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The Role of Firm Reputation Between The Relationship of CEO Characteristics and Firm Performance After Merger and Acquisition

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Abstract

Purpose: This study was conducted to examine the effect of CEO characteristics and firm reputation on firm performance after conducting mergers and acquisition. The object of this research is companies that carry out mergers and acquisitions listed on the Indonesia Stock Exchange (IDX) from 2014-2018.

Design/methodology/approach: In selecting the sample, this research used a purposive sampling method. This study uses the SmartPLS program to analyze the data. Company performance is measured by Buy and Hold Abnormal Return. This study uses acquisition experience, previous acquisitions with positive performance, average acquisitions, acquisition success rate, experience in acquiring the same industry, and political connections to measure CEO characteristics. The Firm Reputation is measured by price earning ratio.

Findings: The results of this research indicate that choosing a CEO who has high experience, knowledge, and capability will increase the firm's reputation and performance.

Practical implications: The findings in this study will greatly help management to maximize the firm's performance when conducting mergers and acquisitions and management can also minimize failures by choosing a CEO who has the capability and is more experienced.

Originality/value: The novelty of this research is implementing the theory of hubris and RBV by adding firm reputation as a mediating variable that strengthens the relationship between CEO characteristics and CEO political connections on firm performance after mergers and acquisitions.

1. Introduction

In a competitive business environment, company development such as mergers and acquisitions could be one of the most important tools or actions in order to remain in existence and improve company performance in achieving maximum profits. Acquisitions and mergers have different theoretical underpinnings. An Acquisition involves one company taking over another company, whereas a merger involves two or more companies merging and emerging as one new company. M&A are strategies that allow companies to work together by exploiting each other's potential to increase market share (Hassan & Ghauri, 2014).

The study of merger and acquisition performance has been part of the strategic management science, corporate finance, organizational behavior, and international business literature for decades. Out of so many studies conducted, in general, a company's performance as measured by accounting measurements will decrease after mergers and acquisitions are carried out (Edi & Cen, 2016; Edi & Rusadi, 2017; Edi, Basri, et al., 2020). This is the foundation of this research on M&A to determine the success factors of acquisitions.

In research on acquisitions, six main factors that determine the company's performance after the acquisition, namely the characteristics of synergy, governance or CEO characteristics, social ties, political characteristics, managerial culture, and activism (Faff et al., 2019; Edi, Basri, et al., 2020). The results of the study found that most of the research conducted was on the characteristics of the CEO and the reputation of the company. This is certainly an address of how the CEO influences the company's performance after mergers and acquisitions.

A CEO in a company is essential in the company's sustainability process, has a great responsibility in making company operational decisions, and has a considerable influence in making strategic decisions to improve company performance. In the overall hierarchy of the company, the CEO has the strongest position in the final decision-making, with this position in the company making it an interesting subject for further research in academia. A reliable CEO can be influenced by two factors, namely internal and external. The internal factor is the experience and capabilities of a CEO, while one of the external factors is the political characteristics in the form of political connections it has (H. Wu et al., 2018).

The experience and abilities of a CEO are considered to be a plus point in conducting M&A, the CEO is better able to monitor, provide advice, choose targets, and minimize all risks that may occur (Field & Mkrtchyan, 2017). The acquisition experience will also provide access to diverse sources of knowledge and capabilities through repeated events that will later be useful in making acquisition decisions. With greater absorption capacity or more experience will be more capable of utilizing new knowledge and will lead to improve performance and competitive advantage (Cho & Arthurs, 2018).

While the political connections possessed by a CEO will facilitate all company affairs, for example in terms of funding, tax breaks, and higher market power (Faccio, 2006). And with political connections, companies can overcome the uncertainty set by the government so that they can be superior and create strategies to improve their company performance (H. Wu et al., 2018).

In this research examines the effect of CEO characteristics and CEO political characteristics on company reputation and company performance after mergers and acquisitions. This research is beneficial for companies and shareholders who want to develop their businesess by taking corporate actions in the form of mergers and acquisitions. This study provides new insights into how CEO characteristics, CEO political characteristics, and company reputation affect company performance after M&A. The novelty of this research is to provide a new relationship that adds the political connection that a CEO has to the reputation and performance of the company.

