

THE EFFECT OF FIRM SPECIFIC ADVANTAGES AND MONITORING MECHANISM TO FOREIGN SUBSIDIARIES PERFORMANCE

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Abstract

The purpose of this study is to examine the effect of firm-specific advantages and monitoring mechanisms on the performance of foreign subsidiaries in Indonesia. Firm-specific advantages refer to marketing ability, management ability, and firm size. Monitoring mechanism refer to independent commissioner and financial leverage.

This study using purposive sampling in collecting the data. The sample in this study consist of manufacturing company that is listing on the Indonesian Stock Exchange in 2012. The results indicate that the management expertise and financial leverage significant effect on the performance of foreign subsidiaries. Business strategy that run the company failed to moderate the relationship between firm -specific advantages and monitoring mechanisms on the performance of foreign subsidiaries.

Keywords: Firm-Specific Advantages, Monitoring Mechanism, Bussiness Strategy, Firm Performance, Foreign Subsidiary

Introduction

The paradox of foreign subsidiaries performance are interesting. Although foreign subsidiaries get additional costs that are not imposed on domestic companies (Hymer, 1976; Zaheer, 1995; Eden & Miller 2004), previous studies indicate that the performance of foreign subsidiaries are better than domestic companies (Siripaisaipipat & Hoshino, 2000 ; Ogasavara & Hoshino, 2007). In addition, Suyanto et al (2009) show that foreign subsidiaries in Indonesia is more efficient than domestic firms.

The performance generated by foreign subsidiaries have special challenges that not shared by domestic firms. In addition to these additional

costs, foreign subsidiaries are also faced with high labor costs which may affect its performance. Lipsey and Sjöholm (2004) show that foreign subsidiaries in Indonesia are faced with wage labor is more expensive than domestic firms. Industry Ministry of Indonesia reported 190 Indonesia foreign subsidiaries will pull its investment in 2013 because of increasing this labor costs. Most of the companies will attract investment that focuses on labor productivity. This is one of solution, because increase in wages will increase operating expenses which would reduce the ability of the company to make a profit.

Foreign subsidiaries continue to face challenges although it has been facilitated in some way by the host country. To address these challenges, foreign subsidiaries are required to utilize the specific advantages owned parent company to win the competition with domestic firms. Study from Siripaisaipat & Hoshino (2000), and Ogasavara & Hoshino (2007) on the performance of foreign subsidiaries and the specific advantages of the company showed a positive relationship.

Govindarajan & Gupta (1985) said that the company forming a subsidiary faced problem from control of subsidiaries. Geringer and Hebert (1989) said that the good control is determine whether a foreign subsidiary will be successful or not. Management of subsidiary firms are faced with opportunistic managers that tends to put own interests than the shareholders interests (Jensen & Meckling, 1976).

Most of the research on subsidiary firms only discuss strategy typologies subsidiaries (Andersson et al., 2001). The limited empirical evidence about the performance of foreign subsidiaries be the motivation in this research. This study is expected to provide empirical evidence to explain the effect of variable firm specific advantages and monitoring mechanisms are moderated by the strategy of foreign subsidiaries in Indonesia. The addition of contextual variables such as business strategy to explain the relationship between the company and the performance of the specific advantages proposed by Nguyen (2011), while the addition of contextual variables to explain the relationship of corporate performance monitoring mechanism proposed by Hutchinson and Gul (2004).

The purpose of this study was to examine whether the company specific advantages and monitoring mechanisms affect the performance of foreign subsidiaries in Indonesia. This study also uses the business strategy of foreign subsidiaries to determine whether the company's strategy strengthen or weaken the independent variables were tested. The specific advantages firm are used in this research to follow what is described by Nguyen (2011), namely the ability of marketing, management skills, and the size of the company. Monitoring mechanism that is used is independent and its level of debt in a foreign subsidiary.

Theory And Hypotheses Development

The concept of firm-specific advantages

The specific advantages of the company are certain advantages in terms of which the company is able to generate profits for the company. These advantages will impact company performance to ability of the monopoly advantage. Companies with specific advantages able to create value added for companies that can not be done by other companies.

The firm specific advantages are divided into several types. Rugman & Varbeke (2001) divide the company into two specific advantages, namely nonlocation bound and location-bound. Non-location bound advantages of a company is not bound by a particular place so that it can easily be used globally by the multinational company's internal network, such as patented technology, managerial skills, etc. Location bound is the superiority of companies that are bound by a particular place. This superiority is difficult to be transferred to the internal network so it can not be used globally, for example related to the location advantage of natural resources or labor.

Dunning (1983) divided the company into three specific advantages, namely own advantages, location advantages, and internalization advantages. Advantages associated with the ownership of assets and capabilities transactional advantages possessed by the company. Advantages associated with the location of the specific advantages of a place country. This is similar to the type of location bound advantages described by Rugman & Varbeke (2001). Internalization advantages associated with the company's ability to internalize the international production. This is done because of the benefits derived from the internalization of international production is greater than when the company sold to outside parties, for example in the form of licensing.

