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CEO characteristics, firm reputation and firm performance after merger and acquisition

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**CEO CHARACTERISTICS, FIRM REPUTATION AND FIRM PERFORMANCE
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Abstract. This study examine the impact of Firm reputation and CEO Characteristics toward firm performance after corporate action acquisition and merger. This study also examines how CEO characteristics mediates firm reputation to maximize firm performance after acquisition. This research objectives are firm that listed in Indonesia stock exchange between 2010 till 2016 and executing corporate action mergers and acquisitions. To select the research sample, this research conducted purposive sampling. This research data analysis are using e-views program to conduct descriptive statistical test, outlier test and hypothesis test. The results of this study show that by choosing an experienced, capable and aggressive CEO can maximize firm reputation and firm performance. We also find that a capable and experienced CEO able to mediates firm reputation as resources for maximize the firm performance. These research findings will be helpful for management in maximize firm performance by using acquisition and merger as business strategy, management can set the standard requirement for firm reputation and choosing a new CEO to take charge in acquisition project as their intangible resources. The novelty of this research are provide a new insight of acquisition as how CEO characteristics effect firm performance by using firm reputation as mediating variable.

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Keywords: acquisition, CEO characteristics, firm performance, firm reputation, Indonesia, mergers.

JEL Classification: G11, G31, M14.**Introduction**

Corporate action, acquisitions and merger  are important strategy or tool used by companies in today's business environment. The essence of mergers and acquisitions is called synergy which are the value of two joint companies shall be greater than one. Companies acquired or joint with other companies to combine their strengths which will increase profitability and market share that are essential expansion or the survival of company. Acquisition and merger allow firms to work together as big entities. With M&A strategy, companies can increase their market value. Mergers and acquisitions become tool or strategy of survival and as a competitive weapon of business companies in the world today (Alam et al., 2014).

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The study of merger and acquisition performance has been part of the study in strategy management, organization behavior, corporate finance, and international business literature for decades. From a large number of studies conducted, in general, the company's performance

as measured by accounting measurement will decrease after the merger and acquisition (Edi & Cen, 2016; Edi & Rusadi, 2017; Fong & Lee, 2012). Despite empirical data made that merger and acquisition will decrease company performance by accounting measurement, mergers and acquisitions will still continue to occur every year with transaction value reaching trillions of US dollars (Barke-ma & Schijven, 2008). This is the motivation behind this study about merger and acquisition to know the factor for a successful acquisition.

The literature on mergers and acquisitions always changes from time to time. From 1991 to 1995 the direction of the research topic began with corporate partnership, performance, CEO and TMT, financial theory, and integration issues. From 1996 to 2000, the topics discussed were corporate partnership, diversification and corporate strategy, performance, CEO and TMT, resource based view and capabilities of the firm. In 2001 to 2005 the research topic was continued with corporate partnership, performance, diversification and corporate

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strategy, methodologies, theories and research issues, environmental modeling; government, social and political influence on strategy. In 2006 to 2010 the merger and acquisition research literature covered the topics of corporate partnership, performance, environmental modeling; government, social and political influence on strategy, corporate governance, resource based view and capabilities of the firm (Ferreira et al., 2014). So it can be concluded that the direction of research rather than mergers and acquisitions from 1991 to 2010 has always been on the topics of performance, resource based view and capabilities of the CEO and corporate partnership. In economic theory, mergers and acquisitions can increase market power and productivity efficiency with knowledge transfer and relocation of assets more efficient resources, thus providing benefits to consumers in the form of higher quality products or lower prices. Companies that make acquisitions from developed countries will achieve a significant value growth, namely a reduction in marginal costs so that marginal profits become higher after the acquisition (Stiebale & Vencappa, 2018).

