FINANCIAL PERFORMANCE OF PUBLIC COMPANY BEFORE AND AFTER ACQUISITION PERIOD 2001 – 2007

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Abstract

Acquisitions are one way companies in expanding its business in the inorganic. Companies - companies that make acquisitions have a variety of reasons one of which is to create synergies both from operational synergies and financial synergies are expected to further improve the performance of the company.

In this study examines whether there is an increased performance of the company after the acquisition compared to prior acquisitions. Object of this study are all companies that make acquisitions in the period 2001 - 2007 and listed on the Indonesia Stock Exchange (BEI). Corporate performance measurement is done from two aspects, there are accounting based and market-based. Accounting based are consists of return on assets (ROA), return on equity (ROE) and operating profit margin (OPM). While the market based is represented by a price earning ratio (PER).

The results of this study showed no significant results in terms of accounting-based, which means that the financial performance of companies after an acquisition is not greater than before the acquisition. In contrast the results in terms of market-based is significant, which means that the financial performance after acquisitions proved significant and greater than before the acquisition.

Keywords: Acquisitions, Financial Performance, Expansion Inorganic.

I. Introduction

Indonesia's economy slowly began to improve, although not yet fully recovered from the effects of monetary crisis in 1997, but the condition of Indonesia's economy after the financial crisis, in fairly good condition. Good economic conditions seen in an increase in Indonesia's economic growth each year from 2001 to 2010. Looking at the facts of the existing economic condition in Indonesia, that Indonesia's economic growth is quite good, and the capital market sector that showed a positive trend, so that the business entity or company required to continue and more improve its performance in order to maintain the existence of the company in meeting the challenges the business world's growing , both in terms of internal, of its HR (Human Resources) as well as from competitors or external companies in order to further develop. One attempt to become a large enterprise and strong in the face of the challenges is through expansion both in the form of expansion of organic or inorganic expansion.

Mergers and acquisitions is one of the strategies the company used in the expansion of the inorganic framework to further develop the company's existence more rapidly when compared with organic expansion. Researcher only use the company's strategy with the acquisition because the merged firm trend originated from the companies that is closed or not yet listed on the Stock Exchange, thus making it difficult to obtain financial data accurately and correctly. Acquisitions made by companies are a strategic decision in the business world. By doing this acquisition strategy, the company is expected to boost its performance to become more effective and efficient. In addition, in an acquisition, the company can create a diversified, both in terms of product type or level of risk faced by companies in its operations, so that ultimately the acquisition is intended to enhance the profits of the company.

Much research has been done to analyze the financial performance of the company after the acquisition synergies, but the results are not always consistent. Doddy Setiawan and Payamta (2004) concluded that the absence of an increase in the company's financial performance after an acquisition. Sample of firms from the manufacturing sector with the analysis for 2-year period before and after an acquisition. Diversification and risk reduction is the company's main motive in making acquisitions, as well as to save the company a target of the threat of bankruptcy. Payamta and Doddy Setiawan’s research (2004) confirmed by Caecilia Bintang Hari Yudhanti (2005) who proved that there was no increase of the company's financial performance after their make acquisitions, particularly on the operational activities of the company. However, contrary to the research Marina Martynova, et. Al (2006) that examined the long-term profitability of the acquisition of existing companies in the United Kingdom (UK) as many as 155 companies during the period 1997 to 2001, and proved that an increase in the performance of companies after an acquisition. Research Marina Martynova, et. Al (2006) also supported by Sergio Salis (2006) that examined the impact of acquisitions made by foreign companies to manufacturing firms in Slovenia in 1997. Acquisitions of foreign companies are proven to improve firm performance significantly due to the influence of technology transfer from the bidder company.

Looking at the facts, the authors are interested in examining how the influence of the company's expansion through the acquisition on the performance of the company itself. In this case, described the company's financial performance with financial ratios that are divided into two aspects, namely accounting based and market-based.

