APPSAI Accounting Review
Vol. 4 No. 2: 2024, October
DOI : https://doi.org/10.26418/apssai.v4i2.118

Financial Accounting | Research Paper OPEN ACCESS

Strategic Ownership Dynamics: Unveiling the Impact of Business Strategy and Performance on LQ 45 Manufacturing Stock Prices

Prima Ayu Novita Junianto*, Anak Agung Gde Satia Utama
Accounting Department, Faculty of Economics and Business, Universitas Airlangga, Indonesia

***Correspondence**: primaayu19@gmail.com

Research aims: This study delves into the intricate dynamics between business strategy, corporate performance, and managerial ownership structure, and their collective impact on stock prices within the manufacturing sector of the LQ 45 index from 2019 to 2023. By juxtaposing State-Owned Enterprises (SOEs) with non-SOEs, this research uncover nuanced insights into how strategic decisions and ownership configurations influence market valuation.
Design/Methodology/Approach: This research presents comprehensive analysis employs robust quantitative methods, incorporating financial metrics, performance indicators, and stock price movements to draw correlations and infer causations.
Research findings: The findings highlight distinct patterns and discrepancies between SOEs and Non-SOEs, emphasizing the pivotal role of ownership structure in shaping strategic effectiveness and market perception.
Theoretical contribution/Originality: The theoretical contribution of this study lies in its exploration of the interplay between business strategy, corporate performance, and managerial ownership structure within the context of the manufacturing sector in Indonesia, specifically focusing on the LQ 45 index from 2019 to 2023.
Practitioner/Policy implication: This study not only contributes to the existing body of knowledge but also provides actionable insights for investors, policymakers, and corporate leaders aiming to optimize strategic frameworks and enhance shareholder value in the competitive landscape of the Indonesian manufacturing industry.
Keywords: Business Strategy; Corporate Performance; Performance Indicators; Stock Prices ; Strategic Decision

Article History
Submitted:
15 September 2024

Revised:
20 October 2024

Accepted:
23 October 2024

Citation: Junianto, P. A. N., & Utama, A. A. G. S. (2024). Strategic Ownership Dynamics: Unveiling the Impact of Business Strategy and Performance on LQ 45 Manufacturing Stock Prices. *APPSAI Accounting Review*, *4*(2), 178-194.

Introduction

Predicting stock prices remains one of the challenges for investment strategies among investors. In the dynamic landscape of the global economy, stock prices serve as crucial indicators of company performance and market sentiment (Zakhidov, 2024). However, understanding the complex interactions of factors influencing stock prices poses a challenging task for investors, policymakers, and corporate decision-makers alike. Among these factors, business strategies, corporate performance, and ownership structure stand out as significant determinants shaping stock valuation.

In the global economy's dynamic context, stock prices reflect various internal and external factors influencing company performance and market sentiment. Amidst the complexities of the capital market, factors such as business strategies, corporate performance, and ownership structure play significant roles in determining a company's stock price. A deep understanding of the factors influencing stock prices becomes increasingly important for stakeholders, ranging from investors to policymakers and corporate decision-makers. Within this framework, business strategies, corporate performance, and ownership structure play primary roles in shaping market evaluations of a company's stock value (Alabdullah, 2023).

In this context, the aim of this study is to comprehensively examine the influence of business strategies, corporate performance, and ownership structure on stock prices, particularly in the domain of manufacturing companies listed in the LQ 45 index. Covering the period from 2019 to 2023, this research seeks to uncover the complex relationship between these factors and stock market outcomes. Additionally, considering unprecedented disruptions caused by the COVID-19 pandemic, additional analysis will explore market responses before and after these significant events to assess their impact on stock valuation. The choice to focus the study on manufacturing companies is related to the strategic role of this sector in the economy, as well as its significance in the LQ 45 index, which comprises leading companies from various sectors. By analyzing both state-owned enterprises (SOEs) and non-SOEs, the research aims to provide a holistic understanding of how internal company dynamics affect market valuation.

We live in an era where technology and information acceleration have fundamentally changed how financial markets operate. At the same time, global economic uncertainty is increasing with the emergence of new challenges, such as the COVID-19 pandemic that has swept the world. Technological advancements have significantly impacted how investors acquire, analyze, and react to market information. Trading algorithms, big data analytics, and artificial intelligence are increasingly critical factors in investment decision-making.

Meanwhile, the COVID-19 pandemic has shaken the global economy in unprecedented ways, causing unexpected volatility in financial markets. In this context, research on the influence of business strategies, corporate performance, and ownership structure on stock prices becomes increasingly important. Not only must investors adapt to rapidly changing investment environments, but companies must also understand how their strategic decisions, financial performance, and ownership structure affect market perceptions and stock valuations.

The distinction between SOEs and non-SOEs is important in this research context because they have different structures, purposes, and governance. SOEs often have ties to government policies and have broader goals than just seeking financial profit, such as infrastructure development or regional economic empowerment. On the other hand, non-SOEs are more likely to focus on maximizing financial profits for shareholders. In the context of this research, these differences may significantly impact business strategies, corporate performance, and ultimately, stock prices. For example, SOEs may face pressures from fluctuating government policies or have limitations in their operational flexibility, which can affect their business strategies and, therefore, financial performance and stock valuation. On the other hand, non-SOEs may be more responsive to market demands and have greater freedom in making strategic decisions.

Therefore, by distinguishing between SOEs and non-SOEs, this research can identify differences in the influence of business strategies, corporate performance, and ownership structure on stock prices in both types of companies. This will provide deeper insights into how internal and external dynamics affect stock valuations, as well as provide valuable information for investors, policymakers, and corporate leaders in their decision-making processes. This analysis will involve tracing the complex relationships between these factors and stock prices. For example, how do a company's strategic decisions affect its financial performance and, ultimately, its stock price? How does ownership structure, both in the context of SOEs and non-SOEs, affect market perceptions of risk and growth potential?

Through a comparative analysis approach, this study will explore various dimensions, including strategic decision-making processes, significant financial performance indicators, and fundamental share ownership dynamics. The findings of this in-depth analysis are expected to provide new insights into the complex relationship between business strategies, corporate performance, ownership structure, and market responses to stock price dynamics.

