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Corporate Name Change and Market Valuation of Firms: Evidence from an Emerging Market

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Abstract

Investors' response to firms' name change and determinants of their response is a scantily explored area in the field of Behavioral finance. Based on a sample of 415 Indian firms, from 2005 to 2014, the study suggests that investors respond positively to the announcement of firms' name change. Furthermore, the study indicates that when firms do not indicate geographical specificity in the name and have a specific rather than generic name then abnormal returns received by the firm is more. Also, when firms' name is fluent and have the owner's family name associated with the firm name, then again abnormal returns generated are positive. Nevertheless, as a firm ages and investors gain more information about the firm, then abnormal returns received because of name change reduces.

Key words: Firms' name change, emerging markets, family firms, fluent name

1. Introduction

Does a firms' name matter? Glynn and Abzug (2002) propose that firms' name is the central part of an organization around which stakeholders' relations are knitted. People talk about organizations, not by taking their name but by drawing some metonymy around firms' name (Cornelissen, 2008). Academic scholars in the past have relied on organizational identity theory to understand the significance of a firm's name (Glynn & Abzug, 1998; Ingram, 1996). According to the organizational identity theory whenever, any discrepancy arises between firm's identity and image, senior managers take actions and resolve such discrepancies by changing the name (Gioia et. al, 2000). Nevertheless, name change is an expensive proposition. It involves legal fees, advertising and promotional expenditure, and most of the time calls for rebranding efforts and various other related expenditures (Kohlis and Hemnes, 1998). Depending upon the size of business, cost of name change could vary between US\$ 100,000 to US\$ 1 million (Parmar, 2014).

Despite being an expensive proposition, firms do change their names (Gupta & Agarwal, 2014; Kalaignanam & Bahadir, 2013). Hence, it is vital to investigate how investors respond to firms' risky and expensive decision of name change. Do the investors appreciate the managerial action of eliminating discrepancy between firms' identity and business? For example, AV Cottex Ltd., an Indian company which was engaged in the manufacturing of textiles, changed its name to Tavernier Resources Limited, as it switched its business from textiles to gems and jewelry. So, are investors likely to reward this behavior of name change? Extant studies have given scant attention to this issue and furthermore, the handful of studies which have been conducted previously, are mostly from the perspective of developed markets (Lee, 2001; Kalaignanam and Bahadir; Cole et. al, 2015) Since, emerging markets are now gaining trade and business

importance across the globe, it is vital to investigate investors' response to name change of firms belonging to these markets.

Also, investor's response, in terms of abnormal returns attained from name change could be contingent on several factors like strategic or non-strategic name change (Cooper et. al, 2001; Cole et. al, 2015). However, these factors have again received limited attention in the existing literature on corporate name change. Thus, this study aims to (1) identify if name change is associated with abnormal returns for the firms in emerging markets and (2) to explore the characteristics associated with a new name that results in abnormal returns. We particularly explore the role of geographic specificity, fluency, family association of a firms' name and listing age of the firm, in influencing investors' response to name change and thereby leading to abnormal returns.

In this study using Kahneman's cognitive theory we explain why an investor would respond to a firm's name change and how the above mentioned contextual factors could influence investors' behavior in responding to name change. Behavioral finance literature suggest that investors have bounded rationality (Barberis and Thaler, 2003; Simon, 1972) and hence rely on heuristics and biases to interpret signals hidden in the name of the firm (Hirshleifer, 2001; Kahneman, 2003; Kahneman and Tversky, 1979; Lucey and Dowling, 2005), which then influences their response to firms' name change.

The paper contributes to the extant literature of behavioral finance in several ways. First, it explains as to how investors respond to firm's name change. Leveraging on the cognitive theory of investors, we explain as to how investors take mental shortcuts to reward or penalize firms when they change their names. Extant studies have focused mainly on developed markets.

