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EXPLAINING THE HALO EFFECT ON THE ROLE OF STRATEGIC SYSTEM CRITERIA IN STOCK COMPANIES

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A B S T R A C T

Corporate governance is "management management" or meta-management, as it encompasses the set of relationships between management, the board of directors, shareholders and shareholders of a company.

Effective governance reduces the inappropriate consequences of conflicts of interest between managers and owners, such as the abuse of power, that is, the identification of corporate governance mechanisms that lead to financial performance and social legitimacy or the realization of set goals.

K E Y W O R D S

Organizational culture, accounting, management accounting

Introduction

The halo effect on the role of strategic system criteria in stock companies

Corporate governance is a set of procedures that are implemented to ensure the efficient use of the company's assets and their non-use for goals contrary to the goals of the beneficiaries.

Strong corporate governance in companies limits

the opportunistic and profit-seeking behavior of managers and as a result, improves the quality and reliability of financial reporting.

that a strong corporate governance structure leading to better monitoring of the management of the corporate governance system can play an important role in the capital market in order to alleviate the representation problem and reduce the information asymmetry between shareholders and managers.

The phenomenon of the halo effect is one of the topics discussed in behavioral finance. This effect makes the judging person, under the influence of a desirable feature of the person or subject under investigation, generalize this feature to other features.

Such wrong references can potentially cause wrong pricing in the stock market (Hoseini, Jamshidinavid, & Piri, 2020).

In recent decades, the corporate governance system has become one of the vital pillars of today's complex and expanding economic environment, which is known as a tool to realize trust, justice, transparency and accountability in companies. In the limited views that are expressed in the agency theory, the management of the company is limited to the relationship between the company and the shareholders. On the other hand, in a broad perspective, corporate governance can be considered as a network of relationships, not only between the company and its owners, but also between the company and a large number of stakeholders, including employees, customers, vendors, bondholders. and so on. Such a view is presented in the form of stakeholder theory.

In fact, the ultimate goal of the management system of companies is not only to reduce the representation problem and align the interests of the employer with the interests of the agent, but also to secure the interests of all interest groups in companies and business units.

Therefore, theoretically, it is expected that the characteristics of a governance system have an impact on the financial performance of companies, because effective governance reduces the inappropriate consequences of conflicts of interest between managers and owners, such as abuse of power. (Milosevic, Andrei, & Vishny, 2015).

Corporate governance can be defined as a form of "management management" or meta-management, as it encompasses the set of relationships between a company's management, board of directors, shareholders, and stakeholders.

It defines a framework for setting goals and determining the means to achieve those goals, as well as for monitoring the company's performance and efficiency. One of the main challenges of corporate governance research is related to defining criteria for good corporate governance, that is, identifying corporate governance mechanisms that lead to financial performance and social legitimacy or the realization of set goals (Tipurić, Dvorski, & Delić, 2014).

Corporate governance is a set of procedures that are implemented to ensure the efficient use of the company's assets and their non-use for goals contrary to the goals of the beneficiaries.

Strong corporate governance in companies limits the opportunistic and profit-seeking behavior of managers and as a result, improves the quality and reliability of financial reporting. Also, a strong corporate governance structure will lead to better monitoring of management, generation of accounting information on time, increasing the speed of identifying bad news to inform the board of directors and take necessary measures.

The corporate governance system can play an important role in the capital market in order to alleviate the agency problem and reduce information asymmetry between shareholders and managers (Wali, Javad, & Sajjad).

In this research, the halo effect on the role of management system criteria in listed companies will be investigated.

The importance and necessity of research

Considering the expansion and impact of people and procedures on each other and social accounting, research and development in the field of the effect of halo phenomenon on strategic criteria in listed companies is of special importance and necessity.