In the research of Faff et al. (2019) concluded about the direction of merger and acquisition. It stated that the 6 main factors in answering the performance of the acquisition company were Synergy characteristics, governance or CEO characteristics. Social ties, political characteristics, managerial culture and activism. Regarding the phenomenal related to mergers and acquisitions, the results of the study found that the phenomenal research was a question about CEO characteristics and firm reputation. Research on mergers and acquisitions is also stored in a hubris theory whereby every decision on mergers and acquisitions is under the hands of the incumbent CEO. This, of course, becomes a question that how the CEO influences the company's performance after mergers and acquisitions. A reliable CEO will have two main factors as a portfolio of CEOs. The portfolio is CEO experience and CEO capabilities. How CEO capabilities and CEO experience influence company performance after mergers and acquisitions is a big question (Lebedev et al., 2015; Mulherin et al., 2017; Renboog & Vansteenkiste, 2019).

This study examines the influencing effect of CEO characteristics on the relationship between firm reputation and firm performance after acquisition. This research are useful for firm and shareholder who want to expand their business by doing merger and acquisition. This research provide a new insight how CEO characteristics and Firm Reputation effect the firm performance after doing merger and acquisition. The novelty of the research are providing the new relationship which firm reputation being used as mediating variable between CEO characteristics effect to firm performance. This study also add to the growing literature on corporate action and hubris theory. The result of our study will broaden the understanding of hubris theory and corporate action.

1. Review of literature

This study tries to apply theories about resources based theory with a focus on the firm reputation approach in maximizing company performance. Resource based theory is a theory that shows a company can use its internal resources to achieve sustainable competitive advantage. Companies can obtain sustainable competitive advantage by implementing strategies that exploit internal resources, capture surrounding opportunities, neutralize external threats and avoid internal weaknesses. The resource-based view relates to creating sustainable competitive advantage, which through internal capabilities can be facilitated by integrating and generating synergies in mergers and acquisitions. To achieve a comprehensive understanding of the resource based view, it is necessary to understand three main concepts; company resources, competitive advantages and sustainable competitive advantage. Company resources include all assets, capabilities, organizational processes, company attributes, information, knowledge, etc. All resources are controlled by the company and allow the company to implement its strategy. Competitive advantage refers to when a company implements a value creation strategy, not simultaneously implemented by current competitors or potential competitors (Barney, 1991).

Sustainable competitive advantage refers to the possibility of competitive advantage, and not when companies enjoy competitive advantage. Sustainable competitive advantage does not mean that it will last forever, and there will be no competition as long as other companies do not make duplication efforts. In order for resources to produce sustainable competitive advantage, companies must have four attributes, namely by being valuable because they can take advantage of opportunities and / or neutralize threats, must be scarce among competitors, must be imperfect and there cannot be a strategic equal replacement for resources this. Resource-based views do not distinguish between tangible or intangible, but the most influential are intangible assets (Carmo & Marcondes, 2016).

Initially, mergers and acquisitions are only financial transactions that aim to get undervalued assets and the target is an industry or business that can be different or the same as the acquirer's core business. Today mergers and acquisitions are more strategic and operational. This means that managers not only buy undervalued assets as discussed earlier but what managers buy are existing customer bases, better distribution channels, larger markets, lower business competencies and other intangible assets. All assets or resources obtained will offer more strategic opportunities for the company so that the company can get a competitive advantage in the business field. The acquirer company needs to be able or successful in consolidating business units so that it can maximize earnings and stock prices (Alam et al., 2014).

Strategic planning has long been emphasized by organizations as an important tool that leads to business

success. Many research conducted reveals that managers rarely have clear strategic reasons for M&A and the impact of this agreement on the company in the future. The company has now shifted the main objective of mergers and acquisitions from cost savings to using M&A as a strategic driver for the company's growth. Organizations that carry out such transactions can benefit from it or it also can fail miserably. Therefore, it is very important to align each organization's strategic plan with the right merger and acquisition plan. This can be done with an effective tool namely due diligence which implies screening of all potential merger and acquisition targets (Chatterjee, 1986). All of this must be done by a CEO who has sufficient ability and experience (Lebedev et al., 2015; Renneboog & Vansteenkiste, 2019).

