructs demonstrate Average Variance Extracted (AVE) values exceeding 0.5, suggesting adequate convergent validity or the capacity to account for over half of the variance of their respective indicators.

Table 3
Analyses of the External Model

Construct / Item	Loadings	Alpha	CR	AVE
Tax Management		0.932	0.951	0.830
TM1	0.940			
TM2	0.921			
TM3	0.923			
TM4	0.860			s
After-sales Service		0.934	0.954	0.837
ASS1	0.827			
ASS2	0.944			
ASS3	0.934			
ASS4	0.944			
Marketing Strategy		0.874	0.913	0.724
MS1	0.903			
MS2	0.829			
MS3	0.865			
MS4	0.803			
Managerial Quality		0.935	0.953	0.837
MQ1	0.924			
MQ2	0.918			
MQ3	0.944			
MQ4	0.871			
Product Innovation		0.863	0.907	0.708
PI1	0.792			
PI2	0.833			

Construct/ Item	Loadings	Alpha	CR	AVE
PI3	0.880			
PI4	0.859			
Financial Performance		0.961	0.972	0.896
FP1	0.935			
FP2	0.947			
FP3	0.952			
FP4	0.952			

Source: Author's Calculation Results.

Assessment of the Internal Framework

The coefficient of determination (R²) for the structural model's endogenous variables is shown in Table 4. The high R² values for Monetary Execution (0.787) and Administrative Quality (0.903) show that the model separately records 78.7% and 90.3% of the difference in these factors. It demonstrates the significant influence of the model's predictors. The R² value of 0.583 for the variable Product Innovation

suggests that the predictors moderately impact product innovation. This value indicates that the model accounts for 58.3% of the observed variance in this variable. All in all, the discoveries show that the model is exceptionally concurrently legitimate and dependable. The high R² values indicate that the model successfully explains the variance in the endogenous variables, particularly about managerial quality and financial performance.

Table 4
Determination Coefficient (R²)

Variable	R ²	Adjusted R ²
Financial Performance	0.787	0.785
Managerial Quality	0.903	0.901
Product Innovation	0.583	0.578

Source: Author's Calculation Results.

The outcomes in Table 5 represent the impact size (F-square) of the autonomous factors on the reliant variable inside the PLS-SEM model. The findings are significant and merit further exploration. After-sales service exerts a considerable effect on financial performance, evidenced by an effect size of 0.5050, indicating a substantial contribution. However, its impact on product innovation is minimal, with an effect size of 0.0314. The effect size of Managerial Quality on Product

Innovation is also minimal, at 0.0074. Similarly, marketing strategy has a negligible impact on managerial quality and financial performance, with effect sizes of 0.0001 for each. With a value of 0.2594, product innovation has a moderate impact on financial performance, indicating a significant impact. Interestingly, the impact of assessment by the board on administrative quality is moderately minor, with an impact size of 0.0133.

Table 5
F-Square (Effect Size)

Variable	Financial Performance	Managerial Quality	Product Innovation
After-sales Service		5,050	0,314
Managerial Quality	0,074		
Marketing Strategy		0,001	0,001

Variable	Financial Performance	Managerial Quality	Product Innovation
Product Innovation	2,594		
Tax Management		0,000	0,133

Source: Author's Calculation Results.

According to the analysis findings, Table 6 demonstrates the model has excellent predictive ability for managerial quality and financial performance, with Q² values of 0.699 and 0.749, respectively. Model variables significantly account for variations in managerial quality and financial performance. The predictive ability for product innovation is moderate, as reflected by a Q² value of 0.409. However, no Q² values were calculated for after-sales service, marketing strategy, and tax management, suggesting that the model lacks

identified predictive relevance for these variables. In conclusion, the findings show that certain model-independent variables significantly influence the prediction of particular dependent variables, particularly managerial quality and financial performance. On the other hand, other variables have very little or no effect on the model's ability to predict outcomes. The results shed light on the dynamic nature of the relationships among the model's variables, which can help shape future managerial strategies and decisions.