We through this study present investors' response to firms' name change in the context of one of fast growing emerging market i.e. India. We expected that in emerging markets, investors might not appreciate presence of business group name along with the name of affiliated firm. Contrary to our expectations, results reflect that in these markets, business groups still own advantages and firms associated with them draws more returns, if the business group affiliation is explicitly reflected in the name of the firm. Second our study adds to the literature on investor's cognitive heuristics which has been mainly used to explain investors' behavior with regards to investment decisions (Otuteye, & Siddiquee, 2015). Through this study we provide an evidence as to how investors use their cognitive heuristics to reward or penalize firms when they change their names. We specifically explain how investors use heuristics to interpret identity associated with firm and further provide a contingency framework which may influence investors' reaction to firms' name change. Third our study indicates as to how information hidden in the company name helps in raising firms' social status by signaling its attributes to various stakeholders (Muzellec, 2006).

The paper first discusses the theory and hypothesis, followed by methodology and data section. We then present and discuss the results. Lastly we conclude with managerial implications and future scopes and limitations.

2. Theory and Hypotheses

In a language based society, name represents large amount of information in one or two words (Pennings et. al, 1998). For an organization, name represents a tradable asset, which cannot be measured in balance sheet (Srivastava et. al, 1998). It provides an identity and legitimacy to

organizations, through which internal and external stakeholders judge the firm (Glynn and Abzug, 1999). Today corporate name has a branding effect and is used by firms to provide more connectivity with customers (Berry et. al, 1988; Walsh et. al, 2009). For example, a chain of hotels, while establishing new branches, consistently uses the same title instead of naming each unit separately. This is because the same name signals consistent commitment and service that a guest could expect from any of its branches (Ingram, 1996). Furthermore, history of organization, its reputation and other resources are also hidden in the name of the firm and it additionally provides branding advantages to the product line offered by firms (Berens et. al, 2005; Fombrum and Shanley, 1990). Despite these significant advantages, firms sometimes do change their names. What makes them to take this risky decision?

According to the cognitive heuristics theory, investors have bounded rationality (Simon, 1973) i.e. they can-not process all information available to them. Hence, they rely on heuristics and mental shortcuts to make judgments under the condition of uncertainty (Kahneman, 2003; Tversky and Kahneman, 1973). For example, investors form opinion about firms on the basis of industry performance to which the firm belongs, rather than analyzing firm specific performance (Peng and Xiong, 2006). This is a mental short cut for investors as retrieving information about each firm is tedious, but for a particular industry is easy. Thus, when firms added the term ‘.com’ to their name during the internet boom period, even when some of the firms were not using internet as their mode of business, investors still rewarded such firms, which is evident from their increase in market valuation (Cooper et. al, 2001). This happened because investors using heuristics conclude that the term dot com in the name implies internet related business model. So, when the dot com bubble bust in the year 2000, the same investors penalized firms which did not remove the term .com from their name, without bothering about their actual business model

(Cooper et. al, 2005). In the oil and petroleum industry also, when the industry was at its peak, investors rewarded firms with the term “oil or petroleum” in their name, compared to firms in the same industry without having these labels in their name (Yang et. al, 2008). This happened because using cognitive heuristics; investors inferred the presence of the term “oil” in the name of the company positively, assuming that firm operates in oil sector. In other words, investors tend to process information which is available superficially rather than probing deeper.

This superficial processing of name change information, can have positive or negative effect on firms’ market performance, depending on investors’ response. Hence, if investors process information of name change positively, with the hope of better future performance with changed name, they may reward the firm (Koku, 1997; Bosch and Hirschey, 1989; Karbhari et. al, 2004; Kot and Rach, 2008) and when they find it as an expensive un-necessary task, they may penalize the firm (Goettner and Limbach, 2011; Kot, 2011). Existing literature indicates that, investors respond positively to name change if it is associated with some strategic changes like restructuring or merger and acquisition, what commonly is referred to as radical or name change (Kot, 2011; Goettner and Limbach, 2011; Mase, 2009).

However, the literature on corporate name change has over emphasized on gains or loss associated with firms’ name change, rather than the context, on which the gain or loss could be contingent upon. In this study we focus on five factors namely geographic scope of the name, generic elements in the firm name, fluency of the firm name, family connotation with the firm name, and duration of listing on stock exchange to explore whether investors value name change. We leverage on cognitive heuristics theory to explain how these factors can influence investors’ response to firms’ name change.