Background of the research

The purpose of the article (Giang, 2022) provides indicators to measure the sustainable development of companies from the economic, social and environmental point of view. It evaluates the correlation between the influencing factors such as ROE, ROA, PE, EPS, market value and disclosure of information about sustainable development of companies. Our goal is to provide a theoretical basis for solving practical problems related to accounting in organizations and the larger society. We also hope to complement theoretical research on economic, social and environmental impact assessment methods. This paper presents the essence of applied accounting research, which is linked to relevant practical concepts and contributes to the theoretical understanding of sustainable development.

The purpose of the research (Nugraha & Riyadhi, 2019) is to analyze and investigate the effect of free cash flow, company size, profitability and liquidity on the debt policy of manufacturing companies listed in IDX in 2016-2019.

This type of research is quantitative and descriptive.

Out of 169 populations, only 83 samples met the criteria. Data processing with multiple linear regression partial test results only liquidity has a negative and significant effect on debt policy, while free cash flow, firm size and profitability have no effect on debt policy.

The results of the simultaneous test in which free cash flow, company size, profitability and liquidity have an effect on the debt policy with the results of the coefficient of determination of 0.589, which means 58.9% of the changes in the debt policy that can be explained by the variables (FCF). , company size, profitability and liquidity) that the remaining 41.1% is influenced by other factors.

The research paper (Schrippe & Ribeiro, 2019) identifies and quantifies the main criteria that define corporate sustainability (CS) based on data from large Brazilian companies participating in B3 (Brazil, Bolsa, Balcao), the Brazilian stock exchange. The data is derived from the Index of Corporate Sustainability (ISE) 2015/2016 report.

First, we applied principal component analysis (PCA) to a sample of sixty companies. Then we organized and categorized the scores of each criterion.

By doing this, we can create a list of the top eighteen CS criteria with their respective components and dimensions.

This list can be used as a reference for academic or professional studies. Despite this, the main contribution of the current research is to reveal the inefficiency of social dimension management in CS subjects.

This gap related to the difficulties of evaluating and valuing social actions invites new studies on how to address these aspects at the corporate level.

In the research (Rohani, Hamidian, & Darabi, 2021) it has been stated that internal controls are a process that takes place in order to obtain reasonable assurance of the realization of organizational goals, considering the role of corporate management in the optimal use of Resources, fulfilling the responsibility of accountability, respecting the rights of beneficiaries and financial transparency, increasing trust in internal control are considered.

The purpose of this research is to identify the factors affecting the optimal internal control in companies admitted to the Tehran Stock Exchange.

For this purpose, the information of 166 companies during the years 1390 to 1397 was used to test the hypotheses of the research.

The variable selection test which was performed using the artificial intelligence algorithm and the analysis of neighboring components has shown that among the management system criteria, the ratio of non-commissioned managers, the ratio of institutional owners, the expertise of the audit committee to explain the optimal internal control of companies, has the highest impact.

and also in order to predict the amount of weaknesses in the company's internal control in the coming year, Chaid's rule-oriented algorithm method was used, and the prediction results indicate the high power of the rule-oriented artificial intelligence algorithm.

Chaid (with a power of more than 85%) is used to predict the desirability of internal control of companies admitted to the Tehran Stock Exchange.

The aim of the research (Kian, Marjan, Hosni, & Mohammad, 2020) is to analyze the relationship between the effectiveness of the audit committee and the management and ownership mechanisms of the corporate governance system. The characteristics of size, independence and financial expertise of audit committee members have been used in evaluating its effectiveness.

The characteristics of the board of directors and the ownership structure were also considered as corporate governance mechanisms.

To examine the characteristics of the board of directors, three criteria of financial expertise of the board of directors, independence of the board of directors and leadership of the board of directors were used.

Also, to check the type of ownership, two criteria of institutional ownership and major ownership were used.