The study of the specific firm advantages has been conducted by previous researchers, such as Siripaisaipipat & Hoshino (2000) who studied the effect of firm specific advantages and entry mode on the performance of Japanese subsidiaries in Thailand. This study explains that the firms specific advantages and entry mode is positively related to the performance of foreign subsidiaries. Nguyen (2011) describes some of the variables used to measure the specific advantages that firm R & D intensity, marketing ability, management skills, and firm size.

Theories have Agency and Monitoring Mechanism

Agency theory assumes that the agent (management) who has mastery of information can act opportunistic or not in accordance with the wishes of the principals (shareholders). This leads to behaviors that give priority to serving the needs of themselves first. It therefore requires a system of proper supervision and use of the board of commissioners to oversee the managers to minimize agency costs (Fama & Jensen, 1983).

Fama & Jensen (1983) proposed the commissioners dominated by an independent party to supervise the activities of managers run more effective. Hossain et al. (2000) also said that the independent commissioner assess the performance of the company over more objective than the commissioner of the company, as an independent Commissioner that outside parties do not have an interest in the performance of the company so as to provide better oversight. Supervision aims to ensure that managers do not act selfish and compromising company. Commissioner from outside company will be better positioned to negotiate and oppose them, even in the extreme case of an independent commissioner may propose to the shareholders to terminate the manager's job (Dallas, 2001).

In addition to the use of independent commissioners, control of management can also be done with the debt policy of the company. The increase in debt will reduce the possibility of waste management is carried out (Jensen et al., 1992). The increase in debt leverage increases thus increasing the possibility of financial distress or bankruptcy. Concerns bankruptcy encourage managers to more efficiently, thus improving the cost of agency.

Hypothesis development

Marketing capabilities and performance

Marketing is the activity of introducing products that produced by the company to the consumer. Marketing plays an important role in the company performance where the better performance of marketing will bring a positive impact on overall company performance (Ferdinand, 1999; Listyarso, 2005). Song et al. (2005) say that marketing capabilities are productive resources owned by a multinational company that is able to become a new business. Therefore the marketing function is an activity that is very vital to add value to the products that the company is expected to make profits, developing and maintaining their survival (Kotler, 2002: 18).

The uniqueness of the products with innovation strategies need to be introduced to consumers. Uniqueness about the added value for the company would not be effective when the consumer does not get information about it. Companies with innovation strategies tend to produce more product than the company with the efficiency strategy. It make impact on the cost incurred for the marketing of such products.

Conversely, a company with an efficiency strategy tends to reduce costs in order to increase the efficiency of the company. The products with the efficiency strategy are likely to be more homogeneous and standards. These products are easily recognized by consumers because of their life cycle tends to be longer. This will have an impact on decrease the marketing costs. Based on the explanation below, the following hypothesis is stated:

H1a: marketing ability have positive effect on the performance of foreign subsidiaries.

H1b: marketing ability have positive effect and greater on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy.

Expertise And Performance Management

Management skills become one of the firm specific advantages. Management skill is not only related to the ability of managers to run the company efficiently, but also how managers are able to see long-term opportunities for the company. Sambasivan et al., (2009) demonstrated management expertise has a strong relationship with opportunity recognition capabilities. Therefore, the ability of managers not only improve the performance of the company for the short term. Managers who are able to see opportunities in the future will be able to improve the performance of the company for the long term.

Visionary management is able to see what is needed in the long term so that they can appropriately make the required investment. It is important for the company's innovation strategy. Innovation strategy requires investment in research and development (Mia & Clarke, 1999) which is a long-term investment in order to compete with its competitors. The company with the innovation strategy is expected to gain first mover benefits with long-term investment. This is due to the company with a strategy of innovation tend to choose industries that have a large market so it is important to position yourself uniquely and meet demand with innovative products (Porter, 1985).

Conversely, a company with efficiency strategies tend to produce relatively homogeneous products and a longer life cycle. So that managers at companies with efficiency strategies only focus on how to run more efficient company, for example, with the pursuit economies of scale production facilities, controlling overhead costs, and minimize the cost of research, and advertising services (Porter 1985). This is because the company performance with efficiency strategy related to its ability to improve the efficiency of the company. Based on the explanation below, the following hypothesis is stated:

H2a: The management ability has positive effect on the performance of foreign subsidiaries.

H2b: The management ability has positive effect and greater on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy.

Company Size And Performance

The size of company reflects the company's development. Companies that are able to compete and demonstrate good performance will be developed both in terms of assets, capitalization of capital, and the workforce. Sizes provide opportunities and challenges to be faced. According to Watts and Zimmerman (1978), firm size may affect the level of political costs faced by companies. The larger the size of the company will increase the political costs.

