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Legal Analysis of a Company Merger

Cyntia Vebrina Simamora[1], Martono Anggusti[2], Jinner Sidauruk[3].
[1]Fakultas Hukum Universitas HKBP Nommensen, cyntiavebrina.simamora@student.uhn.ac.id.
[2]Fakultas Hukum Universitas HKBP Nommensen, martono.anggusti@uhn.ac.id.
[3]Fakultas Hukum Universitas HKBP Nommensen, jinnersidauruk@uhn.ac.id.

Corresponding Author: cyntiavebrina.simamora@student.uhn.ac.id[1]

Abstract: Companies play a crucial role in the economy, both in terms of business, social, and environmental aspects. In facing global competition, merger strategies are one way companies use to improve efficiency, competitiveness, and market share. However, mergers also bring significant legal impacts, particularly regarding changes in organizational structure, human resource management, and compliance with applicable regulations. This study aims to analyze the positive legal impacts of the merger carried out by PT Pelindo Regional 1, including its effects on the legal status and ownership of the company, asset transfer, employee rights, and the potential reduction in competition levels. This research uses a normative juridical method with a library research approach, examining relevant regulations such as Law No. 40 of 2007 on Limited Liability Companies and Government Regulation No. 101 of 2021 on Company Mergers. The study finds that while mergers have the potential to enhance company efficiency and competitiveness, this process must be carefully managed to avoid legal issues, especially concerning employee rights and competition supervision. Therefore, companies need to ensure compliance with existing regulations and conduct due diligence to mitigate potential legal risks.

Keyword: Merger, Legal Impact, PT Pelindo Regional 1, Competition, Employee Rights.

INTRODUCTION

The increasingly rapid and complex development of the business world encourages companies to carry out various strategies to increase competitiveness and operational efficiency. The role of legal entities is one of the important pillars in regulating legal relations in society. A company is an entity formed to carry out business activities with the aim of generating profits. According to Rachmadi Usman (2000: 26-27), referring to the definition of a company according to Law no. 3 of 1982 states that a company is a business entity that carries out activities in the economic sector (finance, industry and trade), which are carried out continuously or regularly (regelmatig), openly (openlijk), and with the aim of obtaining profits and/or profit (wints oogmerk). However, the Minister of Justice of the Netherlands (Minister van Justitie Nederland) in his reply to Parliament interpreted the meaning of company as follows: "Only can it be said that there is a company, if the interested parties act continuously, openly and in a certain position to obtain profit for himself." From the definition above, there are two main elements contained in a company, namely:

1. Form of business entity that carries out any type of business, whether in the form of a partnership or business entity established, operating and domiciled in Indonesia;
2. Type of business in the form of activities in the business sector, which are carried out continuously to seek profit.

In this case it can be said that the company as a vehicle or pillar of economic development has been regulated in the Civil Code, Trade Code and Indonesian laws and regulations in various legal forms. Every company always has ideal goals to achieve. These ideals will be fought for so that the "identity" is clear, namely the image of the company's values and beliefs. This ideal image of values and beliefs is called the company vision. The formation of a company has various goals and is influenced by various factors, including the founder's vision, market conditions and community needs. In general, one of the main goals of a company is to make a profit.

Companies function as providers of employment, contributing to reducing unemployment and increasing people's income. Corporate social responsibility is becoming increasingly important, with many companies integrating social activities into their strategies, helping to improve the quality of life in local communities. Thus, company formation does not only focus on financial profits, but also on social and environmental impacts, as well as sustainable growth. Companies also function as entities that create value through various activities, including production, marketing, financial management, research and development (R&D), and human resource management. These activities are not only oriented towards financial gain, but also contribute to broader social and economic development. Research and development (R&D) activities are another important factor that determines innovation in a company. By investing in R&D, companies can create new products that meet market needs and increase competitiveness. However, undirected investment in R&D can result in a waste of resources without significant results. Human resource management also plays an important role in the success of a company. Managing employees well, including recruitment, training and career development, can increase productivity and job satisfaction.

