

Management's Chinese Zodiac and ownership to firm performance

Rico Tedyono & Putu Anom Mahadwartha
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ABSTRACT: The research examines the effect of Chinese Astrology (*shio*) and managerial ownership on firm's performance. The research also examines other issue of agency problem which is called managerial ownership. The separation between the principal with ownership function and agent with control function leads to a potential conflict called agency conflict. Sample is manufacturing firms listed in Indonesia Stock Exchange for the period of 2013-2015. The results of this study indicate that Chinese Zodiac of the CEOs have no effect on the company's performance, while managerial ownership positively affects the company's performance. Financial ratios used to measure company's performance are profitability ratios, such as Return on Assets (ROA) as the main parameter and Return on Equity (ROE) as supporting parameter or robustness with no significant effect which aims to confirm the effect of managerial ownership on the company's performance.

Keywords: Chinese astrology (*shio*), managerial ownership, firm's performance.

1 INTRODUCTION

Chinese astrology is well accepted and recognized by Indonesian especially Chinese Indonesian. However, research on Chinese Astrology in finance field of study is very rare in Indonesia. How Chinese astrology or *shio* affect firm performance is not yet studied in Indonesia. This research tries to examine the effect of *shio* to performance of the firm. Another issue arises from firm performance and manager's *shio* is managerial ownership. This research also argued that managerial ownership also affects firm performance, especially from the agency theory perspective.

Shio is cultural indicator that inherited from many generations of Chinese Indonesian, and in the other hand the managerial ownership also plays a significant role in explaining performance of the firm. This research will divide between combination of *shio* that called Triangle of Affinity and Circle of Conflict which are between manager's *shio* and year of observation.

Hu & Zhou (2006), Chung et.al. (2008), and Lueng & Horwitz (2010) found that managerial ownership structure has positive effect on performance. The finding is supported by Alves (2012) and Zakaria, Purhanudin, & Palanimally (2014).

However, research of Fama & Jensen (1983) found a negative effect of managerial ownership and performance. The negative effect called as entrenchment hypothesis. Meanwhile the positive effect is known as alignment hypothesis. The entrenchment hypothesis is supported by Liang, Lin & Huang (2011), and Irina & Nadezhda (2009).

Research by McConnell & Servaes (1990) found a U-shaped relation between managerial ownership and firm performance. Meanwhile Cui & Mak (2002) found a W-shaped relationship between managerial ownership and firm performance.

Hermalin & Weisbach (1991) showed that positive relationship will occur if the managerial ownership below 1%, and negative relationship occur when managerial ownership between 1-5%. However, the relationship becomes positive effect again if the portion of managerial ownership between 5-20% and beyond 20% is a negative relationship.

Amran & Ahmad (2013) found that below 27% managerial ownership will tend to pursue their own interest and decrease the performance of the firm significantly.

Chinese astrology uses zodiac as one of the foundations in guiding life and is believed to be able to explain the nature, character, health, career, sustenance and soul mate and fortune of human life (Oli-

viani 2015). Each year is marked with zodiac according to the rotating cycle of rats, odors, tigers, rabbits, dragons, snakes, horses, goats, moons, chickens, dogs and pigs (Robiyanto, Hersugondo & Puryandani 2015). Every twelve years, the zodiac cycle will recur.

Meisami (2013) examines the effect of Chinese astrology on stock return and argues that Chinese astrology will significantly influence the thinking, feeling and decision-making of a person. This study was conducted using stock return data on Hong Kong Stock Exchanges (HSI) during 1964-2013 and S & P 500 during 1950-2011. The research was based belief that the zodiac affects the return earned in accordance with the character of the animals they represent. The study found that mouse years had a higher average return and the snake had a lower average return. On the other hand, for the S & P 500, snakes and chickens showed a lower average return compared to other zodiacs.

