DESCRIPTION FOR THE GENERAL PUBLIC

There is a wide array of studies on factors influencing investors' decisions in the stock market. They consider mainly financial performance, available information about a company and psychological factors. In these studies one can notice still small, but growing, interest in the role of corporate reputation factor. Corporate reputation is defined as a long-term sum of perceptions of a company based on an extent to which the company has been meeting expectations of its stakeholders. These perceptions can also be created on basis of various factors: financial and economic, ethical, social, technological and other environmental impacts.

What is so important about corporate reputation is the fact that it is related to company's financial performance. In their model of reputation-financial performance dynamics, Roberts and Dowling (2002) stated that on the one hand past financial performance influences reputation, and on the other corporate reputation influences company's future financial performance.

Hence, the main objective of this study is to determine the influence of corporate reputation on behaviours of stock market investors, and hence - on the market value of the company. It will also allow us to create a new conceptual framework for analysing behaviour of stock market investors. The main research hypothesis put forward in the project is a statement that market behaviour of investors is not directly determined by corporate performance and available information about a company, but indirectly - by the summation of long-term observations on the company - its reputation. Consequently, the project is grounded in the field of microeconomic theory of decision-making and more precisely - into the sub-field of behavioural economics.

Previous studies on corporate reputation focused mainly on reputation building and reputation management in the context of relationships with customers. Relatively few studies have been conducted on the impact of reputation on behaviours and decisions of other stakeholders. It is a common practice to conduct such studies on the basis of data from rankings of The Most Admired Companies (such as Fortune's 'America's Most Admired Companies'). This methodology cannot be used to analyse other companies. In this research we aim to introduce different methodology, and to introduce a new conceptual framework for analysing behaviours of stock market investors.

In this project, there are two studies planned. The first study is the incentivised experimental study designed for this project purposes. From the point of view of participants, the experiment it will look like a game of stock market trading. Participants will have to make investment decisions on the virtual stock market exchange. Furthermore, they will be asked to complete some psychological tests and to answer some socio-economic questions. This study will help not only to determine the impact of changes in the reputation on behaviours of investors, leading to changes in share prices of companies, and then to change their market value. It also aims to identify psychological and socio-economic factors enhancing impact of reputation on decision-making process.

The second study will be based on an analysis of real share prices of companies listed on stock exchanges. The study will be conducted using event study methodology. Based on the time series of stock prices, abnormal returns on stocks are going to be determined. They will reflect investors' behaviours after changes in companies' reputations.

Finally, results from both studies will be summarised and compared. Conclusions drawn from the comparative analysis will allow determining differences between participants' behaviours in the experimental study and actual behaviours of investors.

Results of studies carried out for purposes of this project will help to understand better behaviours of investors and changes in share prices in stock markets. They will allow defining the role of long-term sum of perceptions of a company - that is its reputation - in the decision-making process in the case of stock market investors, and then to create a new conceptual framework stock market investors' behaviour. In addition, results of the research will help to determine differences between behaviours in an artificially created experimental environment and actual behaviours of investors.