However, large companies have sufficient capital capitalization to internalize all of the main activities, both R & D, production, and marketing.

A large number of assets will decrease if the assessed value of the company from the owners of the company because they have to face greater political costs. However, when viewed from the side of management, large asset will provide ease in controlling the company to enhance shareholder value. At the company's ability to adopt a strategy of innovation funding and asset becomes an important factor to conduct research and development activities (Porter, 1980). Those activities which generate the uniqueness and exclusivity of innovative products that determines the long-term performance.

But for companies that adopt efficiency strategy, size of the company will provide additional cost will affect their performance. As disclosed Watts & Zimmerman (1978), firm size may affect the level of political costs faced by companies. Additional costs such as these are always trying to avoid for companies who adopt efficiency strategy. Porter (1985) describes the company with efficiency strategies perform rigorous cost control, controlling overhead costs, and cost minimization in areas like research and development, service, sales force, and advertising. This may imply that the political costs faced as a result of the development of the company size will have an impact on company performance.

Based on the explanation below, the following hypothesis is stated:

H3a: Firm size has positive effect on the performance of foreign subsidiaries.

H3b: Firm size has positive effect and larger on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy.

Independent Commissioner And Performance

Independent commissioner is a commissioner from outside the organization who assigned to supervise a company or organization. Independent commissioner appointed by the shareholders as monitors the operations of the company. Supervision is carried out by the commissioner will be able to reduce or eliminate behaviors that managers prioritize personal interests rather than the shareholders interests. In addition, these controls are expected to be able to make the company work more efficiently and ultimately improve the performance of the company.

Independent commissioner gives greater influence on the efficiency of the company with a strategy for the product on the company with a strategy of efficiency is standard. This allows control of the output is done by an independent commissioner to run more effective because companies are more dominant performance related to how efficiently the company is able to run activities (Gani & Jermias, 2006). By using control result, these companies can improve efficiency by eliminating need to incur additional costs and improve the transparency of managerial behavior.

Unlike the previous explanation, the performance of companies with more innovative strategies associated with long-term investments that tend to be more at risk. Manager is on companies with innovative strategies are required to create an unique product that gives a higher risk of failure. This causes the output control only effective for short-term and compromising the long-term performance of the company. Gani & Jermias (2006) describes the output control on the company's innovation strategy may increase efficiency of the company, but it does have an impact on the manager's reluctance to make long-term investments at risk.

Based on the explanation below, the following hypothesis is stated:

H4a: Independent Commissioner have a positive effect on the performance of foreign subsidiaries.

H4B: Independent Commissioner have positive effect and greater on the performance of the foreign subsidiaries with efficiency strategy compared with the company's innovation strategy.

Debt levels and Performance

The debt level of the company is one of the mechanisms control over the management of opportunistic behavior (Jensen, et al., 2002). Debt forcing companies to pay principal and interest, thereby reducing the free cash flow and reduce incentives for managers satisfy themselves behave. Free cash flow or free cash flow is cash that can be distributed over the company to creditors or shareholders are no longer needed for working capital or investment in fixed assets (Ross et al., 2000). Free cash flow is the cash flow that the company has not invested profitably. Cash will usually lead to a conflict of interest between managers and shareholders. Large free cash flow will lead to incorrect behavior of managers and decision hurt the company.

Jermias (2008) using the company's business strategy contextual variables to examine the impact of debt levels on the performance of the company. The study explains that the debt level affects the performance of larger and negative on the company's innovation strategy compared with the efficiency of the strategy. Performance on the efficiency of the strategy is influenced by the ability of the company to improve efficiency so that the impact of debt does not greatly affect to performance. However, the company's innovation strategy requires greater funds to make long-term investments that will generate product exclusivity, so that limited funding will affect its performance significantly. Based on the explanation below, the following hypothesis is stated:

H5a: Debt levels affect negatively to the performance of foreign subsidiaries.

H5B: Debt levels has negative effect and greater on the performance of the foreign subsidiaries with corporate innovation strategy compared with a strategy of innovation.

Research Methods

Population And Sample

The population used in this study is a foreign subsidiary in Indonesia, which is listed in the Indonesia Stock Exchange in 2012. Foreign subsidiaries used is a foreign subsidiary joint (international joint ventures). Criteria foreign subsidiaries were used to follow the joint research from Siripaisalpipata & Hoshino (2000), and Yiu & Makino (2002) that firms with foreign ownership of at least 20% and a maximum limit of 95%. Ownership limit of 20% or more is used as the accounting investor is considered to have a significant influence and have control over who receives investment company (the investee).