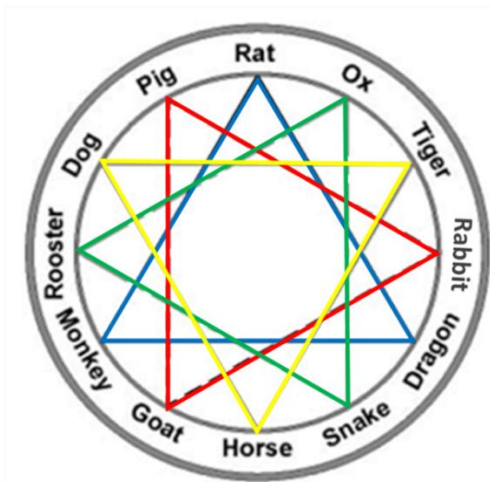


Figure 1. Triangle of Affinity (Wu, 2005)

In Chinese astrology, fortune through zodiac becomes an indicator used to estimate the compatibility or incompatibility of the *shio* with the current year. Each year is also represented by a certain zodiac will be used as a basis in assessing the relationship of one's zodiac to the current year, as seen in the Triangle of Affinity Relationship and the Circle of Conflict Relationship.

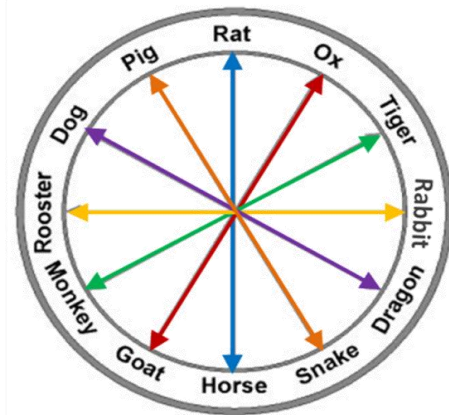


Figure 2. Circle of Conflict (Wu, 2005)

In the context of agency theory, managerial ownership is seen as one way to reduce agency conflict (Jensen & Meckling 1976, Fama & Jensen 1983, Cho 1998, Davies et.al. 2002, Morck et.al. 1988, Hu & Zhou 2006). Mahadwartha (2004) explains that managerial ownership is one of the remuneration policy programs that can be used to reduce agency problems. Jusoh, Ahmad & Omar (2013) revealed that companies with concentrated ownership will reduce the diversity of shareholders' interests. Martsila & Meiranto (2013) stated that managerial ownership is one form of good corporate governance (GCG) implementation by involving managers in company ownership.

2 RESEARCH METHODS

2.1 Variables and Framework

The dependent variable of company performance is Return on Assets (ROA) from manufacturing company in Indonesia stock exchange during period 2013-2015. The total year of company observation is 339 years of company observation. The control variable in this study is firm size.

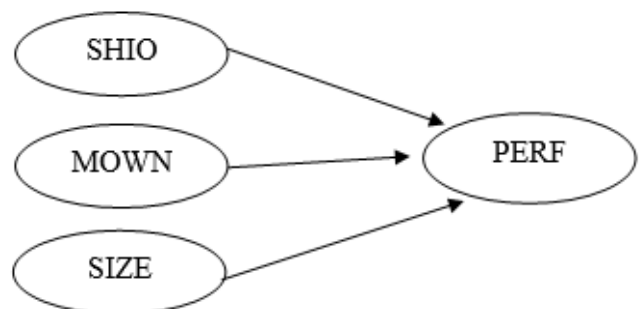


Figure 3. Research Framework and Variables; *shio*: Chinese Astrology (Triangle of Affinity=1, and Circle of Conflict=0); MOWN: Managerial ownership (% of manager's shares); Size: firm size (ln total asset); and PERF: performance (ROA).

This research also tested for classic assumption of OLS, multicollinearity, autocorrelation, and heteroscedasticity.

2.2 Statistical Methods

The use of the OLS method in the study because of the consideration that this method is appropriate to test the "Line of Best Fit" model or the sum of squares of the deviations between the observation points and the regression line is minimum. (Tu, et.al. 2007).

The equation model in the research is tested by using the least squares method (ordinary least squares) with the formulation as follows:

$$\hat{Y}TERF = \alpha_1 + \beta_1 SHIO + \beta_2 MOWN + \beta_3 SIZE + \varepsilon_1 \tag{1}$$

3 RESULT AND DISCUSSION

A summary of matches and incompatibility of zodiacs in the period 2013-2015 is shown in Table 1. This table provides the basis for assessing the corresponding relationship between zodiac manager and related zodiac year.

