

Causal Factors of Corporate Image Affecting the Stock Price Performance and Business Results

by

Wanida Maneerat

Doctor of Business Administration,
Graduate College of Management,
Sripatum University, Bangkok, Thailand
E-mail: chayanada1604@gmail.com

and

Sookkhasakon Valantagul

Master of Business Administration,
Valaya Alongkorn Rajabhat University under
the Royal Patronage, Pathumthani, Thailand
E-mail: sookkhasakon@vru.ac.th

IJMBE International Journal of
Management, Business, and Economics

Causal Factors of Corporate Image Affecting the Stock Price Performance and Business Results

by

Wanida Maneerat

Doctor of Business Administration,
Graduate College of Management,
Sripatum University, Bangkok, Thailand
E-mail: chayanada1604@gmail.com

and

Sookkhasakon Valantagul

Master of Business Administration,
Valaya Alongkorn Rajabhat University under
the Royal Patronage, Pathumthani, Thailand
E-mail: sookkhasakon@vru.ac.th

Abstract

This article aimed: 1) to study the causal factors affecting real time supply chain visibility and stock price performance, 2) to study the influence of causal factors of real time supply chain visibility affecting the stock price performance in the modern retail business, and 3) construct a model of the causal factors of real time supply chain visibility affecting the stock price performance in the modern retail business. The tools used for data collection were selected by interview forms and online questionnaires. The instrument for collecting data was descriptive statistics and inferential statistics. Analysis data was made by descriptive statistics and content analysis. The research results were found as follows: mark-to-market accounting affects corporate image; mark-to-market accounting affects stock price performance through corporate image; hypothetical future value affects corporate image; hypothetical future value affects stock price performance through corporate image; accounting development method affects corporate image; accounting development method affects stock price performance through corporate image; corporate image affects stock price performance; and stock price performance affects business results. Therefore, companies listed on the Stock Exchange of Thailand can use the results from research studies to develop research. Obtaining stock price returns that is based on accounts calculating the value of assets reflecting market prices, accounts calculating hypothetical future values, or accounting development methods to enhance the organization's image and to create a competitive advantage for the business.

Keywords: Mark-to-Market Accounting, Hypothetical Future Value, Accounting Development Method, Corporate Image, Stock Price Performance, Business Results

1. Introduction

The accounting system or financial recording is crucial in business operations. A well-established, accurate, and reliable accounting system enables business owners to efficiently manage assets, liabilities, owner's equity, and other related aspects. Additionally, it allows entrepreneurs to manage both the data generated from business operations and the outcomes of employee work within the organization, facilitating the development of a trustworthy organization. The Professional Accountants Act (2017) has established and revised accounting standards for use as benchmarks in complying with accounting laws and regulations, as well as in financial reporting. Fair Value Measurement, also known as Mark-to-Market Measurement, must be considered in financial reporting standards. Another accounting measurement method based on assumptions is the Hypothetical Future Value (HFV), which is a way to record forecasts for future business projects and significantly increases shareholder value. However, such projects may require substantial investments, which may not yield profits due to uncertain future events based on assumptions. Therefore, this research incorporates HFV accounting to propose strategies for preventing business owners from concealing potential debts that may arise from failed projects, thereby preventing shareholders from incurring losses. This aligns with the research of Kuznetsova and Katerinin (2010) related to the use of financial structure plans or organizational images, which directly impact business revenue or profits through increased sales of goods and services, business expansion, or the opening of new branches, resulting in favorable business outcomes (Erasputranto and Hermawan, 2015).

1.1 Background and Importance of the Problem

The researcher collected data from companies listed on the Stock Exchange of Thailand, categorizing them into the following industry groups: 1) agriculture and food industry (AGRO), 2) consumer products (CONSUMP), 3) financial businesses (FINCIAL), 4) industrial products (INDUS), 5) real estate and construction (PROPCON), 6) resources (RESOURC), 7) services (SERVICE), and 8) technology (TECH). Data was gathered through interviews and online questionnaires from registered companies in the Stock Exchange of Thailand market from March 2567 to May 2567. The qualitative population group consisted of financial executives of registered companies in the Stock Exchange of Thailand, with a sample size of 8 individuals, corresponding to the categorized industry groups. The quantitative population group also consisted of financial executives of registered companies in the Stock Exchange of Thailand, with a sample size of 440 individuals, calculated for statistical analysis using structural equation modeling techniques.

