The Effect of Director Experience on Acquisition Performance

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Abstract

Purpose: This study was conducted to examine the impact of the director's experience on the acquisition performance. This research also focuses on how the experience of director in making future acquisitions. The authors used. The object of this research is the company that made acquisitions in 2013-2017.

Design/methodology/approach: The purposive sampling method is used to select the research sample. The descriptive statistical test, outlier test and hypothesis test is used to analyzed the data using SPSS program. Assuming cumulative abnormal return (CAR) are the performance to measure a success acquisition, and the factors that have an impact on acquisition performance are performance are taken number of prior acquisitions with positive CAR, number of prior acquisitions, average number of acquisitions, number of acquisitions with same industry, percentage number of acquisitions with positive CAR, board independent, board size, managerial ownership, firm size, free cash flow, CEO tenure and leverage as independent variable. The purposive sampling method is used to select the research sample. The descriptive statistical test, outlier test and hypothesis test is used to analyzed the data using SPSS program.

Findings: The results from this study show that the number of acquisition with positive CAR can improve acquisitions performance in the future, but the number of prior acquisitions can be reduce the acquisitions performance.

Practical implications: This finding will be very helpful for management as a condition in choosing a new CEO. By adding acquisition experience as one of the conditions in choosing a CEO. This will increase the level of successful acquisition of the company.

Originality/value: This article present the empirical study of how CEO Experience in Acquisition can increase the success rate of acquisition in Indonesia.