

UNPACKING VALUE: HOW BUSINESS STRATEGY, OWNERSHIP, AND PERFORMANCE SHAPE STOCK PRICES OF LQ45 MANUFACTURING FIRMS (2019–2023)

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Abstract

This study examines the interplay between business strategy, corporate performance, and managerial ownership in shaping the stock prices of LQ45 listed manufacturing firms in Indonesia from 2019 to 2023. Despite analogous financial metrics, it addresses persistent valuation asymmetries between State Owned Enterprises (SOEs) and nonSOEs. An integrative comparative analytical framework is developed, positioning ownership structure as a moderating variable within the dynamics of an emerging market. Employing a quantitative methodology, the study applies panel data regression to test directional causality across key indicators, including Asset Utilisation Efficiency (AUE), Return on Equity (ROE), Return on Assets (ROA), Earnings per Share (EPS), and the proportion of managerial ownership. The empirical workflow comprises five sequential stages: (1) computation of financial ratios, (2) strategic categorisation via quintile scoring, (3) regression based model estimation, (4) diagnostic testing for normality (Kolmogorov–Smirnov) and heteroskedasticity, and (5) comparative testing moderated by ownership classification. Findings reveal AUE as a statistically significant determinant of stock price behaviour, while corporate performance and managerial ownership exhibit relatively weaker isolated effects. The study offers strategic insights for capital market actors and public sector stakeholders navigating valuation complexities in the postpandemic era.

Keywords: *Business Strategy, Corporate Performance, Strategic Decision, Stock Price*

1. Introduction

Predicting stock prices remains a fundamental challenge in modern investment strategy, especially amidst the volatility of today's global economy. Stock prices are widely recognised as barometers of corporate health and investor sentiment (Li et al., 2022). Reflecting both internal company performance and broader market forces. However,

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understanding the interplay between key internal factors such as business strategy, corporate performance, and ownership structure presents a complex analytical task for investors, policymakers, and corporate leaders alike (Phan Trong & Vu Thi Thuy, 2021).

This study focuses on the Indonesian manufacturing sector, specifically firms listed in the LQ45 Index, to examine how three internal variables — ownership structure, business strategy, and corporate performance — shape stock price dynamics between 2019 and 2023. The manufacturing industry plays a strategic role in national economic development and contributes significantly to capital market activity. LQ45 firms represent highliquidity, bluechip stocks that are central to investor confidence and the structural health of the Indonesian capital market.

Despite comparable financial fundamentals, a central issue arises from the inconsistent market valuations observed between StateOwned Enterprises (SOEs) and nonSOEs. SOEs frequently pursue sociopolitical objectives beyond profitability, whereas nonSOEs are predominantly commercially driven, with differences that may significantly influence strategic orientation, governance flexibility, and investor perception (Huang & Jin, 2024). Understanding these disparities is critical, especially in the postCOVID19 landscape marked by heightened global uncertainty and rapid technological shifts that have placed increasing pressure on strategic decisionmaking and market responsiveness.

While previous research has explored the isolated impact of strategic orientation, ownership concentration, or financial performance on firm value or stock prices, few studies have conducted comparative and integrative analyses across ownership types within a prominent and visible index, such as the LQ45. Drawing on insights from Bentley (2013), Jensen (2005), Chi and Gupta (2009), and Houmes and Skantz (2010), this study presents a novel framework that combines these dimensions. The novelty of this study lies in its integrative design, which simultaneously examines how ownership type (SOEs vs. nonSOEs), strategic orientation, and financial performance interact to influence market valuation a topic that has not been systematically studied in the context of Indonesia's most visible and liquid corporate index. In contrast to previous works that address these variables in isolation, this research captures the compounded effects and contextual nuances that arise from institutional dualities in emerging markets.

Accordingly, the research poses the following guiding question: How do ownership structure (SOEs vs. nonSOEs), business strategies, and corporate performance influence stock prices in Indonesian manufacturing firms listed in the LQ45 Index during 2019–2023? By addressing this question through a comparative empirical approach, the study aims to deliver theoretical enrichment and practical insights for policymakers, investors, and corporate decisionmakers navigating the complexities of strategic governance and valuation in emerging economies.

