

# Factors that Determines the Success of Business Demon Value Added Management

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## Abstract

The purpose of this paper is to provide a comprehensive indication of the Business Demon Value Added Management (BDVAM) as a form of Politics Governance Responsibility (PGR). This paper is to achieve its objectives by reviewing some relevant literature related to the five main areas of Business Demon Value Added Management (BDVAM) i.e revenue management, cost management, resource management, capital investment management, and sustainability. Through the above critical review of the existing literature, this paper on feature five factors that should be met as a condition for the successful practice of BDVAM, namely:(1) the amount of the commitment of business demon as a minority shareholder to suppress the majority shareholder of the company to solve operational problems, financial, political, social and environment with the help of the media, (2) the strength of militarist paradigm adopted by the business demon, (3) the ability of business demon to do coopetition, which is able to provide added value for shareholders and stakeholders, (4) the ability of business demon meet its working capital with an unlimited source of funds, (5) the ability of business demon builds mutual benefits with government bureaucrats and suppliers. From the previous paper discussed more success in the role of business angel in providing added value for the company. This paper focuses on the business demon by introducing five prepositions that can improve the performance of the company. This literature is limited only to answer five fundamental questions: (1) why the business demon success or failure in applying BDVAM? (2) what are the internal and external factors that are needed to qualify at the time of applying BDVAM, (3) how to improve and discrepancies in stock prices, while the growing political rents, interest in working at the company worker's is reduced because of the inability of the business demon? (4) the opinion of the author, which one is better between

business demon and business angel in adding value? (5) how to improve the model BDVAM that this model does not become BDVDM (Business Demon Value Destruction Management), where business demon has dominant roles in setting the company's stock price. The previous paper discussed more on the role of business angel in providing value added and nothing that specifically addresses the business demon who has political connections with government. The first contribution of this paper to the existing literature can be found that the relationship BDVAM with operational performance, financial, political, social and environment is still not widely studied. Second, this paper adds to the literature on entrepreneurial finance in particular how BDVAM could be an alternative strategy for the business demon in the plan will be to invest in the company. Also in this paper introduces Business Demon Value Destruction Management (BDVDM), which is a management concept that states that the business demon success is providing value to the business angel and other shareholder to buy an existing company or merged with other similar companies, as well as influencing stakeholders to close the company if there is a discrepancy in a process that could harm customers in the long term.

**Keywords:** Business Demon Value Added Management (BDVAM), Business Demon Value Destruction Management (BDVDM), Politic Responsibility, Entrepreneurial Finance.

## 1. Introduction

A number of studies concerning entrepreneurial finance now many done and narrowly focused more on venture capital and will involve an informal investor/angel investors (Brophy and Shulma,1992; Saint Pierre and Mathieu, 2003; Denis,2004; Rassoul,2006; Lantz and Sahut, 2009; Redis, 2009). Research on an informal investor/angel investors itself has also been developing countries with a discussion as follows:

### 1.1 Demography Informal Investor/Angel

- a. Country of origin informal investor/angel investors are based on continent:
  - i. Asia and Australia (Hindle and Wenban,1999; Tashiro, 1999; Hindle and Lee,2002; Kutsuna and Harada, 2004; Gunawan,Wessiani, *et al.*, 2011; Scheela and Isidro, *et al.*,2012).
  - ii. United States (Harr, Starr, and MacMillan,1998; Aram, 1989; Wetzel, 1981,1983,1994; Duxbury, Haines, and Riding,1996; Freear, Sohl, and Wetzel, 1997; Korhonen,2009)
  - iii. Europe (Mason, Harrison, and Chaloner, 1991; Mason and Harrison, 1994,1996; Van Osnabrugge,1998; Kelly, 2000; Stedler and Peters, 2003; Paul, Whittam, and Johnston,2003)
  - iv. Africa (Curtis,2003)
  - v. Nordic (Landstrom, 1992,1993,1995,1998; Suomi and Lumme, 1994; Reitan and Sorheim,2000; Sorheim and Landstrom,2001)
  - vi. Middle east region (Curtis,2003; The Economist,2013)

- b. Age (Gaston,1989; Freear, Sohl and Wetzel,1991,1994; Van Osnabrugge and Robinson,2000; Hill and Power,2002; Autio and Arenius, 2003)
- c. Sex (Gaston,1989, Freear,Sohl and Wetzel,1991; Wetzel and Freear,1996)
- d. Number of assets owned (Gaston, 1989 Benjamin and Margulis,2001)
- e. Experience managing multinational companies (Aram,1989; Gaston,1989; Sullivan, 1991; Van Osnabrugge and Robinson,2000; Autio and Arenius, 2003)
- f. Level of competency (Sorheim and Landstrom,2001)
- g. The level of formal education possessed (Aram,1989; Gaston,1989; Van Osnabrugge and Robinson,2000; Hill and Power,2002)

