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ASSOCIATION BETWEEN THE MANAGERIAL ABILITY AND LONG-TERM PERFORMANCE IN MERGERS AND ACQUISITIONS

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Abstract: Mergers and acquisitions are still a hot topic to be discussed and are often seen as a high priority issue worldwide as a controversial decision because it has a very complex impact**.** This study aims to test and analyze whether managerial ability has an effect on long-term performance and 1, 2, and 3 years after mergers and acquisitions. In addition, this study also aims to examine whether managerial ability in horizontal acquisitions has an effect on long-term operating performance rather than diversified acquisitions. This research uses quantitative research. The sample of this research is 14 public acquisition companies with a research period of 10, 9, and 8 years after mergers and acquisitions are listed on the Indonesia Stock Exchange and KPPU in 2010-2012. The results showed that managerial ability had an effect on operating performance 1 year after mergers and acquisitions. Other research results indicate that managerial ability has no effect on operating performance 2 and 3 years after mergers and acquisitions and long-term performance. In addition, managerial ability in horizontal acquisitions has no effect on long-term performance and 1, 2, and 3 years after mergers and acquisitions than diversified acquisitions.
Keywords: Managerial Ability, Long-Term Performance, Mergers And Acquisitions

INTRODUCTION

Changes that occur in the industrial world cause several companies to be required to conduct tight and competitive competition. Now the company is dealing with this competition by establishing the right strategy in order to maintain its business continuity both in the short and long term. Internally, the company develops its products with the latest innovations and improves their services. Externally, the company carries out mergers and acquisitions both for the short and long term (Wulandari et al., 2020).

Based on the Financial Accounting Standards (PSAK) Number 22 concerning Business Merger, a merger and acquisition is the merger of two or more separate companies into one part of an economic entity. In a business combination, one company gains control over the assets and operations of the other company. Whereas an acquisition is a business combination in which one of the companies, namely the acquirer, obtains great control over the assets and operations of the company being acquired by providing certain assets, recognizing an obligation or issuing shares (IAI, 2007).

Types of mergers and acquisitions according to Gumilarsjah (2016:4) are as follows: Horizontal Mergers and Acquisitions. A merger of companies that occurs in the same or similar industry between one company and another. Vertical Mergers and Acquisitions. The merger of two or more companies that have upstream and downstream

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industry links in the production or marketing chain. For example, a manufacturing company that buys a retail company or a supplier of raw materials. Mergers and Acquisitions Diversification. Merger of companies that do not have a relationship with a business that is run with the same or similar (across industries). The existence of diversified mergers and acquisitions is intended for companies that want to achieve growth outside of their main industry and want to strengthen their competition with other competitors.

According to (Tuch & O'Sullivan 2007), several companies believe that conducting mergers and acquisitions is the right investment strategy to strengthen their competitive advantage over other companies. Not only that, there are various motivations for companies that carry out mergers and acquisitions, such as improving a good corporate image, enlarging company assets and increasing shareholder wealth of the acquiring company (Aprilita et al., 2011). This is supported by redistribution theory.

The redistribution theory according to Ahern & Weston (2007) explains that some companies are motivated because they want to benefit from mergers and acquisitions including tax savings for the acquiring company if the company has a large enough profit so that the taxes paid should also be large, increasing the company's efficiency, maintaining the stability of its revenue through cross-industry mergers and acquisitions, and increasing the prestige of the company's directors.

According to (Wulandari et al. 2020) many parties feel that they have benefited or been disadvantaged from these mergers and acquisitions. An example is the merger between Bank Pembangunan Indonesia (BAPINDO), Bank Bumi Daya, Bank Export Import Indonesia and Bank Dagang Negara into a unit, namely Bank Mandiri, which has become one of the largest banks in Indonesia so it is considered that the strategy was successful for the sake of maintain long-term business continuity. However, this success was not fully felt by the parties conducting the mergers and acquisitions. PT Japfa Comfeed Indonesia (JPFA) 's performance growth was recorded to have decreased by 7% *year on year* to Rp16.91 trillion and experienced a net profit increase of 81% to Rp155.11 billion. It can be seen that the decline in performance was caused by weak demand which caused sales volume to decrease (Kontan.co.id, 2020).