Data

The data used in this study is entirely external secondary data, i.e data is obtained in the form of data that has been collected, processed and published by others, namely the Indonesia Stock Exchange and is obtained through its website (www.idx.co.id).

Operational definitions

Performance of foreign subsidiaries.

Performance of foreign subsidiaries can be measured using objective and subjective criteria (Nguyen, 2011). Objective criteria based on financial indicators that use accounting-based measures such as Rugman (1981), Lecraw (1983, 1984) and Rugman et al. (1985). While subjective criteria are used when the data that supports the objective criteria are difficult to obtain. Brouthers (2002) reveals the difficulty to obtain objective subsidiary performance (Brouthers, 2002). Several previous studies using cost management, technology licensing fees, royalties and transfer pricing to measure subjective performance (Geringer & Herbert, 1991).

The sample in this study using foreign subsidiaries listed in the Indonesia Stock Exchange in 2012 It is easier to get a foreign subsidiary performance data so the objective criteria used in this study, in the form of Return on Assets (ROE).

Marketing Capabilities

Marketing capability is the ability of the company to enhance shareholder value by building strong relationships with consumers. Marketing capabilities to be one of the factors that affect the performance of the company, which is a good marketing performance will improve overall company performance.

Measuring instruments used for marketing capabilities in this study is a proxy for the intensity of marketing follow Grubaugh (1987). Systematically marketing intensity can be calculated using the following formula:

Management Capabilities

Management capabilities are not only related to the ability of managers to run the company efficiently, but also how managers are able to see long-term opportunities for the company. Nguyen (2011) mentions management skills as one of the firm-specific advantages.

Efficiency is accomplished by the method of data envelopment analysis (DEA). Measurement efficient companies can be calculated using the following formula:

With restrictions:

Specification:

θ = the value of the company's efficiency k

U_i = weight of output i produced by the company k

Y_{ik} = amount of output k i of the company and is calculated from $i = 1$ to s

V_j = weight used in the company

X_{jk} = amount of input j of company k and is calculated from $j = 1$ to m

The equation above shows that the highest level of efficiency of enterprise value is 1 and the value will always be positive. Efficiency measurements performed with the DEA method that compares the output produced with the required input. Inputs used in this study is total assets, total labor, COGS days in inventory, and days sales outstanding, while the output used is sales. This method is used because it has been successfully used to measure efficiency in various fields. The unit of analysis used in the DEA called the decision making unit (DMU). The efficiency of the entire DMU compared using the same input and output and generating efficiency value between 0 to 1 value efficiency approaching a value of 1 indicates that the DMU is inefficient. In contrast, the efficiency of DMU which has a value close to the value of 0 indicates that the DMU is inefficient.

The size of the company

The size of the company not only reflects the company's ability to mass production, the size also reflects the company's success in developing the company. Several studies using firm size as one of the company specific advantages. Measuring instrument used to measure the company in this study follows the Horst (1992) that the value of corporate assets.

Independent Commissioner

Independent commissioner was measured by using the ratio between the independent commissioners divided by the total board of commissioners. Independent commissioner described the explanation of Article 118 paragraph (2) of Law No. 40 of 2007 on limited liability as a commissioner from outside the company.

The independence of the board of commissioners be seen from the ratio of an independent commissioner toward commissioners who are in the annual

report of foreign subsidiaries in 2012 Annual report was obtained from the website of the Indonesia Stock Exchange (www.idx.co.id)

Level Of Debt

The level of debt shows the company's obligation to pay principal and interest to creditors. The level of debt will increase because of management control mechanisms are not only responsible and supervised by the shareholders, but also creditors. Loan agreement requires the company to pay a sum of money to the lender will reduce your chances of opportunistic managers to act.

Debt levels were measured by using the ratio between total debt (short-term debt + long term debt + other debts) to total assets (Jermias, 2008)

Corporate Strategy

The advantages of a company resulting from the proper strategy. This strategy creates added value for the companies that support the performance when competing with competitors. Porter (1985) suggested that the company may choose to become a provider of a product at the lowest price in the industry (cost efficiency strategy) or to become a provider of unique and innovative products (innovation strategy).

Measurement is done by comparing the company's strategy between asset utilization efficiency capability with premium price. Asset utilization efficiency shows how strategically important for the company's operational efficiency. Companies that use the strategy of asset utilization efficiency will have a higher efficiency since they they tend to operate in a stable environment, which produce standard, and uses a standard SOP so that these companies tend to enjoy high stability (Gani and Jermias, 2006) . Capability Premium Price shows how much the company's ability use premium price. Companies with a tendency innovation strategies tend to produce unique products and services that allow them to charge a fee to consumers (Anggraita, 2013).

Systematically asset utilization efficiency capability and premium price can be calculated using the following formula:

asset utilization efficiency = (Total Sales) / (Total Assets)

Premium price capability = (Gross Margin) / (Total Sales)

Subsequent corporate strategy with top rank value of assets utilization efficiency capability and premium price. Rating of the last two values were averaged. Then the median value is used to divide the strategies that can be known tendency of corporate strategy compared with other companies.