Hubris theory explains that CEOs who are typically narcissistic or over-confident will always look for ways to use company resources that can make CEOs highlighted by the media. This in the short term will increase the reputation of the company led by the CEO (Gow et al., 2018). CEO experience and capabilities in managing a company, especially in terms of problem solving and decision making, will provide a positive signal for investors or stakeholders. This provides an opportunity for investors or stakeholders to provide a positive perception of the company's reputation (Borghesi et al., 2014). The ability and experience of the CEO in managing the company will be highly appreciated by investors and stakeholders. This will increase investor confidence in the company and will be reflected in an increase in the company's reputation in investor perception (Ogunfowora, 2014). A CEO who maintains professional ethics can avoid an undue scandal. Scandal can be a negative factor for a company's reputation (Onakoya et al., 2018). From the statement above, we concluded the hypothesis as below:

H1: CEO Characteristics has positive impact on firm reputation;

H1a: CEO Acquisition Experience has positive impact on firm reputation;

H1b: CEO Previous Acquisition with positive performance has positive impact on firm reputation;

H1c: CEO Average Acquisition in Period has positive impact on firm reputation;

H1d: CEO Acquisition Succession Rate has positive impact on firm reputation;

H1e: CEO Previous Same Industry Acquisition has positive impact on firm reputation.

The CEO's experience in making acquisitions is a key for ensuring that a successful acquisition is successful or not. The more company do acquisitions, the more company will face the things that affect the success of the acquisition (Haleblian & Rajagopalan, 2011). A CEO with a large number of acquisitions experience will be better to deal with various matters related to acquisitions and have a higher chance of successful acquisition than a CEO that has a small number of acquisitions experience. An experienced CEO will have extensive knowledge about how

to organize acquisition efficiently (Mkrtychyan, 2013). The average number of acquisitions can be a basic benchmark for companies with good experience in making acquisitions. This can be proven by looking back at how many companies have made acquisitions with successful criteria. That way, you will see the achievements that have been obtained by the CEO as a whole. More and more CEOs make acquisitions with successful criteria, meaning that the company has qualified directors or managers in managing strategies for successful acquisitions (Cho & Arthurs, 2018). The higher CEO experience acquiring the same industry. This experience will have an important role in determining the success of the acquisition. The same industry sector will facilitate the acquisition by formulation of objectives and strategies to be carried out, while also facilitating the acquisition of controlling all the activities of the target company because they already know most of the work processes carried out (Cho & Arthurs, 2018). From the statement above, we concluded the hypothesis as below:

H2: CEO Characteristics has positive impact on firm performance;

H2a: CEO Acquisition Experience has positive impact on firm performance;

H2b: CEO Previous Acquisition with positive performance has positive impact on firm performance;

H2c: CEO Average Acquisition in Period has positive impact on firm performance;

H2d: CEO Acquisition Succession Rate has positive impact on firm performance;

H2e: CEO Previous Same Industry Acquisition has positive impact on firm performance.

Companies that already have a high reputation will get more motivation in maintaining a reputation by getting good performance, a good reputation will also give the company a privilege when access new market Cabral (2016). In this fast information spreading era, firm reputation are easier to be access by customer. So when a firm reputation are good, the information will be spreading fast that will make it more easy for the company to access their market Chalençon et al. (2017). Investors tend to be more appreciative of the reputation that has been achieved by the company's management. so that investor will get guarantee of the quality of the company's performance Erden et al. (2015). A good reputation can be a resource that mediates all the difficulties facing the company, reputation is a unique resource that can help the company Gao et al. (2017). Reputation is an intangible resource that is difficult to imitate and gives a sustainable competitive advantage to the company (Raitheh & Schwaiger, 2015). A high reputation company will have more structured operating system, so that each division will have work standards that can increase company performance (Popli et al., 2017). From the statement above, we concluded the hypothesis as below:

H3: Firm reputation has positive impact on firm performance.

