SUMMARY

Merger and acquisition is not only a long term investment decision, but also an alternative to enlarge the business, to achieve company's goal through long term competitive advantage. Combining and running business efficiently can also bring benefit, such as increasing sales growth, create cost efficiency (including using the same channel of distribution for more product kind), increasing market share which can lowered level of competition in market. Ability to create efficiency, which is considered as operating synergy, can improve profitability.

This research is conducted to test whether any performance differences occur between post and pre-acquisition, also examine any positive abnormal performance for acquirer firm. This research's population is all manufacturing company that doing acquisition between 1993-2001. Then by using purposive sampling, the final sample consist of 34 companies.

Variable that will be tested are: 1) net profit margin, 2) asset turnover, 3) abnormal asset turnover, 4) asset growth, and 5) current ratio. Then, we adjust each of these variable by using industry adjusted performance the same as used by Ooghe (2001) and Soliman (2004). Those variables then be called as adjusted net profit margin, adjusted asset turnover, adjusted sales growth, adjusted asset growth and adjusted current ratio. This hypotheses then be tested using t-test.

The result for the hypothesis are : 1) for the period (-1,+1) and (-1,+2), *significant difference appear only for adjusted asset growth,* 2) *for the period* (-1,+3), *significant differences appear on adjusted asset turnover* dan *adjusted asset growth. Our comparison result shows that almost all variables differences decline after acquisition, except for variable adjusted net profit margin, which increase each year.*

The conclusion based on the empirical evidence from this research, shows that sample firms which conducted acquisition can not show better performance. Based on the fact, most of the acquirer translate synergy as making huge cost cut, for examples decision for downsizing, restructuring, and reorganizing, which cause their employee fired from their job or closing their plants, factories, or selling their assets. Those decision may bring benefit for short term, but in the long run, it can bring disadvantage for the firm (*performance decline*).

ABSTRACT

This research investigates the conceptual arguments that acquisition will create better performance sometimes after acquisition take place. Variable that will be tested are: 1) net profit margin, 2) asset turnover, 3) abnormal asset turnover, 4) asset growth, and 5) current ratio. Then, we adjust each of these variable with their industry (industry adjusted) which is then be calculated by using industry adjusted performance by Ooghe (2001) and Soliman (2004), we name them as adjusted net profit margin, adjusted asset turnover, adjusted sales growth, adjusted asset growth and adjusted current ratio. Those variables then be computed using t-test to test the hypotesis.

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According to the empirical evidence from this research, sample firms which conducted acquisition can not show better performance. Based on the fact, that the acquirer translate synergy as making huge cost cut (downsizing, restructuring, and reorganizing), this decision may bring benefit for short term, but in the long run, it can bring disadvantage for the firm (performance decline).

Keyword: Acquisition, Synergy, Industry adjusted, Performance