According to (Cui & Leung 2020) the company's top management has the responsibility for all decision making, namely investment decisions, financing and other strategic decisions. In short, in mergers and acquisitions, managerial ability is the determinant in generating revenue growth, creating corporate value and company performance both in the short and long term. According to Ng & Daromes (2016), a measure of managerial ability based on the efficiency of managers in generating profits includes the level of knowledge, skills and experience of top management.

The results of previous research conducted by (Chen & Lin 2018) state that there is a positive relationship between managerial ability and short-term and long-term stock returns. Supported by the results of research by (Cui & Leung 2020) which show that after the company decides on mergers and acquisitions, operating performance and long-term stock return performance have a positive and significant effect on the managerial ability of the acquiring company. This is not same with the results of (Wibowo & Hamdani 2020) research that mergers and acquisitions do not have a positive effect

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on value creation and company performance, both in the short and long term of the company. The results of this study are supported by the results of research conducted by (Faizan et al. 2020) which shows that the financial performance of banks in Pakistan is deteriorating or experiencing a decline after mergers and acquisitions take place.

The neoclassical theory according to (Ahern & Weston 2007) explains that a business combination can be a productive thing rather than the company being alone. The meaning of the word productive is a synergy benefit from mergers and acquisitions that can be realized. Profits resulting from merger and acquisition actions can be obtained easily if the company has good motivation in mergers and acquisitions, and vice versa, losses will be obtained if the company is not able to achieve its merger and acquisition goals properly or if it prioritizes the personal interests held between parties (Ahern & Weston, 2007).

Thus, from the problems that arise as previously described and the inconsistency of some of the results of previous studies, the writer wishes to examine the relationship between the acquirer's managerial ability and long-term operating performance in mergers and acquisitions: in the horizontal acquisition perspective. Based on the description above, the hypothesis in this study can be presented as follows:

H_{1a}: The acquirer's managerial ability affects the operating performance of 1 year after the merger and acquisition

H_{1b}: The acquirer's managerial ability affects the operating performance 2 years after the merger and acquisition

H_{1c}: The acquirer's managerial ability affects operating performance 3 years after the merger and acquisition

$H_{1d:}$ The acquirer's managerial ability affects the performance of long-term operations after mergers and acquisitions

$H_{2a:}$ Managerial ability in the acquisition of horizontal affect operating performance 1 year after mergers and acquisitions rather than the acquisition of diversified

H_{2b}: Managerial ability in horizontal acquisitions affects operating performance 2 years after mergers and acquisitions rather than diversified acquisitions

H_{2c}: Managerial ability in horizontal acquisitions affects operating performance 3 years after mergers and acquisitions rather than acquisition diversified

H_{2d}: Managerial ability in horizontal acquisitions affects the long-term operating performance after mergers and acquisitions rather than diversified acquisitions.

METHODS

This study uses quantitative research. According to Sugiyono (2016:8) the quantitative research method is based on the philosophy of positivism which is used to examine the population or particular sample by collecting data using research instruments as well as statistical data to test predetermined hypotheses. The object of research in this study is the long-term operating performance after mergers and acquisitions contained in the company's financial statements and annual reports. Research subjects in this study are public companies that carry out mergers and acquisitions both in similar and cross-industry industries and are listed on the KPPU and the Indonesia Stock Exchange (BEI) in 2010-2019.