2. Literature Review

2.1 Corporate Strategy on Share Price Movements

Stock price behaviour emerges from a dynamic interrelationship between firm internal mechanisms and external market conditions. Key internal drivers, such as strategic positioning, financial performance, and governance arrangements especially the distribution of ownership substantially influence how investors interpret a firm's value. Although extensive literature addresses these factors individually, there is a notable lack of integrated analysis capturing their simultaneous and interconnected effects. This limitation is particularly evident in emerging markets, such as Indonesia, where structural inefficiencies, regulatory variability, and concentrated ownership often heighten the influence of internal corporate attributes on market valuation. In response, this study proposes a holistic analytical framework that combines strategic orientation, financial outcomes, and managerial ownership to assess their joint impact on the stock prices of LQ45 listed manufacturing firms. Through this integrative approach, the study seeks to enhance understanding of how internal firm dynamics collectively shape equity valuation within the complexities of transitional economies.

Business Strategy and Share Price Dynamics

Business strategy functions as a dynamic framework continually shaped by external market forces and internal organisational capabilities. As Rudiawarni et al. (2022) highlight, a practical strategic approach must ensure alignment among industry demands, company resources, and performance goals. Established typologies, including those developed by Miles and Snow (1978), Porter (1980), and Treacy and Wiersema (1995), remain instrumental in classifying corporate strategies into distinct categories such as innovators, efficiency focused firms, lowcost providers, and value differentiators. These frameworks offer crucial insights into executive decisionmaking and its subsequent impact on financial markets.

Research indicates that firms emphasising differentiation strategies often achieve higher market valuations due to their innovation potential, brand equity, and customer loyalty (Jensen, 2005; Zhang et al., 2023). Conversely, cost leadership and market expansion strategies tend to attract conservative investors who prioritise stable returns and operational effectiveness (Chi & Gupta, 2009). Meanwhile, companies following aggressive innovation strategies—marked by rapid market adaptation and high R&D investment may experience greater earnings unpredictability and information asymmetry (Habib & Mostafa, 2017). This aligns with Kothari et al. (2009), who suggest that innovation intensive firms often face transparency challenges, thereby heightening investor scepticism. Additionally, external factors such as regulatory changes and economic instability can alter the impact of strategic decisions on stock performance (Houmes & Skantz, 2010).

H1: Corporate strategy significantly affects share price movements

2.2 Corporate Performance on Stock Price Movements

Corporate performance reflects a firm's operational efficiency and strategic effectiveness. It is commonly measured using indicators such as return on assets (ROA), return on equity (ROE), earnings per share (EPS), and revenue growth. These metrics serve as proxies for market expectations and investment potential (Wang et al., 2023). Empirical evidence supports a strong link between performance and stock valuation. Milenković (2017) demonstrates that firms with consistent financial growth are likelier to earn investor trust and command premium stock prices. However, the strength and direction of this influence are contextdependent. For instance, macroeconomic conditions or investor sentiment can overshadow firmlevel fundamentals, reducing the explanatory power of performance metrics (Novitasari & Setiawan, 2022; Subekti, 2021). This underscores the importance of contextualising financial performance within broader market dynamics. The strategic implications of performance metrics are also discussed by Brigham and Ehrhardt (2021) and Gitman and Zutter (2015), who emphasise that corporate value creation is central to investor behaviour.

H2: Corporate performance influences stock prices

2.3 Managerial Ownership on Stock Price Movements

Managerial ownership, where executives hold equity stakes in the firm, plays a critical role in corporate governance and investor confidence. The alignment hypothesis posits that increasing managerial ownership reduces agency costs by aligning the interests of managers and shareholders (Jensen & Meckling, 1976). In contrast, the entrenchment hypothesis posits that excessive managerial control may undermine accountability and hinder firm performance (Datta et al., 2005; Tee, 2017). Zhang et al. (2023) argue that moderate ownership levels promote valuemaximising decisions, especially in highly regulated sectors. Meanwhile, dividend and share repurchase policies serve as external governance mechanisms to mitigate agency problems and signal financial discipline (Brigham & Daves, 2016). In the Indonesian context, the structure of managerial ownership in StateOwned Enterprises (SOEs) versus nonSOEs creates asymmetries in decisionmaking autonomy, political interference, and market responsiveness (Huang & Jin, 2024; Sari & Yunita, 2020). Empirical studies from *Jurnal Ilmu Akuntansi dan Bisnis Syariah* further highlight the impact of managerial incentives on valuation and capital market trust (Rudiawarni et al., 2022).