Bentley (2013) may have highlighted the importance of appropriate business strategies in creating value for shareholders, while Jensen (2005) may have discussed the relationship between corporate performance and stock market valuation. Meanwhile, Chi and Gupta (2009) may have identified the role played by ownership structure in altering market perceptions of risk and growth potential for a company, whereas Houmes and Skantz (2010) may have emphasized the importance of transparency in corporate ownership

on stock prices. El Fadil et al. (2020) also criticized the impact of corporate performance on stock price predictions.

By examining these critical dimensions, this study aims to contribute to a deeper understanding of the analysis of business strategy, corporate performance, and ownership structure on stock prices. Drawing inspiration from existing literature and empirical studies, including the works of Bentley (2013), Jensen (2005), Chi and Gupta (2009), and Houmes and Skantz (2010), we aim to build upon their findings and offer valuable insights into the complexity of stock valuation dynamics. Through a comparative analysis approach, we seek to shed light on the intricate relationship between business strategies, corporate performance, ownership structure, and stock prices, providing implementable implications for investors, policymakers, and corporate stakeholders facing global economic uncertainty.

Thus, the findings of this research will not only enrich our understanding of the complexity of the Indonesian stock market but also provide valuable practical implications for stakeholders, ranging from investors to policymakers and corporate leaders, in making informed decisions amidst global economic uncertainty. This research is a development of previous research conducted by El Fadil et al. (2020). In this study, the researchers focus on manufacturing companies listed in the LQ 45 Index on the Indonesia Stock Exchange (IDX) during the period 2019 to 2023. The reason for selecting manufacturing companies as the research subject is because the manufacturing industry is one of the continuously growing sectors in the current business world and has a significant contribution to the development of the capital market. Manufacturing companies listed in the LQ 45 Index are specifically chosen because they are representative in reflecting overall capital market reactions and play a crucial role in nationally recognized stock indices. Moreover, these manufacturing companies have a strong history of stock trading on the IDX and are a primary focus for investors and capital market analysts. With this background, the selection of the LQ 45 Index as the research framework is expected to provide a deeper understanding of the relationship between business strategies, corporate performance, and stock prices in the context of manufacturing companies included in the leading stock group on the IDX.

Thus, from this narrative, the researcher intends to formulate a research problem: How does ownership structure, whether in the form of SOEs or non-SOEs, business strategies, corporate performance, affect the relationship of stock prices in manufacturing companies listed in the LQ 45 Index during the period 2019-2023? By formulating this problem, this research aims to conduct a comprehensive analysis of the impact of business strategies, corporate performance, and ownership structure on the stock prices.

This research contributes to a deeper understanding of the complex relationship between business strategies, corporate performance, and ownership structure in determining stock prices, particularly for manufacturing companies listed in the LQ 45 Index on the IDX between 2019 and 2023. By distinguishing between SOEs and non-SOEs, the study sheds light on how different ownership structures influence stock market perceptions, strategy execution, and financial performance. Furthermore, the research explores the impact of the unprecedented COVID-19 pandemic on stock price dynamics, offering valuable insights into how external shocks interact with internal corporate factors. Building on existing literature, it extends theoretical frameworks related to market valuation, and its findings provide practical implications for investors, policymakers, and corporate leaders in navigating the evolving market landscape. The research also fills a gap in the literature by focusing on the Indonesian stock market, specifically the manufacturing sector, contributing to a more nuanced understanding of stock price behavior in emerging economies.

Literature Review and Hypotheses Development

Agency Theory

Agency theory underpins the discussion on managerial ownership and its influence on stock prices, highlighting the conflicts of interest between principals (shareholders) and agents (managers) (Meckling & Jensen, 1976). The study examines how mechanisms like dividend payment policies and share repurchase programs can mitigate these conflicts. By integrating these theories, the research

provides a comprehensive analysis of how business strategies and managerial ownership affect stock prices, with a particular focus on the manufacturing companies listed in the LQ 45 Index.

The agency theory provides a valuable lens through which to understand the dynamics explored in this study, particularly in the context of managerial ownership structure and its impact on stock prices. According to agency theory, there is an inherent conflict of interest between principals (shareholders) and agents (managers), as managers may pursue personal goals that do not necessarily align with the interests of shareholders. This research examines how varying ownership structures—specifically, the contrast between SOEs and non-SOEs—can affect the alignment between management's strategic decisions and shareholder interests. In SOEs, where the government may influence decision-making for broader socio-political objectives, agency costs may be higher due to misalignment between governmental goals and profit maximization. Conversely, non-SOEs, which are typically more market-driven, may face lower agency costs, as managerial decisions are more closely tied to shareholder wealth. By analyzing the effects of these ownership configurations on business strategies and corporate performance, the study demonstrates how agency theory can explain differences in stock price behavior and strategic outcomes within the Indonesian manufacturing sector.

Hypotheses Development

The Influence of Business Strategy on Stock Price

Rudiawarni et al. (2022) delve into the intricate landscape of business strategy typologies, recognizing that a universal strategic approach does not exist for all companies. Instead, organizations tend to adopt strategies that align with their industry characteristics, business objectives, and available resources. Developing a comprehensive typology of business strategies offers significant insights into the diversity of strategic approaches employed by companies and their subsequent impact on performance. This typology aids analysts, business stakeholders, and researchers in identifying common patterns in strategic approaches, thus establishing a foundation for comparing performance and outcomes across different strategy groups.

The concept of business strategy typology has been a focal point in strategic management research, with contributions from scholars such as Parnell (2011) and Zamani et al. (2013), who define it as a framework for identifying competitive strategies. Various researchers have developed different business strategy typologies. For instance, Miles and Snow (1978) categorized business strategies into prospectors, analyzers, defenders, and reactors, while Porter (1980) identified three generic strategies: cost leadership, differentiation, and focus. Additionally, Miller (1990) introduced the high-performing gestalt typology, March (1991) proposed exploration and exploitation strategies, and Treacy and Wieserma (1995) suggested operational excellence, product leadership, and customer intimacy as strategic types. These studies underscore the significance of business strategy typology as a framework for guiding companies in selecting the most appropriate strategies to gain a competitive edge.

