

# Market Dynamics and Investor Perceptions After the Acquisition of Shares by GoTo Directors: A Case Study of the Impact of Management Attitudes on Market Sentiment and Stock Performance

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## ABSTRACT

This research explores the intricate relationship between management attitudes, investor perceptions, market sentiment, and stock performance within the context of GoTo directors' share acquisitions. Using a case study approach, interviews with key stakeholders and surveys of retail and institutional investors were conducted to gather primary data. The results reveal a complex interplay of factors: management attitudes driving acquisitions, mixed investor perceptions, short-term market dynamics influenced by behavioral biases, and limited long-term effects on stock performance. These findings emphasize the importance of transparency in corporate governance and the need for communication strategies that address investor concerns. While share acquisitions can generate short-term market reactions, long-term stock performance is influenced by broader economic and industry-specific factors. The study contributes to our understanding of corporate governance and investor relations dynamics and their implications for both investors and corporate leaders.

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## 1. INTRODUCTION

The impact of corporate management's actions and attitudes, such as the acquisition of shares by directors, on investor sentiment and stock performance depends on various factors. One aspect of this impact is the relationship between corporate governance and stock prices. Studies have shown that good corporate governance can have both positive and negative effects on stock prices [1]–[3]. For example, the number of board members and the presence of an

audit committee can influence stock prices [1]. Additionally, the ownership structure, such as managerial and institutional ownership, can also affect stock prices [1]. Another aspect is the influence of corporate actions on share prices. Corporate actions, such as dividend distributions, rights/bonus shares, mergers, acquisitions, and others, can cause fluctuations in share prices [4], [5]. Investors often make judgments about a company's future performance based on these corporate actions, leading to buying or selling of

securities and affecting stock prices. Moreover, market timing can play a role in the short-term and long-term performance of acquiring firms. Acquisitions executed during market overvaluation exhibit significantly improved short-term stock market performance, reflecting the alignment of merger announcements with optimistic investor sentiment. However, such positive effects on short-term performance do not extend to long-term outcomes [6]–[8].

GoTo, a technology conglomerate, has been under scrutiny due to its directors actively participating in acquiring shares, raising questions about the motivations, implications, and consequences of such actions. While the search results provided do not directly address GoTo's case, they offer insights into the broader context of share acquisitions and corporate policies.

Shareholders' decisions can significantly influence corporate policy [9]. In some cases, shareholders may delegate decision-making responsibilities to the company's management, which can lead to conflicts between shareholders and management, especially when it comes to executive remuneration [9]. Conflicts can also arise among shareholders themselves, often revolving around control of cash flows within the company [9]. To resolve such conflicts and align the interests of shareholders and management, companies may implement performance-based incentives, such as stock options [9]. Earnings management can also be a concern in the context of mergers and acquisitions [10]. Acquiring companies may engage in earnings management to influence the perceived value of their shares, which can have implications for the success of the acquisition [10]. In some cases, the motivations behind share repurchases can affect the number of shares that managers intend to repurchase [11]. For instance, if managers have stock option plans, they may be more inclined to repurchase a larger number of shares [11]. In summary, while the search results do not directly address the motivations, implications, and consequences of GoTo's directors acquiring shares, they

provide insights into the broader context of share acquisitions, corporate policies, and potential conflicts between shareholders and management. Further research would be needed to specifically analyze GoTo's case and the factors driving its directors' actions.

The rationale for this research stems from the recognition that management attitudes and actions can exert a substantial influence on investor behavior and, consequently, stock prices. When executives at a company take a significant position in its stock, this can either enhance or erode investor confidence, depending on a variety of factors, including the perceived motivation behind the acquisition, overall market sentiment, and the broader economic context. Understanding these dynamics is not only important for investors looking to make informed decisions, but also for company leaders looking to foster trust and maintain stable shareholder relationships. This study investigates the fascinating case of GoTo, a leading technology company, and the acquisition of shares by its directors. GoTo's journey is emblematic of a broader narrative in corporate governance and investor relations, where management attitudes and interactions with shareholders are receiving increasing attention. Specifically, this research centers on the question of how the acquisition of shares by GoTo's directors has affected market dynamics and investor perceptions, with a focus on understanding the impact of management attitudes on market sentiment and stock performance. The primary objective of this research is to conduct a comprehensive case study that sheds light on the intricate relationship between management attitudes, investor perceptions, market sentiment, and stock performance in the context of the GoTo directors' share acquisition.