2. Literature Review and Hypothesis Development

2.1 Firm Performance

The performance of a company can be used as a reference to measure the success value of a company. The financial performance that has been achieved by the company within a certain time is a picture of whether or not a company is healthy (Popli et al., 2017). In this study, the authors measure the company's performance by using BHAR (Buy and Hold Abnormal Return) which assumes investing passively condition. The passive investment strategy assumes that investors will hold on to their shares during a period of time. In the case of BHAR, the time interval begins after two years since the acquisition announcement. To determine whether the purchase increases profits, value, or even destroys the firm's portfolio (Chun & Davies, 2010; Renneboog & Vansteenkiste, 2019; Edi, et al., 2020). A formula for measuring the company's performance after the M&A is as follows:

BHAR = (Market Price t + 2 – Market Price t) / Market Price t

Description :

Market Price t = closing share price on the acquisition date.

2.2 CEO Acquisition Experience

The acquisition experience possessed by a CEO can be a plus point in conducting corporate mergers and acquisitions. These plus points can be in the form of monitoring, providing advice, selecting targets, and minimizing all risks that could occur (Field & Mkrtchyan, 2017; Edi & Saputra, 2019; Edi, et al., 2020).

An executive's acquisition experience is measured by the number of organizations he or she has acquired, including the president within the merger and acquisition process (Birhanu et al., 2020). The more a CEO makes acquisitions, the way better equipped he or she will be to lead and handle acquisition-related issues and will have more expectations of success when compared to CEOs who make numerous acquisitions (Edi & Saputra, 2019; Edi, Basri, et al., 2020). The measurement method is the cumulative number of acquisitions that occurred in the past by a CEO.

2.3 CEO Previous Acquisition with Positive Performance

Previous acquisitions with positive performance are a measure of the CEO's ability. CEOs with previous acquisition involvement with higher positive performance will having the necessary knowledge and skills to seek for acquisition transactions that can result in positive performance for the firm. In order to measure previous acquisitions with positive performance, we utilized cumulative data instead of previous acquisitions made by the same president director, but only positive performing acquisitions were counted (Field & Mkrtchyan, 2017; Edi & Saputra, 2019; Edi, Basri, et al., 2020). The measurement method is the cumulative number of acquisitions that occurred in the past by a CEO, but only those with positive performance or with a positive BHAR are counted.

2.4 CEO Average Acquisition in Period

The average acquisition period is all acquisitions made by the CEO in a period that for future acquisitions, it can be considered a reference (Field & Mkrtchyan, 2017). The average acquisition in one period can also be used as a basic benchmark if the CEO has had an aggressive acquisition experience, whether or not. The higher the average acquisition in the period, it can be concluded that the higher the CEO's confidence in making acquisitions or the more intense the CEO in doing business expansion (Edi, et al., 2020). A period's average acquisition is determined based on dividing the number of acquisitions made by the CEO or president by the tenure of his or her director. (Edi & Saputra, 2019; Edi, Basri, et al., 2020).

2.5 CEO Acquisition Succession Rate

The previous acquisition succession rate is usually referred to as the success rate of a CEO in making an acquisition. The higher the results obtained prove that the CEO is more capable of producing successful acquisitions. This success has become one of the management recruitment standards at the time of selecting a new CEO so that the company's strategy for the long term can be known (Edi & Saputra, 2019; Renneboog & Vansteenkiste, 2019). The succession rate of previous acquisitions is measured by the cumulative number of total acquisitions with positive performance divided by the cumulative total acquisition experience (Edi & Saputra, 2019; Edi, Basri, et al., 2020).

2.6 CEO Previous Same Industry Acquisition

Previous same industry acquisition is a circumstance where a group of two companies within the same industry merge into one unit in terms of ownership. Acquisitions with similar industries can arise when one company decides to acquire another at a different level in the supply chain to increase efficiency and reduce costs. Specialization in the industrial sector makes it easy for the acquirer to match the goals and strategies carried out by the company and makes it easier to control all company activities as a result, they know the majority of the work processes (Woo, 2019).

Previous same industry acquisition is also a benchmark for CEO experience. The difference in this variable lies in the experience, specifically by the CEO who only accumulates experience rather than the same line of business (Field & Mkrtchyan, 2017). Measurement of the experience based on the cumulative number of acquisitions that CEO’s have made in the same industrial business field (Edi & Saputra, 2019; Edi, et al., 2020).