This research also develop a novel relationship by combining hubris theory and resource based views theory. Resourced based theory shows that firm will use internal resources to achieve a sustainable competitive advantage. The resource-based view explain to creating competitive advantage, by integrating and generating synergies in acquisition and merger. The company are able to control all resources and allow it to implement their strategy (Barney, 1991). Reputation is interconnected and multidimensional resources that are able to be manipulated²³ experimental settings to influence strategic decisions. Data shows that there is relationship between the decision to acquisition and acquired firm reputation. Firm reputation is an intangible resource for the company. These resources not only provide profits and opportunities for companies doing business but also give negotiable power for the company when doing merger and acquisition transaction (Shen et al., 2014). A good reputation can be a good intangible resources for company as an mediating tools for firm in facing all kind of upcoming challenge, therefore firm reputation are a unique resourced that are helping the firm (Gao et al., 2017; Pfarrer et al., 2010). Hubris theory explain that an experienced and capable CEO shall be able to fully utilize the firm reputation to maximize the firm performance return when firm are making acquisition. The higher the firm reputation, the more capable and experienced the CEO, the stronger firm performance will be generated (Garcia-Meca & Palacio, 2018; Renneboog & Vansteenkiste, 2019). From the statement above, we concluded the hypothesis as below:

H4a: Firm reputation will strengthen the significant impact of CEO Acquisition Experience on firm performance;

H4b: Firm reputation will strengthen the significant impact of CEO Previous Acquisition on firm performance;

H4c: Firm reputation will strengthen the significant impact of Average Acquisition in Period on firm performance;

H4d: Firm reputation will strengthen the significant impact of Acquisition Succession Rate on firm performance;

H4e: Firm reputation will strengthen the significant impact of Previous Same Industry Acquisition on firm performance.

2. Research methodology

2.1. Sample selection

This research sample consists of Indonesia firm publicly listed firms with all segment on the board of Indonesia Stock Exchange which doing merger and acquisition for the period 2010 till 2016. We collect firm's stock prices, returns, and firms' financial data like board of director career history from firm annual report available in Indonesia Stock Exchange Data.

2.2. Measurement of firm performance

Accurately measuring long-term returns remains a top accurately measuring long-term returns remains a top

priority, because short-term company performance cannot fully provide the right valuation results on merger and acquisition transaction because information about the synergy and success of the integration process requires a time process that cannot be successful in the short term (Renneboog & Vansteenkiste, 2019). The Buy and Hold Abnormal Return (BHAR) method is a popular method in event studies research for merger and acquisition research. What distinguishes BHAR is that BHAR provides a geometrically abnormal aggregate return rather than arithmetic during the merger and acquisition period, and allows for long-term calculations. Most of the initial long-term event studies are almost exclusively based on BHAR, based on the idea that real investors own assets for a certain period of time (Rabier, 2017; Renneboog & Vansteenkiste, 2019).

In this research, we measure firm performance by using BHAR that assume a passive investment conditions. This passive investment strategy is an assumption when investors buy stock and maintain the stock for a period. The time interval of BHARs are 2 years after the acquisition announcement is done. To know whether the purchase will add profit or value to the company or destroy the company's own portfolio (Chun & Davies, 2010; Davies & Chun, 2004; Rabier, 2017). This study measure firm performance after merger and acquisition by using BHAR (Rabier, 2017).

$$BHAR = \frac{Market Price_{t+2} - Market Price_t}{Market Price_t}$$

2.3. Measurement of firm reputation

Previous research in strategy management usually determined a company's reputation using the Fortune 500 in the category of most admirable companies (Fombrun & van R¹⁰1997; Fombrun & Shanley, 1990; Haleblan et al., 2017; Pfarrer et al., 2010; Rindova et al., 2005; Zavyalova et al., 2016). This method of data retrieval will be suitable if it is used in companies established in first countries where reputation has been built from the beginning of the company. Measurement of data like this will lead to bias for companies that stand in developing countries (Kaur & Singh, 2018).

