ABSTRACT

The aim of this study is to find out the corporate investment strategy policy model, which is able to accommodate the interest of management and the interest of shareholders. This study try to do an observational research (expost facto), which is used for deciding the position of the corporate performance on initial stage before go–public, toward the position of the corporate performance on ultimate stage after go–public, as the impact of the performance of the investment strategy implementation by management.

The data for this study was divided in two measurement stages, : the first stage measurement on corporate performance in two periods before investment strategy is done, in order to decide the initial stage of the corporate performance, and the second measurement after investment strategy is done divided in two measurement stages, first, cross-sectional (transversal) measurement is done in order to know the changes which happened in every subsequent stage to decide the ultimate stage position of the corporate performance at the end of the period of this study, and second, the result of the first stage as the basic of longitudinal (follow up) measurement.

There are three main tools analysis used in this study. First, Growth Share/Matrix Analysis, second, statistical analysis : Canonical Correlation, Independent Sample T Test, third, Net Present Value analysis. Canonical Correlation is used to test the first, second, third, and fourth of hypothesis, Net Present Value Analysis is used to test the fifth hypothesis, and Independent Samples T Test is used to test the sixth hypothesis.

This study has already produced a scientific discovery, which is called as five steps of corporate investment strategy policy which is able to accommodate the interests of management and shareholders. On the fifth step, this model shows that the corporate with initial stages are in : (1) Star quadrant, by implementing the combination of investment strategy, namely Product Development and Market Expansion or Unrelated Diversification, (2) Cash Cows quadrant, by implementing investment strategy of Related Diversification, (3) Problem Children quadrant, by implementing investment strategy of Vertical Merger, or Market Expansion or Unrelated Diversification, (4) Dog quadrant, by implementing the combination strategy of Product Development and Market Expansion, or Related Diversification, or Unrelated Diversification; performance of those investment strategies are able to give shareholders wealth which is difined as the sum of dividend plus stock price appreciation and to give the interest of management, which is better than the other investment strategies.

Key words : Five Steps of Corporate Investment Strategy Policy.