In order to test the research hypotheses, multivariate regression models of mixed data with fixed effects and generalized least squares method have been used. According to the conditions of the society screening and according to the systematic elimination method, the number of 195 companies admitted to the Tehran Stock Exchange in the period of 6 years from 1391 to 1396 have been examined. The results of the research analysis show that among the features examined in the field of the board of directors in this research, only the leadership of the board of directors has a significant and direct effect on the effectiveness of the audit committee of companies, which indicates the establishment of a complementary relationship between these two components of corporate governance;

However, the financial expertise of the board members and the independence of the board of directors do not have a significant effect on the effectiveness of the audit committee of the companies.

Also, both measures of ownership structure, including institutional ownership and major ownership, have a significant and inverse effect on the effectiveness of the audit committee of companies, which indicates the establishment of a succession relationship between these corporate governance components.

The results of the control variables indicate that the large auditor, auditor rotation and profitability have a significant and inverse effect on the effectiveness of the audit committee of companies;

But the size and financial leverage have a significant and direct effect on the effectiveness of the audit committee of companies.

In the research (Mohammadi et al., 2021), it has been stated that the corporate governance system is a monitoring and control process to ensure the performance of the company's management in accordance with the interests of the shareholders.

Also, corporate social responsibility is understood as an organization's commitment to society; But their future path and direction are determined by the decisions made by managers in companies. The purpose of this research is to investigate the effect of the CEO's cognitive and behavioral disorders on the mechanisms of the corporate governance system and social responsibility in the form of three criteria: overconfidence, optimism and short-sightedness.

The sample discussed in this research includes 110 companies admitted to the Tehran Stock Exchange in the period of 2011-2018, which were analyzed using Eviewse10 software.
The results of the research show that the CEO's overconfidence has a negative and significant effect on the quality of the independent audit.
The optimism and short-sightedness of the CEO does not have a significant effect on the quality of the independent audit.
Also, overconfidence and short-sightedness of the CEO does not have a significant effect on the amount of institutional ownership.
The CEO's optimism has a negative and significant effect on the amount of institutional ownership.
The overconfidence of the CEO has a positive and significant effect on the concentration of ownership, and the optimism of the CEO has a negative and significant effect on the concentration of ownership, and the short-sightedness of the CEO has no significant effect on the concentration of ownership.
The overconfidence and short-sightedness of the CEO has a negative and significant effect on social responsibility, and the optimism of the CEO does not have a significant effect on social responsibility.
In the research (Niya, Nasser, Elahi, & Vaheed, 2018) it is stated that the existing studies about the corporate governance system mainly focus on the strong governance system, the valuation of companies with excess free cash flows or the problem of free cash flows. increases.
The purpose of this study is to investigate the effect of surplus free cash flows, system
Corporate governance and company size affect the predictability of profit.
First, the effect of excess free cash flows on profit predictability is examined. Then, the moderating effect of corporate governance system variables on the relationship between the effect of excess free cash flows and profit predictability is investigated. Finally, the ability of the corporate governance system to reduce the effect of excess free cash flows and improve profit predictability among small and large companies is tested. To calculate the effect of excess free cash flows,
Bakit and Iskandar (2009) criterion was used, and for the corporate governance system, the independence of the board of directors, small board of directors, independence of the chairman of the board of directors,
high institutional ownership and high management ownership were used.
The results of the survey of 80 companies show that companies with high excess free cash flows have lower profit predictability.
Also, the mechanisms of the corporate governance system (including the independence of the chairman of the board of directors and institutional ownership) have a positive effect in reducing the effect of excess free cash flows and improving the predictability of profits, which is greater in large companies.

Theoretical Foundations

Management of a company is a mechanism, through its application, problems of representation are solved, the quality of information provided by companies is improved, and the rights of shareholders and all stakeholders, including governments and the general public of the center, are respected.

take Also, corporate management mechanisms affect the information that companies disclose to shareholders and other stakeholders and reduce the possibility of complete and desirable disclosure of information.

With these conditions, one of the most important goals of corporate management is to reduce information asymmetry through the timely disclosure of financial information of companies.

Correct and proper disclosure of financial information adjusts the agency problem by filling the gap of information asymmetry between managers and shareholders.