### *1.2 Characteristics of Informal Investment Transactions between the Investor/Angel Investor with the Company*

- h. The size of investment (Aram, 1989; Gaston,1989; Freear,Sohl and Wetzel,1991; Linde and Prasad,2000; Van Osnabrugge and Robinson,2000; Hill and Power,2002)
- i. Frequency investing (Gaston,1989; Freear and Wetzel,1991; Sullivan,1991; Freear, Sohl and Wetzel,1992)
- j. Geographic to invest (Aram,1989; Riding and Short,1987; Freear, Sohl and Wetzel,1992;1994; Lerner,1998; Benjamin and Margulis, 2001; Hill and Power,2002)
- k. Viable industries for investments (Wetzel,1983; Aram,1989; Gaston,1989; Freear,Sohl and Wetzel,1995; Van Osnabrugge and Robinson,2000; Hill and Power,2002)
- l. Object of investments in new/early stage of operation (Aram,1989; Freear and Wetzel,1989; Freear, Sohl and Wetzel,1996; Sohl,2004)
- m. Family companies funded by business angel has survived to the third generation (Beckhard and Dyer,1983; Dyer and Sanchez,1998; Athanas-siou and Crittenden,2000; Filbeck and Lee,2000; Sonfield and Lussier,2004)

### *1.3 The investment process is done by informal investor/angel investors*

- n. Sourcing/Co-Investing (Aram,1989; Freear, Sohl, and Wetzel,1990; Kelly and Hay,1996; Van Osnabrugge and Robinson,2000; Benjamin and Margulis,2001)
- o. Dilligence process (Harrison, Dibben and Mason,1997; Van Osnabrugge and Robinson,2000; Linde and Prasad,2000)
- p. Contract structure (Freear, Sohol and Wetzel,1992; 1995; Van Osnabrugge and Robinson,2000)

*1.4 In Some Studies Explained That Some Companies Belonging To The Family Business Angel Funded By Business Angel (Krueger, 1974; Davis, 2001; Hunt, 2002; Crispin, 2002)*

*1.5 Motivation Investments Made by Angel Investors*

- q. Rate of return on investment can be financially profitable or financially provide added value (Fama and Miller, 1972; Gaston,1989; Sullivan and Miller,1990; Freear,Sohl and Wetzel,1995; Van Osnabrugge,1998;2000; Linde and Prasad,2000; Benjamin and Margulis,2001; Ardichvili *et al.*, 2002; Hill and Power,2002; Madill *et al.*, 2005; Munck and Saublens,2005; Politis,2008)
- r. Investment holding period (Gaston,1989; Freear,Sohl and Wetzel,1995; Van Osnabrugge,1998; Linde and Prasad,2000; Benjamin and Margulis,2001; Hoontrakul, 2001)
- s. Can provide added value in non-financial benefit (Freear, Sohl and Wetzel,1995; Sullivan and Miller,1996; Linde and Prasad,2000; Van Osnabrugge and Robinson,2000; Sorheim,2005; Politis,2008; Ragnar, Marius, and Lars,2012)
- t. Want to destroy the company (Berglas,1998; Cockerill, 2002; Ibrahim,2008)

Although the presence of the business angel has been long enough to present as a minority shareholder in the company and has been widely discussed in several previous studies, still could not prevent a global financial crisis. The global financial crisis that is happening around the world lately made two contrasting events: (1) a newly established company with the support of the business angel through still not able to survive (McCarthy,Solomon and Mihalek,2012). This is because of politic responsibility policy are not going well (Manzoor,2013) and business angel can't give a good contribution though trying to provide added value and therefore contributes to the quality of the financial statements and the quality of the company's revenue (Jin and Myers,2006; Politis,2008; Lee and Seo,2009; Gul, Kim and Qiu,2010; Piotroski, Wong, and Zhang,2010; Ragnar,Marius,and Lars, 2012); (2) it is not overly impact on large companies because of the complicated relationship between political connections with the countries major companies where the majority of CEOs are former civil servants or government officials (Lantz, Montandrau, Sahut,2010) as well as the active involvement of business demon the shareholding structure of the company (Bates,2009; Zalzman,2013; Anonymous, 2014).

With the active involvement, business demon replace the company's management system into a militaristic nature (Talbot,2003), making the resolution of shareholders and change political responsibility policy on large firms (The Economist,2007). However the business demons still remains to be watched by other shareholders and the board of the company because they invest so much capital not only as a minority shareholder, but has a high motivation to seek compensation, acquire stakes of other shareholders with a negative impact to the company so that it can acquire/sell the company at a higher price, but it also forces them to engage directly, although not knowing the problems related to the activity of the operational details that could be dangerous if the payments are restricted, the onset of the debt, the sale of assets,

changes in corporate control agreement (Bennett,2008; Rose,2010).

The business demon and other stakeholders to learn from the global financial crisis that has occurred previously (Friedman and Schwartz,1963; McCarthy, Solomon, and Mihalek,2012) and do not believe the board of the company as previously they often ask a very high compensation package without any clear indicators, change the policy of Good Corporate Governance and dominate corporate board, and can't create added value and inhibit a change in strategy from outside the company (Corlette,1989; Paul and Lydenberg,1992; Davidson, Worrell, and Jelly,1995;Frooman,1999; Graves,Rehbein,and Waddock,2001; Rowley and Moldoveanu,2003; Lipton,2007; Myles,2011; Manzoor,2013; The Economist,2013).