Anticipated benefits include enabling companies listed on the Stock Exchange of Thailand to develop plans regarding mark-to-market accounting, hypothetical future value, or accounting development method. Understanding accounting system planning methods enables business owners to develop strategies for planning and setting stock price performance, as well as predicting business results accurately and appropriately. Moreover, it can be utilized for training related personnel to enhance knowledge and skills in conducting competitive business operations.

This research presents a study that arises from the application of system theory and investigates perceptual variables that influence organizational identity, stock price returns, and business outcomes. The researcher believes that the findings of this research will be significant for companies listed on the Stock Exchange of Thailand, as well as academically beneficial for scholars, researchers, and students who can utilize the insights gained from this perceptual study for further development and academic advancement.

1.2 Research Question

Research questions derived from reviewing concepts, theories, and relevant studies:

- 1) What are the causal factors influencing corporate image and stock price performance and business results?
- 2) How do the causal factors influencing corporate image and stock price performance and business results?
- 3) What is the model of the causal factors of corporate image affecting stock price performance and business results like?

1.3 Research Objective

The research objectives are as follows:

1. To study the causal factors influencing corporate image and stock price performance and business results?
2. To examine the influence of the causal factors influencing corporate image and stock price performance and business results?
3. To develop a model of the causal factors of corporate image affecting stock price performance and business results like?

2. Literature Review

2.1 Related Concepts and Theories

Concepts and theories used in research cover mark-to-market accounting, hypothetical future value, accounting development method, corporate image, stock price performance, and business results as stated in the background and significance of the problem, which are variables used to define the conceptual framework. Considering the relationships between variables are as follows.

2.2 Literature Surveys

2.2.1 *The Relationship between Mark-to-Market Accounting and Corporate Image*

Jaf and Jaf (2015) stated that the impact of using international accounting standards that emphasize fair value and standards consistent with Iraq's accounting standards on the appropriateness of accounting data in the financial reports of Kurdistan International Bank (KIB) and the impact of using international accounting standards towards fair value and aligned standards.

Li and Luo (2016) examined the impact of fair value accounting on organizational disclosure after adopting new accounting standards in China. The researchers found that management's forecasting frequency significantly increased for companies affected by fair value accounting.

Toder and Viard (2016) proposed reducing the corporate tax rate to 15% and replacing pre-tax income with ordinary income tax rates for deferred income or market-based pricing of shares held by American shareholders of companies traded on the stock market.

2.2.2 The Relationship between Mark-to-Market Accounting and Stock Price Performance through Corporate Image

Ezeagu et al. (2023) examined the impact of accounting information on the stock prices of deposit money banks in Nigeria. The study aims to ensure how dividends per share, earnings per share, and book value per share affect the stock prices of Nigerian deposit money banks.

Ibrahim (2023) stated that accounting metrics help analysts analyze a company's financial performance by comparing year-on-year results or determining how a company's performance aligns with that of competitors in the industry.

Sukmadilaga et al. (2023) investigated whether accounting-related ratios influence the stock prices of advanced technology service organizations in 5 countries: the United States, Japan, China, the United Kingdom, and France. Then, this study will consider price discrepancies (if any) between the intrinsic value and market value of stock prices due to accounting ratios.

2.2.3 The Relationship between Hypothetical Future Value and Corporate Image

Rasskazova and Koroleva (2018) estimated the future value of tokens. The proposed strategy relies on analyzing the land in the investment mode of the actual project prepared for ICO. Parameters included in the model help researchers assess the company's proposal from various perspectives to create hypotheses about the investment returns of the project.

Newlands et al. (2019) explored best practices in collecting extensive data across shared economic platforms, emphasizing that the unknown future value of big data creates ethical issues for fair exchange relationships between companies and users.