Hypothesis

The upper echelon of firms may decide to change names for signaling firms' transformation or to signal better future strategies (Karpoff and Rankie, 1994) or to improve customer preferences for the products (Horsky and Swyngedouw, 1987) or to eliminate bad reputation associated with their previous name (Wu, 2010).

However, empirical evidence with regards to investors' response to name change has been mixed. Whereas Josev et. al (2004) reported negative abnormal returns for name change; Cooper et. al, (2005) reported positive returns. In a closely related area of trade symbol or ticker symbol change, Kadapakkam and Mishra (2007) reported significant decline in trading volume because of name change. In the long run also, firms' name change generated negative returns, unless it was associated with change in scope of business i.e. transformational or radical change (Andrikopolous, et. al, 2008; Koku, 1997; Wu, 2010). However, intensity of positive returns varied with the leakage of name change information prior to official announcement (Bosch and Hirchey, 1989; Karpoff and Rankined, 1994). This inconsistency in results calls for more investigation of name change and firm performance relationship. Thus, based on extant studies, we hypothesize

H1: Firm's name change is positively associated with abnormal returns generated by virtue of the name change announcement

Geographic Taxonomy of the firm

The role of geographic distance in investment related decisions is well established in extant literature of finance (Agarwal et. al, 2015; Nanda and Khanna, 2010). When investors make global investment decisions, several country level factors like growth rate influences their stock

preferences specifically if they rely on heuristics (Elliott et. al, 2008). For example, when the Chinese economy was growing, at one point in time global investors preferred Chinese rather than non-Chinese stocks and hence firms which consisted of names like China or Chinese, received heightened investor attention (Bae and Wang, 2012). This might have happened as investors used their mental shortcuts and when they found the name “China” in the firms’ name, they quickly interpreted the firm to be having high growth potential as it belonged to one of the fastest growing economy i.e. China.

Investors may also prefer to invest in home country firms as familiarity reduces knowledge, language and cultural barriers (Grinblatt, & Keloharju, 2001; Huberman, 2001; Malloy, 2005). However, with increase in globalization, investors preferences for firms which follow a region specific business model within a country, has diminished at least for firms where region specificity is reflected in name (Ke et. al, 2010). For example, in Assam Company India Ltd, where Assam is a name of a state in India, investors’ mental shortcuts would indicate that, firm follows a state specific business model and does not entertain customers and other stakeholders outside Assam, even if this is not the case. Thus, investors outside Assam would find an immediate disconnect with such firms. Hence, if a firm removes such state or region specific geographical connotations from the name, investors might reward the firm at least in the short run by generating abnormal returns. Hence we hypothesize,

***H2:** When firms change their names, they are likely to be rewarded or penalized more by investors if the new name is free from region specificity.*

Changing generic names

Organizational names are a reflection of their identity, which is unique for each firm (Glynn and Marquis, 2007). Similar to how a brand name differentiates a firm's products from its competitors, a unique name offers distinctiveness to a firm (Lee, 2001) and increases memorability as no other similar confusing name is prevalent (Gorman et. al, 2013; Berry et. al, 1988). When firms are associated with generic names, then internet search engine optimization may produce various similar results for investors thus resulting into confusion across names (Howard et. al, 2000). This is because at the superficial level a number of similar names might appear which may create confusion for investors when they use mental shortcuts to process information. For example, a firm with the name Camex is not likely to entice investors, as many other firms with similar names like Camex Wellness, Camex Tradelink, Camex Thermax, Camex Enterprises along with Camex Ltd., also exists.

Studies in marketing indicate that consumers infer quality of unknown brand based on its name. The catchier the name, better quality is perceived. (Brucks et. al, 2000). Similarly, investors also use mental heuristics to gauge profit earning potential of a firm by virtue of attractiveness of its name (Barber and Odean, 2004). Thus, when a firm name is changed to reflect uniqueness, investors may reward the firm.

Hence we hypothesize

H3: Investors are likely to reward firms with a new name when the new name is unique.

Change in Fluency of name

Fluency represents "subjective experience of ease with which people process information (Alter and Oppenheimer, 2009). Fluent names are easy to process mentally. It provides mental shortcuts which then simplify the task of processing meaning of a name (Tversky and Kahneman, 1973).