Table 1. Triangle of Affinity, and Circle of Conflict amongst *shio* based on year of observation

No.	Shio	2013 Shio Snake	2014 Shio Horse	2015 Shio Goat
1	Rat	1	0	1
2	Ox	1	1	0
3	Tiger	0	1	1
4	Rabbit	1	0	1
5	Dragon	1	1	0
6	Snake	0	1	1
7	Horse	1	0	1
8	Goat	1	1	0
9	Monkey	0	1	1
10	Rooster	1	0	1
11	Dog	1	1	0
12	Pig	0	1	1

Based on the result of partial hypothesis testing (t test) on the variables studied, *shio* variable has no significant influence on Return on Assets (ROA). The relationship between zodiac with the current year which is believed to have a mismatch seen in animals by three, six, nine and twelve or so-called *jiong*, does not affect the company's performance. This indicates that even though zodiac is believed to affect the way people think and act (Meisami 2013) and is considered to determine the fate and fortune

of a person (Wu 2015), but the manager's *shio* is insignificant to influence the company's performance.

Table 2. Regression Result: Dependent: ROA

Variables	Coefficient	t-stat
Constant	-0.053775	-7.637130***
Shio	-0.008099	-1.074633
MOWN	0.062361	3.426249***
Size	0.013069	16.68340***

This study found that managerial ownership variable (MOWN) has a positive and significant effect on company performance (ROA).

This shows that the higher the managerial ownership, the company performance will be higher. Vice versa, the smaller the percentage of managerial ownership then the company's performance will be smaller (Neely et al. 2005). The results of this study support the theory put forward by Jensen & Meckling (1976) who argue that ownership for management, will encourage managers to improve company performance because managers have a share of the profits earned. The greater the proportion of managerial ownership the greater the tendency of management to use the company's resources optimally and increase the company's profit. Increased managerial ownership will make the personal wealth of management more attached to the wealth of the company. Management will be more careful in making decisions and trying to reduce the risk of losing their wealth. The higher the performance of the company shows the more effective management in managing the company so that the higher the value of the company. The existence of risk averse nature makes management will try to maximize the use of company asset in order to increase company profit. The results of this study are consistent with the results of Hu & Zhou (2006), Chung et al. (2008), Alves (2012), Tu (2007), & Zakaria, Purhanudin & Palanimally (2014).

4 CONCLUSION

Chinese Zodiac corporate managers have no significant effect on company performance. Managerial ownership positively affects the performance of the company Return on Assets (ROA).

This research recommends corporate shareholders and management not to pay much attention to Chinese astrology which is often used as a medium to describe the character, emotion and life of a person according to the nature of each animal as a consideration in predicting the likelihood of luck management and company performance. On the other hand, in order to reduce agency conflicts between man-

agement and shareholders, the mechanism that can be used is to increase managerial ownership. If there is managerial ownership, it is strongly recommended to maximize total assets in order to increase profitability opportunities. An increase in total asset usage will increase the profit potential. Large companies can use total assets to maximize corporate investment, which will also lower the company's financial risk.

For the creditor, it is recommended to improve the control of the company's management, because based on the result of research that firm size have positive effect to company's financial performance. This shows that in general a company that has a high performance is a large company because the company has sufficient internal funds to finance the company's investment. Small companies have a smaller total asset than larger companies. Therefore, creditors are recommended to improve control over management for large firms because the possibility of agency conflict occurring is between creditors versus manager and shareholder.

For the next researcher, since this research focuses on the analysis of Chinese Astrology Effect which is very rarely studied in Indonesia, it is recommended to add other exogenous variables that have not been included in this research, such as using two element concepts (yin and yang), and five basic elements (water, wood, fire, soil and metal), so as to improve the accuracy of the research results.

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The impact of heuristics and biases in the application of professional judgement by internal auditors in the stage of fieldwork

Jonathan Tanone, Senny Harindahyani

This study aims to find the impact of heuristics and bias in the application of professional judgment by internal auditors in the stage of fieldwork in "Company X", a company engaged in the distribution of fuel oil in West Nusa Tenggara. "Company X" has conducted internal audit activities although the...

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Exploration of intention to turnover: case study of hospital IT employees

Siska Ariani, Didik Setyawan, Rudi Januar, Budi Setyanta

This study identifies factors that influence intentions for a turnover.