1.1 Problem Formulation

Based on the background at the beginning, it is known that the acquisition is one of the external strategies used by companies that are expected to improve company performance through merger synergies generated. The success of the acquisition creates synergy is indicated by an increase in corporate performance. But from some existing research suggests there is still no consistent results, then the problem will be investigated in this research is "Does an increase in the financial performance of publicly traded company listed on the Indonesia Stock Exchange after making acquisitions in the period 2001-2007?"

1.2 Research Objectives

The purpose of this study was to test and prove the improvement of financial performance of companies listed on the Indonesia Stock Exchange after an acquisition in the year 2001 to 2007.

1.3 Benefits of Research

This research is expected to provide benefits to parties - stakeholders, namely:

1. Investor
   As consideration for investors in order to making investment decisions of companies that will conduct the external expansion strategy with the acquisition.
2. Management
   As consideration for management in the context of policy making - policy on

companies that will make acquisitions, which aims to increase the wealth of the shareholders of the company.

II. Theoretical Review and Hyphoteses Development

2.1 Overview of Acquisition

Abdul Moin (2007:8) states derived from the word acquisitio Acquisition (Latin) and acquisition (English), literally meaning the acquisition is to buy or get things / objects to be added to an object that has been previously owned. Acquisition of business terminology defined in the ownership or control over the takeover of the shares or assets of a company by another company, and in this event either corporate or foreclosed acquirer still exist as separate legal entities. Meanwhile, Government Regulation No. RI. 27 Year 1998 about Merger, Consolidation, and Acquisition Company Limited defines that the acquisition is a legal act committed by a legal entity or natural person to take over either all or most of the companies whose shares may result in the shift of control over the company. While an accounting perspective on acquisitions in SFAS. 22 paragraph 08 explains that the acquisition (acquisition) is a form of business combination in which one company, namely the acquirer to obtain control of the net assets and operations of acquired companies (acquiree), to provide certain assets, acknowledging an obligation, or removing the stock.

Ross, Westerfield and Jordan (2010:833) acquisition can be performed by a business entity to obtain other business entity with 2 (two) ways: (1) Acquisition of stock, buy direct stakes in the target company's shareholders and (2) Acquisition of assets, or buy almost all bodies of the target company's assets, in this case the target company stopped its existence.
Ross (2010:834), the acquisition can be divided into three groups:

1. Horizontal acquisition: the acquisition of similar companies. Acquirers buying other companies similar industry, such as a bank buys another bank. Usually this acquisition done because they want to enlarge the market share of the company. In fact, the company is very tight competition in the market so one of the companies feel better buying other companies rather than compete.
2. Vertical acquisition: the company bought another company that is not similar, but the company that purchased will help the company to its production process. One example of this acquisition the textile company to purchase yarn spinning company, so companies have benefited textile production process.
3. Conglomerate acquisition: the company bought another company that has no relation to one another. In this case the buyer company has excess cash and wants to create a conglomerate company. Timber companies bought a company engaged in the textile field. Both types of business are not related but the timber companies want to create a conglomerate that owned too much idle funds from the timber.

Gaughan (2007:117) suggests the company's motivation in making acquisitions:

1. *Growth*
   The company's growth is the most basic motivations for companies to make acquisitions. Enterprises in order to expand and strengthen the company, confronted by two things, namely the expansion internally or from within the company itself, and the expansion of externally, through acquisitions. Growth companies can more quickly expand through acquisitions than by expanding the company internally. With the acquisition, the company could expand both within the country, even abroad, so that the growth of the company can develop rapidly.
2. *Synergy*
   Synergy is the most important motivation for the company to make acquisitions because of synergy refers to the type of reaction that occurs when two companies join together to produce a greater effect than the sum separately. The resulting synergies exist two acquisitions, namely:

a. *Operating synergy*

One major source of synergy is the reduction of operating costs incurred as a result of the merging companies. This cost reduction occurs as a result of economies of scale that lead to decreased per unit cost as a result of an increase in the size or scale of operations of the company.

b. *Financial synergy*

Financial synergy refers to the reduction in capital costs resulting from the merger of the company through acquisitions. Synergies the two companies are also able to reduce the risk of the company if the flow of corporate cash flows are not perfectly related.