Linguistic fluency makes the name familiar and likeable more quickly (Oppenheimer ,2006). Drawing the evidence from consumer community with regards to product line of the firm, it has been found that products with easy pronunciation exhibit more recognition with customers (Bao et. al, 2008). For example, when consumers were asked to rank fictional food additives and amusement park rides, in terms of their riskiness, they ranked less fluent names as riskier (Song and Schwarz, 2009). Not only this, consumers' confidence about their choice also depended on the fluency of the name (Tsai and McGill, 2010).

Similarly, fluent names can influence investors' perception about firms' name (Cooper et. al, 2001). Since investors are under cognitive overload when they face a multitude of investment options, they rely on mental shortcuts while processing complicated information about the various investment options. Thus, investors are more likely to show favoritism for stocks which can be pronounced easily (Cooper et. al, 2001; Green and Jame, 2013) or have smooth ticker symbols (Head et. al, 2009). For example, when investors were asked to predict future returns for fictional companies, firms with more fluent names, were predicted with higher returns in future (Alter and Oppenhiemer, 2006). Even long term market based performance was in favor of firms with fluent names (Green and Jame, 2013).

Similarly, stock market brokers also recommend those stocks, which are simpler to understand and pronounce (Shah and Openhiemer, 2007). Fluent firm names also experience better liquidity, and market valuation (Green and Jame, 2013). Thus, if a firm changes its name to make it more fluent and smooth for investors, they are likely to respond positively to the news.

Hence, we hypothesize

H4: Investors are likely to reward firms for name change when the new name is fluent.

Family name initials

Family based firms, where promoters have majority of shareholding, experience positive performance when they differentiate themselves based on brand identity established by virtue of family name (Craig et. al, 2008). Thus, family based firms' name provide resource based advantages (Rogoff and Heck, 2003). This is especially true in emerging markets characterized by institutional voids, where business group affiliation provides several resource based advantages to firm, such as access to financial and managerial capital (Manikandan and Ramachandran, 2014).

However, family managed business suffers from agency risks, arising from differences in controlling and non-controlling shareholders (Schulze, 2001). This gives rise to corporate governance problems like non transparency in corporate disclosure practices (Ali and Radhakrishnan, 2007). Furthermore, family firms are perceived to be less professional which is again not a positive signal in investor community (Steward and Hitt, 2012). In the midst of these challenges associated with family firms, investors might find immediate disconnect with firms, where family name appears in the name of the firm.

Attractive names are more attention seeking, which is a rare cognitive resource for busy investors (Kahneman, 1973). Firms' name based on family members cannot be considered as attractive, because of the challenges associated with family firms. By changing firms' name which was earlier based on the family members to some other meaningful name, promoters can qualitatively signal investors about the changing culture of the organization (Tetlock et. al, 2008).

Even in emerging markets like India, post liberalization and globalization, business group affiliated firms have lost their significance to stand alone firms and thus reflection of business group in the firm name could signal negative image to investors (Khanna and Yafeh, 2005).

Hence we hypothesize,

H5: Investors are likely to reward firms for name change when a family name has been eliminated from the new name.

Duration of Listing on Stock Exchange

For entrepreneurial firms, securing resources is challenging. When they launch initial public offerings, investors draw signals about firms' quality based on the social context in which it is embedded, for example, quality of top management or board of directors (Gulati and Higgins, 2003). Firms' name also provides one such social context especially at superficial level (Dietrich and Graumann, 2014). Factors like fluency of the firms' name or family membership association provides mental short cuts to investors and they cognitively process information based on these parameters.

However, as firm gains legitimacy, its past performance, earnings quality, performance and reputation related factors may drive investors' behavior, rather than just name (Certo, 2003; Hodge, 2003). Hence, name of the firm loses its significance, as a firm age on stock market and other relevant information is available about the firm (Henderson, 1999).

Thus we hypothesize

H6: Investors are likely to reward firms less for name change the longer a firm has been listed on the stock exchange.