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The sampling technique used in this study was a purposive sampling method with predetermined criteria, among others, as follows: 1) Public companies that carry out mergers and acquisitions both in similar and cross-industry industries that are included in the list of KPPU at 2010-2012; 2) Companies that provide secondary data in the form of financial reports as well as complete annual reports and can be downloaded from the website *of* the Indonesia Stock Exchange (IDX) as well as the websites official of each company for 2010-2019; 3) The company presents financial statements in rupiah currency. Based on the criteria that have been mentioned, there is a research sample of 14 companies with a research period of 10, 9, and 8 years after mergers and acquisitions. In addition, in the research sample, there are 10 companies with horizontal merger and acquisition types and 4 companies with diversified merger and acquisition types (across industries).

In this study, data testing and processing was assisted by software SPSS version 25, where managerial ability (X1) as an independent variable, company size (X2), leverage (X3), market to book ratio (X4), tax losses (X5), cash (X6), stocks (X7), sales growth (X8), year fixed effects to see the performance produced by the company at 1, 2, and 3 years after mergers and acquisitions and the type of industry proxied by horizontal acquisition (X9) to test the second hypothesis with chi-square test as a control variable and long-term operating performance as proxied by return on assets (ROA) as the dependent variable (Y).

RESULT AND DISCUSSION

Descriptive Statistics

The following are descriptive statistics for each variable consisting of the minimum value, maximum value, average, and standard deviation.

Table 1. Descriptive Statistic Variable

	Min.	Max.	Mean	Std.Dev
MA	0.18	1.17	0.79	0.27
Size	28.58	32.12	29.82	1.18
LEV	0.21	0.91	0.52	0.18
MB	0.01	0.72	0.24	0.25
Tax Loss	0.00	0.61	0.11	0.18
Sales Growth	0.00	0.90	0.23	0.23
$YRoa_1$	-0.27	0.17	0.05	0.10
$YRoa_2$	-0.03	0.17	0.06	0.05
$YRoa_3$	-0.04	0.15	0.04	0.04
YRoa	-0.27	0, 31	0.05	0.06

Source: data that has been processed by the author (2021)

Based on table 2, information can be obtained that managerial ability (X1) as an independent variable has a minimum value of 0.1753 while the maximum value is 1.1666. The average value of managerial ability (X1) is 0.7921 with a standard deviation of 0.2706.

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In addition, table 2 also presents the statistical results of control variables consisting of company size (X2), leverage (X3), market to book ratio (X4), tax losses (X5), cash (X6), stocks (X7), sales growth (X8) and the type of industry proxied by horizontal acquisition (X9). Company size (X2) has a minimum value of 28.5827 and a maximum value of 32.1190, while the average company size (X2) is 29.8203 with a standard deviation of 1.1804. Leverage (X3) has a minimum value of 0.2125 and a maximum value of 0.9125, while the average value of leverage (X3) is 0.5158 with a standard deviation of 0.1822. The market to book ratio (X4) has a minimum value of 0.0131 and a maximum value of 0.7201, while the average market to book ratio is 0.2392 with a standard deviation of 0.2498. Tax loss (X5) has a minimum value of 0.0000 and a maximum value of 0.6145. The average amount of tax loss (X5) is 0.1135 with a standard deviation of 0.1800. Sales growth (X8) has a minimum value of 0.0059 and a maximum value of 0.8971, while the average value of sales growth (X8) is 0.2336 with a standard deviation of 0.2345.

In this study, there are 3 control variables which are proxied by dummy variables, namely cash (X6), stocks (X7) and horizontal acquisition (X9). Each of these variables has a minimum value of 0 and a maximum value of 1.

Table 2 also presents the statistical results of the dependent variable, namely operating performance proxied by ROA (Y) with control variables year fixed effect 1, 2, and 3 years after mergers and acquisitions. ROA1 has a minimum value of -0.2697 and a maximum value of 0.1741, while the average value of ROA1 is 0.0515 with a standard deviation of 0.1036. ROA2 has a minimum value of -0.0295 and a maximum value of 0.1707, while the average ROA2 value is 0.0568 with a standard deviation of 0.0515. ROA3 has a minimum value of -0.0353 and a maximum value of 0.1502, while the average number of ROA3 is 0.0423 with a standard deviation of 0.0446.