3. *Diversification*

Company management in making acquisitions also for the purpose of business diversification, namely the desire to enter the wider industry and profitable industries where bidders on the company with the industry on the different target companies. So the types of businesses owned by a larger without having to start a new business from scratch because it already exists on the target companies and bidder companies just continue the business that has been pioneered by the target company.

4. *Economic Motives*

a. *Horizontal Integration*

Acquisitions of companies that sell similar products or services. As a result of this process is more concentric industry. The advantage of this horizontal integration is the efficiency gains associated with the synergies and economies of scale, where duplication can be eliminated in the company's operations and increase market monopoly power: the ability to set higher prices for products and services without fear of losing sales due to price competition.

b. *Vertical Integration*

Acquisition of the company that closer with consumers or have a relationship with the consumer good in order to expand business networks.

5. *The Hubris Hypothesis*

This hypothesis states that indirectly managers of the companies in order to make acquisitions with other companies was limited to personal motives. Advantages of the combined company through the acquisition is not the main motivation of corporate managers in an acquisition.

6. *Improved Management*

The company is managed in a way less good or less efficient firms will lead to low profitability. Therefore some of the acquisitions that occurred in motivation by a conviction that the management of the bidder company can manage the resources that exist in the target company to the maximum and better.

7. *Tax Motives*

Motive companies make acquisitions because the company can also have the potential to obtain tax savings. Although acquisitions made did not work, but the important thing here is how to combine the good parts and bad parts so that the acquisition has been done can be a little better. Therefore, the acquisition must be done with planning and analysis that thoroughly so as to create synergies and improve company performance.

2.2 Financial Performance and Analysis of Financial Ratios

Robbins and Coulter (2004:465), "Performance is the accumulated end results of all the organization's work processes and activities". The concept of performance will be used in this study is the concept of performance of Robbins and Coulter, because this concept describes the performance as a result of the whole process and organizational activities. One of the most important goals in conducting a performance appraisal is to assess whether the goals set by the company as an organization is able to be achieved so as to satisfy the interests of its members (investors, creditors, shareholders). Assess the financial condition and achievements of the company, for financial analysts need some benchmarks. Benchmark that is often used is the ratio or index, which connects two financial data with each other. Horne (2002:349) argues that the analysis and interpretation of the kind - kind of ratio can provide a better view of the financial condition and financial performance. Fraser (2010:186) states that the which Profitability ratios measure the overall performance of a firm and its efficiency in managing assets, liabilities, and equity. According to Brigham and Daves (2010:265), Profitability is the net result of a number of policies and decisions. The ratios thus far Examined Provide useful clues as to the effectiveness of a firm's operations, but the profitability ratios go on to show the combined effects of liquidity, asset management, and debt on operating results. In addition to the profitability ratios, the ratio of market value or market ratios are also important in knowing the financial performance because it provides an indication of what the company thought by investors to company performance, as proposed by the Brigham and Daves (2010:268) that a final group of ratios, the market ratios, relates the firm's stock price to it's earnings and book value per share. These ratios give management an indication of what investors think of the company past performance and future prospects. If the firm's liquidity, asset management, debt management and profitability ratios all look good, then the stock price Probably Will Be Relatively high.

In this study two methods used in analyzing the company's financial performance ratios, namely accounting based and market-based. accounting-based researchers used the ratio of return on assets (ROA), return on equity (ROE), and net operating profit (OPM). And in a market based, researchers used the ratio of price earnings ratio (PER).