Hazir and Danisman (2021) proposed several financial sector models to decide which stocks to buy or sell and when to act. This project attempts to answer the question of how much profit researchers can expect if they invest a certain amount of money and the likelihood of bankruptcy during the specified testing period after the learning process.

2.2.4 The Relationship between Hypothetical Future Value and Stock Price Performance through Corporate Image

Ballow et al. (2004) discussed shareholder value enhancement, highlighting the challenging issues that management teams face in implementing growth strategies. They must decide where to invest resources as there are currently no reliable tools to establish a trustworthy link between investment and shareholder value creation.

Tefera (2011) proposed calculation methods for assessing present and future value, which becomes difficult when a company's cash flow is uneven. Company decisions regarding investments or borrowing are made by considering the inconsistent cash flow.

Gan et al. (2020) examined whether non-financial performance measures (NFPM) included in CEO bonus contracts complement equity-based compensation and jointly explain the future value of the company.

2.2.5 The Relationship between Accounting Development Method and Corporate Image

Pesqueux (2005) stated that corporate governance is understood as a perspective of superiority attributed to the benefits of shareholders. The accounting system is merely a place to verify these benefits. Mixed with the illusion of the accounting system as providing information to shareholders, it is considered reasonable.

Perkiss et al. (2020) focused on issues related to child labor, forced labor, and unsustainable farming practices in the chocolate industry, emphasizing the discourse surrounding the cocoa supply chain of Nestlé.

Roberts (2020) proposed the idea that the division between the 'core' and 'periphery' observed by Gendron and Rodrigue in accounting research in the field is not just a reflection or symptom of the consequences that follow, but rather more than what financial accounting defines between corporations and society, and the natural environment.

2.2.6 The Relationship between Accounting Development Method and Stock Price Performance through Corporate Image

Athanassakos (2007) delineated the scope of Value-Based Management (VBM) practices adopted by companies in Canada, specifies the characteristics of these companies, and of the managers responsible for implementing VBM in their organizations, and assesses the stock price performance of companies using VBM.

Boardman et al. (2009) analyzed the operational efficiency and stock prices of major restructuring entities in Canada, including Air Canada, Canadian National Railway, Petro-Canada, and the six provinces' restructuring, using time-series accounting data.

Safdar (2020) provided insightful information about momentum: the mispricing that may arise from fundamental accounting factors seems to obscure the long-term reversal of momentum prices. Controlling for these fundamental factors reveals the reversion of momentum prices.

2.2.7 The Relationship between Corporate Image and Stock Price Performance

Yanez (2000) tested the hypothesis of creating value through organizational focus strategies and examines the hypothesis that there is no abnormal return for shareholders after adjusting the structure to increase the focus level of the company, even though there is no statistically significant evidence.

Nogata et al. (2009) investigated the contention that the newly emerging market governance structure impacts the stock prices of companies during economic crises in East Asia. In this paper, we analyze how the corporate governance structure in the industrial country (Japan) affects the stock price performance of companies during the current financial crisis.

DeFanti and Busch (2011) reviewed previous research on the impact of corporate name changes (CNC) related to changes in the company's image on its stock price.

2.2.8 The Relationship between Stock Price Performance and Business Results

Lee and Zhang (2012) demonstrated that firm performance, as measured by investment returns, is highly correlated with stock price efficiency. Additionally, when returns on equity are decomposed into separate components, shareholders of firms with better operational performance than competitors in the industry receive significantly higher returns on stock.

Zheng and Zhou (2012) examined reward management and stock option exercise focusing on timing by managers. In this article, the researchers investigate the management aspect of stock price efficiency, which is inspired by stock options, to distinguish differences in management efficiency over time.

Aggag and Ouda (2019) examined the impact of IFR on stock price efficiency in Egypt. This research will help understand how the implementation of IFR affects stock returns of companies and how the quality of IFR affects stock returns.

