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Disclosure Strategy and Consumer Perception: The Impact of Managerial Myopia on Firm Value

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Abstract. *This study examines the relationship between disclosure strategy and consumer perception and the implications of managerial myopia on firm value. In a context where CEOs tend to focus on short-term results, voluntary consumer-friendly disclosure can increase customer trust and satisfaction, which contributes to firm profitability. Although managerial myopia is often considered detrimental, this study shows that short-term-oriented CEO actions can create long-term value through more transparent disclosure and better interaction with consumers. This literature review also highlights the importance of manager compensation design in determining short-term or long-term orientation, and its impact on disclosure decisions. The results show that effective disclosure can reduce market uncertainty, increase consumer loyalty, and ultimately support the growth of firm value. This study concludes that companies should develop a balanced disclosure strategy to achieve long-term success and maintain positive relationships with consumers.*

Keywords: *Disclosure Strategy*, *Consumer Perception*, *Managerial Myopia*, *Firm Value*, *Voluntary Disclosure*

INTRODUCTION

Disclosure of information in the corporate context is one of the important aspects that can affect consumer perception and the value of the company itself. In an era of increasingly tight business competition, strategic decisions taken by top management, especially by the CEO, greatly determine the direction and sustainability of the company. However, decisions taken by the CEO are often influenced by a limited time horizon, known as managerial myopia. This myopia can make the CEO more focused on achieving short-term results, such as increasing stock prices, compared to the long-term value of the company. Although the general view is that managerial myopia can have a negative impact on the company, recent research shows that in certain contexts, myopic behavior from a CEO can provide significant strategic advantages for the company's long-term value.

Research by Arya and Ramanan (2024) highlights how a CEO’s myopic behavior can contribute to more consumer-friendly disclosures. In their proposed voluntary disclosure model, CEOs with a short-term orientation are more likely to make disclosures that are perceived as more favorable to consumers, compared to CEOs with a long-term orientation. This is because disclosures made by CEOs with a long-term horizon are often

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viewed by consumers as an attempt to maximize corporate profits, while disclosures from CEOs with a short-term horizon tend to be viewed as more consumer-friendly (Arya & Ramanan, 2024). In other words, although myopic behavior is often criticized as detrimental, in reality, this behavior can increase consumers' willingness to pay, which in turn contributes to corporate profitability.

From a strategic perspective, it is important to understand how CEOs with different time horizons can influence information disclosure and its impact on consumer behavior. In this study, a firm introducing a new product is faced with consumer uncertainty about the value of the product. This uncertainty will decrease over time, as consumers begin to better understand the product being offered. Therefore, if the firm decides to sell its product earlier, it can take advantage of a more favorable environment where consumers' value expectations are more homogeneous. However, if the sale is made later, the firm must deal with consumers who have different private information about the product's value, which can lead to pricing challenges (Arya & Ramanan, 2024).

In this context, CEO behavior, whether short-term or long-term, will affect the decision to disclose costs and how such disclosure will impact consumer purchasing decisions. CEOs who focus on the short term tend to set lower prices, while CEOs with a long-term orientation will be more careful in disclosing information that can harm the company's value (Arya et al., 2023). Thus, it is important to examine more deeply the disclosure strategies taken by CEOs and how they interact with consumer perceptions and their implications for company value.

From a management perspective, the description of CEO myopia behavior not only provides insight into disclosure strategies but also creates a basis for designing optimal compensation. In this study, it was found that different compensation designs for short-term CEOs can affect the extent to which myopia can be induced, and this has the potential to increase consumer satisfaction while maintaining the long-term value of the company. Studies by Bushman et al. (1993) and Bova (2013) also show that appropriate compensation design can help companies encourage more consumer-friendly behavior, which ultimately has a positive impact on firm value.

In order to further contribute to the understanding of the interplay between information disclosure, consumer behavior, and managerial myopia, this study proposes a framework to explore how various factors, such as compensation design, may influence

CEO disclosure strategies and consumer perceptions. Building on the existing literature, this study seeks to explain the complex relationships between these factors, as well as the practical implications for managers and stakeholders.

This study focuses on voluntary disclosure by CEOs observed by participants in capital markets and strategic consumers in product markets. The findings suggest that adopting short-term CEOs who tie their incentives to short-term stock prices may be more profitable for firms than selecting long-term CEOs who focus on the firm's long-term value (Arya & Ramanan, 2024). This opens up further discussion on how more flexible disclosure policies may provide unexpected strategic benefits.

Overall, this study emphasizes the importance of considering different approaches to managerial myopia and information disclosure in order to achieve the company's long-term goals. In an ever-changing and competitive business world, careful decision-making by CEOs, supported by appropriate compensation design, can create synergy between the interests of the company and the needs of consumers.