The relationship between business strategy and stock prices has been extensively studied in economic and financial research. Effective business strategies are considered crucial for achieving competitive advantage and company growth, yet the extent to which these strategies influence market valuation remains debated. Previous research has shown that strategic factors such as product differentiation, market penetration, and operational efficiency can significantly impact investor perceptions and market valuation. For instance, Jensen (2005) found that companies with differentiation strategies often have higher valuations compared to those adopting low-cost strategies. Similarly, Chi and Gupta (2009) concluded that companies effectively implementing market penetration strategies tend to experience significant increases in stock prices. These findings suggest that the influence of business strategies on stock prices is contingent not only on the type of strategy but also on the company's ability to implement it effectively.

The bad news hoarding theory posits that managers have incentives to conceal negative information within the company, which can lead to sharp declines in stock prices, as discussed by Habib and Mostafa (2017). Companies employing prospect strategies, characterized by rapid changes in product portfolios to achieve innovative market leadership, tend to withhold negative information more than those employing defender strategies, which focus on consistent products and competitive pricing (Miles et al., 1978). This tendency is reinforced by higher levels of information asymmetry in prospect companies (Kothari et al., 2009). However, some studies indicate that the impact of business strategies on stock prices may vary depending on industry context and market conditions. For example, Houmes and Skantz (2010) found that external factors such as global economic conditions or changes in industry regulations can moderate this relationship. A deeper understanding of the interplay between business strategy and stock prices, especially within manufacturing companies listed in the LQ 45 Index, requires further research. This study posits the hypothesis:

H_1 : *Business strategy influences stock prices.*

The Influence of Corporate Performance on Stock Price

Corporate performance, defined as the achievements or results attained by a company in fulfilling its goals and responsibilities to stakeholders, encompasses financial, operational, strategic, and social aspects (Hamidu et al., 2015). Common indicators include revenue, net income, sales growth, profit margins, operational efficiency, customer satisfaction, product innovation, and corporate social responsibility. Corporate performance reflects how effectively and efficiently a company manages its resources and achieves its objectives while adding value to stakeholders such as shareholders, employees, customers, and the broader community. Evaluating corporate performance is crucial for investors, company management, and other interested parties in assessing a company's health and growth potential.

Corporate performance is directly related to stock prices, serving as a fundamental aspect of stock valuation. Investors often use corporate performance to assess a company's investment prospects. When corporate performance reflects stable growth, consistent profits, and effective management, investors tend to have more confidence in the company's future prospects, leading to higher stock prices. However, this relationship is also influenced by factors such as market sentiment, economic conditions, and industry news. For instance, a company reporting strong performance may not experience a significant increase in stock prices if it faces difficult market conditions. Similarly, negative industry news or intense competition can affect a company's stock price despite solid corporate performance. Avdalovic and Milenković (2017) explains that correlation and regression analysis of corporate performance based on company size, return on assets, return on equity, earnings per share, book value of stock, leverage, price-to-earnings ratio, price-to-book ratio, and stock prices show that corporate performance impacts stock prices, but its characteristics differ. This hypothesis is grounded in the belief that a company's performance, encompassing financial, operational, and strategic aspects, reflects its true fundamentals. Therefore, the hypothesis posited is:

H_2 : *Corporate performance influences stock prices.*

The Influence of Managerial Ownership on Stock Price

Managerial ownership influences stock prices due to its impact on agency conflicts between managers and shareholders (Ooko, 2024). When managers act in their self-interest rather than in the best interests of shareholders, it can lead to agency conflicts. Significant managerial ownership can align managers' interests with those of shareholders, motivating them to pursue profitable projects (alignment of interest theory). However, at a certain level of ownership, managers may exploit their

control power to strengthen their positions without considering shareholders' interests (entrenchment theory). This study examines how managerial ownership influences stock prices and posits that oversight mechanisms, such as dividend payment policies and share repurchase programs, can mitigate agency conflicts. The hypothesis is:

H_3 : *Managerial ownership influences stock prices.*

Based on hypotheses development, Figure 1 describe about framework of the research.

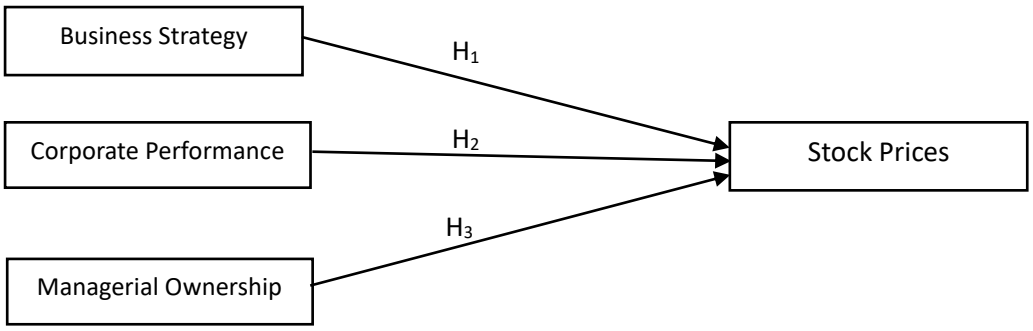

Figure 1 Framework of the research

Methodology

The sample used in this research comprises all companies in the manufacturing industry listed in the LQ 45 index during the period of 2019-2023. The manufacturing industry was chosen as the research subject because the complexity of its processes can reflect the implementation of comprehensive business strategies. Additionally, the manufacturing industry is believed to have a higher level of innovation activity compared to other industrial sectors, supported by high research and development activities. This is reflected in the number of patents obtained by the manufacturing industry.

The selection of the LQ 45 index as the focus of this research is based on several reasons. Firstly, the LQ 45 index includes leading companies with high liquidity and is considered a good representation of the Indonesian capital market performance. Thus, this research can provide a comprehensive overview of how business strategies, corporate performance, and ownership structure affect stock prices at a significant capital market level.

Furthermore, the selection of the period 2019-2023 aims to explore the impact of COVID-19 on the relationship between the researched variables. By comparing data before and after the pandemic, this research can identify changes in the dynamics of relationships and market responses to certain factors in the context of the global crisis.