Firm reputation is a company resource that is difficult to measure because it is an intangible resource, researchers continues to look for the most suitable and generalizable measurement for all companies in measuring firm reputation. In the research of Kaur and Singh (2018) test to find the best benchmarks for measuring firm reputation. The results obtained are price earning ratio turn out to be a relevant measurement for measuring firm reputation. Price earning ratio is a result of perception accompanied by reality which can also be called firm reputation on investors' perceptions (Kaur & Singh, 2018).

Perceptions are formed from public views, previous experiences, media promotion, opinion from specialist,

and comments. Reputation is representation of perceptions and views of stakeholders that is described. Price earning ratio is a valuation that assume the company's performance in the present also with the future potential. Price earning ratio conditions how the availability of investors is ready to pay to get every profit generated by firm. A healthy price earning ratio is a good financial indicator of the company which also gives an indication that investors have a very high expectations for the company's future (Kaur & Singh, 2018). Measurements in this study use an investor approach that is reflected directly by the market using Price Earning Ratio with the following measurements (Kaur & Singh, 2018):

$$\text{Price Earning Ratio} = \frac{\text{Market Price Per Share}}{\text{Earning Per Share}}$$

2.4. Measurement of CEO characteristics

Research on CEO characteristics began when most acquisitions experienced negative accounting performance. This leads to the hubris theory: CEOs "overconfidence and CEOs" acquisitiveness. CEO overconfidence and CEO acquisitiveness are common because of the higher CEO acquisition experience and CEO capabilities. CEO overconfidence is a CEO capabilities that enables the CEO to choose the right acquisition target and make the right investment projection. This result cannot be achieved without a high CEO experience (Mulherin et al., 2017).

Most of the current literature looks at CEO characteristics relate to company performance after mergers and acquisitions. It is on these characteristics that the role of CEO characteristics functions. The CEO will have the ability to provide value to the company. Apart from that, the role of CEO characteristics will also help the company in choosing the right acquisition target for the company. The identity of the CEO characteristics will ensure consistent performance at the company (Lebedev et al., 2015).

Companies usually measure CEO capabilities and CEO experience in mergers and acquisitions as portfolios when conducting company performance reviews. If the CEO has good acquisition skills and experience, the company will retain the CEO to ensure that subsequent mergers and acquisitions will remain successful. The success or failure of an acquisition depends largely on the capabilities of the CEO rather than its own firm characteristics. Overall, knowing the role of CEO characteristics during mergers and acquisitions will be an answer to questions about research in the field of mergers and acquisitions (Baker et al., 2012; Lebedev et al., 2015; Renneboog & Vansteenkiste, 2019).

Several studies have examined the ability and experience factors as one of the determinations of acquisition. In general, the experience of CEO mergers and acquisitions will increase the level of merger and acquisition activities

below (Haleblian & Rajagopalan, 2011). In previous research studies, if merger and acquisition activities were carried out by CEOs who did not have the experience and capabilities to carry out mergers and acquisitions. The transaction is likely to become a trial and learning tool for the CEO. This will slow down the company's growth and company performance. If merger and acquisition transactions are driven by adequate CEO experience and capabilities. Then CEO experience and capabilities will be their main factor in increasing company performance (Lebedev et al., 2015).

CEO characteristics in this study were constructed based on various characteristics which is acquisition experience (AEXP), previous acquisition with positive performance (PAWPP), average acquisition in period (AASR), previous acquisition succession rate (PASR), previous same industry acquisition (PSIA). Below are the construction for the variable.

Acquisition experience (AEXP) are measured by the number of company acquisitions made by the same president director, which involves the president in the merger and acquisition process (Edi & Saputra, 2019). The method of measurement is cumulative the number of acquisitions that occurred in the previous time.

Previous acquisition with positive performance (PAWPP) are measured using cumulative rather than previous acquisitions made by the same president director but only acquisitions that get positive performance calculated (Edi & Saputra, 2019). The method of measurement is cumulative previous acquisitions that get positive performance.

Average acquisition in period (AASR) are measured by the accumulation of the number of acquisitions made by the CEO or president director divided by the term of office of the president director (Edi & Saputra, 2019).