2.3 Conceptual Framework

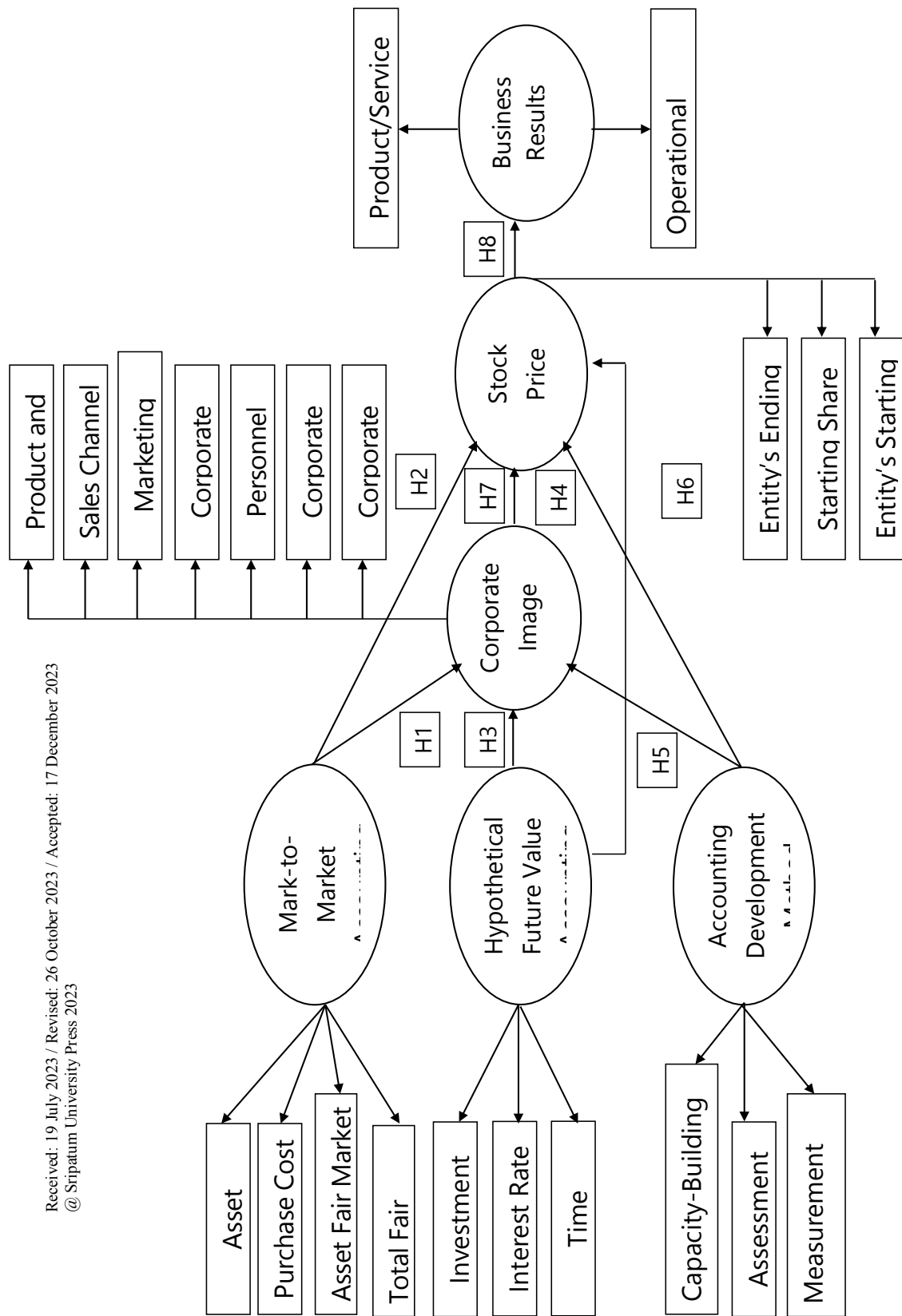
This research is a qualitative and quantitative study. Researchers established a research framework based on system theory, where they can summarize the components of the system as follows:

Input refers to the mark-to-market accounting, consisting of four dimensions: 1) asset allocation, 2) purchase cost, 3) asset fair market value, and 4) total fair market value; hypothetical future value accounting comprises three dimensions: 1) investment amount, 2) interest rate, and 3) time; and accounting development method consist of three dimensions: 1) capacity-building framework, 2) assessment indicator, and 3) measurement methodology.