The presence of the business demon to create shareholder resolutions and bring changes to the company(The Economist,2007). Business demon will use all its resources to provide added value to influence the management of the company such as (1) when the shareholder's meeting, business demon will ask the company's performance in detail and how the board and the audit committee control their staffs, (2) questioning why returns for shareholders when the little cash that the company very much, (3) alter the fundamental role of the board of the company is bad and unproductive, (4) degrading the performance of accountants, auditors through a board meeting, (5) create pressure on the board of the company to manage the short-term stock price performance rather than long-term value creation because the company's board of storing information for himself and ask who controls the performance of the board of the company (Lipton,2007; The Economist,2007; Tilson and Heins,2011; Kelly,2013).

Therefore Business Demon Value Added Management (BDVAM) is an important issue for the company's corporate board anticipation these days due to the presence of business demon: (1) involve the media to tell all the performance of the board of the company and all employees in the company, (2) change of control that was once performed by the board of the company, (3) makes the role of the board of the company to be reduced due to the inclusion of expert consultants/experts/members bureaucrats who still/not to give independent advice for business demon don't trust the vision of the CEO, (4) support the workings of the CEO and the management to run the business and support in case of problems will be revoked and the CEO and the management should resign (Gray,2003; Myles,2011).

In general, BDVAM is a management concept which states that the success of a company depends on the ability of business demon (is angel investors from the religious/environmental group/community based organizations/group of a certain profession/group union/group of rich people who have a minority shareholding companies in many countries who want to do a shareholder resolution at a company to exert pressure on the board of the company to change practices of the company,besides having a very close relationship ties with high-ranking officials at state-owned banks or central/local government (Gaston,1989) in the revenue process optimization, cost management, resource management, management of investment capital, and the management of environmental damage and social problems in the community about where the company is located (Shleifer and Vishny,1994; MacGregor and Campbell,2008; Tilson and Heins,2011; Ameer and Othman,2012). In its development,

BDVAM strongly associated with corporate governance (Sussland,2004;Ting,2006; Lipton,2007; The Economist,2007; Myles,2011), the concept of Bottom Line (Gee,2002), the relevant debate between economism and militarism paradigm adopted by the business demon in the company (Hoskin and Macve,1990; Cloke and Goldsmith,2002; Talbot,2003).

From some research findings indicate that BDVAM is a concept that is very easy to understand, but very difficult to implement in order to be successful, because there is a motivation of business demon in the ease of running the company get through government policies that support/investment contract package from the government, in return the company must provide political support and sound (Fisman,2001; Husnan,2001;Mobarak and Purbasari,2001; Faccio,2006). From the perspective of business demon,it is generally agreed that the operational, financial,political,social and environment problems are important issues and could affect stock price synchronicity and the company's stock price crashes (Stingler,1971; Jin and Myers,2006; Hutton,Marcus and Tehranian,2009; Piotroski,Wong, and Zhang,2010), but the business does not give enough attention to the business demon on these issues (Shleifer and Vishny,1994;Steven,1998; Ibrahim,2008; MacGregor and Campbell,2008; Cheffins and Armour,2011). Of some of the findings from previous research, the purpose of this paper is to provide a comprehensive indication of the value added elements of the business demon and actions that affect stock price synchronicity and the company's stock price crashes. It is supported by four fundamental questions trying to be answered to achieve the objectives of this paper are: (1)why the business demon success or failure in applying BDVAM?, (2) what are the internal and external factors that are needed to quality at the time of applying BDVAM, (3) how to improve and discrepancies in stock prices, while the growing political rents, interest in working at the company's workers is reduced because of the inability of the business demon with a high political?, (4)the opinion of the author, which one is better between business demon and business demon on the value added?, (5) how to improve the model BDVAM that this model does not become Business Demon Value Destruction Management (BDVDM), where business demon has a dominant role in setting the company's stock price, and could force the owners to sell the company's assets before other business to be owned by the business demon (Benoit,2014; Benoit and Chung,2014)?. The answer of these questions are very important to strengthen the argument that BDVAM is an ideal concept that can be used by informal investors in making investment decisions.

## **2. Literature Review**

### *2.1 Business Demon Value Added Management (BDVAM) and Politic Responsibility (PR)*

PR in a company is very important in influencing the performance of the company not only in emerging countries but also in developed countries (Fisman,2001). PR is essential to set shared between business demon, the other shareholders, the board of the company and the government because of corruption prone causing uncertainty for businesses and increase the cost of business transactions (Habib and Zurawicki,2002,2005). There is no direct involvement in several companies that stumble legal issues, government and political party supporters tend to support government actions affecting business demon in the shareholders of the company in order to depress the company's board to achieve a good profit support

voice and money to win elections (Sutter,1999; Davis,2001; Fisman,2001; Crispin,2002; Hunt,2002; Kapner,2003; Manzoor,2013) and also joined hands with the corrupt that increase uncertainty, increasing the costs of cross border business transactions (Habib and Zurawicki,2002,2005; Faccio,Masulis, and McConnell,2006; Nelson,2012).