Regression equation models were used in this study are as follows:

Y = performance company

α = constant

b1-b9 = regression coefficient

X1 = marketing capabilities

X2 = Expertise management

X3 = Size Company

X4 = Independent Commissioner

X5 = Level of debt

Z = the company's business strategy

X1-X5.Z = Interaction variable independent of the company's business strategy

ei = error term, the error rate estimators research

Regression analysis is used to answer the hypotheses H1a, H2a, H3a, and H4a proposed. Hypothesis is accepted if the value of the coefficient of the independent variables show positive results. For hypothesis 5a, the hypothesis is accepted if the value of the coefficient of the independent variables showed negative results.

The results of moderated regression analysis is used to answer the hypotheses H1b, H2b, H3b, H4B, and H5B proposed. For hypothesis 1b, 2b, 3b and 5b, the hypothesis is accepted if the value of the coefficient of the independent variable (X) plus the interaction coefficient (X * Z) is greater than the value of the coefficient of the independent variable (X). For hypothesis 4b, the coefficient of the independent variable (X) is greater than the value of the coefficient of the independent variable (X) plus the interaction coefficient (X * Z) shows that the hypothesis is accepted.

Results And Discussion

Description Of Sample

This study took a sample of foreign subsidiaries in the manufacturing sector, which is listed on the Indonesia Stock Exchange in 2012 Criteria foreign children in particular is a company whose shares are owned by foreigners by 20% until 95%. Value of share ownership is a form of cooperation of foreign companies with local partners to establish subsidiaries. Based on purposive sampling technique obtained a sample of 48 foreign subsidiaries in the manufacturing sector. The details of the number of companies that obtained using purposive sampling technique is as follows:

[Insert Table 1 here)

Results of Descriptive Analysis

Descriptive statistics discussed the general overview of variables to be used. In this study the dependent and independent variables used are the dependent variable in the form of Return on Assets (ROA). The independent variable is the ability of marketing, management expertise, size of company, an independent commissioner, and the debt level summary descriptive statistics of the study variables can be seen in the table below:

[Insert Table 2 here)

Table 5.2 showed that tonly variable that has a greater value ROA standard deviations than the mean. This shows that the percentage ROA sample firms have varying magnitudes. For other variables, the standard deviation value is smaller than the average value which indicates that a variable percentage of the sample firms have almost the same magnitude.

Hypothesis Testing Results

This section contains an explanation of the statistical output hypothesis testing. In addition to an explanation of output statistics, this section also testing the goodness of fit and the discussion about whether or not the prediction is supported in the hypothesis. Goodness of fit testing is done to determine the feasibility of a regression model that can be seen from the coefficient of determination. The coefficient of determination shows how much variation in the dependent variable that can be explained in the independent variable

[Insert Table 3 here)

Adjusted R-squared value on the chart indicates the number 0.285. This shows that 28.5% of the performance of foreign subsidiaries can be explained by the independent variables used in this study, the ability of marketing, management expertise, size of company, an independent commissioner, and the level of debt. The remaining amount of 71.5% influenced by other variables that can not be explained by our model.

The test results of the regression model of the factors affecting the performance of foreign subsidiaries in Indonesia is shown in the following table:

[Insert Table 4 here)

In this study used regression model as follows:

$$Y = \alpha + b_1x_1 + b_4X_4 + b_3X_3 + b_2X_2 + b_7X_1.Z + b_6Z + b_5X_5 + b_{10}X_4.Z + b_9X_3.Z + b_8X_2.Z + e_i + b_{11}X_4.Z$$

Having regard to the regression model and the results of the linear regression equation obtained factors affecting the performance of foreign subsidiaries in Indonesia as follows:

$$Y = -0.077 + 0,034X_1 + 0,167X_3 + 0,394X_2 - 0,096X_4 - 2,096Z + 0.408X_5 + 0,493X_2.Z + X_1.Z + 0.193 - 0.427 X_4.Z + 2,637X_3.Z + e_i + 0,018X_4.Z$$

Based sig in the table above, the coefficients of the variables were significant effects on ROA is the management expertise and the level of debt because the value is below 5%. This shows that only two variables that significantly affect ROA.

Marketing capabilities have a positive direction and in accordance with the hypothesized but not significantly. Firm size also has a positive and appropriate direction hypothesized but not significantly. Furthermore, an

independent commissioner have a negative direction and in accordance with which it has been hypothesized but not significant. The influence of the interaction between the independent variables and the strategy the company has no significant effect.

Discussion

The result of a discussion on the data that has been obtained in this section. Further systematic discussion arranged in sequence with reference to the formulation of the problem posed.