Table 6
Relevance Predictive of the QSquare (Q²)

Variable	S	SSE	Q ² (=1SSE/SSO)
After-sales Service	960,000	960,000	
Financial Performance	960,000	288,663	0,699
Managerial Quality	960,000	241,088	0,749
Marketing Strategy	960,000	960,000	
Product Innovation	960,000	566,990	0,409
Tax Management	960,000	960,000	

Source: Author's Calculation Results.

Hypothesis Test Results

The p-value and statistics are used to test hypotheses. The SmartPLS 3.0 bootstrapping

results, shown in Figure 2, show how external factors affected the 24 indicators were affected by external factors.

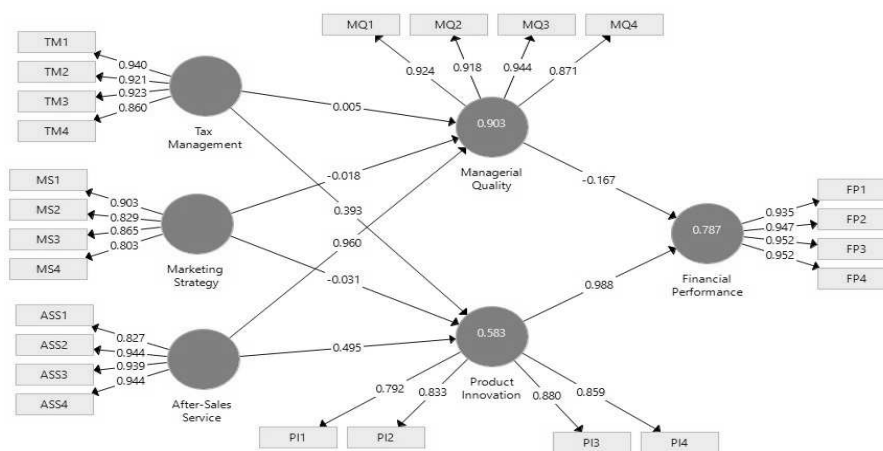


Figure 2
Bootstrapping Results

Source: Data Processing Result

The outcomes in Table 7 show that the bootstrapping examination uncovered shifting degrees of importance in the relationship between the builds in the PLS-SEM model. According to T-statistics of 34.575 and 6.552, respectively, and a very small P-value (0.0000*), management quality and product innovation benefit greatly from after-sales service. According to these findings, effective after-sales service significantly improves managerial quality and product innovation. Furthermore, the advancement of product development significantly impacts financial performance, as indicated by a t-statistic value of 24.518 and a p-

value of 0.0000*. This finding highlights the critical role of product innovation in enhancing financial outcomes.

Conversely, the impact of tax management on managerial quality and marketing strategy on both managerial quality and product innovation is inconsequential, with P-values exceeding 0.05. Notably, there is a significant negative correlation between managerial quality and financial performance, as evidenced by a P-value of 0.0005* and a t-statistic of 2.798, suggesting that in this context, enhancing managerial quality may not necessarily lead to an improvement in financial performance.

Table 7
Bootstrapping Effect Results

Construct	Original (O)	Sample T (O/STDEV)	Statistics P Values
Tax Management > Managerial Quality	0,005	0,137	0,891
Tax Management > Product Innovation	0,393	5,131	0,000*
After-sales Service > Managerial Quality	0,960	34,575	0,000*
After-sales Service > Product Innovation	0,495	6,552	0,000*
Marketing Strategy > Managerial Quality	0,018	0,410	0,682
Marketing Strategy > Product Innovation	0,031	0,424	0,672
Managerial quality> Financial Performance	0,167	2,798	0,005*
Product Innovation > Financial Performance	0,988	24,518	0,000*

* means significant at 5%

Source: Data Processing Result

The extensive effect of intervention pathways is shown in Table 8. It reveals that afterdeals administration influenced by administrative quality and product development significantly impacts monetary execution. With a t-statistic of 2.778 and a P-value of 0.0006*, administrative quality affects afterdeals administration. On the other hand, the impact of after-sales service on product innovation is significant and beneficial, with a t-statistic value of 5.897 and a P-value of 0.0000*. With a t-statistic value of 4.905 and a P-value of

0.0000*, product innovation is also a significant mediator of tax management on financial performance. It indicates that tax management has a significant impact on financial performance. However, a P-value greater than 0.05 indicates that managerial quality and product innovation do not mediate marketing strategy's influence on financial performance. It proposes that the showcasing system in this model does not impact monetary execution through the pathways of administrative quality or item advancement.