Board of the company has a strong influence on the company to change the PR policy, affecting the company's stock price and hide negative information resulting in stock price synchronicity and the company's stock price crashes (Stingler,1971; Jin and Myers,2006; Hutton, Marcus and Tehranian,2009; Piotroski, Wong, and Zhang,2010).Often companies take advantage of the information asymmetry Council corporate performance as a negative signal for the company(Bhattacharya,1979; John and Williams,1985; Miller and Rock,1985). This affects the company does not distribute dividends for shareholders when the company's profit and have cash that very much, and vice versa (Semenelli,1993; Moyer,Rao, and Regnard,1996; Gombola and Feng-Ying,1999; Tim, Nahum, and Xiaojing,2010).

BDVAM concept is increasingly believed to be the truth as a result of the global financial crisis around the world provide a signal that is the attitude of the board of the company during the company does not pay attention to the stakeholders and not give protection to their shareholders and themselves act as if they have the ability to manage the company's better than business demon. The company is a member of the community for survival which is funded by the public (shareholders particularly business demon). Therefore to give a sign to the board of the company in order to work more carefully then business demon at the time of any meeting of shareholders of the truth of the information requested examined the performance of the company by an independent consultant (Graves,Rehbein, and Waddock,2001; Adegbite,Amaeshi, and Amao,2011). During its development, BDVAM directly related very closely to the concept of Politic Responsibility (PR), which is the intention of the board of the company to commit a crime is difficult to be identified, which could be more easily identified is the lack of awareness of the risks, the lack of responsibility of overseeing the company's operations (French,1984; Goodpaster,1983; Velasquez,1983; Ranken,1987; Gibson,1995; Wilmot,2001). A company is required to maintain the continuity of the shareholders and stakeholders, therefore by all means necessary to bring about change business demon by providing added value that can be favorable the company.

With the concept BDVAM help business demon to focus on the politics of responsibility in five key areas, namely the management of income or revenue optimization process (Talluni and Van Ryzin,2005; Yu,Wee,and Su,2012; Fernandez,2012;Hasan,2013), cost management (Anderson and Dekker,2009; Piontkowski *et al.*,2012), resource management (Boselie, Dietz and Boon,2005; Belak, Ajinovic Barac, and Tadic,2009; Tadic,2010; Zeghal and Maaloul,2010), capital investment management (Huang *et al.*, 2009; Zhao,2011), sustainability (Rahardjo *et al.*, 2013), Politic Responsibility is a commitment to responsible business demon on the negative effects caused by the company's operations (Carroll,1991; Jones *et al.*, 2009a; Burr,2012; Nelson,2012). Politic Responsibility is a consequence of a company when running concept BDVAM.

## 2.2 Results of Empirical Research of BDVAM

The concept of BDVAM on the basic is how to offer board of a company's stock price increases between 30% to 50%. This concept is a concept, which is logically easy to understand but difficult to practice. This is the conclusion of various research results.

BDVAM idealism stated that the company that can implement the BDVAM will be able to bring a shareholder resolution and support of all stakeholders so that the impact on the company's good performance. Nevertheless, Caton, Goh, and Donaldson (2001) in their research are illustrated in Table 1 show that the implementation of Business Demon Value Added Management (BDVAM) not always able to improve the performance of the company, even from samples of the company there is no effect at all, and no effect of an increase in performance, but not all the parts (such as corporate social performance, financial performance, etc).

Table 1. Various Research Results on The Relationship of Business Demon Value Added Management (BDVAM) and Corporate Performance (CP)

Results	Author(s)
BDVAM activities enhance the corporate performance	Filippello, 1993; Del Guercio and Hawkins, 1999; Gillan and Starks, 2000; English <i>et al.</i> , 2004; Nelson, 2006; Brav <i>et al.</i> , 2008; Del Guercio <i>et al.</i> , 2008; Greenwood and Schor, 2009; Kim <i>et al.</i> , 2009; Klein and Zur, 2009; Lee and Park, 2009; Becht <i>et al.</i> , 2010; Cheng <i>et al.</i> , 2010; Ertimur <i>et al.</i> , 2010; Barach Aljinovic, <i>et al.</i> , 2013.
BDVAM activities do not influence the corporate finance because business demon gets resistance from other shareholders and the board of the company who could not get a good performance boost moments when should remove the subsidiary company or unproductive assets or merge	Romano, 2001; Faccio, 2006; Dumev, Li, Morck, and Yeung, 2004; Barber, 2006; Del Guercio <i>et al.</i> , 2008; Tetlock, 2007; Gillan and Starks, 2007; Kaplansky and Levy, 2010.
BDVAM activities only enhance a part of corporate performance	DeAngelo and DeAngelo, 1989; Gordon and Pound, 1993; Solh, 2000; Turner, 2007; Lublin, 2011; Burr, 2012.

Also according to Rehbein, Waddock, and Graves (2004) expose (illustrated in Table 2) that the BDVAM on the application by business demon closely related to the stakeholders (shareholders, employees, community and environment) in the goal achieving company performance. Business demon in the process of adding value for the company must pay attention to the sustainability of the existing stakeholders (Tilson and Heins, 2011).