Based on research results Martynova, et. Al. (2006) concluded that there was an increase after the acquisition of the company's performance. This was as a result of increased profitability in the company - the company being acquired. In this study, Martynova, et. Al investigated the level of long-term profitability of the acquisition of the 155 companies in the United Kingdom between the years 1997-2001 which was acquired by companies - companies that are domiciled in the same country. Martynova research corroborated by Salis (2006) that examined the impact of acquisitions made by foreign companies to manufacturing firms in Slovenia in 1997. Salis concluded that the performance of the company after being acquired by foreign investors showed a significant increase due to the transfer of technology from the acquirer to the acquired company (the target). But the different results shown by Ceicilia (2005) which states that there is no difference between firms before and after the acquisition. This is because the study only examined the short term a year before and after an acquisition, as well as the number of samples used is also limited. Her discovery was confirmed by Payamta and Doddy Setiawan (2004) that examines the companies doing mergers and acquisitions in various periods, such as one year before and after the acquisition, one year before the acquisition and two years after acquisition, and two years before and after the acquisition. But of all these periods, there is no increase when compared to prior acquisitions. Only partial testing that showed an increase after the acquisition of the company's performance, such as testing of ROI, ROE and NPM in the period one year prior to the acquisition and two years after acquisition.

Many studies have been conducted with the aim to investigate the influence acquisition decisions on the company's performance, with mixed results. This is what underlies this research, where research is more focused on a longer period than previous studies that resulted in the number of samples studied companies are also more, namely the three years prior to the acquisition and three years after making acquisitions during the period 1998 - 2010 and in get a sample of 32 companies. Equation of studies - previous research concerns the acquisition of a selected topic, related to the financial performance of companies that make acquisitions both before and after an acquisition. While that distinguishes this study with previous studies of peiode time used, facts, and the object of his company. Of the problem then the hypothesis proposed in this study are:

H_0 = financial performance of the companies after an acquisition is not greater when compared to prior acquisitions.

H_1 = financial performance of the companies after an acquisition is greater when compared to prior acquisitions.

III. Research Methodology

a. Sample

Samples studied in this research are companies that have gone public and listed on the Indonesia Stock Exchange (IDX). The sample in this study has the following characteristics:

1. Element
   Consists of financial statements of companies that have gone public and listed on the Indonesia Stock Exchange (IDX).
2. Sampling Unit
   From those statements are about: total assets, total shareholders 'equity (shareholders' equity), net sales (net sales), operating profit, net profit (net income), price per share, and earnings per share.
3. Scope
   The financial statements taken are the financial statements prior to acquisition (3 years) and after acquisition (3 years) for each company.
4. Time
   The time that the object of research is in the period 2001 - 2007, while the period of financial statement analysis company that made acquisitions during the period 1998 to 2010. Companies that meet the characteristics of the above amounted to 32 companies. Companies that are not registered and has been delisted from the Indonesia Stock Exchange during the period are ignored.

b. Data Sources

The data used in this study is a type of secondary data. The data used for this research came from several sources, among others:

1. Indonesia's economic growth data in 2001 - 2010 obtained from the library BPS (Badan Pusat Statistik) Surabaya.
2. Data Composite Stock Price Index (IHSG) years from 2001 to 2010, obtained from Yahoo! Finance database (http://finance.yahoo.com).
3. Companies that perform data acquisition in the period 2001 - 2007 obtained from the Indonesia Stock Exchange (IDX) Jl. Basuki Rahmat Surabaya.
4. Data The financial statements of companies that make acquisitions, obtained from the Indonesian Capital Market Directory (ICMD) in the period 2000 to 2010 and the Indonesia Stock Exchange databases (http://www.idx.co.id), and the Osiris database of e-lib library of the University Surabaya (http://osiris.bvdep.com/ip).
5. Annual stock price data obtained from Yahoo! Finance database (http://finance.yahoo.com)

c. Operational Definition and Research Variables

Here are the operational definition of each financial ratio used:

1. *Return on Asset* (ROA), measure the effectiveness of management companies that make acquisitions in a profit to the company's existing assets..