Lastly, by dividing companies into two categories, namely SOEs and Non-SOEs, this research can explore differences in the mechanisms and impacts of these variables among the two types of companies. This is important because SOEs and Non-SOEs may have different goals, structures, and strategies, which can affect the relationship between business strategy, corporate performance, and stock prices. Thus, this classification allows the research to better understand the different dynamics among these companies and their implications for capital market performance.

The business strategy in the current period (year t) influences future performance. Therefore, performance measurement in this study is assessed at t+1, t+2, up to t+3. Business strategies are

categorized based on the summation of 12 components adopted from Jermias (2008), Higgins et al. (2015), and Bentley et al. (2013).

The 12 components of Business strategies are:

$$Premium\ price\ capability = \frac{\text{Gross margin}}{sales} \ldots (1)$$

$$RnD\ Intens = \frac{\text{RnD Expense}}{sales} \ldots (2)$$

$$Sales\ Effort = \frac{\text{Selling general and Admin expense}}{sales} \ldots (3)$$

$$Employee\ intensity = \frac{\text{Number of Employee}}{sales} \ldots (4)$$

$$Market\ Effort = \frac{\text{Advertising expense}}{sales} \ldots (5)$$

$$Asset\ Utilisation\ efficiency = \frac{\text{Sales}}{Total\ Asset} \ldots (6)$$

$$Capital\ Intensity = \frac{\text{PPE}}{Total\ Asset} \ldots (7)$$

$$Capital\ and\ MV\ Ratio = \frac{\text{Capital Expenditure}}{Market\ Value} \ldots (8)$$

$$Capital\ and\ Asset\ Ratio = \frac{\text{Capital Expenditure}}{Asset} \ldots (9)$$

$$Sales\ Growth = \frac{Sales_t - Sales_{t-1}}{Sales_{t-1}} \ldots (10)$$

$$MTB = \frac{\text{Market Value}}{Book\ Value} \ldots (11)$$

$$Employee\ Fluctuation = \frac{Employee_t - Employee_{t-1}}{Employee_{t-1}} \ldots (12)$$

The process described involves several steps: 1) Calculation of Ratios: Calculate various financial ratios for each observation (company) across different years and industries; 2) Ranking into Quintiles: Assign rankings to the calculated ratios for each observation into quintiles. The top quintile (top 20%) is given a score of 5, the second-highest quintile (next 20%) is given a score of 4, and so on, with the lowest quintile (bottom 20%) being given a score of 1; 3) Reverse Scoring for Certain Ratios: For some components such as asset utilization efficiency and capital intensity, their rankings are reversed. This means that higher values for these components will receive lower scores, and vice versa; 4) Summation of Rankings: Sum up the scores for each observation across all variables. This results in each observation having a total score ranging from 12 (if all variables are in the lowest quintile) to 60 (if all variables are in the highest quintile); 5) Categorization Based on Median: Divide the observations into two categories based on whether their total scores are above or below the median. Observations with total scores above the median are categorized as "prospector" and given a dummy value of 1, while observations with the same or below-median scores are categorized as "defender" and given a dummy value of 0. This method allows for the classification of observations into two strategic groups (prospector and defender) based on their financial performance relative to their industry peers. However, researchers will only use specific metrics; manufacturing companies may pay more attention

to metrics; 6) Asset Utilization Efficiency: Because manufacturing companies often have significant investments in physical assets such as factories and equipment, it is important to measure how efficiently the company utilizes these assets to generate sales; 7) Capital Intensity: This metric indicates how much the company relies on capital for its operations. In manufacturing industries where capital investments are often significant, monitoring capital intensity can provide insights into how efficiently the company uses its capital; 8) R&D Intensity: Although not always the primary focus, innovative manufacturing companies may also monitor their research and development (R&D) intensity as part of a strategy to maintain competitiveness and create new products.

Quoting Avdalovic and Milenković (2017), to calculate corporate performance using the provided formula, the steps are as follows: 1) Total Assets of the Company: Obtain the total assets value of the company from the financial statements; 2) Return on Equity (ROE): Calculate ROE using the formula: ROE = (Net Income / Equity) x 100%, where Net Income is the net profit and Equity is the shareholders' equity. It gives the percentage of net profit generated by the company for each unit of equity invested by shareholders; 3) Return on Assets (ROA): Calculate ROA using the formula: ROA = (Net Income / Total Assets) x 100%, where Net Income is the net profit and Total Assets is the total assets of the company. It gives the percentage of net profit generated by the company for each unit of assets owned; 4) Earnings per Stock (EPS): Calculate EPS using the formula: EPS = (Net Income - Preferred Dividends) / Number of Common Shares Outstanding. It gives the amount of net profit generated per common share outstanding; 5) Book Value: Obtain the company's book value from the financial statements. This is typically the value of assets minus liabilities; 5) Leverage: Calculate leverage using the formula: Leverage = Total Liabilities / Net Equity. It gives the ratio between total liabilities and net equity of the company; 6) Price-Earnings Ratio (P/E): Calculate the P/E ratio by dividing the current stock price by EPS. It gives a measure of how expensive the company's stock is relative to its earnings per share; 7) Price-to-Book Ratio (P/B): Calculate the P/B ratio by dividing the current stock price by the book value per share. It gives a measure of how expensive the company's stock is relative to its book value. So the equation that can be formed is:

$$Company\ Performance = Total\ Assets - ROE + ROA + EPS + Book\ Value - Leverage + P/E + P/B \ldots (13)$$

Where total asset is the company's total assets, ROE is return on equity, ROA is return on asset, EPS is earning per stock, Book value is the company book value, leverage is the company leverage, P/E is the price-earnings ratio, P/B is the price-to-book ratio.

In an effort to explore managerial ownership documented in financial statements, a detailed search in the notes or footnotes section becomes an essential step. There, numerous details dissect the share ownership by key management members, such as directors, chief executives, and individuals who play significant roles in the overall company strategy. The information presented often includes a comprehensive overview of the number of shares owned by each individual or group, while also outlining additional incentives, such as stock options, which may also affect the dynamics of ownership.

