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Effects of Environmental Risks, the Company Strategy and Capital Structure on Performance of Companies in the Pharmaceutical Industry in Iran Stock Exchange

P. Saeidy and S.A. Kazemipour

Islamic Azad University, Aliabad Katoul Branch, Golestan, Iran

Abstract: The purpose of this study to identify environmental risks, the company strategy and capital structure on firm performance of pharmaceutical industry model in the central Iranian Stock Exchange. The model of the relationship between environment risk, corporate strategy and capital structure on firm performance will be evaluated. The correlation studies between these benchmarks are useful in some sense so that these methods can be used interchangeably as the replacement on. The study mentioned variables ranged from 80 to 87 were calculated in drug industry research results showed that the core model, including environmental risk, strategy and capital structure are the Company, any way the effect on corporate performance Pass. In other words the use of these models has a positive effect on firm performance is a pharmaceutical industry.

Key words: Environmental risks · Corporate Strategy · Capital Structure · Performance of Pharmaceutical Companies

INTRODUCTION

In today's world, successful business organizations will compete in track was able to review a strategic plan and determine exactly the other hand, have identified goals and individual employees as well as this that encourage your goals on track Organization to regulate growth.

The finance company under the strategic objective approach these concepts on the future of how risk affects companies and how companies should manage their resources to allocate risk in the long run, will be investigated. Concepts of strategic management and financial management companies on the role of environment in relation to their effects on the Company shall emphasize. These concepts based on company needs to analyze external environment to identify strategic opportunities and threats, are concentrated. External environmental analysis process to identify the forces on the large external environment to study their effects on the workplace and industry environment bypasses. This process Alsn and colleagues [1] as a pivotal choice between external environment and company strategy were mentioned. This model of the relationship between environment risk, corporate strategy and capital structure on firm performance will be evaluated [2].

The central model by [3], discuss the relationship between four Sakhtarmhm ie environment, strategy selection, capital structure and function of the conceptual expression of the will. The central principle states that "If the company can identify opportunities The changes are in line be competitive in ways that could use these opportunities to finance investment and to allocate them to the highest value to create. In that case, more favorable financial results for its investors and owners will be achieved. [4] the correlation of these variables has in Figure (1).

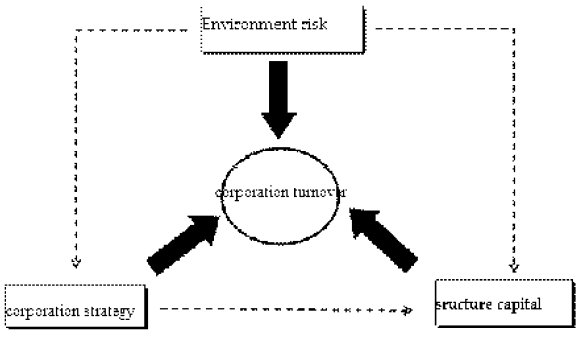

Fig. 1: The relationship between environmental risks, the company strategy and capital structure on firm performance

Corresponding Author: P. Saeidy, Islamic Azad University, Aliabad Katoul Branch, Golestan, Iran.

As in Figure (a) is observed risk environment, company strategy and capital structure and corporate performance, as defined in the central model described, these four structures must be placed on an axis, in order to be an important relationship between individual structures, determined by overall performance than the industry average level desired, exist. Evaluate the relationship between these structures in order to give credibility and reasonable time is central to conceptual model.

Management seeks investment opportunities and understanding on what has the highest value must ensure that resources permanently assigned to the competitive methods that the highest value for the company will bring.

Considering the role of environmental opportunities and threats created by the company as a random factor is expressed. Because of imminent threats and opportunities that the company's external environment is achieved, the variety of risks covers. These risks, complexity and uncertainty of performance-related environment, the company that has an important effect on success [5].

The central importance of testing models emphasized handful of researchers were old scholars such as: Sharma 2002, Chatvt Pvlalys 2002 and 2004 models in the pivotal studies have used different. Sharma such a manner that the central model in the audit assessment by Tourism Pvlalys between the central business and information technology and central Chatvt time between strategic management and financial management are examined.