Process refers to the corporate image, consisting of two dimensions: 1) product and service, and 2) sales channel, 3) marketing communication, 4) corporate reputation, 5) personnel policy, 6) corporate culture, and 7) corporate social responsibility.

Output refers to stock price performance, consisting of three dimensions: 1) entity's ending share price, 2) starting share price, and 3) entity's starting share price; business results comprises two dimensions: 1) product/service performance and 2) operational performance.

Feedback refers to stock price performance and business results, which are output factors that have feedback effects on mark-to-market accounting, hypothetical future value, and accounting development method. All four components are interrelated and changes in one component affect others. Deficiencies or errors in one component can impact other components. Details are as follows:



2.4 Research Hypothesis

Hypothesis 1: Mark-to-market accounting affects corporate image.

Hypothesis 2: Mark-to-market accounting affects stock price performance through corporate image.

Hypothesis 3: Hypothetical future value affects corporate image.

Hypothesis 4: Hypothetical future value affects stock price performance through corporate image.

Hypothesis 5: Accounting development method affects corporate image.

Hypothesis 6: Accounting development method affects stock price performance through corporate image.

Hypothesis 7: Corporate image affects stock price performance.

Hypothesis 8: Stock price performance affects business results.

3. Research Methodology

3.1 Research Design

This research is a mixed-methods study. The research area involves collecting data from companies registered on the Stock Exchange of Thailand. These companies are divided into the following industry groups: 1) agriculture and food industry (AGRO), 2) consumer products (CONSUMP), 3) financial businesses (FINCIAL), 4) industrial products (INDUS), 5) real estate and construction (PROPCON), 6) resources (RESOURC), 7) services (SERVICE), and 8) technology (TECH).

3.2 Population and Sample

The population consists of companies registered on the Stock Exchange of Thailand, totaling 826. The sample group comprises 440 companies. The selection method utilizes statistical techniques, specifically Structural Equation Modeling. Based on the research framework, there are 6 latent variables and 22 observed variables. Statisticians recommend that sample size should be between 15 and 20 times the number of observed variables. Therefore, an appropriate sample size for analyzing multiple variables should range from $15 \times 22 = 330$ to $20 \times 22 = 440$.

3.3 Research Instruments

3.3.1 Questionnaire

Part 1: Related to personal data and general information about the respondents' organizations.

- Part 2: Related to Mark-to-market accounting.
- Part 3: Related to Hypothetical future value.
- Part 4: Related to Accounting development method.
- Part 5: Related to corporate image.
- Part 6: Related to stock price performance.
- Part 7: Related to business results.

3.3.2 Interview Guide

1) What do you think about the market capitalization-based valuation of businesses listed on the Stock Exchange of Thailand in total? And what impact does it have?

2) Do you think businesses listed on the Stock Exchange of Thailand should use future valuations based on assumptions to reflect the company's image and stock price performance? What impact does it have? And can it be used to prevent bankruptcy?

3) What do you think about the overall development of accounting for businesses listed on the Stock Exchange of Thailand? And what impact does it have?

4) In summary, how are the market capitalization-based valuation, future valuations based on assumptions, accounting development, company image, and stock price performance related?

5) Does the organization consider the company image and stock price performance? If so, in what way?

6) To increase stock price performance, what do you think are the variables that have both direct and indirect impacts? How?

7) Do you think stock price performance has a direct impact on business results? How?

3.4 Data Collection

The researchers collected data through in-depth interviews conducted between March and May 2024. After analyzing and synthesizing the data, they wrote a descriptive narrative, including content analysis, to develop the model derived from quantitative analysis.

3.5 Statistics Used for Data Analysis

The researchers conducted an analysis to determine the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test to assess the suitability of variables and components before conducting the confirmatory factor analysis. The KMO value should be greater than 0.5, and Bartlett's Test should be less than 0.05 to proceed with the confirmatory factor analysis. This process helps confirm that the components identified from the literature review and questionnaire data collection are consistent with and adequately measure the latent variables.