One of the most important management mechanisms of a company is the shareholders and their ownership.

Due to the fact that the shareholders have an essential role in the management criteria of the company, therefore, their different combination in the companies can have different effects on the performance of the companies as well as the way the information of the company is reflected in the market.

In addition to the composition of shareholders, the board of directors and its composition are also important mechanisms of corporate management.

The effective supervision of the board of directors is one of the incentives that increases the quality of financial information due to granting more independence in decision-making.

Relevance, as one of the qualitative characteristics of financial information, means that the reported information should be able to help the user's past expectations of the company's financial status and future performance.

The relevance of the reported information is affected by the feature of timeliness. In other words, the more timeliness is reduced, the usefulness of the information is also reduced.

Therefore, the effective supervision of the board of directors and the executive director will lead to an increase in the quality of financial information and the timely release of financial statements.

In these conditions, the composition of the board of directors as a control tool in the company determines the power of the board of directors.

Therefore, the composition of the board of directors is an important factor in explaining the ability of the members of the board of directors to perform their duties and help the company's performance.

Research objectives

The main objective

- Investigating the relationship between halo effect and management system in listed companies

Sub-goals

- Examining the relationship between the halo effect and the quality of information provided in listed companies

-Examining the relationship between the halo effect and the complete and optimal disclosure of information in listed companies

- Examining the relationship between the halo effect and the effective supervision of the board of directors in listed companies

- Research questions (or research hypotheses)

The main question

- What is the relationship between halo effect and management system in listed companies?

Sub questions

-What is the relationship between the halo effect and the quality of information in listed companies?

- What is the relationship between the halo effect and the full disclosure of information in stock companies?
- What is the relationship between the halo effect and the effective supervision of the board of directors in listed companies?

Research Method

- The type of study and the method of examining questions (or hypotheses)

The research method was of an applied type with an experimental group design with a control group, and the effect of the halo effect on the dependent variables was measured.

Independent and dependent variables were measured through questionnaires. Also, according to the descriptive data collection method, this research is survey-correlation type.

In other words, the required data were collected based on a survey.

Therefore, a questionnaire was used as a research tool because it is considered an effective method in collecting data from a large sample based on previous researches.

Also, the library method and the study of the theoretical bases of similar researches were used to collect the theory bases.

Statistical community

The period of questioning of subjects is 2018. The size of the community at the time of distribution of the questionnaire was 2576 people consisting of 285 certified accountants employed by the auditing organization, 1059 certified accountants employed by the auditing institute and also unemployed and finally 1232 certified accountants partner of the auditing institute.

Sampling method and sample size

A statistical sample is a smaller group of the population that is selected according to certain rules for observation and analysis and should be representative of the population.

The results of a sample that is not representative of the society cannot be generalized to the society.

The number of members of the sample is indicated by the lowercase letter n.

For each analysis, considering that it is not possible to conduct tests on all people due to the large size of the statistical population in most cases, statistical samples are used to judge the statistical population.

There are different methods that in this research,

due to the fact that the people of the statistical community are available, random sampling has been used.

Data collection tool

One of the important necessities of every study and research is the existence of reliable information and the speed and ease of access to it.

Follow up research hypotheses. Also, the researcher gets the possibility to achieve the desired goals by spending the minimum cost and time.

To collect information in the fields of theoretical foundations and research literature and background, books, theses, IEEE, Elsevier, Springer articles and databases related to the research subject (domestic and foreign) will be extracted and used. became.

Data Analysis Method

SPSS software will be used to analyze the data, which is an approved software and can be used to extract information and draw graphs and use statistical tests.

Also, Excel software is used to integrate the information obtained from the questionnaires and convert these data into a database.

Application of research results

All companies and organizations that work in the field of accounting and have long-term goals can use the results of this research.

Research innovation (required for doctoral students)

The conducted investigations showed that in recent years, in the field of the subject area of this research, there has been no effect of the halo effect on the criteria of the management system in listed companies, which is the innovation of this research.

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