If a company can identify opportunities to correct the environment. Investment on High Svdtryn competitive methods to achieve optimal financial performance investors would be easy.

Yvkyn van [6], also believes that appropriate and adequate investment capital Drshrkt ¬ ¬ to ¬ allow them to be necessary in order to study their sources. He studies the importance of the resources ¬ the company successfully in the relevant market-and knows that ¬ ¬ says the company is through the can ¬ ¬ market opportunities successfully and seek to benefit from market activity interest ¬ ¬ are interested.

Fbvzy [7] business risk as the risk that lack one or more factors in the operational definition of participation is ensured and its failure led to the loss is unexpected. These losses usually by cash flow variance in comparison with its market shows that the incompetent management of the company's business is to ensure efficiency. As the cash flow covariance is measured. The risk that the company based on cash flow is facing the companies in comparison with the average show. Finally, the risk that market uncertainty about the value of marketable has been created. The cost of risk by the covariance is defined as the stock market company [8-9].

Research Background: Su (2010), research as "the relationship between company strategy, capital structure and firm performance in Vietnam companies" did. In this study, two important relationships a) Corporate Strategy and Performance, 2) capital structure and firm performance are widely discussed and investigated. He indicated that instead of developing liquidity management should work on improving their management. Additional emphasis on shareholders and capital structure has, because the overall yield on the capital structure of companies is. Another result of this research is that the relationship between liquidity and sales growth there.

[10] "Effect of capital structure on firm value" in the securities of Bangladesh was investigated. His research objective of capital structure on value by participating in economic and industrial sector of Bangladesh was. Results showed that for most shareholders to wealth perfect combination of debt and capital is needed in which the cost of capital is a negative factor as much as possible and should be minimized. In addition it was found that the company's capital structure can change its value to increase the market.

[11], the axial model and practice multiple companies with a comprehensive approach was investigated. This research strategy plays an important role in the reaction between the external environment against internal environment plays on the performance of the company makes. Since both external and internal environment on the company's strategy affects performance, so the company also affects. Mndyhay alignment between organizational ability, strategy, environment, leading to firm performance is improving.

[11], research entitled "Effect of environmental risks, the company strategy and capital structure on corporate performance in the restaurant industry in America" ??did. R specifies the size and stability of variables used in the context of previous research interpretations and territories in the management of financial risks associated with the corporate environment, corporate strategy and capital structure and performance of the company. The relationship between structures and dimensions there to understand dependency between them using the alternatives tested shows.

[6] The relationship between company resources, strategies and practices in 192 small companies may examine. Adlman using structural equation analysis of the company's strategy of mediating role examined

Scientific findings show that resources nor strategies alone do not justify corporate performance but also the role of corporate strategies in accordance with their characteristics are associated resources.. He states that neither resources nor strategies alone yield None companies do not explain. but in fact their strategies of small enterprises according to their sources are appropriate.

[7], the research model as a central pattern in intelligence examined. Research in the strategic alignment between business and information technology said examined and proved to be a pivotal time can be a positive trade effects.

[8] within the central model of the tourism industry in assessing audit examined. The results showed that the process worked in Tanzania in this regard is now on track and not just the thrust that may require some resources to increase efficiency in the implementation of tourism satellite accounting is assigned.

Research Methods: The aim of the study and application of descriptive methods after event (using past data) is. Investigation period from 1380 to 1387 has been. The statistical population of the Pharmaceutical companies which have 22 companies on the stock and have been active in the covers. To analyze data collected from inferential statistics, including methods of correlation, Pearson and ANOVA using SPSS and Excel softwares were used. first introduced the intended indicators for each variable is considered. That these variables include:

- Environmental risks: includes: ECONBETA: Economic Risk: OPCASHBETA business risks: MBETA Market Risk
- Strategy: Include: SALESGR sales growth ASSETGR: asset growth GROPTEN: potential growth-LIQRAT: Liquidity
- Capital Structure: DEBTRAT debt
- Yield: RETONEQ: return of equity-FCFPERSHARE: Cash flow per share float
- Control variables: SIZELOG: market size

Hypothesis Test: Each of the study hypotheses, using real data based on actual performance of stock companies has been compiled and was examined. Rates between variables, correlation coefficient was expressed as the total number of nine logistic regression model was obtained to describe the table (1) is:

According to the model (1) If market size is kept constant per unit increase in the risk of a market value of shareholders return 3 / 38 will be reduced.