Effect of Marketing Capabilities on Performance of Foreign Subsidiaries

Hypothesis 1a proposed is the ability have positive influence on the performance marketing subsidiary in Indonesia. The result showed that the effect of marketing capabilities showed significant results on the performance of the company. The results obtained significance value of 0.896 is greater than $\alpha = 0.05$. Hypothesis 1a stating that the positive effect of marketing capabilities toward performance of foreign subsidiaries in Indonesia is not supported by the results of testing that has been done.

The results of testing the hypothesis 1a in accordance with previous studies conducted Afzal (2009) which states that there is no significant relationship between marketing capability is proxied by the intensity of the performance marketing company. The reason why marketing capabilities no significant effect on the performance of foreign subsidiaries due to the intensity of competition among companies for grabs potential available market is increasing. The high competition among companies cause every company trying to introduce its products to consumers. Consumers have various references to a product that has been introduced by any company resulting in the introduction of marketing only as an instrument of products to consumers while consumers have a variety of other considerations to choose the type of product that has been known. Therefore, the ability of the company's marketing does not significantly affect the performance of xxx

Influence Marketing Capabilities Against The Foreign Subsidiary Performance Moderated By Business Strategy

Hypothesis 1b proposed corporate capabilities and greater positive effect on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy. Assessment of the effect of marketing capabilities and its interaction with the strategy showed significant results on the performance of the company. The results obtained significance value of 0.558 is greater than $\alpha = 0.05$. Hypothesis 1b stating that the ability of the company and a greater positive effect on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy is not supported by the results of testing that has been done.

The reason why the marketing capabilities and its interaction with the strategy had no significant effect on the performance of foreign subsidiaries due to run any business strategy - both efficiency and innovation strategy - the company still needs marketing. The role of marketing in introducing the product to the consumer became dominant because of the intensity of competition between companies. Consumer consideration when choosing a product based on its knowledge of the products are to be chosen so that a company with a strategy of innovation and efficiency are equally in need of marketing capabilities.

Influence on Performance Management Expertise Foreign Subsidiaries

Hypothesis 2a proposed that management expertise have positive effect on the performance of subsidiary companies in Indonesia. Assessment of the effect of management skills showed significant gains on firm performance. The results obtained significance value of 0.050 as great of $\alpha = 0.05$. Hypothesis 2a stated that the positive effect of management expertise toward performance of foreign subsidiaries in Indonesia is supported by the results of testing that has been done.

The results of testing the hypothesis 2a in accordance with previous studies conducted Carmeli and Tishler (2004) which states that the managerial capabilities and performance of the company has a positive relationship. The reason why the positive effect of management expertise on the performance of foreign subsidiaries due to its ability to see opportunities in the future. Companies that move first to seize opportunities in the future will benefit that will affect performance. Introduction to opportunities in the future is also moving companies to more effectively and efficiently so as to divide its resources for the benefit of current and future time.

Influence on Performance Management Expertise Foreign Subsidiary Which Moderated By Business Strategy

Hypothesis 2b proposed is management expertise and a greater positive effect on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy. Assessment of the effect from management expertise and its interaction with the strategy showed significant results on the performance of the company. The results obtained significance value of 0.158 is greater than $\alpha = 0.05$. Hypothesis 2b stated that the management skills and a greater positive effect on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy is not supported by the results of testing that has been done.

The reason why the management expertise and its interaction with the strategy had no significant effect on the performance of foreign subsidiaries due to an important role for the management of the company. Strategy is one form of policy decided by management that affect a company's performance. In addition, the strategy is needed by every company in order to compete and

create competitive advantage so the management skills needed by all companies in a variety of strategies.

Effect of Company Size on the Performance of Foreign Subsidiaries

Hypothesis 3a proposed is positive effect of firm size on the performance of subsidiary companies in Indonesia. Testing the effect of firm size showed no significant results on the performance of the company. The results obtained significance value of 0.318 is greater than $\alpha = 0.05$. Hypothesis 3a stated that the positive effect of firm size toward performance of foreign subsidiaries in Indonesia is not supported by the results of testing that has been done.

The results of testing the hypothesis 3a in accordance with previous studies conducted Kalkan et al. (2011) which states that there is no significant relationship between firm size and firm performance. The reason why the size of the company does not have a significant effect on the performance of the company because the size of the company has on the cost of political risk. The larger the company will bear the political costs greater. The size of the company also has a parabolic curve which after reaching the maximum point will return decreases causing decreased performance of the company.

Effect of Company Size on the Performance of Its Foreign Subsidiaries Moderated By Business Strategy

Hypothesis 3b proposed that the size of the company and a greater positive effect on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy. Assessment of the effect of management expertise and its interaction with the strategy showed significant results on the performance of the company. The results obtained significance value of 0.126 is greater than $\alpha = 0.05$. Hypothesis 3b which states that the size of the company and a greater positive effect on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy is not supported by the results of testing that has been done.