H3: Managerial ownership influences stock prices

While previous studies have independently examined the impact of business strategy, corporate performance, and ownership on stock prices, few have explored their simultaneous interaction within the same analytical framework, particularly in emerging capital markets. Moreover, comparative studies across ownership types of stateowned enterprises (SOEs) and nonstateowned enterprises (nonSOEs) remain scarce. This study

addresses this research gap by integrating these three variables and focusing on firms listed in the LQ45 Index, thus ensuring high visibility, investor interest, and comparability.

Theoretically, this research synthesises agency theory (Jensen & Meckling, 1976), resourcebased view (Barney, 1991), and strategic positioning theory (Porter, 1980) to build a comprehensive explanatory model. In doing so, it contributes to both academic literature and the formulation of practical strategies for investors and policymakers.

The conceptual framework of this study posits that business strategy, corporate performance, and managerial ownership are independent variables influencing stock price, which serves as the dependent variable.

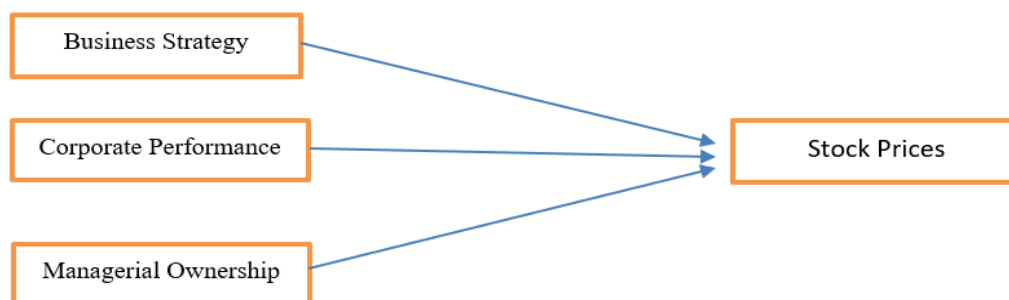


Figure 1. Conceptual Framework

Source: Processed by Researcher (2025)

3. Research Methods

This study focuses on all manufacturing firms listed in Indonesia's LQ45 Index during the 2019–2023 period, selected for their strategic relevance and data reliability. The manufacturing sector offers a compelling context due to its operational complexity, innovation intensity, and substantial R&D investments, as evidenced by its dominance in global patent filings (OECD, 2007). This sectoral focus enables a rigorous assessment of strategic execution and valuation outcomes. The LQ45 Index is an ideal proxy for the Indonesian capital market, comprising highly liquid, topperforming companies that facilitate broader marketlevel insights into how business strategy, corporate performance, and ownership structures shape stock price behaviour.

The 2019–2023 window captures prepandemic and postpandemic dynamics, allowing the study to examine how external shocks such as COVID19 influence strategic responses and investor valuation. Furthermore, firms are categorized into stateowned enterprises (SOEs) and nonSOEs to capture potential asymmetries in governance practices, policy constraints, and strategic orientations—factors that may contribute to heterogeneous stock price reactions across ownership types.

Business strategies are classified using 12 dimensions adapted from Jeremias (2008), Higgins et al. (2015), and Bentley et al. (2013), which enables the nuanced categorisation of firms' strategic postures. Since strategy implementation is forwardlooking, corporate

performance is measured over three subsequent periods (t+1, t+2, and t+3) to capture lagged effects. The study applies panel data regression to empirically test the relationship among strategy, performance, ownership, and market valuation, which integrates crosssectional and timeseries observations. This approach enhances the robustness of causal inference while controlling for firmspecific unobservable factors, forming the basis for the proposed econometric model.

$$\text{StockPrice}_{it} = \beta_0 + \beta_1 \text{AUE}_{it} + \beta_2 \text{CP}_{it} + \beta_3 \text{KM}_{it} + \varepsilon_{it}$$

Where:

- a. **Stock Price** denotes the firm's market price per share,
- b. **AUE** captures the firm's strategic orientation,
- c. **CP** measures corporate performance,
- d. **KM** represents managerial ownership,
- e. β_0 – β_3 are coefficients to be estimated, and
- f. ε is the error term capturing unobserved influences.