3. Data and Methods

We collected data on Indian firms from three different sources, namely, moneycontrol.com, Prowess (a financial database of Indian firms), and business newspapers and magazines. We selected India as our country of study since it not only represents an emerging market, but also because the presence of business groups in India and its growing global significance make it an interesting platform for this study. Moneycontrol.com provided information on firms that have reported a name change. We took a sample from all firms that reported a name change from 2005–2014, with a resulting sample size of 825 firms. Prowess provided information on financial control variables such as firm size and market valuation. However, for some firms, information on these control variables was missing, so we removed these firms from the sample. Additionally, some firms were associated with confounding effects during the time frame, e.g., along with the announcement of a name change, a firm experienced another event, like a change in top management, an acquisition, alliances, or a dividend announcement. We also removed these firms from our sample, ultimately leaving us with a sample of 415 firms. Information about the reasons for these firms' name changes was obtained from business newspapers and magazines published in India.

a. Calculating Abnormal Returns: the Dependent Variable

We used the market model to calculate abnormal returns. Following Bosch and Hirschey (1989), abnormal returns for day t were calculated as:

$$AR_{it} = R_{it} - \alpha_i - \beta_i R_{mt},$$

where AR_{it} is the return of the stock i for day t and R_{mt} is the index return on that day. Coefficients α and β are the OLS estimates of intercept and slope, calculated using market model regression for the i^{th} stock. For this, a 245-day estimation period from $t-250$ to $t-10$ was used.

Based on extant literature, the event period was defined as -10, +10 days (Cooper Dimitrov, and Rau 2001; Copper et al. 2005). We further divided this event window into subsets to obtain cumulative abnormal returns for various windows and further test it for significance. Thus, we first calculated average abnormal returns and then the cumulative abnormal returns as follows:

$$AR_t = 1/N \sum_{i=1}^N AR_{it},$$

where N is number of events.

Next we calculated cumulative abnormal returns for various event windows:

$$CAR_i(k,l) = \sum_{t=k}^l AR_{it}$$

and finally, the cumulative average abnormal returns as:

$$CAAR_{kl} = \sum_{t=k}^l AR_t,$$

where k and l represents event windows.

We calculated abnormal returns over four event windows, as given in Table 1. Next we ran multiple linear regressions to examine determinants of abnormal returns. Consistent with prior research, we chose an event window of (0, +1) as our dependent variable.

b. Operationalization of Independent Variables

i. Geographic name changes

If old name consisted of geographic name and it was removed from new name, it was coded as 1, else 0. For example, Ahmedabad Gases Ltd name contained, Indian city name Ahmedabad. This name was changed to Excel Castronics Ltd. Thus, this was coded as 1.

ii. Change of generic names

This was calculated on the basis of degree of uniqueness of the name. For example, an internet search related to a firm named “Color Chips” revealed the presence of other firms like Color Chips New Media Ltd, Color Chips Epoxy, Color Chips Garage Floor Paint, and Color Chips Pantone, along with Color Chips Ltd. We thus considered all firms which had both the words i.e. color and chips in their names. We did not consider the firms which had either of the two words in their name i.e. either color or chips. Thus if both words were present in the name, it was considered for calculation of uniqueness score. Based in this parameter, the uniqueness score of color chips was $1/5 = 0.2$. A lower uniqueness score implied a more generic name while a higher score implied a more specific name. Here, when we identified firms with similar names, we also checked their year of formation. If a firm with a similar name was founded after the name change of the focal firm took place, then it was not included in calculating the generic name score. Similarly, degree of uniqueness in name was calculated for previous name as well. Change in generic name was calculated as difference in uniqueness of new name vs old name.

iii. Measure of change in company name fluency

Fluency was measured in two steps, following the approach of Green and Jame (2013), by taking the sum of a word length score and a dictionary score. For the word length score, we first measured the length of the company name. This measurement excluded all expressions that were a part of a legal name, like Ltd., Corp, Corporation, etc. It also excluded words such as “a,” “and,” “&,” etc. For example, a name like “Zenith Steel and Tubes Ltd.” was read as “Zenith Steel Tubes.” After these adjustments, the number of words in a company name was counted to measure its length. A maximum score of 3 was fixed, following the approach of Green and Jame (2013). Companies with a name containing only one word received a score of 3. For instance, companies like Trident, Acrysil, or Baltiboi received scores of 3. When a firm’s new name

consisted of two words, it received a score of 2. Thus, names like Blazon Marbles or Ennore Coke were assigned scores of 2. Finally, when firm names consisted of more than two words, they were scored as 1. Names like Esha Media Research or Visagar Financial Services were assigned scores of 1.