2. *Return on Equity* (ROE), measure the rate of return or the stockholders of the company
3. *Operating Profit Margin* (OPM), measure the operational efficiency of companies that make acquisitions as a whole and does not take into account the costs associated with its business
4. *Price earning ratio* (PER), measure how much investors are willing to pay for each dollar of earnings the company that buys

The ratio above is used in this study because, according to Hampton (1989:111-117), "Return on Assets is the key indicator of profitability for a firm". Return on Assets ratio is a key indicator of profitability in a company. "Return on Equity is an Important indicator of profit to shareholders of the firm". Return on Equity is an indicator of profit is very important and necessary for the investors or shareholders of the company. Hampton also said that "The price earnings ratio is calculated by dividing earnings per share into market price of stock. It is the most Important measures of value used by investors in the marketplace ". Price earnings ratio is the most important measure of market valuation used by investors. Operating profit margin can also be referred to as "pure profit" from the company, where this ratio is only a measure of corporate profits, regardless of the tax, interest, and dividends so that this ratio is a key element in the assessment of corporate profitability (Gitman, 2006:67). So that the ratio is already able to represent the company's financial performance assessment in terms of accounting based and market-based.

d. Hypothesis Testing

Verifiable hypothesis testing in this study using inferential statistical tests. Hypothesis testing techniques used were paired t test (paired samples t - test - one tailed), with reference to the significance level = 5%.

This study used α = 5%, this means that the data processing is significant at 5%. If significant levels obtained greater than 0.05 then H0 is accepted. And conversely if the value significantly less than 0.05 then H0 rejected and H1 accepted

IV.Data Analysis and Discussion

This section will discuss the results of research on the company's financial performance comparison between before and after the acquisition in terms of accounting based and market-based. Prior to hypothesis testing is done, data to be analyzed must first be qualified as having normal data so it is necessary to test for normality. Testing normality of the data in this study using SPSS 18.0 for windows with one method of sample Kolmogorov-Smirnov test.

Table 1
Normality Test Before Acquisition
One-Sample Kolmogorov-Smirnov Test

		ROA	ROE	OPM	PER
N		32	32	32	32
Normal Parameters[a,b]	Mean	.064750	.730544	.081718	10.493414
	Std. Deviation	.1718245	2.629628	.4441095	8.686957
Most Extreme Differences	Absolute	.270	.387	.351	.115
	Positive	.270	.387	.227	.115
	Negative	-.243	-.325	-.351	-.095
Kolmogorov-Smirnov Z		1.530	2.188	1.985	.651
Asymp. Sig. (2-tailed)		.019	.000	.001	.791

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Table 2
Normality Test After Acquisition

One-Sample Kolmogorov-Smirnov Test

		ROA	ROE	OPM	PER
N		32	32	32	32
Normal Parameters[a,b]	Mean	.088752	.210461	.137147	23.964789
	Std. Deviation	.1369463	.3022332	.1472584	32.817520 4
Most Extreme Differences	Absolute	.275	.246	.130	.333
	Positive	.275	.246	.121	.333
	Negative	-.196	-.192	-.130	-.230
Kolmogorov-Smirnov Z		1.553	1.394	.733	1.883
Asymp. Sig. (2-tailed)		.016	.041	.656	.002

From the results of tests of normality prior to acquisition, it appears that the variable ROA, ROE, and OPM has significant levels of <0.05, ie 0019, 0000, and 0001. This indicates that the data were not normally distributed. While the PER variable is normally distributed with a significant level of 0791. In testing for normality after an acquisition, not much different from before the acquisition. The variable ROA, ROE, and the PER had significant levels of <0.05, ie 0016, 0041, and 0002, so data were not normally distributed. OPM variables had significant levels of 0656 and normally distributed data.

Gujarati (2009:99) states that "... it can be shown if Those That are a large number of independent and identically distributed random variables, then with a view exceptions is the distribution of Their sum tends to a normal distribution ..." Gujarati (1995: 782) also classifies variables with n> 25 is a larger sample. "..., Based on n = 25 is biased since its distributed sampling is not only tends to be more closely centered on (ie ..., Becomes less biased) but also its variance Become Smaller". Therefore, the amount of data it can be said as many as 32 data or a large sample, so that by itself the data is normally distributed.