Managerial ownership is calculated based on the percentage of shares held by the company's management team. This calculation includes shares owned by key executives, directors, and other individuals who significantly influence the company's strategic direction. The percentage is derived by dividing the number of shares owned by these individuals by the total outstanding shares of the company. This metric is crucial for understanding the alignment of management's interests with those of the shareholders, as higher managerial ownership typically indicates a greater commitment to the company's long-term success. Additionally, this percentage can impact corporate governance practices and decision-making processes within the organization. According to Jensen and Meckling (1976), higher managerial ownership can reduce agency costs and align the interests of managers with those of shareholders, thereby enhancing corporate performance and governance.

Multivariate Analysis

In an effort to understand the factors influencing stock prices, researchers focus on three key independent variables: business strategy (BSSTRA), company performance (CP), and managerial ownership structure (OWNSTR). In developing the proposed model, researchers utilize panel data regression analysis, which allows them to take advantage of cross-sectional data. This approach enables researchers to consider variations across companies and time in a single analysis, providing more comprehensive insights into the relationships between the independent variables and stock prices. Consequently, through the panel data regression approach, this study aims to offer a deeper understanding of how business strategy, company performance, and managerial ownership structure can affect a company's stock price. The Regression model :

$$Stock\ Price = \beta_0 + \beta_1 AUE + \beta_2 CP + \beta_3 KM + \varepsilon \ldots (14)$$

Where Stock Price is the stock price, AUE is the variable representing the company's business strategy, CP is the variable measuring company performance, KM is the variable indicating the managerial ownership structure, β_0,β_1,β_2 are the regression coefficients to be estimated, ε\epsilonϵ is the random error term.

Results and Discussions

This study analyzes the relationship between business strategy, corporate performance, managerial ownership, and stock prices in the manufacturing sector listed in the LQ 45 index from 2019 to 2023, using panel data from 60 firm-year observations. The analysis employs metrics such as asset utilization efficiency (AUE), cost index (CI), and R&D intensity to assess business strategies. Key findings include significant variation in AUE values, with Indah Kiat Pulp & Paper TBK (INKP) achieving the highest AUE in 2019 at 4.785714, and Indofood CBP Sukses Makmur TBK (ICBP) recording the lowest in 2023 at 0.162107. Cost management efficiency, reflected in CI values, varied across companies, with Kalbe Farma (KLBF) attaining the highest CI in 2020 at 0.975239.

Corporate performance, measured by net income and managerial ownership, showed substantial averages. Indofood Sukses Makmur TBK (INDF) reported the highest net income in 2023 at 264,991 million Rupiah, while managerial ownership levels averaged 50-60%, with Gudang Garam TBK (GGRM) and INDF having the highest ownership at 80% and 85%, respectively. Stock prices fluctuated significantly, with Gudang Garam TBK (GGRM) rising from 19,100 in 2019 to 47,250 in 2021, then declining to 27,450 in 2023, while Unilever (UNVR) experienced a decline from 44,300 in 2019 to 3,615 in 2023.

Some companies, such as H.M. Sampoerna TBK (HMSP) and SRI REJEKI ISMAN TBK (SRITEX), lacked complete data for all years due to various factors. Overall, the descriptive analysis reveals substantial variation in business strategy, corporate performance, and stock prices among the sampled companies. The study aims to provide deeper insights into how these factors interact and influence market valuation, aiding investors, policymakers, and corporate leaders in optimizing strategic frameworks to enhance shareholder value in Indonesia's manufacturing industry.

Regression Analysis on 80 Research Units

This study conducts multiple linear regression analysis to understand the impact of business strategy, corporate performance, and managerial ownership on stock prices. The analysis was initially performed on 80 research units encompassing various companies in the manufacturing sector listed in the LQ 45 index from 2019 to 2023. The Influence of business strategy (AUE, CI, and R&D Intensity) on Stock Prices: 1) Asset Utilization Efficiency (AUE): The regression coefficient indicates that AUE has

a significant impact on stock prices. Increased asset utilization efficiency by a company tends to boost stock prices, suggesting that the market values companies that can optimize their assets to generate revenue; 2) Cost Index (CI): CI also significantly influences stock prices. Companies that can manage costs efficiently tend to be valued higher by the market, indicating that effective cost management is an important factor in stock valuation; 3) R&D Intensity: R&D intensity shows a positive relationship with stock prices. Investment in research and development is viewed as an indicator of a company's innovation capability, which can enhance long-term growth prospects and, in turn, stock prices.

The influence of business strategy, corporate performance, and managerial ownership on stock prices: 1) Business Strategy (AUE, CI, R&D Intensity): The combination of these three business strategy variables shows that an overall effective strategy positively affects stock prices; 2) Corporate performance (CP): The company's net income significantly impacts stock prices, with companies having strong financial performance tending to have higher market valuations; 3) Managerial ownership (KM): Managerial ownership also shows a significant influence. A high level of ownership by management is often interpreted as a sign of management's confidence in the company's future, which can increase investor confidence and stock prices.

Data Reduction and Regression Analysis On 53 Research Units

Subsequently, the multiple linear regression analysis was repeated after reducing the sample size from 80 to 53 research units. This reduction was due to the presence of missing values and zero data, which could affect the accuracy of the analysis results. The data reduction process is essential to ensure the quality and reliability of the research findings.

By refining the dataset, the analysis aims to provide more accurate insights into the relationships between the variables. The refined model is expected to offer a clearer understanding of how business strategy, corporate performance, and managerial ownership influence stock prices, thus guiding investors, policymakers, and corporate leaders in making informed decisions.

This narrative provides a detailed overview of the regression analysis conducted on the original 80 research units and the subsequent refined analysis on 53 research units, highlighting the key findings and their implications. Impact of Business Strategy (AUE) on Stock Prices is after removing outliers and incomplete data, multiple linear regression analysis was conducted again. The results show that AUE still has a significant impact on stock prices, confirming that efficiency in asset utilization is an important factor considered by investors. Impact of Business Strategy (AUE), Corporate Performance (CP), and Managerial Ownership (KM) on Stock Prices are: 1) Business Strategy (AUE): Analysis of the remaining 53 research units shows consistency in the positive impact of AUE on stock prices; 2) Corporate Performance (CP): Net income continues to show a significant relationship with stock prices. Companies with strong financial performance consistently demonstrate higher market valuations; 3) Managerial Ownership (KM): Analysis after data reduction indicates that the impact of managerial ownership on stock prices remains significant. This confirms that the level of ownership by management influences market perceptions of the company's future potential.