Next, the dictionary score of the name was calculated. If all the words in the (adjusted name) of the firm passed the Microsoft spellcheck filter, then it was coded as 1, else 0. Thus, a name like United Breweries was scored as a 1 since both terms, “united” and “breweries,” passed the Microsoft spellcheck test. However, a name like Swastik Roofing was scored as a 0: although “roofing” passed the Microsoft spellcheck test, Swastik did not. Finally, an overall fluency score was calculated by adding the word length score to the dictionary score. A higher total score suggests a more fluent the name.

Similar process was repeated for firms’ old name. Change in fluency was then calculated as difference in fluency of new name and old name.

iv. Family name changes

If old name consisted of family name and it was removed from new name, it was coded as 1, else 0. For example, Bajaj Plastics Ltd, changed its name to Wopolin Plastics, it was coded as 1. This is because Bajaj represents Indian family name. So, when the family symbol was removed from name, it was coded as 1.

v. Age of firms since their listing on the stock exchange

The age of each company was calculated not from the year of its incorporation, but rather from its year of listing on the stock exchange. Information on the listing year of each company was obtained from *The Economic Times* newspaper, from the online segment of its “Market” section.

For example, if Tavernier Resources Ltd. was listed in 1995, then in 2009 its age was reported as 14 years.

c. Control Variables

Cosmetic vs Non Cosmetic/ strategic name change: Since role of strategic vs. cosmetic change has been established in past literature, we also control for nature of change (Cooper et al. 2005). Strategic changes were dummy coded as one and cosmetic changes as zero. Thus, when name changes were accompanied by some strategic reasons like change of business model, restructuring, mergers or acquisitions, diversification or expansion plan, then it was treated as non-cosmetic/ strategic change and when no such reasons were associated then name change was treated as cosmetic change.

Following previous literature, the size and past market value of the firm were also controlled (DeFanti and Busch 2011). We considered log of total number of employees as a measure of firm size and market valuation of the firm, using Tobin's Q (Lenox and King 2004) as control variables. Tobin's Q was calculated as the ratio of market value of assets/book value of total assets. This information was obtained from Prowess.

4. Results

The statistical significance of average abnormal returns for name changes is presented in Table 1. The descriptive statistics are given in Table 2. The multivariate regression analysis is presented in Table 3. In this study, two models were tested: Model 1, explaining the relationship between the dependent and control variables, and Model 2, depicting the relationship between the dependent and independent variables.

Table 1 suggests that for various event windows, abnormal returns due to name change are statistically significant. Thus, we receive evidence in support of our first hypothesis which stated that name change is significantly associated with abnormal returns. Our findings are consistent with extant studies like Lee (2001) in which positive abnormal returns is associated with name change.

Our second hypothesis stated that removing geographic specificity in names would influence abnormal returns. Since the beta coefficient is positive and significant ($\beta = 0.106$, $p < 0.05$), we find evidence in support of *H2*, implying that investors did interpret geographical terms in names negatively. For them, geographical associations in a firm's name most likely signaled that the firm's operations were restricted, triggering their cognitive biases.

According to our third hypothesis, specific or unique names would generate positive abnormal returns. Since the beta coefficient is positive and significant, we receive evidence in support of *H3* as well ($\beta = 0.033$, $p < 0.001$). Thus, investors reward firms for their unique names, as they find unique names to be a simple differentiating factor for the firm; as a result, the firm's revenue earning potential is enhanced. According to a study of the insurance industry, changes in insurance firm names to unique names did result in enhanced revenues (Carson, Cole, and Fier 2016).

According to the fourth hypothesis, fluent names generate more abnormal returns. Since, the beta coefficient is positive and significant ($\beta = 0.078$, $p < 0.001$), we receive evidence in support of *H4*.