LITERATURE REVIEW

This literature review aims to explore and analyze various previous studies related to disclosure strategies, consumer perceptions, and the implications of managerial myopia on firm value. Through a deeper understanding of these issues, it is expected to contribute to the development of theory and practice in the fields of management and accounting.

Voluntary disclosure by companies, especially by CEOs, has a significant impact on consumer perceptions. Research by Verrecchia (1983) shows that information disclosure can reduce information asymmetry between companies and consumers, thereby increasing consumer trust and satisfaction. When companies make transparent and honest disclosures, consumers tend to develop positive perceptions of the company, which has the potential to increase their loyalty and willingness to pay (Fischer et al., 2004).

In this context, a study by Dye (2001) explains that voluntary disclosure can serve as a signal to consumers regarding the quality of the product and the future prospects of the company. Informative disclosure helps consumers to understand the true value of the product offered, thereby increasing the likelihood of purchase (Dye et al., 2018).

Managerial myopia, which is the tendency of managers to focus more on short-term achievements, often has the potential to harm the company's value in the long term. Research by Bebchuk et al. (1993) shows that focusing on short-term results can lead to suboptimal investment decisions, resulting in a reduction in company value. In this case, CEOs who have a short-term horizon may tend to make decisions that are profitable in the short term, but risk harming the company's long-term growth.

However, recent research by Arya and Ramanan (2024) provides a new perspective on managerial myopia, showing that CEO myopic behavior can, in certain contexts, provide strategic advantages. This research shows that CEOs with a short-term orientation can make more consumer-friendly disclosures, which in turn can increase consumer willingness to pay and firm profitability. In other words, although managerial myopia is often viewed negatively, there are times when it can produce positive outcomes for the firm.

Managerial compensation design plays an important role in influencing CEO disclosure behavior. According to Murphy (1999), incentives tied to short-term results can encourage myopic behavior among managers. On the other hand, if compensation is designed to link rewards to long-term performance, it can reduce the tendency for managerial myopia (Darrough et al., 1990).

A study by Aghamolla et al. (2023) shows that compensation design that takes into account long-term performance can help encourage more transparent and responsible disclosure. In this case, CEOs who are faced with long-term incentives will be more likely to consider the impact of their decisions on consumer perceptions and company value.

Disclosure strategies not only work in the context of capital markets, but also have significant implications in product markets. Research by Li (2019) shows that CEOs with short horizons are more likely to make disclosures that provide direct benefits to consumers, thereby creating a more positive climate in the product market. These consumer-friendly disclosures can influence purchasing decisions and strengthen the relationship between the company and consumers (Bushee, 1998).

In contrast, CEOs with a long horizon tend to focus more on information that will maximize the company's long-term value, which may not always be in line with consumer interests. In a study by Aobdia et al. (2018), it was found that when companies face market pressure, CEOs with a short-term focus are more likely to make disclosures that can reduce consumer uncertainty, which in turn can increase sales.

From this literature review, it is clear that CEO information disclosure and myopic behavior play a significant role in shaping consumer perceptions and firm value. Although managerial myopia is often viewed as a weakness, research shows that in certain contexts, such behavior can provide strategic advantages. Therefore, it is important for companies to consider appropriate compensation design and disclosure strategies that can maximize consumer satisfaction and firm value.

METHODS

This research methodology uses a qualitative approach with a focus on literature review. Literature review is an effective method for collecting, analyzing, and interpreting various sources of literature related to the research topic, namely disclosure strategies, consumer perceptions, and the implications of managerial myopia on company value (Creswell, 2014). In this study, the author analyzed relevant articles, journals, and books to identify patterns, themes, and relationships between the variables studied.

The literature sources used in this study include relevant academic publications, including journal articles, books, and research reports. The source selection criteria include:

Relevance: The selected sources must have a strong relevance to the research topic, namely information disclosure, consumer perceptions, and managerial myopia (Webster & Watson, 2002).

Credibility: The literature used must come from reputable, accredited journals or publishers, so that it can be accounted for in an academic context (Khan et al., 2016).

Year of Publication: The research included in this literature review includes recent publications, with a focus on articles published within the last ten years to ensure that the information presented is up-to-date and relevant to current conditions (Fink, 2013).

Data collection was conducted through a literature search in various academic databases. Keywords used in the search included "voluntary disclosure", "managerial myopia", "corporate value", and "consumer perception". Each source found was then evaluated based on predetermined selection criteria. Furthermore, information from each source was analyzed to identify emerging themes and patterns (Fink, 2013).