Model (2) shows the per unit increase in the amount of liquidity shareholders 306/452 yields will decrease.

According to the model (3) If market size is kept constant for every one unit increase in the amount of debt yields will increase shareholders 981/97.

Model (4) shows the per unit increase in the risk of market value sales growth will be reduced 486/21.

According to the model (5) per unit increase in the amount of risk the economic growth potential 058 / 1 will be reduced.

According to the model (6) If the market size and growth potential are kept constant per unit increase in the amount of market liquidity risk 0/08 and will increase if the market size and market risks are kept constant per unit increase in The potential cash value growth of 0/018 will increase.

According to the model (7) If asset growth is kept constant for every one unit increase in the amount of market risk debt 0/387 will be reduced.

Table 1: Summary of regression models

Model Number	Models
1	RETONEQ =-109.682-38.3*MBETA +13.324*SIZELOG
2	RETONEQ = 79.294-452.306*LIQRAT
3	RETONEQ =-282.209 +97.981*DEBTRAT +21.081*SIZELOG
4	SALESGR=29.449-21.486*MBETA
5	GRPOTEN = 2.332-1.058*ECONBETA
6	LIQRAT = 0.283 + 0.08 * MBETA + 0.018 * GRPOTEN-0.022 * SIZELOG
7	DEBTRAT = 0.795-0.387 * MBETA-1.120E-7 * ASSETGR
8	DEBTRAT = 2.651-2.828*LIQRAT-0.143*SIZELOG
9	LIQRAT = 0.246 + 0.024*GRPOTEN-0.019*SIZELOG

Table 2:

Reject	Accept	R^2	R	sig	Title Model	ROW
	*	0.344	0.586	0.018	Environmental risk rate of return on equity has impact.	1
*		0.182	0.472	0.46	Environmental risks on the equity cash flow has influence.	2
	*	0.437	0.661	0.001	Rate of return on equity strategy has impact.	3
*		0.06	0.245	0.6	The strategy has the effect of equity cash flows.	4
*		0.514	0.717	0.3	Capital structure, rate of return on equity has impact.	5
*		0.002	0.048	0.3	Capital structure, cash flow has influence stock.	6
	*	0.17	0.413	0.099	Environmental risk is the impact on sales growth.	7
*		0.775	0.881	0.9	Environmental risk is the impact on growth assets.	8
	*	0.22	0.469	0.02	Environmental risk is the potential impact of growth.	9
	*	0.678	0.823	0.001	Environmental risk is the impact on liquidity structure.	10
	*	0.672	0.82	0.001	Environmental risk is the impact on capital structure.	11
	*	0.716	0.846	0.001	Strategy has the effect of liquidity on capital structure.	12
*		0.232	0.482	0.1	Sales growth is the impact on liquidity.	13
	*	0.447	0.668	0.001	Has growth potential impact on liquidity.	14
*		0.185	0.43	0.8	Company strategy and risk environment, rate of return on equity has impact.	15
*		0.522	0.723	0.3	Environmental risk and capital structure, rate of return has the effect of equity.	16
	*	0.471	0.687	0.002	Environmental risk strategy and structure impact on equity rate of return is.	17
*		0.185	0.43	0.8	Environmental risk strategy and capital structure, cash flow has influence.	18
*		0.552	0.743	0.4	Environmental risk strategy and capital structure, rate of return has the effect of equity.	19

According to the model (8) If market size is kept constant for every one unit increase in the amount of liquidity liabilities 2/828 will decrease.

According to the model (9) If market size is kept constant for every one unit increase in cash value growth Drptansyl 0/024 will increase.

Zero to reject the hypothesis (H_0) Sig criteria also were used in the table. If 0/05 > Sig results we hypothesize is related at the level of 5 percent will be rejected if the 0/05 <Sig results we hypothesize is related (H_1) at the 5 percent level is confirmed. table (2) has the assumptions and the results.