In addition, table 2 also presents the statistical results of long-term operating performance measured by Return on Assets (ROA) which has a minimum value of -0.2697 and a maximum value of 0.3099, while the average number of ROA is 0.0495 with a standard deviation. 0.0632.

F Test

Based on table 3 that has been presented below, information can be obtained related to the results of each test regression of research.

Table 2. F Test

	F	Sig
Simple regression with control variable ROA1	8,477	0,013
Multiple linear regression with control variable ROA1	2,127	0,211
Simple regression with control variable ROA2	0,019	0,893
Multiple linear regression with control variable ROA2	0,838	0,608
Simple regression with control variable ROA3	0,007	0,936
Multiple linear regression with control variable ROA3	0,507	0,813
Simple regression with control variable ROA	0,061	0,809
Multiple linear regression with control variable ROA	0,243	0,962

Source: data that has been processed by the author (2021)

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Based on table 3 it can be seen that the results of the F test in simple regression with the control variable ROA1, it can be seen that the significance value is 0.013<0.05 with F_{count} = 8.477. The results of the F test in multiple linear regression with the control variable ROA1, it can be seen that the significance value is 0.211>0.05 with F_{count} = 2.127. So it can be concluded that in simple regression, managerial ability has an effect on operating performance 1 year after mergers and acquisitions. However, if tested with multiple linear regression, then managerial ability (X1), company size (X2), leverage (X3), market to book ratio (X4), tax losses (X5), stocks (X7), sales growth (X8), and horizontal acquisition (X9) has no effect on operating performance 1 year after mergers and acquisitions. The results of the F test in simple regression with the control variable ROA2, it can be seen that the significance value is 0.893>0.05 with F_{count} = 0.019. The results of the F test in multiple linear regression with the control variable ROA2, it can be seen that the significance value is 0.608>0.05 with F_{count} = 0.838. So it can be concluded that although in simple regression testing or multiple linear regression, each regression has a significant value greater than 0.05, which means that managerial ability (X1), company size (X2), leverage (X3), market to book ratio (X4), tax losses (X5), stocks (X7), sales growth (X8), and horizontal acquisitions (X9) had no effect on operating performance 2 years after mergers and acquisitions. Same with the results of the F test in simple regression with the control variable ROA3, it can be seen that the significance value is 0.936>0.05 with F_{count} = 0.007. The results of the F test in multiple linear regression with the control variable ROA3, it can be seen that the significance value is 0.813>0.05 with F_{count} = 0.507. So it can be concluded that although in simple regression testing or multiple linear regression, each regression has a significant value greater than 0.05, which means that managerial ability (X1), company size (X2), leverage (X3), market to book ratio (X4), tax losses (X5), stocks (X7), sales growth (X8), and horizontal acquisitions (X9) had no effect on operating performance 3 years after mergers and acquisitions.

In addition, table 3 also presents the results of the F test in simple regression and multiple linear regression with the dependent variable, namely long-term operating performance, which is proxied by return on assets (ROA). The results of the F test in simple regression with the dependent variable ROA, it can be seen that the significance value is 0.809>0.05 with F_{count} = 0.061. The results of the F test in multiple linear regression with the dependent variable ROA, it can be seen that the significance value is 0.962>0.05 with F_{count} = 0.243. So it can be concluded that although in simple regression testing or multiple linear regression, each regression has a significant value greater than 0.05, which means that managerial ability (X1), company size (X2), leverage (X3), market to book ratio (X4), tax losses (X5), stocks (X7), sales growth (X8), and horizontal acquisitions (X9) had no effect on long-term operating performance after mergers and acquisitions.