2.7 CEO Political Connections

A political connection is a special relationship that a CEO has with the government or a political party that aims to facilitate company affairs (Sun & Zou, 2021). A company that has political connections must have at least one top manager or a CEO who is a member of parliament. For example, as part of a politician or party or having had close relationships (Faccio, 2006).

Firms that have political connections will get two advantages. The first one is they get the convenience in terms of funding, and the second will get the tax breaks and higher market power (Faccio, 2006). Political connection is measured by using a dummy to assess whether there is a political connection in a company. A dummy variable is an artificial variable created to quantify qualitative data by coding 0 (zero) or 1 (one). The political connection variable is measured by assigning a value of 1 for companies that are politically connected and 0 if companies are not politically connected (Wu et al., 2012; Sun & Zou, 2021).

2.8 Firm Reputation

The company reputation is an intangible resource, researchers are continually seeking the best solutions and reproducible measure for all companies to measure company reputation. In finding a benchmark for company reputation, it turns out that the price-earning ratio is the most relevant formula because of a perception that is accompanied by reality that can be called the company's reputation in investor perceptions (Kaur & Singh, 2019; Edi, Basri, et al., 2020).

Price Earning Ratio is an assessment that assumes the current performance of the company with future potential. A PER relates to how many investors are willing to pay for profits generated by a company. Having a positive PER is a great financial indicator which also reveals investors' high hopes for the firm's future (Kaur & Singh, 2019; Edi & Saputra, 2019; Edi, et al., 2020). The measurement in this research uses an investor approach which is reflected directly by the market using the PER with the following formula:

Price Earning Ratio = Market Price Per Share / Earning Per Share.

2.9 CEO Acquisition Experience and Firm Reputation

Investors and stakeholders will be attracted to the CEO because of his or her experience and ability to run the company effectively, the ability to make decisions and solve problems is particularly important in this area. The market value of the companies vision and mission lies with the incumbent CEO. The firm's purpose are influenced by the involvement and capabilities of a CEO (Stiebale & Vencappa, 2018; Edi, Basri, et al., 2020).

A CEO's managerial experience and abilities, in particular, good decision-making and problem-solving develop positive signals among investors and stakeholders. An investor and stakeholder will be greatly benefited by the CEO's ability and experience in managing the corporation. Investor confidence will increase as a result, leading to an increase in investor perception of the company (Gow et al., 2018; Edi & Saputra, 2019; Edi, Zainul Basri, et al., 2020). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{1a} = CEO acquisition experience has a positive impact on a firm reputation.

2.10 CEO Previous Acquisition with Positive Performance and Firm Reputation

CEOs with previous acquisition experiences with higher positive performance having the knowledge and ability to look for acquisition transactions will increase acquisition success rates, and make their name seen by investors and stakeholders (Edi & Saputra, 2019; Edi, Basri, et al., 2020).

CEOs who are usually narcissistic or overconfident due to positive previous performance will continuously look for ways to utilize firm resources that can get the CEO featured in the media. This is a brief term that will enhance the reputation of the firm driven by the CEO's (Field & Mkrtchyan, 2017; Gow et al., 2018; Edi & Saputra, 2019; Edi, et al., 2020). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{1b} = CEO's previous acquisition with positive performance has a positive impact on the firm reputation.

2.11 CEO Average Acquisition in Period and Firm Reputation

The average acquisition in one period is the overall acquisitions made by the company in one period. The average acquisition in one period can provide an idea to the CEO of how numerous firms have been acquired within a period of time previously and can be utilized as a reference in future acquisitions. That way the company can estimate acquisitions made in the near future by considering various ways to improve the company's reputation (Field & Mkrtchyan, 2017; Cho & Arthurs, 2018).

The higher the average acquisition in a period can be used as a benchmark the higher the trust of the director in making acquisitions or the more intense the director in doing business expansion (García-Meca & Palacio, 2018; Edi & Saputra, 2019; Edi, et al., 2020). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{1c} = CEO average acquisition in period has a positive impact on firm reputation.

2.12 CEO Acquisition Succession Rate and Firm Reputation

The previous acquisition succession rate is also known as the success rate of a CEO in making an acquisition. If the company already knows the background of the CEO acquisition performance, then the company can focus more on preparing the strategy used in the acquisition process, of course, this will increase the company's reputation as well (Renneboog & Vansteenkiste, 2019).