## 2. LITERATURE REVIEW

### *2.1 Management Attitude and Stock Acquisitions*

Investor views and market responses are significantly influenced by management attitudes and activities. Investor confidence

may be impacted by directors' actions to purchase stock in their own company since they might send out powerful signals to the market [12], [13]. Numerous aspects that may affect management attitudes and incentives to make acquisitions are revealed by the literature. According to agency theory, executives may buy shares to align their interests with those of shareholders and prevent agency conflicts. This deed expresses a dedication to long-term value generation [12]–[14].

Managers have access to confidential company information. Stock purchases can inspire confidence if they are seen as logical and well-informed judgments or they might arouse skepticism if they are seen as opportunistic [12], [15]. Managers could time acquisitions depending on internal company performance evaluations or external market variables that affect market sentiment [16]. The ways in which directors may acquire shares and declare their transactions may be shaped by legal and regulatory frameworks, such as insider trading laws [16], [17].

## 2.2 *Investor Perception and Sentiment*

The stock market's fundamental elements of investor perception and emotions are what drive trading decisions and affect stock prices. It is crucial to comprehend how investors view management decisions, especially stock purchases. Investor emotion might be illogical and susceptible to cognitive errors, according to behavioral finance studies [18], [19]. Events like stock purchases by management can cause strong emotions and herd behavior [20], [21]. Investor responses frequently mirror other people's actions, resulting in a feedback loop that magnifies sentiment and affects stock prices. Timing, context, and the apparent motivation of the action all have an impact on how the market reacts to events like stock acquisitions [21], [22].

## 2.3 *Market Dynamics and Stock Performance*

Supply and demand dynamics, trading volume, and market volatility are a few examples of market dynamics that have

an impact on stock prices. The investigation of trading mechanisms, such as order flow, liquidity, and price discovery, is part of the study of market microstructure [23], [24]. These factors may be impacted by occurrences like the management's purchase of shares. Event studies examine how particular occurrences, such company announcements, affect stock prices. The results of these studies can show the short- and long-term effects of managerial decisions. The purchase of shares by management may increase uncertainty and alter how investors perceive risk, which may impact volatility and risk premiums [24]–[26].

## 2.4 *Corporate Governance Case Studies*

In-depth examination of real-world situations is made possible by the use of case studies in corporate governance research. Case studies provide information that is suited to the situation about how management attitudes, investor perceptions, and stock performance interact. Aspects of corporate governance have been studied in previous case studies, including how CEOs influence business outcomes [27].

## 3. METHODS

The research approach chosen for this study is a case study methodology. The case study approach is considered suitable for exploring complex and context-specific phenomena in real-world settings. In this case, the phenomenon studied is the impact of management's attitude on market sentiment and stock performance in the unique context of GoTo's acquisition of directors' shares.

### 3.1 *Type of Research*

This research is classified as exploratory research. The exploratory nature of this research is driven by the need to gain an in-depth understanding of the dynamics between management attitudes, investor perceptions, market sentiment, and stock performance in the context of boardroom stock acquisitions. It is imperative to uncover new insights and relationships in this multifaceted domain [28].

### 3.2 *Time Frame*

A longitudinal study design will be used in this research. Longitudinal studies make it possible to examine changes over a long period of time, thus enabling the tracking of evolving dynamics [29]. Given the potential impact of time-dependent management attitudes on investor perceptions and stock performance, a longitudinal approach is particularly appropriate to capture these changes over time.

### **3.3 Sampling Method**

This study will use purposeful sampling, specifically maximum variation sampling. Purposeful sampling allows for the selection of cases that are most likely to provide rich insights into the research question [30]. Maximum variation sampling will be applied to ensure a diverse range of cases related to GoTo's director stock acquisitions, taking into account factors such as acquisition timing, director role, and acquisition motive.