RESULTS

Data obtained in the pharmaceutical industry shows that the effect of risk environment on performance in the presence of variable control, the only risk market return on equity is significant. table variable risk market at 10 percent return on equity affect. And RSquare obtained from this test indicate that both market size and market risk varies almost 34 percent of the equity return changes explain. So we can say the risk of environmental impact on corporate performance is a drug.

The effect on performance in the pharmaceutical industry strategy can be stated that the only effect of such variables on the liquidity of equity returns is significant. According to the liquidity variable model achieved almost 43 percent changes to the equity return explains. So liquidity strategies on the performance of pharmaceutical companies (equity returns) and the effect obtained in the model market size as control variables absent.

According to the timeline that sales growth, liquidity, debt and market size are together in the model of equity returns have a significant effect. But given the amount of Sig in the table we see that the coefficients of any of the variables listed alone on equity returns are not significant. And this shows that these variables have nonlinear effects are. And only the most effect on the liquidity variable yields are equity. According to the model for every one unit increase in the amount of liquidity 306/452 equity returns will be reduced.

The pharmaceutical industry according to results of liquidity variables, debt and the size of the market together on equity returns have a significant effect but when the effect of each of these variables alone are examined the effect is not significant. Thus we can say that capital structure (debt) without the presence of other variables on equity returns has no significant effect.

As the correlation table we see pharmaceutical industry, market risk (5 percent level) impact on sales growth that the relationship is negative. The risk of the market increase sales growth is reduced. Rsquare However, due to the amount of 17 / 0 can be said is only 17 percent of the market risk related to changes in sales

growth the company explains that this amount is negligible. According to the model for every unit increase in the risk of market value sales growth of 486/21 reduced.

Effect on the risk environment has significant growth potential. Of course, the only risk of economic variables (at 5 percent) on the growth potential of an impact. But in addition to 10 percent risk of changing economic, business risk variable also has the potential to influence growth. According to the model for every one unit increase in the amount of risk the economic growth potential 058 / 1 will be reduced.

Considering the amount of pharmaceutical companies in the table Rsquare risks and potential market growth in the presence of control variables market size to nearly 67 percent liquidity changes explain. Cholera, according to the market risk model with liquidity and growth potential are positive Bth.

Had effects on the environment of risk we examined the capital structure. The pharmaceutical companies market risk and asset growth have a negative relationship with debt. So the risk environment has a significant effect of capital structure.

Liquidity variable in the presence of control variables market size is significantly associated with debt. According to the model in Table Rsquare value almost 71 percent of the debt changes explains that this value compared with previous models is widespread. Of course there can be said variable market size in these models creates significant relationship was. Because the correlation between market size and liquidity is 0/44/.

Growth potential in the presence of control variables market size has a significant impact on liquidity. And according to the model if market size is kept constant for every one unit increase in cash value growth Drptansyl0/ 024 will increase.

Survey shows that the strategy of pharmaceutical companies has the effect of liquidity on capital structure.

CONCLUSION

Results showed the risk the market rate of return on equity is the effect. Especially in the Chatvt study was conducted in 2002, the results of this study confirm.

The results show that liquidity strategy on equity rate of return affect the pharmaceutical industry. Research conducted by Chatvt (2002) also are consistent with this. So that companies that pursue a strategy of high liquidity are positive effect on free cash flow per share will be and also between strategy and liquidity of equity returns There are negative.

The results of the research shows that capital structure does not impact on performance alone. This is consistent with results Chatvt. He increased the debt level increases the company considers the possible bankruptcy. In this research, realized that the core model can yield a positive effect on pharmaceutical companies have. Chatvt (2002) the results of a high variance in the performance of the company shows that the central model between risk environment, company strategy and capital structure is described. Such a result can be argued that when we have our strategic thinking and Considering the factors that influence the performance we have many decisions we might better be able to make some decisions. In fact, the axial model of their attention to this issue is that all agents in an organization are coaxial and each variable with regard to the effect of other variables that could be a better way managers make better decisions and help. that the pharmaceutical industry in the Iranian stock exchange applies.

According to the findings we concluded that environmental risks affect the strategy and when considering the impact of our capital structure to select the company on performance of this structure affects pharmaceutical companies.

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