Table 8
Explicit Aberrant Impacts

Construct	Original Sample (O)	T Statistics (O/STDEV)	P Values
Tax Management > Managerial Quality > Financial Performance	0,001	0,132	0,895
Tax Management > Product Innovation > Financial Performance	0,388	4,905	0,000*
After-sales Service > Managerial Quality > Financial Performance	0,160	2,778	0,006*
After-sales Service > Product Innovation > Financial Performance	0,490	5,897	0,000*
Marketing Strategy > Managerial Quality > Financial Performance	0,003	0,367	0,714
Marketing Strategy > Product Innovation > Financial Performance	0,031	0,421	0,674

* means significant at 5%

Source: Data Processing Result

The findings indicate that after-sales service and product innovation significantly enhance financial performance, both directly and indirectly, through mediating channels. In contrast, the impact of tax management and marketing strategy is more limited in this context. These results provide valuable insights for decision-makers aiming to improve their firms' financial performance, highlighting the importance of prioritizing after-sales service and product innovation.

Discussion

This research investigates the direct relationships between these variables and emphasizes the central mediating role of product innovation, which consistently strengthens the impact of strategic activities on financial performance. Meanwhile, managerial quality demonstrated a limited mediating role, being significant only in the pathway between after-sales service and financial performance. It finds that internal capabilities function differently depending on the strategic domain through which they operate. This nuance reinforces the need for a differentiated understanding of how internal mechanisms translate strategy into outcomes. Tax management effectiveness is a fundamental

element in financial management with the potential to impact overall company performance. As demonstrated in previous studies, effective tax management practices can generate financial efficiencies assisting companies in reducing their tax obligations and enhancing their cash flow (Jain et al., 2020; Oeta et al., 2019). However, it has been asserted by Saragih & Ali (2023) that overly aggressive tax management can carry significant risk, potentially resulting in legal sanctions and reputational damage, which, in turn, can harm company performance.

Conversely, effective marketing strategies have positively impacted a company's financial health (Kim & Kim, 2020). Research by Stathakopoulos et al. (2019) emphasizes that a deep understanding of consumer needs and preferences enables firms to better respond to market dynamics. In the automotive industry context, where consumer preferences and technological trends are subject to rapid, dynamic and adaptive change, responsive and adaptive marketing strategies are paramount. This assertion is corroborated by the outcomes of this study that strategic marketing initiatives can facilitate enhanced brand visibility and reputation, exerting a direct and substantial influence on sales and profitability.

The findings reveal that marketing strategy did not significantly influence financial performance through managerial quality or product innovation. This result contrasts with conventional expectations in the strategic management literature, in which marketing is often positioned as a driver of innovation and performance. One plausible explanation is that marketing strategies may not yet be fully integrated with innovation pipelines or managerial processes in the context of Indonesian automotive firms. Instead, marketing activities may remain operationally siloed, with limited strategic alignment to innovation development or performance metrics. Another potential factor is the industry's heavy reliance on dealer networks and promotional activities, which may emphasize volume over value creation, thus weakening marketing's indirect pathways to performance. The insights suggest the need for more coordinated marketing-innovation integration and a shift toward data-driven, customer-centric strategies that can better support long-term financial outcomes.