On the other hand, if a company neglects employee welfare, this can lead to high turnover rates and lower work morale, impacting overall performance. Efforts to maintain a company amidst increasingly fierce competition and rapid market dynamics are very important for business continuity. In facing various challenges, companies need to develop effective and adaptive strategies. One of the key aspects in maintaining a company is innovation. Continuous innovation in products, services and operational processes helps companies stay relevant and competitive in the marketplace. Intensive research and development allows companies to create new solutions that meet changing consumer needs. Apart from innovation, good human resource management has a big influence on the sustainability of the company. This is in line with research which shows that companies that manage HR well tend to have better performance. Effective marketing strategies are also key in retaining customers and increasing market share. In the digital era, companies need to utilize social media and online platforms to interact with customers, understand their behavior, and offer appropriate products. The ability to adapt to changing market trends is very important in maintaining consumer loyalty and attracting new customers. The ability to adapt to changing market trends is very important in maintaining consumer loyalty and attracting new customers. Prudent financial management is another important factor. Companies need to manage cash flow, operational costs and investments carefully to ensure financial health. Effective risk management also helps companies to deal with uncertainties that may arise due to market fluctuations and economic changes.

Along with changing market dynamics and increasing global competition, many companies are trying to adapt by carrying out mergers. According to a report from PwC, the value of mergers and acquisitions (M&A) transactions worldwide reached more than $3 trillion in 2021, indicating a significant increase in the number of companies choosing this path for growth and expansion. A merger is a process of diffusion or merging of two companies with one of them continuing to exist with its company name, while the other disappears with all its name and assets being included in the company that remains standing. Viewed from an economic perspective, there are two types of mergers, namely horizontal mergers and vertical mergers. A horizontal merger is a combination of one or several companies whose respective production business activities are different from each other so that one and the other is a continuation of each product.

A vertical merger is a combination of one or several companies whose business activities are different from each other, but do not support each other in use. A merger is a combination of two or more companies into one new entity, in this case there are various reasons why companies merge. One of them is to achieve cost efficiency, where companies can reduce operational costs and make better use of resources. In addition, mergers also allow companies to increase market share and competitiveness through combining customer bases and distribution networks. With mergers, companies can diversify the products and services they offer, thereby reducing the risks associated with dependence on one product or market. However, behind the economic benefits that can be obtained through a merger, there is a significant impact on the workers in the merging companies.

From an employment perspective, mergers have a direct impact on workers in the companies involved. The merger process often creates uncertainty for workers, which can lead to changes in employment status, transfer of workers' rights, and the potential for termination of employment (PHK). Therefore, it is important for companies to comply with applicable labor law regulations to ensure that workers' rights are protected at every stage of the merger. The process of merging or merging companies can cause workers in the old company to move to the new company formed as a result of the merger. Mergers often lead to efficiencies involving workforce reductions. In this case, workers affected by layoffs due to company mergers or restructuring are entitled to compensation in accordance with the Employment Law.

Company assets are all assets owned by the company which can be in the form of goods, money, intellectual property rights, and various other resources owned to support the continuity of the company's operations. In the merger process, whether through merger or acquisition, the management and transfer of company assets is a very important aspect. The merger process can include the transfer of physical assets (such as buildings, machines and production equipment) and non-physical assets (such as patents, copyrights and trademarks). On the other hand, the transfer of assets will also affect workers, especially if there are changes in the organizational structure, changes in worker roles, or even layoffs that occur due to organizational restructuring after a merger. The transfer of company assets in the context of a merger can have a direct impact on the workers involved. In some cases, the worker may be transferred to a different division or branch, or even face the possibility of layoffs if there are efficiencies in the organization. In situations of business transfer resulting from a merger, workers still have the right to be protected. Article 1 point 21 of the Manpower Law regulates that business transfers must not reduce workers' rights, whether related to salaries, social security or other benefits. Apart from that, workers also have the right to receive clear information regarding changes in their status and rights after the merger. For this reason, companies carrying out a merger must ensure that all legal aspects related to the transfer of assets and workers' rights are complied with, by carrying out careful planning, transparent communication, and ensuring the protection of workers' rights, including outsourced workers. In this way, the merger process can run smoothly without causing legal disputes that are detrimental to both parties, both the company and the workers. Finally, a merger can reduce competition in the market, which can contribute to increased profits and price stability. Therefore, it is necessary to discuss further regarding the positive legal impact of mergers on a company within the scope of PT. Pelindo Regional 1, as well as the impact of mergers on business.