This model enables empirical testing of the hypothesised relationships and sheds light on how strategic, performance-related, and governance-related factors influence market valuation in the Indonesian manufacturing sector.

$$1 \text{ Premium Price Capability} = \frac{\text{Gross Margin}}{\text{Sales}}$$

$$2 \text{ RnD Intensity} = \frac{\text{RnD Expense}}{\text{Sales}}$$

$$3 \text{ Sales Effort} = \frac{\text{Selling, general and Admin expense}}{\text{Sales}}$$

$$4 \text{ Employee Intensity} = \frac{\text{Number of Employee}}{\text{Sales}}$$

$$5 \text{ Marketing Effort} = \frac{\text{Advertising expense}}{\text{Sales}}$$

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

$$\begin{aligned}
 7 \text{ Capital Intensity} &= \frac{PPE}{Total Asset} \\
 8 \text{ Capital and MV ratio} &= \frac{Capital Expenditure}{Market Value} \\
 9 \text{ Capital and Asset Ratio} &= \frac{Capital Expenditure}{Asset} \\
 10 \text{ Sales Growth} &= \frac{Sales_t - Sales_{\{t1\}}}{Sales_{\{t1\}}} \\
 11 \text{ MTB} &= \frac{Market Value}{Book Value} \\
 12 \text{ Employee Fluctuation} &= \frac{Employee_t - Employee_{\{t1\}}}{Employee_{\{t1\}}}
 \end{aligned}$$

This study employs a structured, multistep approach to evaluate business strategy and corporate performance in manufacturing firms. First, a comprehensive set of financial ratios encompassing profitability, efficiency, leverage, valuation, and capital utilisation is calculated for each firm over multiple years and across industry segments. These metrics provide critical insights into how firms allocate resources and create value. Each financial ratio is then ranked from highest to lowest and categorized into quintiles. Firms in the top 20% receive a score of 5, while those in the lowest 20% receive a score of 1. For specific indicators such as asset utilization efficiency and capital intensity where lower values indicate superior performance this scoring is reversed to reflect their inverse relationship with strategic effectiveness. The individual scores are then aggregated to generate a composite strategic score for each firm, ranging from 12 (indicating consistently poor performance) to 60 (indicating uniformly strong performance). Based on the median of these total scores, firms are classified into two strategic types: "prospectors," assigned a value of 1, represent firms with aggressive, innovationoriented strategies; and "defenders," coded as 0, represent firms with more stable and costfocused strategies.

Special consideration is given to manufacturing firms, which often operate with higher levels of complexity, innovation, and capital intensity. Metrics such as asset utilisation efficiency (reflecting how effectively machinery and infrastructure are used to generate revenue), capital intensity (the extent of reliance on fixed assets), and R&D intensity (investment in innovation) are particularly emphasised, as they capture core aspects of strategic posture in this sector. To complement the strategic classification, this

study also measures corporate performance using established financial indicators, as outlined by Ivan Milenković (2017). These include:

- a. Return on Equity (ROE) – calculated as net income divided by shareholders' equity, representing profitability from the shareholders' perspective.
- b. Return on Assets (ROA) – the ratio of net income to total assets, which assesses asset utilisation efficiency.
- c. Earnings per Share (EPS) – calculated as (net income minus preferred dividends) divided by the number of common shares, providing insight into profitability per share.
- d. Book Value – derived by subtracting total liabilities from total assets, reflecting the firm's net asset value.
- e. Leverage Ratio – computed as total debt divided by equity, indicating the firm's financial risk and reliance on debt financing.
- f. PricetoEarnings (P/E) Ratio – obtained by dividing the market price per share by EPS signals the market's expectations regarding future earnings.
- g. PricetoBook (P/B) Ratio: The ratio of a firm's stock price to its book value per share indicates how the market values the firm in relation to its net assets.