Table 2. Various Research Results on The Relationship of implementation of Business Demon Value Added Management (BDVAM) by a Business Demon and The Stakeholders

Results	Author(s)
BDVAM activities conducted by Business Demon relating to shareholders including Business Angel	Vogel, 1983; Filippello, 1993; Turner, 2007; Budsaratrahoon, Lhaopadchan, and Hillier, 2010



BDVAM activities conducted by Business Demon relating to employees	Huselid, 1995; Becker and Gerhard, 1996; Huselid, Jackson and Schuler, 1997; Ichnioski and Shaw, 1999; Pfeffer and Veiga, 1999; Burton and O'Reilly, 2000; O'Reilly and Pfeffer, 2000; Bezemer, Peij, <i>et al</i> , 2010
BDVAM activities conducted by Business Demon relating to communities	Waddock and Graves,1997b; Agle, Mitchell, and Sonnenfield,1999; Burke, 1999; Rochlin and Christoffer, 2000; Hillman and Keim, 2001
BDVAM activities conducted by Business Demon relating to customers	Miles,1987; Waddock and Graves,1997a,1997b
BDVAM activities conducted by Business Demon relating to environment	Feldman, Soyka, and Ameer,1997
BDVAM activities conducted by Business Demon relating to officials who sit on the government of a country where the company is domiciled	Purwoto,2011

### 3. Discussion

The diversity of research results and the differences between how the shareholder raises the question of why a company successfully implemented BDVAM (Business Demon Value Added Management) and why other companies do not reap good performance despite applying BDVAM? Do Business demon too dominant influence causing BDVAM transformed into BDVDM (Business Demon Value Destruction Management). Following questions increase five factors that must be considered in order to successfully implement BDVAM namely: (1)the relationship of capital owners and managers of capital, (2) militarized paradigm adopted by the business demon, (3) direct involvement of representatives of the Commission Eradication of Corruption and the people in the company, (4) the ability of the business angel transformed into business demon, in the relationship with the company's stakeholders, (5) internal and external conditions that affect business demon is not running BDVAM but running BDVDM.

#### 3.1 Attitudes of Business Demon On Minority Shareholder Issues

From the view of agency theory, the company that owns many subsidiaries in the relationship can be characterized as a principal-agent relationship. In this perspective, it is recognized that the interests of local subsidiaries may not always be aligned with the parent company due to the different motivations in giving values between company boards and shareholders of each company, a subsidiary even though the law should have the same perception of the purpose of the board of the company and shareholders of the parent company (Gupta and Govindarajan,2001,2002). This is supported study conducted Eisenhardt (1989) and Rose (2010) was also explained that the common difference between the perception of the company's board by the shareholders because in the opinion of the board of the company, the shareholders are not entitled to intervene on the following issues can it can be resolved. These issues are as follows:

1. Revenue issues.

- a. Often the board of the company are too high set the price of the new product regardless of whether the product can be sold in the market and preferred by the customer or not. In addition the product is often packaged and sold at a cheap price without giving good service
  - b. Often the company's board more use of internal capital firms without considering the use from capital markets or financial institutions
  - c. Often the board of the company to buy assets remain unproductive without considering cooperation with investors
2. Cost management issues.
    - a. Often the board of the company not recorded correctly corporate spending and do relocation resources are not in accordance with customer needs
    - b. Often the board of the company in the process of re-engineering the product and service offerings have nothing to do with the needs of the customer
  3. Human resource management issues.
    - a. Often the board of the company doesn't give reasonable attention to its human resources when recruiting new employees or put the old employees are not in the right position according to his/her ability
  4. Investment capital management issues
    - a. Often the board of the company doesn't invest in assets that can be quickly converted into profit
  5. Environmental issues
    - a. Often the board of the company is not sensitive to implementation waste management and keep the company's production process not to pollute the environment with eco-friendly activities
  6. Social issues
    - a. Often the board of the company is not sensitive to social issues in the community. Moreover allocate less profit firms to assist communities that are still undeveloped.

Business demon has taken the role to influence other shareholders through letter or at the shareholder's meeting have noticed that during this political governance and its subsidiary companies not properly managed by the board of the company that made the unilateral decision by the company's board. Some of the steps by the business demon different from those of the previous business angel as illustrated by a study conducted by Lin & Lin (2014) and Ragnar, Marius, and Lars (2012), which as illustrated in Table 3 that there are two activities, namely intra-organizational (relation relation to external company) and inter-organization (relating to internal company) that can be performed by minority

shareholders.

Table 3. Differences Activity Value Added conducted by Business Angel and Business Demon

The level of direct involvement	Category	Intra-Organizational Activities	Inter-Organizational Activities
Low	Strategy		
Business Angel		a. Provide input strategic decisions b. Provide direction for the formulation of a marketing plan and work program entities and subsidiaries	a. Participate approved the election of the board of the company
Business Demon		a. Provide a list of investors who want an investment cooperation b. Recruiting independent consultant and independent auditors to assist in the formulation of marketing plans and work programs	a. Offer candidates commissioners and the board of directors of government/military/ other companies that have been successful in
Intermediate	Support		
Business Angel		a. Have the ability to marketing, economics, taxation and accounting b. Take on the role as motivator and facilitator for the board of the company	a. Industry know-how b. Customer and Partner processes c. Further financing d. Get involved in the recruitment board of the company
Business Demon		a. Ask the company to pay more taxes and help the government in community activities through the products owned b. Encourage local and foreign investors to become shareholders of the company and to the establishment of a new business venture c. Having the ability to mergers and acquisitions as well as having experience in the stock split and the merger of the company and has a capital market investment broker connections	a. Making negative news about the company to replace the board of a company that has poor performance b. Forcing investment idea to take off unproductive assets/sell a subsidiary that do not perform well and give advice to the company buy a large stake in the company as a form of financing
High	Operational Management		
Business Angel		a. Assist provide input on both corporate administrative	a. Participate approve compensation to the board of the company