METHOD

The scope of this research is about legal analysis of company mergers and the impacts that occur as a result of the merger carried out by PT. Regional Indonesian Port 1.

In legal research, the author uses normative juridical methods, in the sense of reviewing and analyzing statutory regulations and court decisions to obtain data and information, because this research is based on law and also journal and book guidelines. based on library research or document study. The data collection technique used in this research is by collecting legal materials using content analysis. Primary data such as Law Number 40 of 2007 concerning Limited Liability Companies, Civil Code, Commercial Law, and Government Regulation of the Republic of Indonesia Number 101 of 2021 concerning Company Mergers Concerning Mergers of Companies (Persero) PT. Pelabuhan Indonesia I, the Company Company (Persero) PT. Pelabuhan Indonesia III, and the Company Company (Persero) PT Pelabuhan Indonesia IV Into the Company Company (Persero) PT. Pelabuhan Indonesia II. As well as secondary legal materials, namely supporting legal materials, which provide explanations of primary legal materials such as books, papers and legal journals and the opinions of legal experts.

RESULTS AND DISCUSSION

Positive Legal Impact of a Merger on a Company

A merger is the process of combining two or more companies into one larger entity, with the aim of strengthening competitiveness, increasing operational efficiency and expanding market capacity. In the context of positive law, mergers have quite a large impact on various legal aspects, both on the companies involved, shareholders, employees and the market as a whole. Mergers that occur in large companies such as PT Pelindo Regional 1 provide a clear picture of how the positive impact of mergers can affect various aspects of the company, both in terms of law, operations, and their impact on the market. PT Pelindo Regional 1 is part of PT Pelindo which in 2021 underwent a major reorganization by merging several port subsidiaries in Indonesia. This merger process aims to increase efficiency and create integration in the logistics and transportation sector.
The following is the link between the positive impact of the merger law and PT Pelindo.

Regional 1:

Changes in Legal Status and Ownership

After the merger which united various port subsidiaries into PT Pelindo (Persero), including PT Pelindo Regional 1, the legal status of these companies underwent a major transformation. Previously, PT Pelindo Regional 1 operated as a separate entity that managed ports in the Sumatra region. However, after being merged, this company became part of a larger entity with a new legal status as PT Pelindo (Persero).

These changes affect the ownership and management structure of the company. Shareholders who previously owned shares in PT Pelindo Regional 1 will now receive shares in accordance with the new ownership structure based on the results of the merger. This transition has an impact on the dynamics of control and decision making in the new company, so there is a need for clear regulations so that shareholder rights are maintained.

Asset and Liability Integration

With the merger underway, all assets owned by PT Pelindo Regional 1 such as ports, logistics facilities and operational equipment will be combined with assets owned by other port companies. This includes contracts previously established with third parties, such as logistics and transport service providers.

In addition, the combined company will inherit the liabilities or obligations owned by PT Pelindo Regional 1, including debts, tax obligations and other commitments related to port operations. This integration must be carried out carefully to avoid financial problems that could burden the combined company. Therefore, a thorough inspection or due diligence is very necessary so that no problems arise in the future.

Impact on Employees

This merger will certainly affect the existing workforce at PT Pelindo Regional 1, including the possibility of reducing the number of employees or rearranging positions to achieve operational efficiency. As a new entity, PT Pelindo must formulate employment policies that can accommodate these changes, while maintaining good relationships with employees.

Policies related to compensation, benefits and employee rights post-merger will also be adjusted. Therefore, open communication with employees is essential so that this transition can run smoothly without causing dissatisfaction or negatively affecting employee morale.

Impact on Market Competition

With this merger, PT Pelindo becomes a bigger company and has greater influence on the logistics and ports market in Indonesia. The merger of these various port units gives PT Pelindo the ability to control a large portion of the port services market, which has the potential to reduce the level of competition in the logistics and maritime transportation industry.