This integrated methodology enables a robust classification of business strategies and a nuanced assessment of firm performance, which are then used to explore their effects on stock price movements in the Indonesian manufacturing sector.

$$\text{Company Performance} = \text{Total Assets} - \text{ROE} + \text{ROA} + \text{EPS} + \text{Book Value} - \text{Leverage} + \text{P/E} + \text{P/B}$$

Where:

Total Assets is the company's total assets.

ROE is Return on Equity.

ROA is Return on Assets.

EPS is Earnings per Stock.

Book Value is the company's book value.

Leverage is the company's leverage.

P/E is the PriceEarnings Ratio.

P/B is the PricetoBook Ratio.

A detailed review of the notes or footnotes in financial statements is essential to assess managerial ownership. These sections disclose shareholdings of key management personnel

such as directors and executives along with incentives like stock options. Managerial ownership is calculated as the proportion of shares these individuals hold relative to the total outstanding shares. This metric reflects the extent to which management interests align with those of shareholders. As Jensen and Meckling (1976) noted, higher managerial ownership can reduce agency costs, enhance governance, and promote longterm firm performance.

Table 1. Calculating The Variable Method

Variable	Measurement Method	Indicator / Formula Example
Stock Price (HS)	Market price per share	Closing price of shares
Business Strategy (AUE)	Efficiency of asset utilization	Composite score (quintilebased scoring of 12 indicators)
Corporate Performance (CP)	Financial indicators	ROE = Net Income / Equity (%) ROA = Net Income / Total Assets (%) EPS = (Net Income Preferred Dividends) / Shares Outstanding
Managerial Ownership (KM)	Percentage of shares held by key executives	KM = Shares held by management / Total outstanding shares (%)

Source: processed by Authors (2025)

4. Results and Discussion

4.1 Result

Having established the methodological framework and collected relevant data from manufacturing firms listed in the LQ45 index over the 2019–2023 period, this section presents the empirical results derived from the multiple linear regression analysis. The analysis explores the extent to which business strategy, as proxied by Asset Utilization Efficiency (AUE) alongside corporate performance and managerial ownership, influences stock price movements. The discussion integrates both statistical output and interpretive insights to assess the significance of each variable and how these relationships vary across ownership structures and macroeconomic contexts. The findings are discussed sequentially, beginning with overall regression outcomes, then partial effects, and concluding with strategic implications.

4.1.1 Normality Test

A normality test is used to determine whether, in a regression model, an independent variable, dependent variable, or both follow a normal distribution.

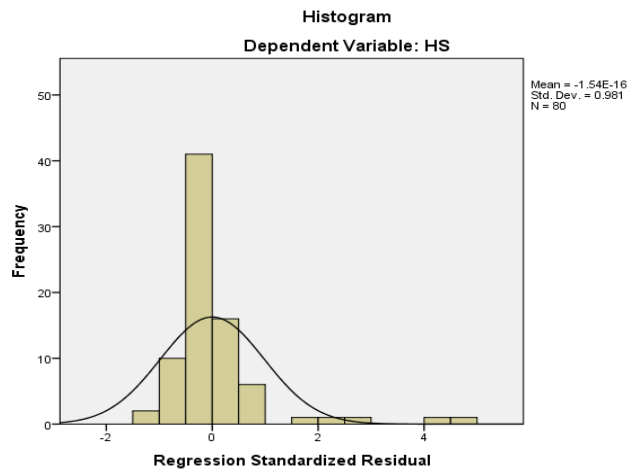


Figure 1. Normality Test

Visually, the residuals do not form a bellshaped curve, indicating a nonnormal distribution. To verify this observation, a KolmogorovSmirnov test will be conducted.