		management application systems implementation, operational reporting b. Participate in any meetings with customers c. Participate in every price formation and also participate sell products to customers	including the CEO when reaching the target company
Business Demon		a. Participate in the development of new products b. Participate in the exhibition of products and work with the media for the publication of the company activities c. Participate government tenders d. Cooperation with other companies and undertake joint work effort in serving the customer to a product that is created e. Working closely with the company's competitors to exchange information and create a contract of employment about which areas to work on together and which areas should be done every company	a. Changing existing company policies and make new provisions that benefit shareholders b. Replacing the majority of people who sit on the board of the company with outsourced labor/management consultant independent from the government or a seasoned professional c. Questioning large corporate board compensation, performance is less

Of the few studies that have been conducted, presenting that on average, five years later after business demon involved the results are stock price and operating performance of the target company is more powerful than similar competitor company (Anonymous, 2014; Benoit, 2014). Based on the description, the first proposition is business demon commitment to press the board of the company with the implementation of Business Demon Value Added Management (BDVAM) according to which best suits the desire to direct involvement in the company is very desirable.

### *3.2 Militarism Paradigm and Business Demon Value Added Management*

Talbot (2003) and Barac, Aljinovic, *et al.*, (2013) states that at the time the company plans to expand, business demon with a militaristic nature should be able to be responsive to provide value added services such as (1) providing input expansion of sales of products, goods and services, (2) ask the board of the company for implementing cost effective strategies, (3) asking the board to increase the company's competence and value of human resources (4) asking the board for carrying out new projects even asked to sell the subsidiary entities or assets that are not productive. In addition the company is currently experience a recession, business demon with a militaristic nature should be able to be responsive to provide value added services such as (1) entry into new business activities which could give positive return

expectations, (2) significantly cut fixed costs of capital investment been invested, (3) providing training to management and employees and partners relating to new business activities are conducted, (4) invite government representatives to sit on the board of the company as well as to replace the company's board is not working well.

By applying militaristic by business demon, Talbot (2003) concluded as illustrated in Table 4 that the board of the company will be able to improve the performance of the company. Forcing the ideas of business demon expected to bring about change and how to view previous companies where shareholder engagement less. Often found business demon connected political conduct that destroy the value of the manifestation of opportunism (Foss *et al.*, 2003) because of too much influence exerted so as to form a power that can not be touched by other stakeholders.

Table 4. Militarism Paradigm and Its Relationship with BDVAM

Militarism Paradigm	Implementation of Business Demon Value Added Management (BDVAM)	Implementation of Business Demon Value Destruction Management (BDVDM)
Narrow orientation of		
Business angel	a. Economic paradigm is more commonly used to achieve maximum corporate profits and little implementation humanist attitude	a. Political paradigm dominates because it could affect the company's board in order to work in accordance with the wishes
Business demon	a. Humanist paradigm and is more often used in economics in achieving good corporate governance as well as provide additional wealth	a. Political paradigm dominates because in addition could affect the company's board could also influence government policy with rents political relations with the government and other business demon groups that have the same motivation
Board of the company	a. More humanist paradigm used for fear of being replaced by a business demon. They are ready to become a corporate whistleblower so that inter-company boards arises mutual distrust	a. Economic paradigm can be used because in addition to the benefit of the board of the company can also provide long term benefits for business demon

Based on the description, the second proposition is the business demon changes the behaviour of the board of the company militaristic manner in accordance with the experience that the company can survive and can generate additional wealth for shareholders on an ongoing basis

### 3.3 Requirements Degree level in Corporate Ownership and Business Demon Value Added Management (BDVAM)

Arthurs and Busenitz (2012) states that the founder of the company has the right to regulate the company's board, but as the company became a public company now company boards as well as the founder of the company should give priority to the interests of shareholders because of the way the company is guaranteed and financed from shareholder's capital. The global financial crisis (McCarthy, Solomon, and Mihalek, 2012) which occurs opened the eyes of the shareholders of the company due to the amount of money lost due to the company's board did the opacity of financial statements so that the information presented to shareholders to be biased so that the decisions taken by the company to be one/not appropriate. In addition

to pressure from the owner to the board of the company making the minority shareholders is a party that suffered huge losses. Therefore (Dummet, 2013), business demon seeking support with institutional shareholders to acquire the right to appoint and dismiss the board while offering the assurance that the company's stock price and performance will increase if allowed to do a resolution board of the company. This is described in more detail in Table 5.