Previous acquisition succession rates (PASR) are measured by the total cumulative number of acquisitions with positive performance divided by the total cumulative acquisition experience (Edi & Saputra, 2019).

Previous same industry acquisition (PSIA) are measured based on cumulative figures rather than acquisitions made by the CEO of the company's business field that is being held (Edi & Saputra, 2019).

2.5. Results and discussion

Descriptive statistics giving a brief information about Indonesia Characteristics like acquisition performance and acquisition experience (see Table 1). Averagely Indonesia CEO mostly have more than one times acquisition experience and the acquisition are mostly in the same industry. Other than that, Indonesia CEO acquisition experience mostly doesn't end up with good performance. Averagely previous acquisition with positive performance and previous acquisition succession rate are below than one. Which means in two acquisition only one acquisition will have a positive performance.

Table 1. Descriptive statistic (source: author’s calculation, 2019)

| Variable | N | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|-----------|----------|----------|----------------|
| Acquisition Experience (AEXP) | 150 | 0.000000 | 15.00000 | 1.680000 | 2.786159 |
| Previous Acquisition With Positive Performance (PAWPP) | 150 | 0.000000 | 9.000000 | 0.626667 | 1.435628 |
| Average Acquisition in Period (AASR) | 150 | 0.000000 | 3.500000 | 0.756333 | 1.062388 |
| Previous Acquisition Succession Rate (PASR) | 150 | 0.000000 | 1.000000 | 0.238047 | 0.388199 |
| Previous Same Industry Acquisition (PSIA) | 150 | 0.000000 | 15.00000 | 1.320000 | 2.778924 |
| Firm Reputation (PER) | 150 | -116.0093 | 349417.9 | 2382.568 | 28526.36 |
| Firm Performance (FPERF) | 150 | -0.910000 | 5.020000 | 0.230667 | 0.943132 |

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Regression result on the relationship between CEO Characteristics and firm reputation

From the calculation above (see Table 2) we can summary that the direct effect of CEO Characteristics to firm reputation are positive significant. Partially Acquisition experience, average acquisition in period, and previousa acquisition succession rate empirically affect the firm reputation with significant effect. Other than that emprically data show that previous acquisition with positive performance and previous same industry acquisition dont have any significant effect toward firm reputation.

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Regression result on the relationship between CEO Characteristics and firm performance

From the calculation above (see Table 3) we can summary that the direct effect of CEO Characteristics and firm reputation to firm performance are positive significant. Partially Acquisition experience, previous acquisition with positive

performance, and previous acquisition succession rate empirically affect the firm performance with significant effect. Other than that emprically data show that average acquisition in period and previous same industry acquisition dont have any significant effect toward firm performance.

1
Regression result on the relationship between CEO Characteristics and firm performance with firm reputation as mediating variable.

From the calculation (see Table 4), we can summary that firm reputation have the mediating effect or strengthen the significant influence of acquisition experience, previous acquisition with positive performance, and average acquisition in period to firm performance. Other than that emprically data show firm reputation have no mediating effect or strengthen the significant influence of previous acquisition succession rate and previous same industry acquisition to firm performance.

Table 2. Reggression result to firm reputation (source: author’s calculation, 2019)

| No. | IV | | DV | Coefficient | P value | Criteria | Explanation |
|-----|--|---|-----------------|-------------|----------|----------|-----------------|
| H1 | CEO Characteristics | → | Firm Reputation | 42.9144 | 0.000000 | <0.05 | Significant |
| H1a | Acquisition Experience | → | Firm Reputation | -2.168405 | 0.0055 | <0.05 | Significant |
| H1b | Previous Acquisition with Positive Performance | → | Firm Reputation | -0.311931 | 0.9322 | <0.05 | Not Significant |
| H1c | Average Acquisition in Period | → | Firm Reputation | 12.08830 | 0.0217 | <0.05 | Significant |
| H1d | Previous Acquisition Succession Rate | → | Firm Reputation | 20.00841 | 0.0183 | <0.05 | Significant |
| H1e | Previous Same Industry Acquisition | → | Firm Reputation | -0.040870 | 0.9575 | <0.05 | Not Significant |