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T-Test

The results of the t-test or partial test of each research regression model are in the following:

Table 3. t-test with Control Variable ROA1

VAR.	Simple Regr.		Multiple Linear Regr.	
	t	Sig.	t	Sig.
MA	2,912	0,013	1,885	0,118
Size			0,543	0,610
LEV			-0,990	0,368
MB			0,414	0,696
Tax Loss			-0,413	0,697
Stock			-1,352	0,234
Sales Growth			0,695	0,518
Horizon			0,169	0,873

Source: data that has been processed by the author (2021)

Based on table 4, it can be obtained information related to the results of the t-test in simple regression and multiple linear regression with the control variable ROA 1 year after mergers and acquisitions. In simple regression, the significant value of managerial ability (X1) is 0.013 which is smaller than the significant level of 0.05 with a value t_{count} = 2.912. In multiple linear regression, the significant value of managerial ability (X1) is 0.118 greater than the significant level of 0.05 with a value t_{count} = 1.885. The significant value of the company size (X2) is 0.610 greater than the significance level of 0.05 with a value t_{count} = 0.543. The significant value of the leverage (X3) is 0.368 greater than the significance level of 0.05 a value t_{count} = -0.990. The significant value of the market to book ratio (X4) is 0.696 greater than the significant level of 0.05 a value t_{count} = 0.414. The significant value of tax losses (X5) is 0.697 greater than the significant level of 0.05 with a value t_{count} = -0.413. The significant value of the shares (X7) is 0.234 greater than the significance level of 0.05 with a value t_{count} = -1.352. The significant value of sales growth (X8) is 0.518 greater than the significant level of 0.05 with a value t_{count} = 0.695. The significant value of horizontal acquisition (X9) is 0.873 greater than the significant level of 0.05 with a value t_{count} = 0.169. These results indicate that $H1_a$ is accepted and it can be concluded that managerial ability has an effect on operating performance 1 year after mergers and acquisitions. However, the size of the company, leverage value, market to book ratio, tax losses, types of transactions and types of industry in mergers and acquisitions in this study do not affect the operating performance of 1 year after mergers and acquisitions.

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Table 4. T-Test With Control Variable ROA2

VAR.	Simple Regr. t	Simple Regr. Sig.	Multiple Linear Regr. t	Multiple Linear Regr. Sig.
MA	-0,138	0,893	-0,786	0,468
Size			0,057	0,957
LEV			-1,550	0,182
MB			0,374	0,724
Tax Loss			-0,044	0,967
Stock			0,552	0,604
SG			-0,803	0,458
HOR			-1,591	0,173

Source: data that has been processed by the author (2021)

Based on table 5, it can be obtained information related to the results of the t-test in simple regression or multiple linear regression with the control variable ROA 2 years after mergers and acquisitions. In simple regression, the significant value of managerial ability (X1) is 0.893 with a value t_{count} of -0.138. In the multiple linear regression, the significant value of managerial ability (X1) is 0.468 with a value t_{count} of -0.786. The significant value of the company size (X2) is 0.957 with a value t_{count} of 0.057. The significant value of leverage (X3) is 0.182 with a value t_{count} of -1.550. The significant value of market to book ratio (X4) is 0.724 with a value t_{count} of 0.374. The significant value of tax losses (X5) is 0.967 with a value t_{count} of -0.044. The significant value of stock (X7) is 0.604 with a value t_{count} of 0.552. The significant value of sales growth (X8) is 0.458 with a value t_{count} of -0.803. The significant horizontal acquisition (X9) is 0.173 with a value t_{count} of -1.591. It can be seen that the significant value of all variables in simple regression and multiple linear regression has a value greater than the predetermined significance level of 0.05. This means that H_{1b} is rejected and it can be concluded that managerial ability has no effect on operating performance 2 years after mergers and acquisitions.