Research shows that more CEOs are making acquisitions with successful criteria, which means that their company is looking for quality acquisitions. The higher the acquisition success rate, the better the company's reputation (Cho & Arthurs, 2018; Edi & Saputra, 2019; Renneboog & Vansteenkiste, 2019). Based on the above statement, it can be concluded that the hypothesis is as follows:

H_{1d} = CEO acquisition succession rate has a positive impact on firm reputation.

2.13 CEO Previous Same Industry Acquisition and Firm Reputation

The directors of the acquiring firm are more likely to consider or prioritize acquisitions in the same industry because this step simplifies the acquisition integration process. The company's industrial sector has a critical component of a successful acquisition (Cho & Arthurs, 2018).

An experienced CEO in a similar industry will increase confidence that is focused on the same market share. Collaboration between companies in the same industry is possible, adapt to the same situation and become more effective, and the acquisition of the same industry can increase business economies of scale through the operating cycle which will also improve the image or reputation of a company (Edi & Saputra, 2019; Edi, et al., 2020). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{1e} = CEO previous same industry Acquisition has a positive impact on firm reputation.

2.14 CEO Political Connections and Firm Reputation

Companies that have political connections will gain convenience in terms of funding and higher market power, so the performance of a company will be seen as very good in the public eye, this is directly proportional to the company's reputation which will also increase (Faccio, 2006; W. Wu et al., 2012; H. Wu et al., 2018).

According to this statement, the theory of resource dependence which states that political connections are an effective way to manage environmental uncertainty. This connection comes out through the integration of government directors or their integration into political parties. Political connection is considered a key and a rare intangible resource and allows companies to get government support which has an impact on competitive advantage and results in higher performance which creates a good image in society (Soon-Yau Foong Choo-Hong Khoo, 2015). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{1f} = CEO political connections have a positive impact on a firm reputation.

2.15 CEO Acquisition Experience and Firm Performance

The previous experience that a CEO has in acquiring, allows the CEO to monitor, provide advice, and choose better targets because more experienced acquirers will experience greater improvements in operating performance and company productivity (Field & Mkrtchyan, 2017).

The acquisition experience will also knowledge and capabilities from diverse sources are made available through repeated events that will later be useful in making acquisition decisions. With greater absorption capacity or more experience will be better understanding of how to exploit new information and will improve performance and competitiveness (Cho & Arthurs, 2018).

With more experience, it allows the CEO to track and advise management by performing better in future acquisitions. Management can benefit greatly from this finding in choosing a new CEO who will be trusted in increasing the success of company acquisitions (Edi & Saputra, 2019; Edi et al., 2020; Edi & Susanti, 2021). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{2a} = CEO acquisition experience has a positive impact on firm performance.

2.16 CEO Previous Acquisition with Positive Performance and Firm Performance

Previous acquisitions with a positive performance by the CEO can assist the company in determining the next acquisition target that provides a positive return for the company, so that the company can improve its performance after making the acquisition more optimally (Field & Mkrtchyan, 2017; Edi, Basri, et al., 2020). Management will evaluate that the analytical procedures executed according to plan to integrate the performance of the acquirer firm with the target firm. Acquisitions that often do not generate positive returns will damage the company's performance (Tarigan et al., 2018). Based on the results of this research, the fact that acquisitions with positive performance will encourage management to develop strategies and better prospects. The more acquisitions with positive performance, the company's performance will also be better as evidenced by high returns (Edi & Saputra, 2019; Edi et al., 2020; Edi & Susanti, 2021). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{2b} = CEO previous acquisition with positive performance has a positive impact on firm performance.

2.17 CEO Average Acquisition in Period and Firm Performance

The acquisition rate is used as the main benchmark for companies to have a better acquisition experience (Field & Mkrtchyan, 2017). The more CEOs who successfully make acquisitions, the company has a quality CEO in the acquisition strategy and company performance (Cho & Arthurs, 2018). Future acquisitions can use this as a reference, the average number of acquisitions provides a preview for the company of how many companies have been acquired by reviewing various things to increase the acquisition of company performance through increasing returns generated later (Edi & Saputra, 2019; Edi et al., 2020; Edi & Susanti, 2021). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{2c} = CEO average acquisition in period has a positive impact on firm performance.