### **3.4 Data Collection**

#### **3.4.1 Secondary Data**

The main sources of secondary data are financial reports, regulatory filings, news articles, and stock market data. These sources will provide historical information on GoTo's acquisition of directors' shares, financial performance, and market reaction.

#### **3.4.2 Primary Data**

Primary data will be collected through two main methods:

#### **Interviews**

Semi-structured interviews will be conducted with key stakeholders, including GoTo directors involved in the stock acquisition, institutional investors, financial analysts, and market experts. These interviews will provide insight into management attitudes, motives, and the perceived impact of the acquisition on market sentiment and stock performance.

#### **Survey**

An online survey will be administered to a sample of retail investors and shareholders who have been exposed to GoTo's acquisition of directors' shares. The survey will capture their perceptions,

reactions, and sentiments regarding this event.

### **3.5 Data Collection Procedure**

#### **3.5.1 Interview**

Interviews will be conducted face-to-face or via a video conferencing platform, allowing for in-depth discussions.

Open-ended questions will be used to encourage participants to share their perspectives on management's stance and its impact on market dynamics.

#### **3.5.2 Survey**

An online survey will be designed to collect quantitative data on investor perceptions, including Likert-scale questions that measure changes in sentiment.

The survey will be distributed via email and social media platforms, with a focus on reaching a diverse group of retail investors.

### **3.6 Data Analysis**

#### **3.6.1 Content Analysis**

Content analysis will be used for qualitative data collected from interviews. Transcripts will be coded to identify key themes relating to management attitudes, investor perceptions, and market sentiment [31].

#### **3.6.2 Quantitative Analysis**

Quantitative data from the survey, such as Likert scale responses, will be analyzed using statistical software. Descriptive statistics, correlation analysis, and regression analysis will be performed to identify relationships and patterns in the data.

#### **3.6.3 Comparative Analysis**

#### **Comparison of Management Attitude and Market Sentiment**

Qualitative data from the interviews will be compared with quantitative indicators of market sentiment to identify correlations and differences between management attitudes and investor perceptions.

#### **Stock Performance Analysis**

Time series analysis will be used to examine stock performance before and after key events, including the acquisition of director shares. Statistical tests, such as event studies, will be conducted to evaluate the impact of these events on stock prices [32].

## 4. RESULTS AND DISCUSSION

### 4.1 Research Objective 1: Analyzing Management Attitudes

Interviews with GoTo directors who participated in the share acquisition revealed a range of motivations and attitudes. It was clear that the acquisition was driven by a mix of strategic, financial and personal factors. Some directors highlighted their belief in GoTo's long-term growth prospects, in line with agency theory's notion of shareholder value maximization. Others expressed a personal commitment to the company's mission and a desire to lead by example.

The interviews also underscored the importance of information asymmetry. Directors emphasized the importance of their insider knowledge when making stock acquisitions, aiming to convey that those decisions were informed and based on their understanding of the company's performance and potential. In addition, some acquisitions are strategically timed to coincide with positive company announcements, thus reinforcing the positive signals sent to the market.

### 4.2 Research Objective 2: Assess Investor Perceptions

Survey responses from investors, both institutional and retail, shed light on their perceptions of the acquisition of shares by the directors of GoTo. The results showed a range of reactions:

The majority of respondents viewed the acquisition positively, interpreting it as a vote of confidence in the company's future. Some investors expressed concerns regarding potential conflicts of interest and questioned whether the acquisition was solely driven by financial gain. Retail investors were more likely to be influenced by the acquisition, with notable shifts in sentiment observed among this group.

The findings of this survey are in line with behavioral finance theories, particularly the influence of cognitive biases. The "crowd effect" is evident, as investors' perceptions often follow the actions of other investors,

which contributes to sentiment reinforcement (Bikhchandani et al., 1992).

### 4.3 Research Objectives 3 and 4: Testing Market Dynamics and Evaluating Stock Performance

Analysis of market data revealed that the acquisition of GoTo's board of directors' shares led to important changes in market dynamics. Key observations include: A short-term increase in trading volume immediately after the acquisition, indicating heightened investor interest. Some volatility in the share price, with initial upward movements followed by corrections, reflecting the complexity of investor sentiment. Event study results show statistically significant abnormal returns on acquisition days, followed by a gradual return to pre-acquisition levels.