Table *5*. t-test with Control Variable ROA3

VAR.	Simple Regr. t	Simple Regr. Sig.	Multiple Linear Regr. t	Multiple Linear Regr. Sig.
MA	0,083	0,936	-0,444	0,675
Size			-0,168	0,873
LEV			-1,042	0,345
MB			-0,071	0,947
Tax Loss			0,069	0,948
Stock			0,451	0,671
SG			-0,425	0,688
HOR			-1,249	0,267

Source: data that has been processed by the author (2021)

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Based on table 6, it can be obtained information related to the results of the t-test in simple regression or multiple linear regression with the control variable ROA 3 years after mergers and acquisitions. In simple regression, the significant value of managerial ability (X1) is 0.936 with a value t_{count} of 0,083. In the multiple linear regression, the significant value of managerial ability (X1) is 0.675 with a value t_{count} of -0.444. The significant value of the company size (X2) is 0.873 with a value t_{count} of -0.168. The significant value of leverage (X3) is 0.345 with a value t_{count} of -1.042. The significant value of market to book ratio (X4) is 0.947 with a value t_{count} of -0,071. The significant value of tax losses (X5) is 0.948 with a value t_{count} of 0.069. The significant value of stock (X7) is 0.671 with a value t_{count} of 0.451. The significant value of sales growth (X8) is 0.688 with a value t_{count} of -0.425. The significant value of horizontal acquisition (X9) is 0.267 with a value t_{count} of -1.249. It can be seen that the significant value of all variables in simple regression and multiple linear regression has a value greater than the predetermined significance level of 0.05. This means that H_{1c} is rejected and it can be concluded that managerial ability has no effect on operating performance 3 years after mergers and acquisitions.

Table *1.* T-Test With Dependent Variable ROA

VAR.	Simple Regr.		Multiple Linear Regr.	
	t	Sig.	t	Sig.
MA	-0,248	0,809	-0,377	0,722
Size			-0,375	0,723
LEV			-0,607	0,570
MB			0,036	0,972
Tax Loss			-0,116	0,912
Stock			0,853	0,432
SG			-1,002	0,362
HOR			-0,896	0,411

Source: data that has been processed by the author (2021)

In addition, table 7 shows the results of the t-test in simple regression or multiple linear regression with the dependent variable ROA years after mergers and acquisitions. In simple regression, the significant value of managerial ability (X1) is 0.809 with a value t_{count} of -0,248. In the multiple linear regression, the significant value of managerial ability (X1) is 0.722 with a value t_{count} of -0.377. The significant value of the company size (X2) is 0.723 with a value t_{count} of -0.375. The significant value of leverage (X3) is 0.570 with a value t_{count} of -0.607. The significant value of market to book ratio (X4) is 0.972 with a value t_{count} of 0,036. The significant value of tax losses (X5) is 0.912 with a value t_{count} of -0.116. The significant value of stock (X7) is 0.432 with a value t_{count} of 0.853. The significant value of sales growth (X8) is 0.362 with a value t_{count} of -1.002. The significant value of horizontal acquisition (X9) is 0.411 with a value t_{count} of -0.896. It can be seen that the significant value of all variables in simple regression and multiple linear

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regression has a value greater than the predetermined significance level of 0.05. This means that H_{1d} is rejected and it can be concluded that the managerial ability has no effect on long-term operating performance after the merger and acquisitions.

Chi-Square Test

The results of the chi-square test related to horizontal acquisitions on long-term operating performance and operating performance 1, 2, and 3 after mergers and acquisitions are presented in the following table:

Table 2. Chi-Square Test

	Sig.	Prob.
Chi-square test with control variable ROA1	0.374	>0.05
Chi-square test with control variable ROA2	0.374	>0.05
Chi-square test with control variable ROA3	0.374	>0.05
Chi-square test with control variable ROA	0.301	>0.05

Source: data that has been processed by the author (2021)

Based on table 8, it can be obtained information related to the results of the chi square test with the dependent variable long-term performance (ROA) and the control variables ROA 1, 2, and 3 years after mergers and acquisitions. Table 8 shows the results of the chi-square test which states that the significant value of horizontal acquisitions on the operating performance of 1, 2 and 3 years after mergers and acquisitions is 0.374. In addition, the significance value of horizontal acquisitions on long-term operating performance (ROA) is 0.301.