2.18 CEO Acquisition Succession Rate and Firm Performance

The success of previous acquisitions will give the company an idea of what possibilities of positive returns for the firm in the acquisition because the data can make it easier for management to analyze further actions and things that must be prepared in the next acquisition (Field & Mkrtchyan, 2017). According to this research, more CEOs are making acquisitions that satisfy successful criteria, demonstrating quality in the acquisition process, which has an impact on improving the firm's performance (Cho & Arthurs, 2018).

The greater the success rate of the acquisition, the easier it will be for the company to strategize, make decisions, and overcome problems in the next acquisition (Woo, 2019; Edi & Saputra, 2019; Edi et al., 2020). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{2d} = CEO acquisition succession rate has a positive impact on firm performance.

2.19 CEO Previous Same Industry Acquisition and Firm Performance

The research is supported by the fact that acquiring the same industry will make it easier for companies to develop strategies, and control all kinds of obstacles they face because they have experience in each of their operations (Field & Mkrtchyan, 2017). Extensive experience as a CEO acquiring companies in the same industry will determine the success of the acquisition which impacts the company's performance. The same thing within the industrial division will encourage acquisitions by defining objectives and developing strategies, as well as encouraging acquisitions to control all target activities of the company due to the fact that they have a good understanding of how most various processes are carried out (Cho & Arthurs, 2018; Edi & Saputra, 2019; Edi et al., 2020; Edi & Susanti, 2021). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_{2e} = CEO previous same industry acquisition has a positive impact on firm performance.

2.20 CEO Political Connections and Firm Performance

Firms that have political connections will get convenience in terms of funding and higher market power, so the performance of a company will be superior when compared to companies that do not have political connections (Faccio, 2006). This statement is supported by resource-dependence theory which states that with political connections, firms can overcome the uncertainty set by the government so that they can be superior and create strategies to improve their company performance (W. Wu et al., 2012; H. Wu et al., 2018). Based on this statement, it can be concluded that the hypothesis is as follows:

H_{2f} = CEO political connections have a positive impact on firm performance.

2.21 Firm Reputation and Firm Performance

A company with a high reputation will be motivated to maintain its reputation by getting good performance and a good reputation will also give privileges to the company (Edi, Basri, et al., 2020). The reputation of the company can be a resource that helps it navigate nn spite of all the challenges it faces, the reputation of a company is a unique resource that can be used to its advantage (Gao et al., 2017).

Companies with a high reputation will have a more organized working framework so that each division will have work standards that can improve the firm's performance (Edi & Saputra, 2019; Edi et al., 2020; Edi & Susanti, 2021). Based on the statement above, it can be concluded that the hypothesis is as follows:

H_3 = Firm reputation has a positive impact on firm performance.

2.22 CEO Acquisition Experience, Previous Acquisition, Average Acquisition. Acquisition Succession Rate, Previous Same Industry Acquisition, Political Connections, and Firm Performance with Firm Reputation as Mediator

The novelty of this research is implementing the relationship between hubris theory and resource-based theory. Hubris's theory clarifies that an experienced and competent CEO will undoubtedly seek ways to utilize company resources that can highlight the CEO by the media which is able specifically to increment the reputation of the company he leads. The higher the reputation of the company, the more competent and experienced the CEO will be, and the better the company's performance will be (Renneboog & Vansteenkiste, 2019; Edi, Basri, et al., 2020). And Resource-based theory suggests that companies sustainable competitive edge will be achieved using internal resources, synergies can be generated through mergers and acquisitions. The data indicates that there is a relationship between the acquisition decision and the reputation of the company obtained. Company reputation is an intangible resource for the company. The resources listed above have not only benefits and opportunities for businesses, but they also provide strength that can be considered by businesses for mergers and acquisitions. (Edi, Zainul Basri, et al., 2020). A good corporate reputation will be a good intangible resource for the firm as a mediating tool in dealing with all kinds of upcoming challenges, therefore the company's reputation is a unique resource that helps the company (Gao et al., 2017).

From the statement above, it can be concluded that the hypothesis is as follows:

H_{4a} = Firm reputation will strengthen the significant impact of CEO acquisition experience on firm performance.

H_{4b} = Firm reputation will strengthen the significant impact of the CEO previous acquisition with positive performance on firm performance.

H_{4c} = Firm reputation will strengthen the significant impact of CEO average acquisition in the period on firm performance.