Previous research indicated that hostile work environment, excessive workload, and job dissatisfaction are some factors that drive turnover intention. Data collection was done by survey method through a questionnaire. The sample...

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Investigating the correlation between commitment, spirituality and performance in workplace

Utik Bidayati, Adi Hardianto

This study aims to assess the correlations between commitment and spirituality dimensions in the workplace of a supermarket and determine the effect of both dimensions in employee performance. The research form is a survey research using questionnaires as an instrument to obtain data. A questionnaire...

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Communication strategies in improving agricultural society's value and participation

Noviaty Kresna Darmasetiawan, Lanny Kusuma Widjaja, Huang Lijie

This research was conducted following the research by Sonny (2008), which Javanese culture, a part of Indonesian culture, has been the philosophy of life and the attitude in life of Javanese people for years. The questions raised in this research were: (1) What is the communication strategy for improving...

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Internal communication, employee participation, job satisfaction, and employee performance

Waiphot Kulachai, Piya Narkwatchara, Pralong Siripool, Kasisorn Vilailert

The main objective of this research was to examine relationship between internal communication, employee participation, job satisfaction, and employee performance. The samples of this study were 489 state officials from 10 city municipalities in Chonburi (Thailand). Questionnaire was employed to collect...

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The Existence of human resources employability to energize the power of competitive advantage of aqiqah Nurul Hayat Surabaya

Johny Rusdiyanto, Elsy Tandelilin

This paper examines the importance of HR employability and their relationship with employment within the food industry in Indonesia, specifically in Aqiqah business services. This is a review of the literature related to the provision of HR empowerment program to sustain business competitiveness and...

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The influence of intrinsic and extrinsic factors on the job

satisfaction of the internal auditors of The State Islamic Universities in Indonesia



Mr. Suhartono, Gagaring Pagalung, Grace T. Pontoh

Job satisfaction is a set of unpleasant feelings or not an employee of their work. This study aimed to examine and to analyze the influence of intrinsic and extrinsic factors to internal auditor job satisfaction of State Islamic University in Indonesia. The research data was obtained through a questionnaire...

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The influence of Hallyu, packaging and subjective norms towards buying intention on culture adaptation in Etude House

Yuco Aldelina, Jony Oktavian Haryanto

The growth of cosmetic's industries became rapid especially in Indonesia with the presence of local brands cosmetics and imported brands cosmetics. One of the competitors is Etude House, imported brand cosmetic from South Korea, which is now demanded by men and women especially the young people. Hence,...

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Dark tourism marketing through experience visit at East Java

Erna Andajani

Tourism was one of the industrial sector which is always growth increased

throughout the year and the biggest contributors in the economic development of a country. One of tourism objects to be able to be a tour attraction is a tour in place of the former war or natural disasters and better known...

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Usability, customer satisfaction, service, and trust towards mobile banking user loyalty

Victoria D. Johannes, Mrs. Indarini, Silvia Margaretha

The purpose of this research is to analyze the influence of usability, customer satisfaction, customer service and trust towards mobile banking user loyalty in Surabaya. The data used in this research were primary data obtained from questionnaires. Respondents of the study were 200 respondents who live...

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Product types in moderating the process of buying street foods

Budhi Haryanto, Djoko Purwanto, Amina Sukma Dewi

This study aims to examine the effects of price, quality, and ease in obtaining on positive attitudes and intentions to buy street food moderated by product types (traditional meals and modern meals). The sample consists of 1000 individuals. Multi-group SEM is a statistical tool selected to elaborate...

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Developing a destination brand in the context of regional and national branding strategies: a case study of brand development of Sleman District, Yogyakarta Special Province, Indonesia

Ike Janita Dewi

Developing a destination branding is one of the popular marketing strategies employed by tourism destinations. This paper describes the process of regional brand development of Sleman District, Special Region of Yogyakarta, Indonesia. As a case study, this paper offers perspectives, strategies, and guidelines...

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A study of the impact and effectiveness of scent used for promotion of products and services with low olfactory affinity

Jun Kumamoto, Adi P. Tedjakusuma

The paper objective is to analyze the impact of two studies on scent marketing and discuss the feasibility of scent as an effective promotional tool for business. The first study surveyed 45 undergraduate students in writing at three-time periods, and the second study orally surveyed shoppers using an...