Table 3. Reggression result to firm performance (source: author’s calculation, 2019)

| No. | IV | | DV | Coefficient | P value | Criteria | Explanation |
|-----|--|---|------------------|-------------|----------|----------|-----------------|
| H2 | CEO Characteristics | → | Firm Performance | 36.55039 | 0.000000 | <0.05 | Significant |
| H2a | Acquisition Experience | → | Firm Performance | -0.070783 | 0.0334 | <0.05 | Significant |
| H2b | Previous Acquisition with Positive Performance | → | Firm Performance | 0.597339 | 0.0002 | <0.05 | Significant |
| H2c | Average Acquisition in Period | → | Firm Performance | 0.471472 | 0.0362 | <0.05 | Significant |
| H2d | Previous Acquisition Succession Rate | → | Firm Performance | -0.232702 | 0.5179 | <0.05 | Not Significant |
| H2e | Previous Same Industry Acquisition | → | Firm Performance | 0.011184 | 0.7333 | <0.05 | Not Significant |
| H3 | Firm Reputation | → | Firm Performance | 28.86794 | 0.000000 | <0.05 | Significant |

Table 4. Regression effect to firm performance with firm reputation as mediating variable (source: author's calculation, 2019)

| No. | IV | | DV | Coefficient | P value | Criteria | Explanation |
|-----|--|---|------------------|-------------|---------|----------|-----------------|
| H4a | Acquisition Experience | → | Firm Performance | 1.994 | 0.046 | <0.05 | Significant |
| H4b | Previous Acquisition with Positive Performance | → | Firm Performance | 3.110 | 0.002 | <0.05 | Significant |
| H4c | Average Acquisition in Period | → | Firm Performance | 1.968 | 0.049 | <0.05 | Significant |
| H4d | Previous Acquisition Succession Rate | → | Firm Performance | 0.644 | 0.520 | <0.05 | Not Significant |
| H4e | Previous Same Industry Acquisition | → | Firm Performance | 0.341 | 0.7333 | <0.05 | Not Significant |

Further discussion on the effect of CEO characteristics and firm reputation toward firm performance

The results of this study found that market will increasingly believe in every CEO's decision as long as the CEO has sufficient experience in carrying out his duties when doing acquisition. This belief can provide a sense of security to the market which will raise firm reputation. CEOs with high acquisition experience will provide high confidence for the market in conducting mergers and acquisitions (García-Meca & Palacio, 2018; Gow et al., 2018). If the company has a trusted and competent CEO. The views or perceptions of the public towards the company will increase. The market evaluates the company's vision and mission and the company's vision and mission is influenced by the experience and capabilities of a CEO. The ability and experience of the CEO in running a company, especially in terms of problem solving and decision making, will provide a positive signal for investors or stakeholders. This provides an opportunity for investors or stakeholders to have a positive perception of the company's reputation (Musteen et al., 2010).

The market will increasingly trust the CEO who is increasingly active in making acquisitions. This are related to media exposure. The more frequent CEOs appearing in the media will raise the reputation of the firm. If the company has a trusted and capable CEO. The public will have a positive perceptions towards the company. Reputation will provide resource opportunities and create more value for the company (Ogada et al., 2016).

CEO with a high capability will have the knowledge and ability to look for a good acquisition transactions that can produce positive performance for the company so that it will increase the success rate of an acquisition (McDonald et al., 2008). CEOs will be more effective than advisors when CEOs have the right skills and knowledge when choosing acquisition targets or making acquisitions (Cuyppers et al., 2017). Companies with higher acquisition experiences will accumulate high negotiation skills (Das & Kapil, 2016). CEO experience is an additional knowledge or intangible resources for the company in increasing company performance. CEO with richer acquisition experience will provide greater knowledge in the preparation of acquisition schemes that can maximize company performance (Cellier & Chollet, 2016; Haleblan et al., 2017; Zavyalova et al., 2016). The more active CEOs in making acquisitions will accumulate more experience that can be used to improve company performance after the

acquisition.