H_{4d} = Firm reputation will strengthen the significant impact of CEO acquisition succession rate on firm performance.

H_{4e} = Firm reputation will strengthen the significant impact of the CEO previous same industry acquisition on firm performance.

H_{4f} = Firm reputation will strengthen the significant impact of CEO political connections on firm performance.

3. Research Methodology

This research is a quantitative research, namely research that uses certain numbers through data collected and analyzed to test research variables. This research was conducted to examine the effect of CEO characteristics on company performance and to use company reputation as a mediating variable. The object of this research is aimed at public companies that carry out corporate actions of M&A listed on the Indonesia Stock Exchange in the period 2014-2018. Companies conducting M&A must be accompanied by the M&A decision on the KPPU website. Using purposive sampling method in sampling.

4. Research Finding

Table 1: Descriptive Statistics Result

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Acquisition Experience	99	1,00000	27,00000	6,94900	7,94500
Previous Acquisition with Positive Performance	99	0,00000	19,00000	4,11100	6,28600
Average Acquisition in Period	99	0,04200	2,99900	0,98700	0,89800
Previous Acquisition Succession Rate	99	0,00000	1,00000	0,41100	0,40200
Previous Same Industry Acquisition	99	0,00000	22,00000	5,99000	6,22100
Firm Reputation	99	-55,95200	46,14500	12,77900	15,10500
Firm Performance	99	-0,85600	1,07100	-0,10800	0,38000

Source: *Authors' calculations (2022)*

Table 2: Descriptive Statistics Result

		Frequency	Percentage
Political Connections	1 = CEO with Political Connections	17	17,2
	0 = CEO does not have Political Connections	82	82,8
	Total	99	100,0

Source: *Authors' calculations (2022)*

The descriptive statistics provide brief information on the characteristics of CEOs in Indonesia such as the company's performance after acquisition and acquisition experience (see table 1). The average CEO has more than one acquisition experience in the same industry. The acquisition experience of the CEO is mostly not a good performance. And the political connections that a CEO has (see table 2) are only 17.2% of the total.

Table 3: Regression Result to Firm Reputation

No.	**IV**		**DV**	**Original Sample**	**P-value**	**Criteria**	**Description**
H1a	Acquisition Experience	→	Firm Reputation	0,713	0,185	< 0,05	Not Significant
H1b	Previous Acquisition with Positive Performance	→	Firm Reputation	0,125	0,823	< 0,05	Not Significant
H1c	Average Acquisition in Period	→	Firm Reputation	-0,802	0,002	< 0,05	Significant
H1d	Previous Acquisition Succession Rate	→	Firm Reputation	0,264	0,123	< 0,05	Not Significant
H1e	Previous Same Industry Acquisition	→	Firm Reputation	0,113	0,716	< 0,05	Not Significant
H1f	Political Connections	→	Firm Reputation	-0,132	0,444	< 0,05	Not Significant

Source: *Authors' calculations (2022)*

Based on the calculation above (see table 3), it can be concluded that the direct effect of CEO characteristics on company reputation is positive but not significant. Only the average acquisition during a period has a significant effect and the rest, acquisition experience, previous acquisitions with positive performance, the success rate of previous acquisitions, previous acquisitions of the same industry, and political connections have no significant effect on a company's reputation.

Table 4: Regression Result to Firm Performance

No.	IV		DV	Original Sample	P-value	Criteria	Description
H2a	Acquisition Experience	→	Firm Performance	0,527	0,333	< 0,05	Not Significant
H2b	Previous Acquisition with Positive Performance	→	Firm Performance	-0,574	0,135	< 0,05	Not Significant
H2c	Average Acquisition in Period	→	Firm Performance	0,115	0,496	< 0,05	Not Significant
H2d	Previous Acquisition Succession Rate	→	Firm Performance	0,791	0,000	< 0,05	Significant
H2e	Previous Same Industry Acquisition	→	Firm Performance	-0,259	0,499	< 0,05	Not Significant
H2f	Political Connections	→	Firm Performance	0,136	0,459	< 0,05	Not Significant
H3	Firm Reputation	→	Firm Performance	0,015	0,860	< 0,05	Not Significant

Source: *Authors' calculations (2022)*

Based on the above calculation (see table 4), it can be concluded that the direct effect of CEO characteristics and company reputation on firm performance is positive but not significant. Only the success rate of previous acquisitions has a significant effect and the rest, acquisition experience, previous acquisitions with positive performance, average acquisitions in one period, previous acquisitions of the same industry, political connections, and company reputation have no significant effect on the company performance.