The fifth hypothesis stated investors are likely to reward firms for name change when a family name has been eliminated from the new name. Since the beta coefficient is significant but

negative ($\beta = -0.012$, $p < 0.05$), we receive only partial evidence in support of *H5*. This is because we expected positive return for family name change. Our results indicate that when managers are removing family affiliation from firms' name, investors are responding negatively. In other words, when a family name or business house name is embedded within a firm's name, investors value the firm more. This may be a context-specific situation: due to the presence of institutional voids in emerging markets, perhaps investors are more drawn to firms that belong to business groups. In other words, even today in emerging markets, business houses remain a symbol of trust for investors as compared to standalone firms. The presence of a business house name within a firm's name may appeal to a heuristic bias in the minds of consumers that, by virtue of the capital resources and brand name associated with a business house, affiliated firms will do well financially.

According to the sixth hypothesis, the stock exchange listing age of a firm is negatively associated with abnormal returns due to name change. Here, since the beta coefficient is negative and significant ($\beta = -0.12$, $p < 0.001$), we receive evidence in support of *H6*. This implies that if a firm has been listed on a stock exchange for a long period of time, there is readily available information on the firm's past performance, awards received, etc., and investors are less influenced by a name change. Essentially, the significance of mental shortcuts decreases for investors as they are likely to rely on their long-term memory to predict the future performance of a firm based on past performance. Furthermore, investors might feel a name change is expensive and unimportant for firms that have been long established on exchanges. Furthermore, as a matter of sensitivity tests we reran the regression taking (-1,0) as the event window instead of (0, +1). Although the beta coefficients changed in their values, yet they remained statistically significant.

Insert Table 1 About Here

Insert Table 2 About Here

Insert Table 3 About Here

5. Discussion and Implications

In the past few years, significance of corporate name has undergone tremendous change. Instead of treating it merely as trade name, firms now signal their corporate values and uniqueness to the entire community of stakeholders through their name (Muzellac, 2006). This study examines the impact of firms' name change and other contingent factors on its short term stock market performance. In doing so, it begins with the premise that investors use cognitive heuristics to gauge information about a firm and in doing so, rely on firms' name to interpret its identity.

Using, cognitive heuristics perspective, it is hypothesized that abnormal returns associated with name change depends on several contextual factors like fluency of the name or geographical taxonomy of the name and others. Thus the study contributes to cognitive heuristics literature by providing a lens to assess effectiveness of several elements associated with firms' name, which influences the way outsiders especially investors perceive a firms' image. Results indicate significant abnormal returns, with name changes in the firm. This happens because name change convey information about firms' social identity. In other words, organizational name changes do secure legitimacy from investors (Kalaighnam and Bahadir, 2013).

Furthermore, current study provides findings consistent with the theory of cognitive heuristics, which suggests that investors use heuristics or mental shortcuts to analyze information and hence make decision (Kahneman, 2003; Kahneman and Tversky, 1979). Our study reflects that name changes are more rewarded by the investors, when they have semantic meanings associated with name change like being more fluent or having family name associations. This significant impact on market performance of firms indicates that managers need to create appropriate metonymy around firms' name.

Our findings also indicate that that investors are no different than managers in terms of processing information and hence managers should try to signal identity of the firm in its name especially, if a firm has been recently listed. In this way our findings are consistent with signaling theory as well. Firms' name send signals to investors about various traits of firm like if its geographic spread is limited or not or if it has family association or not. This is in contrast to other studies which proposed insignificant wealth and signaling effect of corporate name change (Karpoff and Rankie, 1994). Thus, firms' reputation which is a source of competitive advantage (Barney, 1991) is not only embedded around economic performance, but also in its

organizational identity which investors perceive to be hidden in the name and hence reward or punish the stock market performance of firm, based on changes associated with name change.

Furthermore, our contribution also lies in the fact that our study extends studies on corporate name literature, which till date has mainly focused on shareholders' responses to name changes but not their determinants (Karbhari et. al, 2004; Karim, 2011). Findings on geographical taxonomy suggests that when firms' new names are restricted to geographical territories, then investors do not perceive this positively and penalize the firms by devaluating the stocks. This way our study is inconsistent with past findings where knowledge of country name enhanced investors' familiarity with the firm and influenced their investment decision (Ackert et. al, 2005; Solnik and Luo, 2012).