4. Data Analysis and Findings

4.1 Introduction

This study was designed using structural equation modeling (SEM) analysis to assess the goodness-of-fit of the model derived from the literature review and empirical data. The researchers evaluated the model fit with the empirical data, considering various indices, including Chi-Square, χ^2/df , CFI, GFI, AGFI, RMSEA, and SRMR, to assess the congruence between the model and the empirical data.

4.2 Data Analysis of the Quantitative Data

The research findings led to the development of a model derived from exploratory and confirmatory analysis. The researchers named this model the Corporate Image for Business in Stock Market Results Model, abbreviated as the CIBRSM Model.

4.3 Summary of the Results

The mark-to-market accounting affected corporate image, and Hypothesis 1 was accepted.

The mark-to-market accounting affected stock price performance through corporate image, and Hypothesis 2 was accepted.

The hypothetical future value affected corporate image, and Hypothesis 3 was accepted.

The hypothetical future value affected stock price performance through corporate image, and Hypothesis 4 was accepted.

The accounting development method affected corporate image, and Hypothesis 5 was accepted.

The accounting development method affected stock price performance through corporate image, and Hypothesis 6 was accepted.

The corporate image affected stock price performance, and Hypothesis 7 was accepted.

The stock price performance affected business results, and Hypothesis 8 was accepted.

5. Conclusion, Discussion, and Recommendation

5.1 Conclusion

The study findings reveal that in-depth interviews can be used to develop a causal model of the company's image affecting stock price performance and business results of listed companies in the Stock Exchange of Thailand. The research findings will provide insights into the factors that affect a company's image, which in turn affects stock price performance and business results. The findings of this study help to understand the relationships that impact various variables related to corporate image, stock price performance, and business results, which can be further developed and expanded in the academic field to study other related factors. The study findings also allow listed companies in the Stock Exchange of Thailand to use the results of the research to develop further studies and improve stock price performance by referring to market capitalization-based valuation, future valuation based on assumptions, or accounting development methods to enhance the company's image and create a fair competitive environment for businesses.

5.2 Discussion

In the next round of research, a causal model of the corporate image affecting stock price performance and business results of listed companies in the Stock Exchange of Thailand should be developed to verify the model with empirical data. It is also necessary to study other important factors that are causal factors of corporate image affecting stock price performance and business results, as there are still many factors that the researchers have not studied, such as supply and demand. Demand is the quantity of goods or services available on the market, while supply is the quantity of goods or services that customers want to buy. Supply and demand are influenced by product and service prices, interest rates, which are the rates at which interest is paid on loans, deposits, or borrowings (collectively referred to as the total principal), natural disasters, which are disasters caused by natural phenomena, business practices, which are methods, steps, standards, or strategies that a company follows to achieve its objectives, employee relations, which are the positive and interdependent relationships between employers and employees, and media coverage, which refers to the interest and exposure that individuals, brands, events, or topics receive in various media formats, including print, broadcast, and digital platforms.

5.3 Recommendation

In summary, accounting or record-keeping is crucial for conducting business, requiring a well-designed and accurate system, allowing business owners to manage both business-generated information and employee-generated information within the organization, while also making the organization's operations more consistent, easily verifiable, and transparent. This enables businesses to improve internal control efficiency, reduce corruption within the organization, increase member income, and researchers collect data from listed companies in the Stock Exchange of Thailand through online surveys and in-depth interviews with listed companies in the Stock Exchange of Thailand. The study found that mark-to-market accounting affects corporate image, mark-to-market accounting affects stock price performance, hypothetical future value affects corporate image, hypothetical future value affects stock price performance, accounting development method affects corporate image, accounting development method affects stock price performance, corporate image affects

stock price performance, and stock price performance affects business results. Therefore, listed companies in the Stock Exchange of Thailand can use the findings from this study to develop further research and improve stock price performance by referring to mark-to-market accounting, hypothetical future value, or accounting development method to enhance the corporate image and create a fair competitive environment for businesses.