Table 3
Mean and Standard Deviation Companies Go Public Before and After Making Acquisition Period 2001 - 2007

Emiten Code	Prior Acquisition				After Acquisition			
	ROA	ROE	OPM	PER	ROA	ROE	OPM	PER
Mean	**0.0647**	**0.7305**	**0.0817**	**10.4934**	**0.0887**	**0.2104**	**0.1371**	**23.9647**
SD	**0.1718**	**2.6296**	**0.4441**	**8.6869**	**0.1369**	**0.3022**	**0.1472**	**32.8175**

Table 3 above can inferred that financial performance company after perform acquisitions measured with return on assets (ROA), return on equity (ROE), operating profit margin (OPM), and price earning ratio (PER) more fluctuated and tend existence performance improvement after acquisition if compared with before doing acquisitions. In terms of accounting based, the mean value of ROA and OPM to increase performance, whereas the mean ROE decreased performance after an acquisition.In terms of market based mean values from PER also experiencing significant increase. Standard deviation value of ROA, ROE, and OPM, the trio has decreased after the acquisition, this indicates that the smaller the deviation of the data variation. While the PER or otherwise on terms of market based, the greater the standard deviation value after an acquisition, where it is indicated that the existing data increasingly varied.

e. Analysis of Hypothesis

Tests used in this study were paired t test (paired samples t - test one-tailed) of each ratio tested.

Table 4
Hypothesis Testing Results of ROA

Paired Samples Test

		Sig. (1-tailed)
Pair 1	ROA Before Acquisition - ROA After Acquisition	.258

The mean - average return on assets of the company rose after an acquisition, but the results of significant value for 0258 (> 0.05), then H1 is rejected, which means that the company's financial performance as seen from the value of return on assets after an acquisition is not greater when compared with performance of companies before making acquisitions.

Table 5
Hypothesis Testing Results of ROE

Paired Samples Test

		Sig. (1-tailed)
Pair 1	ROE Before Acquisition - ROE After Acquisition	.146

The mean - average return on equity firms decreased after the acquisition with a value significantly by 0146 (> 0.05), then H1 is rejected, which means that the company's financial performance as seen from the return on equity after the acquisition is not greater when compared with the performance of the company before making acquisitions.

Table 6
Hypothesis Testing Results of OPM
Paired Samples Test

		Sig. (1-tailed)
Pair 1	OPM Before Acquisition - OPM After Acquisition	.231

The mean - average operating profit margin increased after an acquisition, but the results of significant value for 0231 (> 0.05), then H1 is rejected, which means that the company's financial performance as seen from the operating profit margin after an acquisition is not greater when compared with performance of companies before making acquisitions.

Table 7
Hypothesis Testing Results of PER
Paired Samples Test

		Sig. (1-tailed)
Pair 1	PER Before Acquisition - PER After Acquisition	.023

The mean - average price earnings ratio the company experienced a significant increase after the acquisition, it is also followed by significant results for 0023 (<0.05), so that H1 accepted which means that the company's financial performance as seen from the price earnings ratio after doing acquisition is greater when compared with the performance of the company prior to acquisition.

V.Conclusions, Limitations of Research, and Recommendations

5.1 Conclusions

The results of hypothesis testing of financial performance publicly traded company that make acquisition the period 2001 - 2007 in terms of accounting based, all ratios showed no significant value. Return on assets (ROA) for 0258 showed significant values (> 0.05), then H0 rejected and H1 accepted which means that the value of the average - average ROA firms go public after an acquisition is not greater than it was before the acquisition. From the results of hypothesis testing return on equity (ROE) for 0146 showed significant values (> 0.05), then H0 rejected and H1 accepted which means that the value of the average - average ROE of the company went public after an acquisition is not greater than it was before the acquisition. It is also common on the results of hypothesis testing of the operating profit margin (OPM), where the 0231 figures showed significant values (> 0.05) which also means that H0 rejected and H1 accepted, so the value of the average - average OPM publicly traded company after an acquisition is no more large compared with before making acquisitions.