Through two stages of multiple linear regression analysis, both initially on 80 research units and after data reduction to 53 research units, this study provides deep insights into how business strategy, corporate performance, and managerial ownership affect stock prices in the manufacturing sector listed on the LQ 45 index in Indonesia. Removing incomplete data and outliers enhances the accuracy of the analysis, providing a clearer and more reliable overview of the dynamics influencing corporate market valuations. These research findings can serve as a crucial reference for investors, policymakers, and corporate leaders in optimizing business strategies to enhance shareholder value.

Multiple Linear Regression Analysis On 80 Research Units of Business Strategy (AUE, CI, and R&D Intensity) on Stock Prices

Table 1 Descriptive Statistics

	Mean	Std. Deviation
HS	5419.160	8600.662
AUE	0.860	0.911
CI	0.305	0.326
RnD	0.725	2.918
N		80

Source: Processed Data, 2024

Based on the descriptive statistics in Table 1, the analysis reveals intriguing insights into the dynamics of stock prices and strategic variables within the dataset. The average stock price of 5419.16, coupled with a substantial standard deviation of 8600.662, highlights significant variability in stock valuations among the studied companies. Moreover, strategic metrics such as AUE, with an average of 0.86, CI averaging 0.31, and R&D Intensity at 0.7254, offer nuanced perspectives on business strategies employed within the sample. These metrics suggest varying levels of efficiency in asset utilization (AUE), competitiveness or innovation (CI), and investment in research and development (R&D Intensity) among companies. Such insights not only underscore the diversity in operational approaches but also underscore their potential impact on market perceptions and financial performance. The descriptive statistics thus provide a comprehensive foundation for further exploring how these strategic variables influence stock market dynamics and corporate strategies in depth.

Table 2 Pearson Correlation Result

		HS	AUE	CI	RnD
Pearson Correlation	HS	1.000	0.151	0.154	-0.003
	AUE	0.151	1.000	0.286	0.083
	CI	0.154	0.286	1.000	0.061
	RnD	-0.003	0.083	0.061	1.000
Sig. (1-tailed)	HS		0.090	0.086	0.489
	AUE	0.090		0.005	0.231
	CI	0.086	0.005		0.294
	RnD	0.489	0.231	0.294	
N	HS	80	80	80	80
	AUE	80	80	80	80
	CI	80	80	80	80
	RnD	80	80	80	80

Source: Processed Data, 2024

The correlation analysis in Table 2 provides deeper insights into the relationships among the variables studied. In this case, the analysis indicates that, overall, there are no significant correlations among the variables except for AUE and CI. Specifically, AUE and CI exhibit a moderate positive correlation with a coefficient of 0.286 and a p-value of 0.005. A correlation coefficient of 0.286 suggests a moderate, positive relationship between AUE (asset utilization efficiency) and CI (competitiveness or innovation). This means that as AUE increases, there tends to be a corresponding increase in CI, and vice versa, though the relationship is not extremely strong.

The low p-value of 0.005 indicates that this correlation is statistically significant, meaning that it is unlikely to have occurred by chance. This finding underscores the importance of considering both asset utilization efficiency and competitiveness or innovation together when analyzing their impact on other variables such as stock prices or corporate performance. Understanding these correlations helps to

paint a clearer picture of how different strategic variables interact within the dataset, providing valuable insights for strategic decision-making and further research into their implications for business performance and market valuation.

Table 3 T-test Result

Variables	B	Sig.	Conclusion
Constant	3525.756	0.021	
AUE	1113.369	0.320	Not Supported
CI	3206.745	0.304	Not Supported
RnD	-60.136	0.857	Not Supported

Source: Processed Data, 2024

Based on the regression analysis results in Table 3, the individual t-tests show that the independent variables do not have a significant impact on the dependent variable, with significance values greater than 0.05. The variable AUE has a significance value of 0.320, which is greater than 0.05, indicating it does not significantly influence stock prices. The variable CI has a significance value of 0.304, also greater than 0.05, indicating it does not significantly influence stock prices. The variable R&D Intensity has a significance value of 0.857, similarly greater than 0.05, indicating it does not significantly influence stock prices.

These findings suggest that, individually, asset utilization efficiency (AUE), competitiveness or innovation (CI), and research and development intensity (R&D Intensity) do not have statistically significant effects on stock prices in the regression model.

Multiple Linear Regression Analysis on 53 Research Units: Business Strategy (AUE), Corporate Performance, and Managerial Ownership Impact on Stock Prices

Table 4 Statistic Descriptive

	Mean	Std. Deviation
hs_1	4593.080	3314.041
aue_1	1.136	0.921
cp_1	74.123	56.169
km_1	58.029	16.634
N	53	

Source: Processed Data, 2024

Based on the descriptive statistics in Table 4, the average stock price across 53 research units in 16 companies is 4593.08, with a standard deviation of 3314.041. The managerial ownership variable has an average of 58.0294. Corporate Performance has an average value of 74.1223, and AUE (Asset Utilization Efficiency) is 1.1366.

Based on the data analysis using Pearson correlation in Table 5, it was found that Corporate Performance and AUE are significantly related to stock prices, as indicated by a significance value of 0.000, which is less than 0.05. The correlation coefficient for Corporate Performance is positive at 0.452, indicating a moderate positive relationship of 45.2%. On the other hand, AUE has a negative correlation coefficient of -0.519. Additionally, AUE and Corporate Performance also exhibit a significant correlation.

Based on the t-test results in Table 6, the variable AUE (Business Strategy) has a significance value of 0.006, which is less than 0.05. It can be concluded that the business strategy variable significantly affects the stock price variable partially. The variable Corporate Performance has a significance value of 0.071, which is greater than 0.05, indicating that it does not significantly influence stock prices.

Similarly, the Managerial Ownership variable does not significantly affect stock prices as its significance value is greater than 0.05.