Table 5. Implications of applying BDVAM due to the direct involvement business demon

Requirement level	Positive implications of implementing Business Demon Value Added Management (BDVAM)	Negative implications of implementing Business Demon Value Added Management (BDVAM)
Oriented short-term financial performance	The company's performance and stock price published openly by the media and investors interested in investing in the stock market and cooperation to form a new business venture	Some investors remain and shareholder protests and pressure to business demon because the company is too open to provide information to the public. This resulted in a decrease in share price
Oriented long-term financial performance	The additional funding from business demon to buy new companies that can add incremental benefits in the future	Board of the company does not have a financial motivation to innovate because there are political interests of the company's business if the business demon that will increase the value of the company will be sold
Oriented short-term non financial performance	<ul style="list-style-type: none"> <li>a. Board of the company to be more careful in making strategic decisions</li> <li>b. Board of the company have a clear target that is an increase in wealth for shareholders</li> <li>c. Employees are more excited because of the increased performance when could generate profitable returns</li> </ul>	a. Board of the company and its employees are not believed to be due to business demon involved in giving strategy decisions and they asked independent consultants to sit on the advisory board to provide input for the company's shareholders
Oriented long-term non financial performance	<ul style="list-style-type: none"> <li>a. An increase in the company's intellectual capital not only financial value</li> <li>b. Increased corporate political responsibility for the company trusted by governments, customers in providing the best products and quality to be used in bulk in the country. Similar goods banned because the company is an asset that should be maintained throughout the state of society</li> </ul>	a. The company's reputation be not as good as the performance of the bussines demon who likes to acquire stakes big companies

Based on the description, the third proposition is the stronger ability of the business demon will pay more attention to long-term company performance. Business demon will have the attention on the issues surrounding the stock price and the value of the company.

### 3.4 The Interest of Political and Business Demon Value Added Management (BDVAM)

According to Stigler (1971) in the theory of regulatory capture or private interest theory of government, academics suggested that the decision by the public officials can be influenced and distorted by political rent seeking activities undertaken by business demon in a company that does the implementation of BDVAM for increase his/her wealth. Business demon politically desirable to obtain regulatory and exchange for political donations and support voice. Regulation was not created to serve the public interest but to protect the monopoly rents. Increasingly close relationship between business demon in company with the government which is illustrated in Table 6 affect the prospects of the company now and in the future.

Table 6. The relationship between business demon with the government that affect the prospects today and in the future

Forms of cooperative relationships	Prospects of the company	Impact on intra-organizational	Impact on inter-organizational
Harmonious relationship	Today	a. Business demon get the ease of obtaining cheap resources, work package in the government and state facilities such as land use for business production processes	a. There is an additional distribution of dividends for the business demon and government members also serve on the board b. The company will help launch the program and the government should facilitate a company to invest c. Board is not performing well will be replaced by business demons
Less harmonious relationship	Today	a. The company will be restricted in its movement in doing expansion of new products, or set up a new business b. The government will lose a source of income as a result of the state can't control the corporate tax revenue c. The government will make the company as a target to be acquired from other big companies that are interested in investing d. Government will instruct the anti-corruption agency to see if the business demon using state facilities and community harms	a. Board members and employees cover the space for government members who sit on the board of the company b. The financial statements presented are not transparent for fear of government members take a personal interest in the company
Harmonious relationship	Future	a. If there is a change of government, the party of government support will continue to support the company b. The subsidiary will get a package of investment and getting more independent	a. Board of the company, the shareholders (including business demons) will try to come up with a good performance so as not to be replaced

		than its parent company c. The entry of global companies	
Less harmonious relationship	Future	a. The government will make the company as a target to be acquired from other big companies that are interested in investing b. There will be a misunderstanding of the benefits that are required by the government due to absence of standard fare for the company as a contribution	a. There will be misunderstandings in interpreting prospects of the company

Based on the description, the fourth proposition is the ability of business demon in building and implementing a culture sustainable value creation is not always affect the ability of business demon in managing the company's success in making a profit because of the political rents

### *3.5 Sustainability Company and Business Demon Value Added Management (BDVAM)*

The global financial crisis (Rose,2010; McCarthy, Solomon, and Mihalek,2012) which occurs in addition to making the financial recession some companies are also several other companies doing massive expansion due to growth of the company in times of crisis, in addition to the government to create a new policy, minority shareholders can cooperate with other shareholders to fulfill certain criteria in ownership include more than one candidate of twenty-five percent of the contested seats. Some of the factors that led to the reason the company in recession because of the corporate governance is not good, the practice of rent-seeking corporate boards because the organizational structure is not shaped single tier or multi tier (Munster and Staal,2012), the inability of the company's board in order to maximize political governance with all stakeholders of the company and its capital structure so that investment decisions have suffered from negative returns. It is different from other big companies that experienced growth due to the structure of share ownership is almost over and the three investors, especially minority shareholders in the company actively participate in the company in determining the company's strategic decisions. This make business demon in investing in the company began to see that the corporate sustainability is important so that the implementation of BDVAM is need to consider internal and external factors cause the company's sustainability (illustrated in Table 7)

Table 7. Internal and External Factors affecting the implementation of BDVAM (Business Demon Value Added Management)

Status of Company	Factors that influence	If running the Business Demon Value Added Management (BDVAM)	If running the Business Demon Value Destruction Management (BDVDM)
Expanding	Internal	a. Limited capital firm owners b. Lack of cooperation between the owner of the company and a business demon as a minority shareholder which offers certain advantage in term	a. Business demon wants to be involved in the operations of the company but don't want to help the capital b. Company's intellectual capital (the ability of employees, brand,reputation) is not