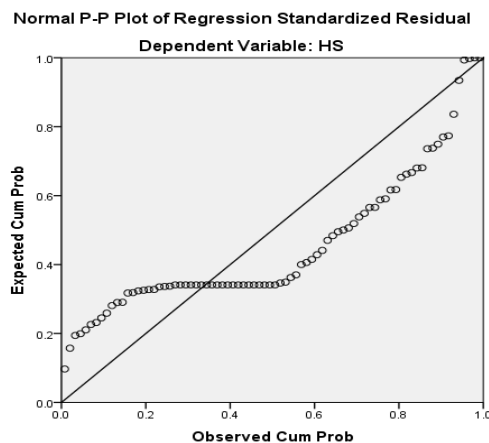


Figure 2. Normal P-Plot of Regression Standarized Residual

These results show that the residuals do not conform to the regression line, indicating a nonnormal distribution. This is further evidenced by conducting the KolmogorovSmirnov test as follows:

Table 2. OneSample KolmogorovSmirnov Test

		Unstandardized Residual
N		80
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	8441.54744142
Most Extreme Differences	Absolute	.195
	Positive	.195
	Negative	.165
Test Statistic		.195
Asymp. Sig. (2tailed)		.000 ^c

a. Test distribution is Normal.

b. Calculated from data.

Based on the normality test results, all pairs of variables have sufficiently small statistical values with a significance level of 0.00 or less than the pvalue (0.05). Therefore, the null hypothesis (H_0) cannot be rejected. It can be concluded that all three pairs of variables do not follow a normal distribution.

4.1.2 Heteroskedasticity Test

The regression plot reveals heteroskedasticity, indicating nonconstant error variance across predictor levels, which is an issue that compromises inferential validity and necessitates methodological correction. The model exhibits statistical significance ($F = 7.864$; $p < 0.001$), affirming that strategic orientation, performance metrics, and ownership structure jointly affect stock valuation. Of the predictors, only AUE demonstrates a significant inverse association with stock price ($t = -2.845$; $p = 0.006$; $B = -1396.364$), implying that elevated asset utilization may connote operational aggressiveness, potentially perceived as riskenhancing in conservative market environments. Conversely, corporate performance and managerial ownership, though positively signed, fail to achieve individual significance ($p = 0.071$ and $p = 0.456$, respectively), suggesting their isolated explanatory power is insufficient in the present context.

Table 3. Heteroskedasticity Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	185613671.310	3	61871223.770	7.864	.000 ^b
	Residual	385495434.388	49	7867253.763		
	Total	571109105.698	52			

a. Dependent Variable: hs_1

4.1.3 Multicollinearity Test

The multicollinearity test is a crucial step in regression analysis. It ensures that the resulting model is reliable and that the regression coefficients can be interpreted correctly. Identifying and addressing multicollinearity can enhance the quality and validity of regression analysis.

Table 4. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
km_1	.999	1.001
cp_1	.755	1.325
aue_1	.754	1.326

Based on the analysis results, the VIF (Variance Inflation Factor) for each variable is less than 10, indicating no multicollinearity issue. The descriptive statistics show that the average stock price of 53 observations across 16 manufacturing firms listed in the LQ45 index is 4,593.08, with a standard deviation of 3,314.04, indicating substantial variability in stock valuation. The average Asset Utilization Efficiency (AUE) is 1.1366, suggesting a generally moderate efficiency level in using assets to generate revenue. Corporate performance (CP) has a mean value of 74.12, while managerial ownership (KM) averages 58.03.

Table 5. Descriptive Statistics

	Mean	Std. Deviation	N
hs_1	4593.08	3314.041	53
aue_1	1.1366	.92071	53
cp_1	74.1223	56.16960	53
km_1	58.0294	16.63416	53

Table 6. Correlations

		HS	AUE	CI	RnD
Pearson	HS	1.000	.151	.154	.003
Correlation	AUE	.151	1.000	.286	.083
	CI	.154	.286	1.000	.061
	RnD	.003	.083	.061	1.000
Sig. (1tailed)	HS	.	.090	.086	.489
	AUE	.090	.	.005	.231
	CI	.086	.005	.	.294
	RnD	.489	.231	.294	.
N	HS	80	80	80	80
	AUE	80	80	80	80
	CI	80	80	80	80
	RnD	80	80	80	80
	RnD	80	80	80	80

The correlation analysis reveals that most variables do not exhibit statistically significant relationships, except asset utilization efficiency (AUE) and competitiveness/innovation (CI). These two variables show a moderate positive correlation ($r = 0.286$, $p = 0.005$), indicating that increases in AUE are generally associated with increases in CI, although the relationship is not particularly strong. The low pvalue confirms that this correlation is statistically significant and unlikely to be due to random chance. This finding highlights the importance of jointly considering AUE and CI when examining their

influence on stock prices or corporate performance. Understanding this relationship offers clearer insight into how key strategic variables interact, supporting more informed decisionmaking.