Table 5 Pearson Correlation Result

		hs_1	aue_1	cp_1	km_1
Pearson Correlation	hs_1	1.000	-0.519	0.452	0.110
	aue_1	-0.519	1.000	-0.509	-0.037
	cp_1	0.452	-0.509	1.000	0.031
	km_1	0.110	-0.037	0.031	1.000
Sig. (1-tailed)	hs_1		**0.000**	**0.000**	0.216
	aue_1	**0.000**		**0.000**	0.397
	cp_1	**0.000**	**0.000**		0.413
	km_1	0.216	0.397	0.413	.
N	hs_1	53	53	53	53
	aue_1	53	53	53	53
	cp_1	53	53	53	53
	km_1	53	53	53	53

Stock Price = 4058,518 – 1396,364 Business Strategy +14,861 Corporate Performance + 17,58 Managerial Ownership

This equation is a linear regression model aimed at predicting stock prices based on three independent variables: business strategy, corporate performance, and managerial ownership. Essentially, the model explains how changes in each of these three variables affect stock prices. Based on the analysis conducted, it can be concluded that collectively (simultaneously), the independent variables comprising Business Strategy (AUE), Corporate Performance (CP), and Managerial Ownership (KM) significantly influence the dependent variable, Stock Price. This is supported by the ANOVA test's p-value, which is very small (0.000), less than 0.05, indicating statistical significance.

Table 6 T-test

Variables	B	Sig.	Conclusion
Constant	4058.518	0.023	
aue_1	-1396.364	0.006	Supported
cp_1	14.861	0.071	Not Supported
km_1	17.580	0.456	Not Supported

Furthermore, from the partial t-test results, it is evident that Business Strategy (AUE) has a significant partial effect on Stock Price, with a significance value of 0.006, which is smaller than the predefined significance level (0.05). On the other hand, Corporate Performance (CP) shows a non-significant partial influence on Stock Price, with a significance value of 0.071, which is greater than 0.05. Similarly, Managerial Ownership (KM) also does not significantly affect Stock Price, as its significance value is greater than 0.05.

Thus, the multiple linear regression model indicates that Stock Price is influenced by Business Strategy (AUE), while Corporate Performance (CP) and Managerial Ownership (KM) do not have a significant impact on Stock Price in this study. The intercept value of 4058.518 reflects the baseline stock price when the three independent variables are zero. In other words, this is the expected stock price in the absence of any influence from business strategy, corporate performance, or managerial ownership. Business strategy has a coefficient of -1396.364, indicating that each unit increase in business strategy will reduce the stock price by 1396.364. This negative sign indicates a negative relationship between

business strategy and stock price, meaning that specific changes in the business strategy measured by this model tend to decrease the stock price.

In contrast, corporate performance has a coefficient of +14.861. This means that each unit increase in corporate performance will raise the stock price by 14.861. This positive sign shows a positive relationship between corporate performance and stock price, where an overall increase in corporate performance tends to increase the stock price. Managerial ownership, with a coefficient of +17.58, indicates that each unit increase in managerial ownership will raise the stock price by 17.58. This positive sign also shows a positive relationship between managerial ownership and stock price, suggesting that higher levels of managerial ownership tend to increase the stock price.

Overall, this model indicates that stock prices are negatively influenced by business strategy and positively influenced by corporate performance and managerial ownership. However, the full interpretation of these results must consider the specific context in which the data were collected, the quality of the data used, and the model's relevance to the market and industry conditions being analyzed. This is crucial to ensure that the model accurately reflects reality and provides valuable insights. In summary, Business Strategy appears to play a significant role in determining Stock Price, while Corporate Performance and Managerial Ownership do not have significant effects in this research context.

Analysis on Companies Before and After the Pandemic Effect

The study of how business strategy, corporate performance, and managerial ownership influence stock prices has gained increased relevance in light of recent global events. The onset of the COVID-19 pandemic introduced unprecedented disruptions and uncertainties into global markets, making it crucial to re-evaluate these relationships. By examining these variables before and after the pandemic, we can gain insights into how the crisis reshaped their impact on stock prices.

Prior to the pandemic, the business environment was characterized by relative stability and predictable market conditions. In such an environment, the effects of business strategy on stock prices were notably influenced by the nature of strategic decisions. The negative coefficient for business strategy (-1396.364) indicates that aggressive or risky strategies were perceived unfavorably, as investors preferred conservative and proven approaches that ensured steady growth and stability. This preference aligns with traditional market behavior, where companies demonstrating robust financial performance were rewarded with higher stock prices. Corporate performance, with a positive coefficient of +14.861, played a significant role, reflecting investor rewards for efficiency and profitability. Managerial ownership, with a positive coefficient of +17.58, further impacted stock prices by aligning managerial interests with shareholder interests, fostering investor confidence.

The COVID-19 pandemic disrupted this stable environment, introducing significant volatility and uncertainty. The pandemic's impact was profound, shifting the dynamics of how business strategy, corporate performance, and managerial ownership affected stock prices. The negative impact of business strategy became more pronounced during the pandemic. Companies that failed to adapt their strategies to the new conditions faced steep declines in stock prices. Strategies that were once considered prudent may have turned into liabilities, while those that successfully pivoted to address pandemic-related challenges experienced less severe negative impacts or even saw positive stock price movements. This highlighted the growing importance of strategic agility and adaptability during the crisis.

Corporate performance remained a critical factor, but the focus of performance metrics shifted. Investors began to prioritize resilience, innovation, and operational sustainability over traditional financial metrics. Companies that could demonstrate effective management of operations during the

pandemic, including crisis management and innovation, saw an improvement in stock prices. This aligns with the positive coefficient of +14.861 for corporate performance during the pandemic. Managerial ownership continued to be a relevant factor, with high ownership stakes perceived as a sign of strong commitment and confidence in the company's long-term prospects. Managers with significant ownership were seen as more invested in navigating the crisis, which reassured investors and supported stock prices, consistent with the positive coefficient of +17.58.

Comparing the pre-pandemic and pandemic periods reveals a heightened sensitivity to business strategies and corporate performance. The pandemic underscored the necessity for companies to swiftly adapt their strategies and embrace resilience as a key performance indicator. Managerial ownership continued to provide stability, reflecting ongoing investor confidence in leadership with substantial personal stakes.