The reason why the size of the company and its interaction with the strategy had no significant effect on the performance of foreign subsidiaries because each company has a point of maximum efficiency will affect the performance. After passing the maximum limit, the company will tend to be inefficient - both for companies with innovation and efficiency strategy.

Effect of Independent Commissioner Against Foreign Subsidiary Performance

Hypothesis 4a proposed is independent commissioner positive effect on the performance of subsidiary companies in Indonesia. Testing the influence of independent commissioners showed no significant results on the performance of the company. The results obtained significance value of 0.736 is greater than $\alpha = 0.05$. Hypothesis 4a stated that independent commissioners positive effect on the performance of foreign subsidiaries in Indonesia is not supported by the results of testing that has been done.

The results of testing the hypothesis 4a in accordance with previous studies conducted de Andres et al. (2005) which states that there is no statistically significant relationship between the composition of the board of commissioners and the performance of the firms in the OECD countries. Even Klein (1998) states that the proportion of independent commissioners considered excessive. The reason why the independent commissioner did not significantly affect the performance of foreign subsidiaries due to independent commissioners ratio to total board of commissioners in a foreign subsidiary in Indonesia does not reflect their needs. Companies listed on the Indonesian Stock Exchange are required to have at least 30% of the total number of independent commissioners. This policy encourages companies to put independent commissioners only as a way to meet the regulations, which in turn has the consequence that the role of an independent commissioner was not optimal and does not affect the performance of the company.

Effect of Independent Commissioner Against The Foreign Subsidiary Performance Moderated By Business Strategy

Hypothesis 4b proposed independent commissioner and a greater positive effect on the performance of the foreign subsidiaries with efficiency strategy compared to a strategy of innovation. Testing the influence of independent commissioners and their interaction with the strategy showed significant results on the performance of the company. The results obtained significance value of 0.567 is greater than $\alpha = 0.05$. Hypothesis 4b stated that an independent commissioner and have a greater positive effect on the performance of the foreign subsidiaries with efficiency strategy compared to the innovation strategy is not supported by the results of testing that has been done.

Test results on the hypothesis 4b is not in accordance with previous studies conducted by Gani & Jermias (2006) which states that companies with efficiency strategies gain greater benefit from the higher ratio of independent commissioners compared with the company's innovation strategy. The reason why the independent commissioner and its interaction with the strategy had no significant effect on the performance of foreign subsidiaries due to the obligation to have the commissioner at least 30% of the total board of commissioners that is applied to all companies listed on the Stock Exchange of any business strategy. This requirement tends to encourage companies to put independent commissioner just as the eligibility maximal impact on the expected role of the control of an independent commissioner to be able to improve the performance of the company. Maximal independent commissioner role in the control of any company with any business strategy results in the loss of the influence on the performance of the company.

Effect of Debt to Foreign Subsidiary Performance

Hypothesis 5a proposed level of debt is negatively affecting the performance of subsidiary companies in Indonesia. Assessment of the effect of

debt levels showed significant gains on firm performance. The results obtained significance value of 0.037 which is smaller than $\alpha = 0.05$. Hypothesis 5a which states that the level of debt a negative effect on the performance of foreign subsidiaries in Indonesia is supported by the results of testing that has been done.

The results of testing the hypothesis 5a in accordance with previous studies conducted Zeitun and Tian (2007) which states that the level of debt the company had a negative impact on corporate performance are assessed based on the value of the book. The reason why debt levels and significant negative effect on the performance of foreign subsidiaries because the level of debt the company would reduce the flexibility of the company. The existence of a debt contract that requires the company to execute the contract within the agreed terms of the debt and interest payments each year will affect the performance of the company. In addition, companies with high levels of debt will trigger managers to avoid risky projects.

Effect Of Debt Against The Foreign Subsidiary Performance Moderated By Business Strategy

Hypothesis 5b proposed the level of debt and a greater negative effect on the performance of the foreign subsidiaries with corporate innovation strategy compared with a strategy of innovation. Testing the influence of the level of debt and its interaction with the strategy showed significant results on the performance of the company. The results obtained significance value of 0.961 is greater than $\alpha = 0.05$. Hypothesis 5b which states that the level of debt and a greater negative effect on the performance of the foreign subsidiaries with innovation strategy compared with the efficiency of the strategy is not supported by the results of testing that has been done.

Test results on the hypothesis 5b is not accordance with previous studies conducted by Jermias (2008) which states that the effect of the level of debt on firm performance is negative and greater in companies with enterprise innovation strategy compared with the efficiency of the strategy. The reason why the level of debt and its interaction with the strategy had no significant effect on the performance of foreign subsidiaries due to the impact of debt holdings equal consequences for the entire enterprise of any business strategy. High levels of debt will limit the space for management to make investments that may be a positive impact on its performance in the long term. These barriers will tend to encourage the management to avoid investments that have a financial risk so that any company with high levels of debt will be more likely to avoid the risks that have an impact on financial performance is relatively stable from year to year.