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Consumer's response to e-mail advertisement from tour and travel agency in Indonesia

Jonathan Kurniawan Halim, Silvia Margaretha, Christina Rahardja Honantha

This study aims to determine and analyze consumer response to email advertising from online tour and travel agency in Indonesia. This study used purposive sampling approach with an assessment of the researchers who can be made respondents in accordance with the characteristics of the population. The...

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Building local fashion brand equity for young consumers

Mega Melina Dewi, Dudi Anandya, Christina Rahardja Honantha

The purpose of this study was to examine the effect of brand awareness, perceived quality of the brand, brand association, brand loyalty, and brand image on the brand equity of local fashion brand among young consumers in Surabaya. Data from 215 undergraduate students were analyzed using Structural Equation...

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Indonesian tourism marketing communication strategy through LionMag in-flight magazine

Adi P. Tedjakusuma, Hayuning P. Dewi

The world of tourism cannot be separated from transportation and accommodation. Transportation becomes a means of tourists to reach desired tourist destination both domestic and international. Airplane becomes the most effective option for tourists as it reaches a wide range of destination. Each...

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The effect of eco-friendly practices on green image and customer attitudes

Christina Rahardja Honantha, Dudi Anandya, Andhy Setyawan

This study aims to examine the relationship between customers' perceived green practices, perceived green image, and attitudes of a canteen, as well as identify the key green practices that influence customers' perceptions of a canteen's green image. The model used for this study was adopted from Namkung...

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"Wonderful Indonesia" country marketing campaign - how visible Indonesia as a tourism destination for Europeans

Slavomir Rudenko, Adi P. Tedjakusuma

Even though the campaign has been intensively presented in Indonesia and throughout the world as the main marketing campaign for Indonesian tourism, it remains questionable in how successful the campaign is in attracting more potential international tourists to visit Indonesia. Out of a general examination...

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A message behind a smile: how facial expression supports communication in marketing

Andhy Setyawan, Dudi Anandya, Farenza Renada Fulongga

A smile is a form of facial expression which contains a message of a person's feelings that allows the transmission of emotion to others. In marketing communications, emotional contagion can be an individual evaluation of advertising, brands, and even purchase intentions. Using experimental techniques,...

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The effect of service Quality to customer satisfaction and loyalty in Sharia Bank

Gito Suseno, Muchsin Muthohar

Products and prices competition within sharia and conventional banks have an impact on commoditization. To gain market share, sharia banks use halal product as differentiation and service strategy to retain customer through satisfaction to increase loyalty. Customer loyalty expected to increase share...

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A study of drinking behavior among undergraduate students

in Chonburi

Pornrapee Torsak, Waiphot Kulachai

The objectives of this research were to study drinking behavior of undergraduate students in Chonburi, and to examine factors affecting drinking behavior of the students. The respondents were 397 undergraduate students of three Thailand universities, namely Burapha University, Rajamangala University...

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Educational Tourism as the conceptual age in the University of Surabaya

Veny Megawati

In many major cities in a developed country, a green open space is being promoted as a vacation destination. Besides, the government in the cities in developed countries also provides a museum that is neat and integrated with Simulation Park and playground for children. However, many green open spaces...

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Influence of destination attributes on destination image of Surabaya City according to domestic MICE participants

Fitri Novika Widjaja

This study aims to determine the influence of destination attributes on destination image of Surabaya city according to the domestic MICE participants and also to know the differences in perception concerning the

importance of MICE destination attributes based on socio-demographi
characteristics of...



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The analysis of logistics at McDonald's Restaurant Denpasar Bali

Anna Putri Andari, Stefanus Budy Widjaja Subali, Juliani Dyah Trisnawati

This study aims to analyze the difference and effect of McDonald's' delivery order logistics service on customer satisfaction and loyalty based on individualist and collectivist perception. Customer satisfaction and loyalty is a fundamental element for a company to face competition in order to ensure...