Companies with high reputation will get more motivation in maintaining a reputation by getting good performance, a good reputation will make it more easy for companies in access new markets (Popli et al., 2017). A high firm reputation already has a structured company operating system unlike companies that are not reputable so that each division will have work standards that can increase company performance (Erden et al., 2015). Investors tend to be more appreciative of the reputation struggle that has been achieved by the company's management so that they will get a guarantee of the quality of company performance (Barney, 1991). A good reputation provides stakeholders with high credibility, reliability, trust and responsibility from the company which will increase tangible benefits for the company such as premium prices for products, lower capital and labor costs, and increase employee loyalty.

Firm reputation can provide sustainable competitive advantage to the CEO in the acquisition transaction integration process. Experienced CEOs will be able to make most of all available resources including firm reputation in increasing company performance. An experienced CEO able to manage a firm with high reputation while provide high value or trust by the market so that the market will welcome news of mergers and acquisitions with optimism. This will make the integration process easier for both companies. Capable CEO can utilize the firm reputation as a tool in conducting merger and acquisition transactions. CEOs who are aggressive in making acquisitions will be able to use firm reputation as a means of negotiating mergers and acquisitions so that they can maximize merger and acquisition transactions.

CEO with industry specialization is no longer relevant in maximizing firm performance. A CEO level position should prioritize the ability of business management and the CEO should have the ability to manage all areas of business rather than specialization. The market prefers companies with high firm reputation to make acquisitions with the aim of diversification because the market believes the company has reached a peak in the main industry itself. So there is no need for CEOs who focus on acquisitions in key business areas.

Conclusions

This study analyzes the effect of CEO characteristics and firm reputation on company performance. Firm reputation

is also added to the research model as a mediating variable to be tested in explaining the effect of CEO characteristics on company performance. The results found that CEO characteristics and reputation were empirically proven to have a significant positive effect on company performance. In the mediating test, firm reputation has a mediating effect on the influence CEO acquisition experience, CEO previous acquisition with positive performance, CEO average acquisition in period, on company performance. Firm reputation does not have a mediating effect on the influence of the variable CEO acquisition succession rate, the previous CEO of the same industry acquisition on company performance.

The managerial implication of this study contribute to helping management when conducting mergers and acquisitions. Management shall adding CEO acquisition experience and CEO capabilities as a new requirement for new recruitment standard. a suitable CEO must be chosen to carry out the company's merger and acquisition strategy, management should consider the CEO characteristic as the main priority for company acquisition strategy. An experienced CEO and capable CEO shall be able to fully accommodate all resources when doing merger and acquisition for the best interest of company.

This study also contribute to helping CEO to know by accumulating more acquisition experience and good acquisition portfolio will gain the trust of market and stakeholder. This resources will increase the firm reputation. CEO when choosing a target acquisition shall priority a high reputation firm as target in order to maximize the acquisition performance. A good firm reputation will be a great intangible resources for the company together with a capable and experienced CEO, the potential of firm performance will be maximized.

The limitation of this study is that the measurement of CEO characteristics is only limited by CEO experience, capabilities and aggressive. This resourced based theory approach through firm reputation variables is only measured by the price earnings ratio. This study has answered 2 of 6 factors suggested by (Faff et al., 2019) which is governance or CEO Characteristics and social ties or firm reputation. So that further research can continue on 3 other factors namely political characteristics, managerial culture and activism. Other than that the further study should also approach resourced based view in intangible resources, by using competitive advantage, organizational assets, intellectual property resources, capabilities which are the extensions of intangible assets because in acquisition process, Intangible assets will be transferred from the parent company switches to the subsidiary company or the other ways (Alam et al., 2014; Carmo & Marcondes, 2016). For firm reputation, the following research can also use a more detailed reputation approach such as the reputation of the board of directors, brand reputation owned by the company which are also part of rather than firm reputation or intangible assets owned by the company (Kaur & Singh, 2018).

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