Table 5: Regression Result to Firm Performance with Firm Reputation as Mediating Variable

No.	IV		DV	Original Sample	P-value	Criteria	Description
H4a	Acquisition Experience	→	Firm Performance	0,011	0,879	< 0,05	Not Significant
H4b	Previous Acquisition with Positive Performance	→	Firm Performance	0,002	0,975	< 0,05	Not Significant
H4c	Average Acquisition in Period	→	Firm Performance	-0,012	0,860	< 0,05	Not Significant
H4d	Previous Acquisition Succession Rate	→	Firm Performance	0,004	0,879	< 0,05	Not Significant
H4e	Previous Same Industry Acquisition	→	Firm Performance	-0,002	0,952	< 0,05	Not Significant
H4f	Political Connections	→	Firm Performance	-0,002	0,929	< 0,05	Not Significant

Source: *Authors' calculations (2022)*

From the calculations (see table 5), it can be concluded that the company's reputation doesn't have a significant mediating effect or strengthens acquisition experience as a determining factor, previous acquisitions with positive performance, average acquisition in one period, a success rate of previous acquisitions, experience in acquiring the same industry past, and the political connections the CEO has.

The results of this research discovered that the market will progressively believe in each CEO's decision as long as the CEO has on average more encounters and a longer tenure. This conviction will give a sense of security within the market which can create a great perception of the company. The average acquisition made by the CEO in a period will provide high confidence for the market in conducting mergers and acquisitions (Renneboog & Vansteenkiste, 2019; Cho & Arthurs, 2018; Edi, Basri, et al., 2020). The company's management will utilize the average number of previous acquisitions as a calculation to boost management performance in maximizing the level of profit. This calculation will assist management in maintaining and analyzing the strategic impact on the firm's performance in the future (Edi & Susanti, 2021). The average acquisition period is also used as a basic benchmark for the CEO who has had aggressive acquisition experience, whether or not. The higher the average acquisition period, it can be concluded that the higher the CEO's confidence in making acquisitions or the more intense the CEO in doing business expansion (Field & Mkrtchyan, 2017; (Edi, et al., 2020; Edi & Susanti, 2021).

Experience and more CEO tenure in running the company is one of the important factors in forming specific managerial knowledge and skills in dealing with all situations that occur so that the company's reputation will be directly proportional (Ghardallou et al., 2020). This is supported by the theory of hubris which stated that CEOs who have a lot of experience will certainly look for ways and be highlighted by the media that will directly increase the reputation of the company they lead (Gow et al., 2018).

A highly experienced CEO will be asked to make more acquisitions because they certainly have the knowledge and the ability to find acquisition targets so that it will produce a performance that is positive and increases the success rate of acquisitions (Edi & Saputra, 2019; Renneboog & Vansteenkiste, 2019).

Companies that have a CEO with a high acquisition success rate will have an excellent performance which means that the CEO is qualified in managing a successful acquisition strategy (Cho & Arthurs, 2018; Woo, 2019; Edi & Saputra, 2019; Edi, et al., 2020). The success of previous acquisitions will give the company an idea of what can provide a positive return for the company in the acquisition because the data can make it easier for management to analyze further actions and things that must be prepared in the next acquisition (Field & Mkrtchyan, 2017; Edi, Basri, et al., 2020).

A company with a good reputation will be more motivated to succeed, to maintain their reputation by getting excellent performance, positive reputation will also provide privileges for the firm. The reputation of a company can serve as a resource in the face of any difficulties faced. Structured operating systems are found in companies with a high reputation that will make company management have work standards and have an impact on good firm performance (Gao et al., 2017; Edi & Saputra, 2019; Edi, et al., 2020).

In this study, it was also found that the market does not attach importance to or no longer sees CEOs only from the number of acquisition experiences made, experiences with positive performance, experience in acquiring the same industry, and political connections they have.

The market prefers to see the CEO based on the average which is the overall acquisition made which suitable for future acquisitions (Field & Mkrtchyan, 2017) as well as the acquisition succession rate which can prove that the CEO is increasingly capable of producing successful acquisitions (Renneboog & Vansteenkiste, 2019).