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Factors influencing travel to Islamic destinations: an empirical analysis of Sunan Ampel religious tourism area Surabaya

Siti Rahayu

The purpose of this paper is to analyze the influence of travel motivation, Muslim-friendly amenities and lifestyle, destination image, and the quality of service on Indonesian travelers' intentions to visit Sunan Ampel religious tourism area Surabaya. Data were collected through self-administrated questionnaires...

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Model analysis of service satisfaction as the modulator between service quality and decision-making behavior in using low-cost airlines

Sumalee Ramanust, Tikhamporn Punluekdej, Yaowalak Nakvichien

This research has its objectives to study 1) service-quality, service-satisfaction, and decision-making behavior in using low-cost airlines, and 2) service-satisfaction of the customers as a modulator between service-quality and decision-making behavior of the low-cost airline passengers. The sample...

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Factors influencing accounting students in acceptance of

e-learning

Adhicipta Raharja Wirawan

This study aims to examine and obtain empirical evidence of the influence of variables consisting of System Characteristic (system interactivity, technical support, & screen design) and Individual Differences (subjective norms, internet experience, & computer self-efficacy) on an e-learning acceptance...

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Do local suppliers and local buyers benefit from foreign direct investment?: evidence from Indonesia

Dr. Suyanto, Yenny Sugiarti

This study examines the impact of foreign direct investment on the local suppliers as well as on the local buyers in Indonesian manufacturing industries. The effect of FDI on local suppliers is tracked down using the backward effect on the efficiency performance and the effect on local buyers is evaluated...

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Guest Supplies Pressures to Environment: a Hotel Case Study

Ida Bagus Made Wiyasha, I Nyoman Sudiksa

Green environment is a strategic tool to enhance marketing strategy especially in tourism area. The objective of this study is to analyze the impacts of solid wastes disposed by hotels in Bali. To meet the objective of this research archival data from 6 hotels with different classifications and

resort...



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Service Quality of Public Terminal Users in UPT-LLAJ East Java

Mrs. Sukesi, Rahma S.Muliasari

A bus terminal is a public transport infrastructure that is designated for the arrival or departures passengers and the loading or dropping off goods, Morlok (2005). From January 1st, 2017, terminal management has been under the authority of the Provincial LLAJ. The feasibility of the terminal is a priority,...

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Business Strategy: A Study on Cost Stickiness Behavior

Permata Ayu Widyasari

This paper examined the effect of firm-level business strategies on the stickiness of Selling and Administrative cost in manufacturing firms. It applied business strategies scoring model developed by Bentley et al. (2013). This model transforms the firm's financial data into business strategy classification...

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Resource orchestration to improve communication with customers: "case study: MSME footwear in East Java"

Juliani Dyah Trisnawati, Muhammad Rosiawan

This study aims to discuss the orchestration of resources in MSME in accordance with the implementation of ISO 9001 standards and the improvement of product competitiveness. By using case study research approach at MSME footwear in East Java, the results obtained are the information on how the company...

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Corporate communication and strategic management: history, operational concept and integration

Bahtiar Mohamad, Hassan Abu Bakar

There are divergent views within the literature as to what is meant by corporate communication. In this article, the authors discuss three main areas, which covered the history, the operational concepts and last the integration of corporate communication with strategic management. Currently, international...

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Cycling: do the health benefits of cycling outweigh the risks in Bangkok?

David Seale

This study aims to identify the risks of cycling in Bangkok, including congestion, noise, pollution, and the dangers of Bangkok roads. Cycling, like



many other physical activities, that could be reversed dramatically, especially on such illnesses such as obesity and diabetes 2, but it's attempting to...

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A study on the impacts of Smartphone addiction

Atlantis Press
Napassphol Sinsomsack, Waiphot Kulachai

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The objective of this study was to examine Smartphone addiction among high school students and its impacts. The samples of the study were 341 high school students in the Eastern region of Thailand derived from stratified random sampling. The questionnaire was used to collect the data. The data were then...

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Developing Ho Chi Minh City to be the city of affection, modernized and quality living

▶ MANAGE COOKIES/DO NOT SELL MY INFO

A Resolution made at the 10th Communist Party of Vietnam's Congress has stated to "developing Ho Chi Minh City to be the City of affection, modernized and quality living". This Resolution also reflects the cultural value of the City now a day because looking at the present of HCMC in the beginning of...

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