Similarly, contradictory to our expectations, we found that when firms remove family name or associated abbreviations from their name, then investors devalued firms' stock. Emerging markets like India suffer from institutional voids i.e. because of under developed institutional markets, scarcity of resources arises. Business houses by virtue of operating in diversified segment of business and having well developed internal capital markets cope up with these voids in a better manner, compared to stand alone firms (Almeida and Wolfenzon, 2006). This makes them more trustworthy and reputed. Thus, in emerging markets like India, firms which are associated with business groups are identified to be more trustworthy and reputed, thus raising value for investors (Orrii, 1996). When this affiliation is reflected in the name of a firm, investors are quickly able to relate with business group, thus raising value of the firm.

Our study also indicates that as firm ages, investors receive other information also about the firm for example, its prior performance. Thus, they may not strongly respond to name changes.

Overall, for investors organizations' name is not just a 'name' but have deeper implications as investors draw quick information about the firm based on the name. This is in contrast to previous studies where organizations' name does not render any value apart from providing a face to the firm (Boddeyn, 1967; Branca and Borges, 2012). Investors respond to name changes; as legitimate name changes make information processing easier for investors by indicating various attributes of firm like family association which in emerging markets is treated positively or geographic association which is perceived negatively. Thus, managers could treat organizations' name as a non-tradable asset. In this way, legitimization associated with name change can act like a double edge sword. On one hand managers could entice investors by leveraging on unique nomenclature and on the other hand, can cope up with threat of lost legitimacy by radically changing their names (Meyer and Rowan, 1977).

It is vital for managers to understand that investors pay attention to surface level information of the company. Thus, firms' name holds significance for investors and they may positively or negatively respond to name changes depending on what type of information managers' signal in the name change. If they make firms' name more fluent, investors may reward the firm. On the contrary, if they remove family name or its abbreviation in the new name, investors might penalize the firm by devaluing the stocks especially in emerging markets.

The results and implications of the study are constrained by several limitations. First, we focus on single country study in emerging markets and thus results cannot be generalized across different emerging markets. Secondly, we do not investigate long term market valuation implications. Study cannot be used for predicting or inferring long term market performance of the firm with name change. Though, in developed markets extant studies have indicated improvement in long term performance as well, but this cannot be based on mere event study

analysis. Third, we bank on dummy variable structure to capture constructs like generic name or family name. Dummy variable may not fully tap these multidimensional constructs. Hence, better measures could be introduced to measure the same.

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Table 1: Abnormal Returns for name change over Four Event Windows

Event Window	CAR	T-Stat
-3,+3	4.69***	3.64
-2,+2	3.35***	3.08
-1,0	1.56**	2.86
0,+1	1.4**	2.13

*** p<0.010; **p<0.050, *p<0.10

Table 2: Descriptive Statistics

				1	2	3	4	5	6	7	8
		Mean	S.D								
1	CAR	0.35	0.29	1							
2	Geographic Name	0.12	0.37	0.11**	1						
3	Family Name	0.18	0.49	-0.12**	0.07	1					
4	Generic Name	0.21	0.68	0.17**	0.09*	-0.09*	1				
5	Name Fluency	2.0	1.78	0.15***	0.05	0.02	0.08**	1			
6	Firm Age	5.6	1.09	0.18***	0.04	0.07	0.004	0.04	1		
7	Log of Number of Employees	7.8	2.06	0.006	0.002	0.01	0.005	0.01	0.15**	1	
8	Tobins Q	1.63	2.79	0.10**	-0.07	0.02	0.001	0.06	0.08	0.005	1

*** p<0.010; **p<0.050, *p<0.10

Table 3: Multiple Linear Regression

	Model 1	Model 2
Intercept	1.87*** (0.63)	2.01*** (1.02)
Geographic Name		0.106*** (0.051)
Generic Name		0.033*** (0.012)
Name Fluency		0.078*** (0.02)
Family Name		-0.012*** (0.006)
Firm Age		-0.12*** (0.05)
Tobin's q	0.27** (0.13)	0.26** (0.13)
Strategic vs cosmetic change	0.10** (0.03)	0.10** (0.03)
Log of Number of Employees	0.08 (0.06)	0.08 (0.05)
R²	0.20	0.27

*** p<0.010; **p<0.050, *p<0.10; s.e in parenthesis