Table 7. Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	RnD, CI, AUE ^b	.	Enter

4.1.4 Autocorrelation Test

An autocorrelation test is a statistical process used to identify whether there is a correlation between successive values in a time series or sequential data. Autocorrelation often occurs in time series data when the values in the series are correlated with previous values in the series.

Table 8. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	DurbinWatson
1	.567 ^a	.322	.281	2819.183	1.453

From the classical assumption analysis of autocorrelation, the DurbinWatson value is 1.453, indicating that DW is between the values of dL = 1.451 and dU and 4dU as dU (1.68) and 4du (2.32). Therefore, it can be concluded that there is no autocorrelation.

4.1.5 Simultaneous Tests

Table 8. Simultaneous Tests

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	214221337.636	3	71407112.545	.964	.414 ^b
Residual	5629518133.251	76	74072607.016		
Total	5843739470.888	79			

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 pvalue, which is very small (0.000), less than 0.05, indicating statistical significance.

4.1.6 Partial Test

Table 9. Partial Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	4058.518	1735.320		2.339	.023
aue_1	1396.364	490.806	.388	2.845	.006
cp_1	14.861	8.044	.252	1.848	.071
km_1	17.580	23.402	.088	.751	.456

Based on the ttest results, the variable AUE (Business Strategy) has a significance value of 0.006, 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.

The multiple linear regression model formed is as follows:

$$\text{Stock Price} = 4058,518 - 1396,364 \text{ business strategy} + 14,861 \text{ corporate performance} + 17,58 \text{ Managerial Ownership}$$

This equation is a linear regression model that predicts stock prices based on three independent variables: business strategy, corporate performance, and managerial ownership. Essentially, the model explains how changes in these three variables affect stock prices.

4.2 Discussion

4.2.1 The Effect of Business Strategy on Stock Price

The study finds that business strategy significantly affects stock price movements in the context of LQ45listed Indonesian manufacturing firms between 2019 and 2023. Using Asset Utilization Efficiency (AUE) as a proxy for business strategy, the authors reveal that AUE is statistically significant in influencing stock prices, as evidenced by regression results ($t = -2.845$; $p = 0.006$). Interestingly, the negative coefficient of AUE suggests an inverse relationship higher asset utilization is associated with lower stock prices, which contradicts conventional expectations. Typically, higher operational efficiency is linked to better market valuation. However, drawing on Signaling Theory (Spence, 1973), the authors interpret this outcome as a market response to perceived risk: high asset deployment may signal overaggressiveness, especially in a fragile, postpandemic economy. Investors may perceive such firms as stretching resources too thin without guaranteed market demand, leading to reduced confidence. Framed within the Resource Based View (Barney, 1991), the study

argues that while strategic efficiency is essential for sustainable competitive advantage, it must be aligned with external market signals and investor sentiment. In volatile environments, strategic aggressiveness if not wellcommunicated can backfire, lowering perceived value despite improved internal efficiency. In conclusion, the study emphasizes that investors are increasingly valuing strategic clarity, adaptability, and risk awareness, rather than solely relying on traditional performance metrics. For companies, this underscores the importance of aligning internal strategies with market expectations and communicating those strategies effectively to stakeholders.

4.2.2 The Effect of Corporate Performance on Stock Price

The study reveals that corporate performance does not exert a statistically significant influence on stock price among Indonesian manufacturing firms listed in the LQ45 Index during the 2019–2023 period. While metrics such as Return on Equity (ROE), Return on Assets (ROA), and Earnings per Share (EPS) are traditionally regarded as robust indicators of firm value, the empirical findings indicate otherwise. With a pvalue of 0.071, the corporate performance variable falls short of the conventional 5% significance threshold, suggesting that in this context, firmlevel financial outcomes are not primary determinants of market valuation. This result is best understood against the backdrop of heightened market volatility and economic disruption brought on by the COVID19 pandemic.