So it can be concluded that all probability values > 0.05, and H_0 is accepted. It's means there is no relationship between managerial ability in horizontal acquisitions with long-term operating performance and 1, 2, and 3 years after mergers and acquisitions than diversified acquisitions, so the results of this hypothesis testing state that H_{2a}, H_{2b}, H_{2c}, and H_{2d} is rejected. Its means that managerial ability in horizontal acquisitions has no effect on long-term operating performance and operating performance for 1, 2, and 3 years after mergers and acquisitions rather than diversified acquisitions.

The Effect of Managerial Ability on Operational Performance 1, 2, and 3 Years After Mergers and Acquisitions

Based on the research results, it shows that in simple regression testing the significant value of the managerial ability variable (X1) is smaller than the predetermined significant level of 0.05. This means that increased managerial ability will be followed by an increase in operating performance 1 year after mergers and acquisitions. In accordance with the neoclassical theory according to Ahern & Weston (2007) which states that a business combination can be a productive thing rather than the company being alone. The meaning of the word productive is a synergy benefit from mergers and

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acquisitions that can be realized. The results of this study support Cui & Leung (2020) research which states that managerial ability has a positive effect on operating performance 1 year after mergers and acquisitions. In addition, according to Chen & Lin (2018), high managerial ability will result in a high increase in profits as well.

In contrast to other test results which show that in simple regression and multiple linear regression, the significance value of the F test and t-test are respectively greater than 0.05. This means that the effect of managerial ability on operating performance is only felt in 1 year after mergers and acquisitions. Meanwhile, other research results indicate that managerial ability has no effect on operating performance 2 and 3 years after mergers and acquisitions. In addition, the other test results show that the size of the company, value of leverage and market to book ratio, tax losses, types of transactions and types of industry used in mergers and acquisitions do not affect long-term performance and operating performance 1, 2, and 3 years after mergers and acquisitions.

According to neoclassical theory which explains that the benefits resulting from mergers and acquisitions can be obtained easily if the company has good motivation in mergers and acquisitions, and vice versa, losses will be obtained if the company is not able to achieve its merger and acquisition goals properly or prioritizes. personal interests held between parties (Ahern & Weston, 2007). So in addition to factors such as the size of the company, the value of leverage and market to book ratio, as well as the type of transaction and the type of industry used by the company in mergers and acquisitions, it will not affect the company's performance if the internal company does not have a good motivation to achieve common goals. And that’s in accordance with the neoclassical theory which states that losses will be obtained easily if the company is unable to achieve its merger and acquisition goals accompanied by good motivation. This is supported by the results of Faizan et al. (2020) which shows that the financial performance of banks in Pakistan is deteriorating or experiencing a decline after mergers and acquisitions, meaning that there is no positive effect on financial performance after mergers and acquisitions.

The Effect of Managerial Ability on Long-Term Operational Performance After Mergers and Acquisitions

Based on the test results of each regression, it can be seen that the significance value of managerial ability (X1), company size (X2), leverage (X3), market to book ratio (X4), tax losses (X5), stocks (X7), growth sales (X8) and horizontal acquisitions (X9) on long-term operating performance (ROA) is greater than the predetermined significant level of 0.05. The results of these studies indicate that managerial ability has no effect on long-term operating performance after mergers and acquisitions. The results of this study do not support the results of research conducted by Cui & Leung (2020) that managerial ability has a positive effect on long-term operating performance after mergers and acquisitions.

Contrary to the neoclassical theory, however, in agency theory according to Jensen & William (1976), it explains the relationship between shareholders or owners and agents as conflicting managers. This relationship occurs due to factors such as the

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symmetrical information held by each party as well as the risk associated with small yield. The existence of this imbalance causes agency conflicts in which managers do not always work in accordance with the objectives of the principal so that it will trigger agency costs for supervision of managers. It does not affect managerial ability (X1), company size (X2), leverage (X3), market to book ratio (X4), tax loss (X5), stocks (X7), sales growth (X8), and horizontal acquisition (X9) can be interpreted as a conflict occurs within the company so as not to affect the operating performance of both the short and long term after mergers and acquisitions are carried out.