References

- Aggag, S.M.F., Ali, H., & Ouda, H. (2019). The impact of internet financial reporting on stock price performance in Egypt. In *Proceedings of the International Conference on Advanced Research in Management, Economics, and Accounting*, September 2019.
- Ballow, J.J., Burgman, R., & Molnar, M.J. (2004). Managing for shareholder value: intangibles, future value, and investment decisions. *Journal of Business Strategy*, 25(3), 26-34.
- Boardman, A.E., Laurin, C., & Vining, A. (2009). Privatization in Canada: Operating and stock price performance with international comparisons. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, 19(2), 137-154.
- Erasputranto, R.A., & Hermawan, A. (2015). *The effect of corporate image on company's stock return*. Simposium Nasional Akuntansi (SNA) 20.
- DeFanti, M., & Busch, P.S. (2011). Image-related corporate name changes: Their effect upon firms' stock prices. *Journal of Brand Management*, 9(3).
- Ezeagu, C.O., Mary, O.I., Inyama, O., & Hubs, H. (2023). *Effect of accounting information on stock price: A study of the Nigerian banking sector*. April, 2003.
- Gan, H., Park, M.S., & Suh, S.H. (2020). Non-financial performance measures, CEO compensation, and firms' future value. *Journal of Business Research*, 110(2), 213-227.
- Hair, J., Black, W., Babin, B., Anderson, R., & Tatham, R. (2006). *Multivariate data analysis*. 6th Edition. Pearson Prentice Hall. Upper Saddle River.
- Hazir, U., & Danisman, T. (2021). Deep q-learning for stock future value prediction. Trends in Data Engineering Methods for Intelligent Systems, *Proceedings of the International Conference on Artificial Intelligence and Applied Mathematics in Engineering (ICAIAE 2020)*, July 2021.
- Ibrahim, M. (2023). The influence of accounting measures on market performance. *International Journal of Financial Management and Economic*, 6(2), 154-157.
- Jaf, R.Z., & Jaf, S. (2015). *The role of mark to market on the properties of accounting information in Kurdistan International Bank*. January 2015.

- Lee, A., & Zhang, T. (2012). *Productivity, return-on-capital, and stock price performance*. School of Accountancy, Singapore Management University.
- Li, X., & Luo, T. (2016). The impact of fair value accounting on corporate disclosure. *China Accounting and Finance Review*, 18(12).
- Newlands, G., Lutz, C., & Fieseler, C. (2019). Trading on the unknown: Scenarios for the future value of data. *Law & Ethics of Human Rights*, 13(1), 97-114.
- Nogata, D., Uchida, K., & Moriyasu, H. (2009). *Corporate governance and stock price performance during the financial crisis: Evidence from Japan*. November 2009.
- Perkiss, S., Bernardi, C., Dumay, J., & Haslam, J. (2020). A sticky chocolate problem: Impression management and counter accounts in the shaping of corporate image. *Critical Perspectives on Accounting*, 2 September 2020.
- Pesqueux, Y. (2005). Corporate governance and accounting systems: a critical perspective. *Critical Perspectives on Accounting*, 16(6), 797-823.
- Rasskazova, A. & Koroleva, E. (2018). *Investment simulation model for estimating the future value of tokens*. Institute of Electrical and Electronics Engineers.
- Roberts, J. (2020). The boundary of the 'economic': Financial accounting, corporate imaginaries' and human sentience. *Critical Perspectives on Accounting*, 76, May 2021.
- Safdar, I. (2020). Decoupling stock price momentum from accounting fundamentals. *Pacific Accounting Review*, November 2020.
- Suhartini, C.A.A. & Pertiwi, I.F.P. (2021). *The effect of corporate social responsibility on consumer purchase decisions with corporate image and brand image as intervening*. May 2021.
- Tefera, A. (2011). *Present and future value formulae for uneven cash flow based on performance of a business*. June 2011.
- Toder, E. & Viard, A.D. (2016). Replacing corporate tax revenues with a mark-to-market tax. *National Tax Journal*, 69(3), September 2016, pp. 701-732.
- Yanez, G. (2000). Stock price performance for corporate focus strategy in Chile. *Empirical Finance*, June 2000.
- Zheng, L. & Zhou, X. (2012). Executive stock options and manipulated stock price performance. *International Review of Finance*, 12(3), September 2012.