The CEO's experience in acquiring the same industry is no longer relevant to the company's performance because the CEO who can manage a wider range of industries will be viewed or judged better or has a high reputation which will have an impact on the firm's performance.

A CEO does not have to have political connections to enjoy various benefits, one of which is bank loan financing, tax breaks, and market power. An honest CEO who can rely on himself without the help of other parties will certainly be seen as having a very high capacity and will have an impact on the firm's good reputation. In addition, insignificant results can occur because the company's management cannot take advantage of political connections so they cannot get opportunities to increase profitability and boost company performance. This shows that the company's performance cannot be determined by political connections but also by how the CEO can implement strategy and manage the company without making easy access to funding the main way to gain profitability. And with the political connection, the company must also have an awareness of several risks that must be faced, one of which is the level of debt that tends to increase and the risk of declining company performance which having an impact on the loss of investor interest in investing in the firm.

5. Conclusion

This study analyzes the effect of CEO characteristics, political connections, and company reputation on company performance in companies listed on the Indonesia Stock Exchange and making acquisitions during the period 2014 to 2018. The resource-based theory approach used in analyzing company performance is company reputation. The reputation of the company is added to the research model as a mediating variable to be tested in explaining the effect of CEO characteristics and political connections on company performance.

This research broadly answers questions in acquisition research, where the company's performance is always questioned after making an acquisition. In addition, this study also answers what factors are important and can have a significant influence on the company's performance after the acquisition. In addition, it also answers the role of CEO characteristics and political connections in increasing the company's reputation and performance when making acquisitions.

According to the study, the average acquisition made by the CEO in a period had a significant positive effect on the company's reputation and the level of success of the previous acquisition had a significant positive effect on the firm's performance. Company reputation has no mediating effect on CEO characteristics on company performance.

The purpose of this research is to assist management in choosing a CEO who has high ability, knowledge, and capability as a strategy for the purpose of merging or acquiring companies corporate actions that will improve the company's reputation and performance. Furthermore, regarding the CEO aggressiveness factor in acquisitions as measured by the average acquisition in the period, it proves that the market believes that CEOs with high confidence and aggressive in making acquisitions in a short period are CEOs who dare to take risks, so this typical CEO provides a sense of security. high for the market so that this factor can be used as one of the criteria in choosing a CEO.

In this study, it was also found that the market does not attach importance to or no longer sees CEOs only from the number of acquisition experiences made, experiences with positive performance, experience in acquiring the same industry, and political connections they have. The market prefers to see the CEO based on the average which is the overall acquisition made which suitable for future acquisitions (Field & Mkrtchyan, 2017) as well as the acquisition succession rate which can prove that the CEO is increasingly capable of producing successful acquisitions (Renneboog & Vansteenkiste, 2019).

The CEO's experience in acquiring the same industry is no longer relevant to the company's performance because the CEO who can manage a wider range of industries will be viewed or judged better or has a high reputation which will have an impact on the firm's performance.

In addition, this research will also help the CEO to know that the acquisition experience and the success of the acquisition will increase the reputation and trust of stakeholders, which are important to maintaining because the company's reputation is a resource that is not measurable from a financial point of view but will have an impact on security and trust market self to the company's ability to run a business or acquisition strategy.

In conclusion, the results of this study provide an answer that acquisitions can be a synergy to achieve a sustainable competitive advantage both in terms of company performance and company reputation, but this advantage depends on various factors owned by the company, especially the characteristics of the CEO and the CEO political connections.

The limitation of this study is that it only answers 3 of the 6 factors that determine the company's performance after the acquisition suggested by (Faff et al., 2019), namely CEO characteristics, political characteristics, and social ties or company reputation. So that the next research can continue on 3 other factors, namely financial synergy, managerial culture, and activism. In addition, this study only uses the Buy and Hold Abnormal Return (BHAR) formula as a measurement of the company's performance in 2 years after mergers and acquisitions which is classified as a short period to assess whether the corporate actions taken Impact the performance of the firm. In order to determine the long-term impact of M&A, you can use at least three years to have enough time to assess the performance results after mergers and acquisitions (Zakaria & Kamaludin, 2018). Future research can try to use measurements in a longer period, for example, 3-10 years in the future.

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