Data analysis in this study used the thematic analysis method, where information collected from the literature is grouped based on certain themes or categories (Braun & Clarke, 2006). This process involves:

Coding: The researcher read each source carefully and identified important elements related to disclosure strategies, consumer perceptions, and managerial myopia.

Grouping: The coded elements were then grouped into relevant categories, which helped in formulating the main findings of this literature review.

Interpretation: Researchers interpret the findings resulting from the analysis to provide a deeper understanding of the relationship between disclosure strategy, consumer perceptions, and managerial myopia on firm value (Bazeley, 2013).

To ensure the validity and reliability of this literature review, the researcher triangulated the data by referring to various literature sources and perspectives (Denzin, 2017). This helps in reducing bias and increasing the accuracy of the findings. In addition, the researcher also cross-checked the findings with references from previous studies to ensure consistency (Morse et al., 2002).

The qualitative research methodology through this literature review is expected to provide in-depth insight into the relationship between information disclosure, consumer perception, and managerial myopia in the context of corporate value. By using a systematic and structured approach, this study aims to identify and understand the dynamics that occur between the variables studied, as well as their implications for future managerial practices.

RESULTS

In this study, we conduct a literature review to understand the relationship between disclosure strategies undertaken by managers, consumer perceptions of the company, and the impact of managerial myopia on firm value. This study refers to various previous literatures and findings that discuss information disclosure and its effects on consumer behavior and firm performance.

One of the main findings of this study shows that voluntary disclosure by managers can affect consumer perceptions of the company. According to Arya and Ramanan (2024), transparent disclosure of information can increase consumer trust, making them more likely to make purchases. Conversely, limited or non-transparent disclosure can create doubts among consumers, reduce their purchase intentions, and ultimately affect the company's profitability.

Managerial myopia, or excessive short-term focus by corporate leaders, is often considered detrimental to the company. However, research by Aobdia et al. (2018) suggests that myopia can have positive effects in certain contexts, especially when the disclosures are more “consumer-friendly.” In situations where short-term-focused CEOs provide information that is more supportive of consumer interests, this can lead to increased consumer loyalty and willingness to pay, which in turn increases the value of the company.

A study by Bushman et al. (1993) showed that good disclosure can increase a company's market value. If managers are aware of the impact of their disclosure strategy on consumer perceptions and company value, they may be more likely to implement better disclosure practices. The study also noted that timely and relevant disclosure can help companies build a positive image in the eyes of consumers, which ultimately has a positive impact on financial performance.

In this study, we adopt a disclosure model that shows the interaction between information disclosure, consumer perception, and business outcomes. The results show that in the context of new products, consumers tend to postpone purchases if they believe that the product price will decrease in the future (Li, 2019). In other words, the decision to disclose information related to price and costs is very important to influence consumer behavior.

The role of the CEO is crucial in determining the disclosure strategy. According to research by Dechow et al. (1991), CEOs with a long-term orientation tend to prioritize the interests of the company in their disclosures, while CEOs with a short-term focus may prioritize short-term goals that can harm the company in the long run. This study suggests that selecting a CEO with a long-term orientation can provide benefits in the context of transparent and consumer-oriented disclosure.

The results of this study indicate that an effective disclosure strategy can significantly influence consumer perceptions and firm value. Although managerial myopia is often considered detrimental, in certain contexts, a short-term focus can provide benefits through more consumer-friendly disclosures. Therefore, companies should consider consumer-oriented disclosure strategies while maintaining the company's long-term interests. Further research is needed to understand these dynamics in different industry contexts and to explore other mechanisms that can optimize information disclosure and enhance firm value.

DISCUSSION

In this study, we have explored the relationship between disclosure strategy, consumer perceptions, and the impact of managerial myopia on firm value. The results show that disclosure decisions made by managers have significant implications for how consumers perceive the firm and behave in the marketplace. In this discussion, we will discuss our results in the context of the existing literature, compare our findings with previous studies, and conclude the relevance of our results in understanding the dynamics between information disclosure, consumers, and firm value.

The results of the study indicate that transparent and informative voluntary disclosure increases consumer trust and willingness to pay. This finding is in line with research by Bagnoli and Watts (2007), which shows that greater disclosure can increase firm value through increased consumer trust. Conversely, research by Aghamolla et al. (2023) shows that a lack of transparency in disclosure can lead to consumer skepticism, which ultimately harms the company. This creates a complex relationship between disclosure, consumer perceptions, and business outcomes.

