

Sales governance: The impact of board members' sales experience on the valuation of industrial firms in Mexico.

1. Problems addressed, aims, and research question

Research on corporate governance and marketing strategy shows that the composition of a firm's board of directors plays a critical role in shaping organizational outcomes. According to Upper Echelons Theory, the functional background and professional experience of top decision-makers influence how strategic issues are interpreted and addressed (Hambrick & Mason, 1984).

However, the literature examining commercial expertise in top management and board structures often conflates sales and marketing experience, treating them as interchangeable indicators of commercial orientation (Whitler et al., 2018; Nath & Mahajan, 2008).

This study addresses the following research question: Does the presence of directors with executive sales experience positively influence firm valuation (EV/Sales) in industrial firms, compared to directors with marketing experience?

2. Justification for why and to whom the research is important.

From an academic perspective, this study challenges the prevailing dominance of marketing-focused perspectives in research on the marketing–finance interface (Srinivasan & Ramani, 2019). By distinguishing between sales and marketing experience at the board level, the study introduces the concept of *sales governance*, defined as the board's capacity to evaluate the technical quality of revenues, the robustness of commercial processes, and the credibility of

projected growth.

For practitioners, boards of directors frequently lack members with deep operational expertise in sales management. As a result, boards may struggle to effectively assess the sustainability of revenue streams, evaluate the reliability of sales forecasts, or oversee the management of key customer relationships.

Sales capabilities represent a critical organizational dependency, consistent with Resource Dependence Theory, which argues that boards should reflect the key resources and external relationships on which firms depend (Pfeffer & Salancik, 1978).

3. Theoretical basis for the work.

First, Upper Echelons Theory (Hambrick & Mason, 1984) suggests that executives and directors interpret strategic issues through the lens of their functional experience. Second, Resource Dependence Theory (Pfeffer & Salancik, 1978) argues that boards should incorporate expertise that reflects the organization's critical external dependencies. Third, Agency Theory (Ross, 1973; Mitnick, 1973) highlights the board's monitoring role in mitigating managerial opportunism.

Prior research also suggests that managerial myopia, such as short-term revenue manipulation at the expense of long-term innovation, can undermine firm value (Mizik, 2010). Directors with commercial experience may be better equipped to recognize the relationship between technological innovation and future revenue streams, thereby discouraging short-term revenue manipulation (Agnihotri & Bhattacharya, 2021).

4. Research design

This study adopts a quantitative longitudinal research design using panel data from firms listed on the Mexican Stock Exchange (BMV) in the industrial and construction sectors. The independent variable, Board Sales Expertise (BSE), measures the proportion of board members whose primary executive experience is in sales-related functions (e.g., sales or commercial director) rather than marketing roles. The dependent variable is firm valuation, measured using the EV/Sales ratio, which reflects how financial markets value firms relative to their revenue generation capacity. Return on Assets (ROA) will be used as a supplementary performance indicator.

5. Anticipated findings and contribution

The study expects that the presence of directors with sales experience will exhibit a positive and statistically significant relationship with the EV/Sales ratio, exceeding the effect associated with marketing experience. More broadly, the study aims to contribute to the literature on corporate governance by formally introducing the concept of *sales governance* as a distinct dimension of board expertise.

6. References

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