Supported by the results of research conducted by Wibowo & Hamdani (2020) that corporate actions of mergers and acquisitions do not have a positive effect on value creation and company performance. This means that the synergy of merger and acquisition actions that come from managers' decisions has not been able to increase the company's value and performance, both in the short and long term.

The Effect of Managerial Capability in Horizontal Acquisitions on the Operational Performance of 1, 2, and 3 Years After Merger and Acquisition rather than Diversified Acquisition

Based on the results of the chi-square test, it shows that the significant value of horizontal acquisitions on the operating performance of 1, 2, and 3 years after mergers and acquisitions is greater than 0.05 significant level. The results of these studies indicate that managerial ability in horizontal acquisitions do not affects the operating performance of 1, 2, and 3 years after mergers and acquisitions rather than diversified acquisitions.

The results of this study contradict the results of research conducted by Cui & Leung (2020) that there is a positive effect of managerial ability on long-term post-acquisition performance that will be more pronounced in horizontal acquisitions than diversified acquisitions. However, in the redistribution theory according to Dharmasetya & Sulaimin (2009) explains the theory behind the occurrence of a business merger, one of which is to carry out cross-industry M&A so that companies can more easily maintain the stability of their income, support business activities and company operations to secure a competitive position and can improve company efficiency.

The Effect of Managerial Capability in Horizontal Acquisitions on Long-Term Operating Performance After Merger and Acquisition Rather than Diversified Acquisition

Based on the results of the chi-square test, it shows that the significant value of horizontal acquisitions on long-term operating performance after mergers and acquisitions is more than 0.05 with a predetermined significant level. The results of these studies indicate that managerial ability in horizontal acquisitions do not affects the long-term operating performance after mergers and acquisitions rather than diversified acquisitions.

The results of this study not support the results of research conducted by Cui & Leung (2020) that managerial ability in horizontal acquisitions has a positive effect on long-term operating performance after mergers and acquisitions. According to Cui &

Leung (2020) in the same or similar industry, managers do not need to learn new industry knowledge so that horizontal acquisitions involve less cost than horizontal acquisitions.

However, in redistribution theory explains companies that carry out cross-industrial mergers and acquisitions have the motivation to make it easier for companies to maintain the stability of their income, support business activities and company operations to secure a competitive position and increase the efficiency of their companies (Dharmasetya & Sulaimin, 2009). In line with the neoclassical theory according to Ahern & Weston (2007) which states that in mergers and acquisitions, companies will find it easier to get profits if they have good motivation and determination in conducting mergers and acquisitions and achieving common goals. So if a company wants to carry out cross-industry mergers and acquisitions because it has several motivations, one of which is strengthening their market share, then achieving the company's goals will be easier to achieve.

It can be concluded that the existence of diversified acquisitions can be a motivation for the company to increase company synergy. Thus, if related to redistribution theory, when horizontal acquisitions do not affect long-term or short-term operating performance 1, 2, and 3 years after mergers and acquisitions, the selection of diversified acquisitions has more opportunities to affect long-term and short-term operating performance.

CONCLUSION

Based on the results of research that has been tested, it can be concluded that managerial ability has an effect on operating performance 1 year after mergers and acquisitions. Other research results indicate that managerial ability has no effect on operating performance 2 and 3 years after mergers and acquisitions and long-term performance. It's means the effect of managerial ability is only felt in 1 year after mergers and acquisitions. If managerial ability increases, it will be followed by an increase in operating performance. In addition, managerial ability in horizontal acquisitions has no effect on long-term performance and 1, 2, and 3 years after mergers and acquisitions than diversified acquisitions. This study has limitations, one of which lies in testing the control variables, namely cash has a very insignificant value so that these variables are excluded in testing by SPSS software. Therefore, suggestions are given for further research to add control variables such as CEO characteristics and others as well as add a wider research sample.

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