Managerial myopia, or excessive focus on short-term results, is often considered a barrier to a firm's long-term growth. However, our research finds that managerial myopia can provide benefits in the context of disclosure. Research by Arya and Ramanan (2024) suggests that CEOs with a short-term orientation may be more consumer-friendly because their disclosures are more favorable to consumers, even though they are not always in line with the firm's long-term interests. This is in line with findings by Li (2019), who stated that consumer-friendly disclosures can increase firm value in certain situations.

Our study also found that effective disclosure can significantly affect firm value. This finding is consistent with the study by Bushman et al. (1993), which found that timely and relevant disclosure can increase a firm's market value. In this context, we argue that CEOs with a long-term focus should be cautious in their disclosures, as too much negative disclosure can harm consumer perceptions and firm value. In contrast, CEOs with a short-term focus may be more likely to disclose information that supports consumer beliefs, as suggested by Dechow et al. (1991).

In the context of new product launches, our findings suggest that disclosure of cost and price information is critical to influencing consumer behavior. Research by Fischer et al. (2004) suggests that consumers are more likely to wait to purchase a product if they believe that prices will decrease in the future. In this regard, the disclosure strategy adopted by a firm can influence consumer purchasing decisions and, in turn, sales outcomes. This suggests the need for firms to plan their disclosure strategies carefully, especially in the context of new product launches.

CEOs play a key role in determining a company's disclosure strategy. Our findings suggest that long-term oriented CEOs are more likely to prioritize the company's interests in their disclosures, consistent with research by Murphy (1999), which indicates that appropriate incentives can lead to better decision-making. Meanwhile, CEOs with a short-term orientation, as shown by Aobdia et al. (2018), may provide more favorable information to consumers even though it may be detrimental to the company in the long run. This suggests that companies need to carefully consider CEO selection to ensure alignment between disclosure strategy and the company's long-term goals.

The results of this study have important implications for managerial practice. In an increasingly competitive business environment, companies must realize that appropriate disclosure of information can improve relationships with consumers and corporate value. Research by Bova (2013) shows that transparency in disclosure can reduce uncertainty among consumers, which can increase customer loyalty and satisfaction. Therefore, managers must design disclosure strategies that not only meet regulatory demands but also provide valuable information to consumers.

Although this study provides valuable insights into disclosure strategies and consumer perceptions, there are some limitations that need to be noted. First, this study focuses more on large companies listed on the stock market, so the results may not be fully generalizable to small or medium-sized companies. Therefore, further research may consider exploring the impact of disclosure strategies on companies of different sizes and industry sectors. In addition, this study could expand its scope by including a more in-depth analysis of how external factors such as regulation and market conditions affect companies' disclosure decisions.

In conclusion, the results of this study indicate that an effective disclosure strategy can enhance consumer perception and firm value. While managerial myopia is often considered detrimental, in certain contexts, consumer-friendly disclosure by CEOs with a short-term focus can provide strategic advantages to the firm. Therefore, it is important for firms to design a balanced disclosure strategy, considering short-term and long-term interests, as well as the impact of disclosure on consumer behavior.

CONCLUSION

From the results of this qualitative literature review, it can be concluded that an effective information disclosure strategy has a significant impact on consumer perception and company value. Transparent and informative voluntary disclosure can increase consumer trust, which in turn affects purchasing decisions and customer loyalty. In addition, although managerial myopia is often considered a barrier to long-term corporate growth, in certain contexts, consumer-friendly disclosure from CEOs who are oriented towards short-term results can provide competitive advantages.

Companies need to design a balanced disclosure strategy, which takes into account both short-term and long-term interests. Appropriate disclosure can reduce uncertainty among consumers and help strengthen the relationship between the company and its customers. Therefore, a deep understanding of the interaction between disclosure strategy, consumer perception, and company value is essential in managing managerial decisions and achieving optimal results.

LIMITATION

Although this study provides valuable insights into the relationship between disclosure strategies and consumer perceptions, there are some limitations that need to be considered. First, this study focuses more on large companies listed on the stock market, so the results may not be fully generalizable to small or medium-sized companies. The characteristics and dynamics of information disclosure in companies of different sizes may be different, thus requiring further research.

Second, this study relies more on existing literature and does not collect primary data from respondents. This may limit a deeper understanding of consumers' direct experiences and views on corporate disclosure. Future research may consider conducting surveys or interviews with consumers to gain richer insights into how they respond to various disclosure strategies.

Third, this study did not explore the impact of external factors, such as government regulations and market conditions, on corporate disclosure decisions. These factors may influence the disclosure strategies adopted by companies and how consumers respond to them. Therefore, future research could expand the scope to include an analysis of how the external environment influences the relationship between disclosure and consumer perceptions.

Taking these limitations into account, further research is expected to provide a more comprehensive contribution to the understanding of the dynamics between disclosure strategy, consumer perceptions, and firm value.

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