		<ul style="list-style-type: none"> <li>c. Boards who have worked very long not ready if they should be replaced</li> <li>d. Organizational structure can not affect the practice of rent-seeking</li> </ul>	<p>made to be protected so that the policy can be acquired by other investors or business demon who has a motive wants to destroy/take over the company</p>
	External	<ul style="list-style-type: none"> <li>a. Government urges return for a package of work that can be found in the corporate governance projects</li> </ul>	<ul style="list-style-type: none"> <li>a. Investment contract between business demon and the government violated for personal gain due to the inability of the company to establish communication with the government and pressure from business demon</li> </ul>
Recession	Internal	<ul style="list-style-type: none"> <li>a. There is tension between the company and its subsidiaries due to rent-seeking is performed by the company's board</li> <li>b. Board of the company that has a good performance will not be urged to resign</li> <li>c. The majority shareholder who has a good motivation not be pressured by minority shareholders to step down and relinquish ownership of shares</li> </ul>	<ul style="list-style-type: none"> <li>a. Business demon wants to sit as chairman of the board and the company could take the policy and also put those beliefs on company boards</li> </ul>
	External	<ul style="list-style-type: none"> <li>a. Government and potential investors will offer grants for the company because there is a policy that protects the company if the recession</li> <li>b. The assets of the company that makes the performance of the company can be sold quickly down to be converted into cash because of the proximity of the business demon with investors</li> </ul>	<ul style="list-style-type: none"> <li>a. The assets of the company and several subsidiaries that are not productive immediately sold to the government or large corporate investors</li> </ul>

Based on the description, the fifth proposition is the larger companies with many subsidiaries, the easier the implementation of Business Demon Value Added Management (BDVAM) by business demon, because business demon can do combination of strategy implementation Business Demon Value Destruction Management (BDVDM)

#### **4. Conclusions and Recommendations.**

##### *4.1 Conclusions*

The concept of BDVAM is an easy concept to understand but not all companies can do because the board is replaced with the fear of new people/independent consultant brought in by business demons and other shareholders acquired its stake fear business demon. Typically, business demon inside launch the action will submit a proposal to the other shareholders, and if it is important then to be held General Meeting of Shareholders Extraordinary. Business demon capabilities in influencing the media and government to make corporate boards that have performed poorly in order to seek to advance still be sitting in the office. They will be a whistleblower for the business demon to find out if the board of other companies or existing

shareholders who do monopoly rents for personal gain.

This concept also adds value for companies indirectly because the attitude of active business demon can affect policy change, but also must consider whether there are incentives that the government requested that in the future could affect the sustainability of the business and the company's reputation in the community. Addition of a few other events, the presence of business demon in value through direct involvement using the concept of Business Demon Value Destruction Management (BDVDM) which agreed with the company's board to rebel against the majority shareholder. Business demon trying to create a bubble stock prices by distorting the company's policies and decisions. This is because business demon invest in the stock ownership of the other big companies either similar or not, it resulted when business demon need funds quickly then it could force companies to sell its assets in order to be able to make a profit. Addition of several studies on BDVAM suggest to the company and shareholders of the five conditions that could be a condition of success implementing BDVAM namely: (1) business demon commitment to press the company's board with the implementation of BDVAM according to which best suits the desire to direct involvement in the company is very desirable, (2) business demon changes the behavior of the board in accordance with the company's militaristic experience so that the company can survive and can generate additional wealth for shareholders on an ongoing basis, (3) the stronger the ability of business demon will pay more attention to long-term company performance, business demon will have the attention on the issues surrounding the stock price and the value of the company, (4) the ability of business demon in building and implementing a culture of sustainable value creation is not always affect the ability of business demon in the company's success in managing the making a profit because of the political rents, (5) the larger companies with many subsidiaries, the easier the implementation of BDVAM by business demon because business demon can do a combination of strategy implementation of Business Demon Value Destruction Management (BDVDM).

#### *4.2 Recommendation for Further Research*

The purpose of this paper is to derive propositions about the reasons for the success and failure of implementation of BDVAM. Based on the existing literature, there are five factors that must be considered in implementing BDVAM. However, the proposition in this paper did not answer all of the phenomena associated BDVAM because BDVAM is a fairly complex issue and companies globally. The following cause BDVAM topics can still be extended in subsequent research, namely: (1) the countries of the ASEAN community 2015 that has the highest level of corruption indicator or range of countries categorized as fragile five (Brazil, India, South Africa, Turkey, and Indonesia), (2) the range of industries associated with the government, (3) the level of experience in the investment business demon stock ownership, (4) the grade levels in the world's top ten richest people in the capital invested in the form of company stock ownership.

#### *4.3 Recommendation for Corporate Management*

From proposition of this study is expected to be a guide for the company's board to be careful in managing the company and remain always maintain good relations with business demon

because it does BDVAM implementation could be more damaging is the company in the long run. In addition the company's board still must perform proactive coordination with the government, especially with the commercial court did not make the opacity of financial statements that may form political responsibility of good governance.

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