Conclusion, Limitations, And Advice

Conclusion

The results of this study concluded that the performance of foreign subsidiaries in Indonesia is determined by several factors and one of them is the company specific advantages. This study proves that the management skills affect the performance of foreign subsidiaries in Indonesia. Because management is able to identify opportunities and maximize the resources of the company will result in a good performance at the company. In addition, this study also proves that the level of debt a negative effect on the performance of foreign subsidiaries in Indonesia. Due to the higher level of debt that the company will reduce its openness is limited by contractual agreements with creditors and its obligation to pay principal and interest charges that would reduce the performance of the company.

This study also proves that marketing capabilities, firm size, and independent commissioner has no effect on the performance of foreign subsidiaries in Indonesia. Marketing capability does not affect the performance of foreign subsidiaries in Indonesia because the company has been listed on the Stock Exchange, the products of the company has been recognized by the company so that the marketing is done by the company does not affect its performance. Firm size does not affect the performance of foreign subsidiaries in Indonesia because of the company's performance is not determined from large or small companies, but how the company is able to maximize their resources to produce maximum performance. The size of the company will be able to provide a variety of advantages such as providing funding of up to a certain point which can improve the performance of the company. After passing the limit is the size of the company will be a burden for the company that will bring operational inefficiency of the company. Independent Commissioner does not affect the performance of foreign subsidiaries in Indonesia because its role is not optimal. The existence of an independent commissioner is not specified in the demand, but rather as the fulfillment of a condition that requires companies listed on the Stock Exchange to have a minimum of 30% of the total independent commissioners commissioners.

The company's business strategy proved to be a significant influence and failed to moderate the relationship between the independent variables and the dependent variable used in this research. Strategy that foreign subsidiaries have not a significant role and show the strategic role of foreign subsidiaries are still not optimal. This may be caused by the formulation of the strategy is still the domain of the parent company.

Limitations Of Research

Researchers realize there are limitations to this study. First, this study used secondary data to determine strategies that run the company. Strategy is a complex process that needs to know the depth of understanding of the strategy undertaken by the company.

Secondly, the ability of marketing used in this study are based on proxy marketing intensity is calculated using the administrative burden, general, and sales divided by total sales. The use of general administrative expense and risk that the sale has no load is not used for marketing included in the calculation.

Third, this study only uses the size of the company's performance based solely on the value of accounting. It is the risk of bias were deliberately created by the company in order to impress the company has a good performance.

Suggestion

Suggestions researchers for further research relating to the topic and the subject of the same study are the first, subsequent studies could use primary data to be able to more deeply to be able to know the different variables used in the study. This can be done by interview or questionnaire to the ranks of top management. Researchers then can also use primary data to measure marketing capabilities aimed at both the enterprise and consumer. In addition, further research could also simultaneously using performance assessment based on the book value and market value. This is to reduce the risk of each way of performance appraisal where the book value bias of the risk management and market value of the risk of bias noise from similar industries.

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Lampiran

Tabel 1

Sampel Penelitian

Kriteria Sampel	Jumlah
Perusahaan manufaktur tahun 2012	: 152
Perusahaan dengan kepemilikan saham asing dibawah 20%	: (92)
Perusahaan dengan kepemilikan saham asing diatas 95%	: (1)
Perusahaan yang menggunakan mata uang asing	: (11)
Total Sampel	: 48

Tabel 2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
x1	48	,02	,67	,1677	,15713
x2	48	,02	1,00	,5020	,27569
x3	48	9,27	17,90	14,2330	1,62595
x4	48	,25	,80	,3925	,10442
x5	48	,03	1,03	,4306	,23678
z	48	0	1	,50	,505
ROA	48	-,21	,40	,0877	,13390

Tabel 3

Pengujian Goodnes of Fit

R	R Square	Adjusted R Square	Std. Error of the Estimate
,673^a	,452	,285	,11322

Tabel 4

Hasil Uji Regresi

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-,077	,255		-,302	,765

x1	,029	,217	,034	,132	,896
x2	,192	,095	,394	2,024	,050
x3	,014	,014	,167	1,013	,318
x4	-,123	,364	-,096	-,339	,736
x5	-,231	,107	-,408	-2,165	,037
z	,555	,453	2,096	1,225	,228
x1z	-,168	,284	-,193	-,592	,558
x2z	,227	,158	,493	1,442	,158
x3z	-,048	,031	-2,637	-1,565	,126
x4z	,249	,432	,427	,577	,567
x5z	-,009	,184	-,018	-,049	,961