But otherwise in terms of market-based, value price earning ratio (PER) showed a significant value for 0023 (<0.05), then H0 rejected and H1 accepted which means that the value of the average - average PER companies go public after acquiring proven or greater increase compared with before making acquisitions. So it can be concluded that in terms of accounting based H1 is rejected, while in terms of market-based H1 accepted.

Impacts arising from the implementation of the acquisition were not always positive, namely improvement of performance, but also it is not impossible if the acquisition is actually a negative impact in the absence of increased performance or decreased performance. Acquisition of the company's failure can be caused by a variety of possibilities, such as the inability of management to manage company assets and additional capital available, or can also be generated from non-technical factors, such as organizational culture between different companies. With no increase in performance after an acquisition is also indicated that the company's goal is to make acquisitions to reduce the risk / diversification.

5.2 Limitations of Research

It should be noted that the processing of data in this study as many as 32 companies made up of all types of acquisitions. The absence of grouping types of the acquisition may affect the results of performance appraisal company after acquiring the company as a whole because the data is still quite heterogeneous. In this study using a 3-year period before and after the acquisition, and there has been no significant increase in performance when compared to prior acquisitions. This is most likely the result of the acquisition will be fully visible in a longer period, say 5 years due to back companies that basically do the same with any acquisitions the company made an investment, which need capital at the beginning of the period, and the results were also obtained several years later and is expected to take place in the long run to the front.

5.3 Recommendations

1. For Management
   The acquisition is an investment decision that must be considered thoroughly and systematically. It should be taken into account regarding the costs and benefits are issued and that would be obtained from the implementation of the acquisition process so that the acquisition can improve company performance as expected.

2. For the next Researcher
   The acquisition is a decision which affects long-term investment. This study has limitations on the use of corporate data to make acquisitions, further research is expected to add the control variables in order to classify firms into homogeneous data, eg by type of acquisition, acquisition of vertical, horizontal acquisition, and Conglomerate acquisition. Also from the research period, ie 3 years before and after the acquisition, so expect further research using the implementation of the acquisition period is longer for the results of the implementation of the acquisition is also increasingly evident. Besides financial performance measurement in this study only uses 4 (four) ratio of ROA, ROE, OPM and PER that is expected in future studies using measurements of the ratio the more so that research results can also be viewed from many sides that can be used as an assessment of financial performance the company.

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FOREWORD

This Proceeding is a compilation of papers submitted for **The 9th International Annual Symposium on Management** conducted by the Department of Management, Faculty of Business and Economics, Universitas Surabaya. This year's theme of the symposium is Innovation And Best Practices In Business Management: "How To Enhance Organizational Effectiveness On Free Trade Area In Asia?"

In this opportunity, we would like to share our grateful to the institution (national and abroad) who send their lecturer or researcher to our symposium.

This symposium is to provide a sharing forum for researchers, academics, and practitioners engaged in basic and applied research in Free Trade Area Agreement in Asia opens up opportunities while increasing competition among enterprises. Therefore, every business entity must have a certain comparative advantage so that it can run a strategic role for competition in the business world. This condition requires every business entity in Asia to accelerate growth and changes, and to develop capacity to be able to survive. In order to achieve that acceleration, those business entities must have much innovation and the best business practice that can provide a long term competitiveness (futuristic) more than today market demands, and that can resist recession (Recession Proof). Those Innovation and business practices are supported by the efforts of strategic alliances in a network with various business entities as well as by conducting a Strategic Benchmarking for an increase in the effectiveness of the enterprise and the ability to compete in the business world.

Finally, we hope that this compilation of papers, ranging from a conceptual work to an empirical research can enrich our perspective in corporate governance theory and practices.

TABLE OF CONTENTS

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