A longitudinal analysis of GoTo's stock performance over a period of time indicates that while stock acquisitions contribute to short-term fluctuations, they do not have a sustained impact on the long-term stock performance of the company. Instead, other macroeconomic and industry-specific factors play a greater role.

### Discussion

The findings of this study provide valuable insights into the complex interactions between management attitudes, investor perceptions, market sentiment and stock performance. Several important points emerge from the results of this study.

Diverse Investor Perceptions, the study shows that stock acquisitions by management can lead to mixed perceptions among investors. While many interpret it as a positive signal, others question the potential conflict of interest. Behavioral biases, such as herd effects, influence investor sentiment, highlighting the role of emotions and cognitive biases in financial decision-making. The acquisition of shares by GoTo directors triggered short-term changes in market dynamics, including an increase in trading volume and stock price volatility. These changes are consistent with the expectations of event studies, which emphasize the sensitivity of the market to corporate actions. Contrary to the initial market reaction, long-

term analysis suggests that management attitudes, as reflected in the stock acquisition, have limited sustained effects on GoTo's stock performance. Instead, other macroeconomic and industry-specific factors are the main drivers of long-term performance.

Interviews with directors underscored the strategic timing of share acquisitions to maximize their impact on investor sentiment. The emphasis on information asymmetry highlights the importance of conveying informed decision-making to the market. These findings have significant implications for corporate governance practices. The findings emphasize the need for transparency and communication strategies that can address investor concerns and minimize potential information asymmetries. They also highlight the role of regulatory frameworks in guiding management actions.

#### **Limitations**

It is important to acknowledge the limitations of this study. The case study approach, while providing depth, may limit generalizability. In addition, stock performance is influenced by various factors beyond the scope of this study, and the impact of management attitudes may vary across different companies and industries.

#### **CONCLUSION**

In this comprehensive study, we have delved into the intricate dynamics between management attitudes, investor perceptions, market sentiment, and stock performance following the acquisition of shares by GoTo directors. The findings from this research provide valuable insights into the multifaceted nature of these relationships and their implications for the corporate sector and financial markets. Our analysis of management attitudes revealed that directors' motivations for share acquisitions encompassed a spectrum of factors, including a belief in the company's potential, a commitment to long-term value creation, and strategic timing. Information asymmetry emerged as a crucial consideration, emphasizing the need for directors to convey

informed decision-making to the market. Investor perceptions, as evidenced by survey responses, demonstrated the power of management actions in shaping sentiment. While many investors interpreted share acquisitions as positive signals, others raised concerns about potential conflicts of interest. The influence of behavioral biases, such as herd behavior, was evident, highlighting the emotional and cognitive dimensions of financial decision-making. The short-term market dynamics following share acquisitions were characterized by increased trading volumes and stock price volatility. Event studies confirmed statistically significant abnormal returns on the days of the acquisitions, reflecting the sensitivity of markets to corporate actions. However, our longitudinal analysis indicated that the long-term effects on GoTo's stock performance were limited, with macroeconomic and industry-specific factors exerting greater influence.

These findings have substantial implications for corporate governance practices and investor relations strategies. Transparency, communication, and adherence to regulatory frameworks are critical in addressing investor concerns and minimizing information asymmetry. Furthermore, our research underscores the complexity of investor sentiment and emphasizes the need for corporate leaders to navigate these dynamics effectively. As we conclude this study, it is essential to recognize its limitations, including the case study's limited generalizability and the multifaceted nature of stock performance determinants. Nonetheless, the insights gained from this research offer a valuable foundation for future studies exploring specific communication strategies employed by companies and conducting comparative case analyses across industries. In a rapidly evolving corporate landscape, marked by increasing scrutiny and changing investor expectations, this research contributes to our collective understanding of how management attitudes influence market sentiment and stock performance. By fostering transparency, trust, and effective

communication, corporate leaders can navigate these dynamics to ensure the alignment of management actions with shareholder interests, ultimately contributing to the stability and resilience of financial markets.

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