The significance of after-sales service in sustaining customer satisfaction has been a subject of recognized importance for a considerable period. The extant research demonstrates that high after-sales service quality contributes positively to customer loyalty, in turn, company financial performance. This finding aligns with the research by Wolff et al. (2020) that effective service management can enhance customer retention and fortify long-term relationships. The study identified product innovation as a pivotal factor in determining competitiveness, consistently emerging as a significant mediator across all strategic variables examined. Its dominance can be attributed to its dynamic capability, enabling firms to continuously adapt, differentiate, and respond to market shifts—especially in an industry like automotive. Its product life cycles are short and consumer expectations evolve rapidly.

Theoretically, it reinforces the Dynamic Capabilities View (Teece, 2018) that speculates innovation-driven transformation as the central

to achieve sustainable advantage in volatile environments. It suggests that Indonesian automotive firms must go beyond traditional process improvements and embed innovation across functions—particularly by integrating customer feedback from after-sales channels and aligning R&D investments with tax and marketing strategies. Without such alignment, competitive advantage may remain superficial and short-lived. Research by Chari et al. (2017) demonstrates that companies consistently innovating tend to have higher market value and attract more trust from investors. However, challenges arise when innovation is imbalanced or poorly managed. According to Chen et al. (2020), excessive innovation without efficient management can lead to increased costs that cannot be offset by increased revenue. It can negatively affect financial performance.

Managerial quality is a pivotal factor that moderates the main variables of this study. Competent managers can identify opportunities and challenges and develop appropriate strategies to maximize performance. Research conducted by Mai et al. (2022) and Samimi et al. (2022) demonstrates that experienced and highly educated management can enhance the effectiveness of tax and marketing management tactics, leading to improved decision-making and a consequent positive impact on financial performance. Furthermore, the quality of management is found to have a direct impact on a company's capacity to adapt to changes in the market and to meet the evolving demands of consumers. According to Ferraris et al. (2019), skilled managers can implement effective marketing strategies and innovate products and services to meet dynamic market demands.

As the research findings, it is imperative to consider the unique context of the automotive industry in Indonesia. The Indonesian automotive market is affected with challenges, including stringent regulations, exchange rate volatility, and incessant changes in taxation policies. Research by Setiawan (2021) demonstrates that, despite the national automotive market experiencing growth, the challenges necessitate suitable and responsive

strategies from industry stakeholders. As these challenges, this study underscores imperative for automotive companies to prioritize enhancing managerial quality, investment in product innovation, and developing robust after-sales services as pivotal strategies to attain sustainable financial performance.

CONCLUSION AND SUGGESTION

This study examined the effects of tax management, marketing strategy, and after-sales service on financial performance in the Indonesian automotive industry, with a particular focus on the mediating roles of managerial quality and product innovation. The findings confirm that while all three strategic factors contribute to performance, after-sales service and product innovation demonstrate the strongest and most consistent influence—directly and indirectly.

Product innovation emerged as a robust and consistent mediating variable, reinforcing the relationship between upstream strategies and financial outcomes. This suggests that innovation is not merely a supportive function but a strategic capability that transforms tax efficiency, marketing initiatives, and service delivery into value-added outcomes. Theoretically, this supports the Dynamic Capabilities View, while practically, it emphasizes the need for firms to embed innovation into core strategic execution. In contrast, managerial quality showed a more limited mediating effect, being statistically significant only in the pathway between after-sales service and financial performance. This indicates that managerial capacity is context-sensitive, and its mediating impact may depend on alignment with operational functions rather than high-level strategy alone.

These findings imply that automotive firms seeking to enhance their competitiveness and financial outcomes should prioritize continuous investment in product innovation and capability development in service delivery. Strengthening after-sales infrastructure, capturing post-purchase feedback, and linking it with innovation efforts are practical steps toward this objective. Concurrently, managerial

training and internal governance improvements should be focused on where they align with frontline implementation, such as customer experience and service optimization.

Suggestions for Future Research

Future studies should explore this framework in other industrial sectors or across different national contexts to test generalizability. Longitudinal designs help establish causality, and including moderating variables such as technological readiness or digital maturity may offer a more nuanced understanding of how internal capabilities interact with external strategy. Finally, qualitative insights from firm-level decision-makers may enrich interpretations of how product innovation and managerial quality are operationalized in practice.

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