During such periods of systemic uncertainty, investor behavior tends to shift away from backwardlooking performance measures and toward forwardlooking considerations such as strategic flexibility, innovation capacity, and resilience. This interpretation resonates with the observations of Rudiawarni (2023), who found that in unstable market conditions, traditional profitability indicators tend to lose their predictive strength as market participants increasingly rely on sentiment, perceived risk, and expectations of future performance rather than historical financial achievements.

Theoretically, these findings problematize the assumptions embedded in Agency Theory and the Efficient Market Hypothesis, which posit that superior corporate performance should translate into higher stock prices. In the context of an emerging market like Indonesia characterized by information asymmetry, lower investor sophistication, and institutional inefficiencies external factors such as macroeconomic signals, policy shifts, and investor psychology tend to dilute the signaling power of internal performance metrics. Therefore, absent strong strategic communication and marketaligned execution, firm fundamentals may not be sufficient to shape investor perception or influence stock valuation in a meaningful way.

4.2.3 The Effect of Managerial Ownership on Stock Price

The study finds that managerial ownership exerts a statistically significant and positive effect on stock prices of manufacturing firms listed in the LQ45 Index. This indicates that when managers hold a greater proportion of company shares, their interests become more closely aligned with those of shareholders, fostering better governance and more

prudent decisionmaking. The regression results support this conclusion, revealing a positive coefficient with a pvalue below 0.05, confirming that managerial ownership is a credible internal governance mechanism that enhances investor confidence and thus positively influences market valuation.

This finding aligns with the alignment hypothesis derived from Agency Theory (Jensen & Meckling, 1976), which posits that when managers are also shareholders, the classic principalagent conflict diminishes. Ownership by managers creates a form of internal monitoring and incentivizes longterm value creation over shortterm selfinterest. In the context of the Indonesian capital market—where external governance structures may still be maturing managerial ownership sends a strong signal of commitment and accountability to the market. Investors are likely to interpret such ownership structures as an assurance of reduced opportunistic behavior, thereby driving stock price appreciation.

Furthermore, the study underscores that managerial ownership is not merely a structural variable, but a strategic one, especially in environments where transparency, trust, and executive credibility play critical roles in shaping investor sentiment. In volatile or postcrisis periods, such as during and after the COVID19 pandemic, managerial ownership may function as a stabilizing force, anchoring investor expectations. By signaling that management has a direct stake in the firm's future performance, it builds market resilience and contributes to stronger price formation. Thus, managerial ownership emerges not only as a corporate governance tool but also as a key factor in enhancing stock market performance in emerging economies.

5. Conclusions

This study provides insights into the relationship between business strategy, corporate performance, managerial ownership, and stock prices, particularly during the COVID19 pandemic. The findings show that Business Strategy (AUE) significantly impacts Stock Price, highlighting the market's reaction to strategic decisions such as innovation and market expansion. However, Corporate Performance (CP) and Managerial Ownership (KM) did not significantly affect stock prices, suggesting that market perception and external factors play a larger role in valuation. A comparison between StateOwned Enterprises (SOEs) and nonSOEs revealed that government policies influence SOEs, while nonSOEs are more flexible and profitoriented. Business agility and adaptability became crucial during the pandemic, with companies that adjusted quickly to the crisis performing better in the stock market. Investors also began to prioritize resilience and innovation, while managerial ownership continued to support investor confidence. In conclusion, this study emphasizes the importance of flexibility in strategy, resilient performance management, and strong managerial alignment during crises. The findings are valuable for investors and corporate decisionmakers, though further research with larger samples and more diverse contexts is needed to refine these insights.

To build upon the findings of this study, future research could explore several promising directions. Extending the sample size and diversity could enhance the generalizability of the results across different populations or contexts. Second, longitudinal studies would be valuable in examining the longterm effects and causal relationships underlying the observed phenomena. Third, employing mixedmethods approaches combining qualitative and quantitative data might provide deeper insights into the underlying mechanisms and participant perspectives. Additionally, investigating related variables or moderating factors not covered in this study could help clarify complex interactions and boundary conditions. Finally, leveraging advanced analytical techniques or emerging technologies may uncover new dimensions and refine theoretical frameworks within this field. These directions will provide valuable avenues for researchers to expand their knowledge and practical applications.

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