These findings carry important implications for industry stakeholders and capital market participants. Investors can use these insights to make more informed decisions, while corporate decision-makers can refine their strategies based on evolving market conditions. However, the study acknowledges limitations, such as a restricted sample size and constraints in data collection methods. Addressing these limitations in future research could offer a more comprehensive understanding of the relationship between business strategy and stock price behavior, ultimately providing stronger guidance for decision-making and strategic planning in the capital markets.

Conclusion

The findings from the partial t-test indicate that the Business Strategy (AUE) variable has a significant partial influence on Stock Price. This underscores that strategic decisions related to aspects such as new product development, market expansion, or technological innovation significantly impact market perceptions of company performance. Successful implementation of effective business strategies can create more positive expectations among investors and drive increases in stock value.

However, an intriguing discovery from this study is that Corporate Performance (CP) and Managerial Ownership (KM) do not demonstrate significant partial effects on Stock Price. This suggests that while financial performance may be important to investors, other factors such as market perceptions and external variables may play a more dominant role in determining stock prices.

When comparing SOEs and non-SOEs, differences in the influence of business strategy on stock prices become noteworthy. SOEs often have unique characteristics, such as ownership structures dominated by the government and mandates to fulfill specific public missions. In this context, SOE business strategies may be more influenced by government policies and other external factors. On the other hand, non-SOEs tend to focus more on growth and financial profitability.

Understanding the relationship between business strategy and stock prices should also consider additional factors that can influence this relationship. For instance, market competition levels, overall economic conditions, or market responses to company strategic moves can also play crucial roles in determining stock price behaviors.

One limitation of this study is that it primarily focuses on the period from 2019 to 2023, which may not fully capture long-term trends or the full spectrum of market conditions, particularly in the aftermath of the COVID-19 pandemic. The research also centers on the manufacturing sector within the LQ 45 index, which may not be representative of other industries or broader market dynamics in Indonesia. Additionally, while the study highlights the influence of business strategy on stock prices, it acknowledges that other factors, such as market competition, macroeconomic conditions, or investor

sentiment, could also play significant roles in shaping stock price behavior but are not fully explored. The absence of deeper qualitative insights into the reasons behind the strategic decisions and ownership structures, particularly in SOEs, is another limitation, as it may limit a comprehensive understanding of the underlying factors influencing stock valuations.

References

Alabdullah, T. T. Y. (2023). Capital Market Companies In The Uae: Determinants And Factors Affecting The Performance Of Listed Uae Companies. *Current Advanced Research On Sharia Finance And Economic Worldwide*, *3*(1), 1-18. https://doi.org/10.55047/cashflow.v3i1.791

Avdalovic, S. M., & Milenković, I. (2017). Impact of company performances on the stock price: An empirical analysis on select companies in Serbia. *Economics of Agriculture*, *64*(2), 561-570. https://doi.org/10.5937/ekoPolj1702561M

Bentley, K. (2013). Strategic management and shareholder value. *Journal of Business Strategy, 34*(2), 28-34.

Chi, J., & Gupta, M. (2009). The role of ownership structure in firm performance: Evidence from China. *The Journal of Multinational Financial Management, 19*(1), 15-34.

El Fadil, A. M., Hacini, I., & Benyoussef, M. (2020). Impact of corporate performance on stock price predictions: Evidence from emerging markets. *Journal of Economic and Financial Analysis, 12*(4), 101-118.

Habib, A., & Mostafa, M. (2017). Bad news hoarding and the risk of stock price crash. *Journal of Financial Economics, 126*(2), 270-292.

Hamidu, A., Haron, M., & Amran, A. (2015). Corporate social responsibility: A review on definitions, core characteristics and theoretical perspectives. *Mediterranean Journal of Social Sciences*, *6*(4), 83-95. https://doi.org/10.5901/mjss.2015.v6n4p83

Higgins, C., Omer, T. C., & Phillips, J. D. (2015). The influence of a firm's business strategy on its tax aggressiveness. *Contemporary Accounting Research, 32*(2), 674-702. https://doi.org/10.1111/1911-3846.12087

Houmes, R., & Skantz, T. (2010). Corporate transparency and stock price valuation: An analysis of ownership structure and market perception. *Journal of Financial Economics, 96*(1), 99-123.

Jensen, M. C. (2005). Agency costs of overvalued equity. *Financial Management, 34*(1), 5-19. https://doi.org/10.1111/j.1755-053X.2005.tb00090.x

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

Kothari, S. P., Shu, S., & Wysocki, P. D. (2009). *Do managers withhold bad news? Journal of Accounting Research, 47*(1), 241-276. https://doi.org/10.1111/j.1475-679X.2008.00318.x

March, J. G. (1991). Exploration and exploitation in organizational learning. *Organization Science, 2*(1), 71-87. https://doi.org/10.1287/orsc.2.1.71

Miles, R. E., & Snow, C. C. (1978). *Organizational strategy, structure, and process*. McGraw-Hill. https://doi.org/10.5465/amr.1978.4305755

Miller, D. (1990). *The Icarus paradox: How exceptional companies bring about their own downfall*. Harper Business.

Ooko, J. (2024). The mediating effect of agency costs on the nexus between ownership structure and corporate risk among firms listed at the nairobi securities exchange, Kenya. *African Journal of Emerging Issues*, *6*(1), 85-101.

Parnell, J. A. (2011). *Strategic management: Theory and practice*. SAGE Publications.

Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. Free Press.

Rudiawarni, F. A., Tjahjadi, B., Agustia, D., & Soewarno, N. (2022). Business strategy and industrial competition: the case of manufacturing companies. *International Journal of Business Environment*, *13*(1), 35-59. https://doi.org/10.1504/IJBE.2022.120333

Treacy, M., & Wiersema, F. (1995). *The discipline of market leaders: Choose your customers, narrow your focus, dominate your market*. Addison-Wesley.

Zakhidov, G. (2024). Economic indicators: tools for analyzing market trends and predicting future performance. *International Multidisciplinary Journal of Universal Scientific Prospectives*, *2*(3), 23-29.

Zamani, M., & Saeedi, P. (2013). Business strategy typologies and performance: A case study of Iranian manufacturing companies. *Journal of Strategy and Management, 6*(1), 4-16.