The Indonesian government, through the Business Competition Supervisory Commission (KPPU), is closely monitoring this merger to ensure that this step does not create a monopoly that is detrimental to consumers and hinders healthy competition. For example, if PT Pelindo dominates the market too much, this could reduce choices for port service users and increase overall logistics costs.

Changes in Business Strategy and Company Management

After the merger, PT Pelindo needs to review and formulate a business strategy to face bigger and more complex challenges. By joining various port units, PT Pelindo must optimize the use of existing facilities, improve operational efficiency and improve the quality of services provided.

This new strategy may include market expansion and integration of logistics services. PT Pelindo can also take advantage of larger infrastructure to develop new services, such as an integrated logistics system from the port to goods distribution, or adopt digital technology to increase port operational efficiency.

This merger also has the potential to open up opportunities for PT Pelindo to create synergies between more integrated port units, so that it can reduce operational costs and increase competitiveness at regional and global levels.

Compliance with Regulations and Oversight

Mergers involving PT Pelindo Regional 1 and other entities in the Pelindo group must comply with various regulations in force in Indonesia. One of them is the obligation to report the merger process to the Business Competition Supervisory Commission (KPPU) to obtain permission if the merger has the potential to harm competition or consumers.

Apart from that, PT Pelindo must also ensure that this merger meets legal provisions related to taxes, employment and existing contracts. This is important to avoid legal disputes that could arise after a merger and ensure that the combined company can operate without legal obstacles.

The Impact of Merger on Business

The merger process, which involves combining two companies into one larger entity, can have a significant impact on various aspects of a business. These impacts include changes in operations, strategy, finance, and social impacts. Therefore, it is important to understand how mergers affect company dynamics both internally and externally.

One of the main impacts arising from a merger is changes in the organizational structure and ownership of the company. After the merger, the organizational structure which originally consisted of two different entities will be combined into one larger structure. This requires companies to integrate departments that were previously separate, and requires adjustments to managerial roles and responsibilities. In addition, changes in share ownership will affect shareholders who previously owned shares in separate companies. They will acquire shares of the combined company based on a determined ratio, which can influence their influence over important decisions in the newly formed company.

In operational terms, mergers provide opportunities to achieve higher efficiencies, especially regarding costs and resource use. Combining previously independent production or service facilities will create greater economies of scale. By having more centralized assets and larger production capacity, companies can lower unit costs, increase production capacity, and increase overall efficiency. For example, combining logistics facilities or purchasing raw materials in large quantities can reduce operational costs significantly. Apart from that, mergers can also reduce redundancy in operational structures, such as eliminating overlapping positions or departments, so that administrative and labor costs can be reduced.

However, when it comes to human resources (HR), mergers often bring additional challenges. The merger process often results in a reduction in the number of employees due to duplication of positions or efforts to restructure the organizational structure. This termination of employment can create uncertainty for employees who feel threatened by their position. Additionally, differences in work culture between two merged companies can be a major challenge. Unifying different cultures can take time, and if not managed well, it can have a negative impact on employee morale, productivity, and relationships between management and staff. Therefore, companies need to ensure open and clear communication during the merger process to maintain harmonious relationships.

One other important impact is changes in market competition. After the merger, the new company will have a stronger position financially and be larger in operational scale. This provides an advantage in competing with other competitors, as well as increasing bargaining power with suppliers and customers, while expanding the market that can be reached. However, as company size increases, there is a risk of creating an imbalance in competition. If newly formed companies are too dominant, this could reduce choices for consumers and have a negative impact on the market. Therefore, supervisory institutions such as the Business Competition Supervisory Commission (KPPU) will supervise mergers to ensure that monopolistic practices do not occur that are detrimental to consumers.

Mergers also provide opportunities for companies to focus on innovation and product development. By combining resources, knowledge and technology, larger companies can conduct better research and development (R&D), as well as introduce new, more competitive products. For example, if the two merged companies previously had a limited product portfolio, they can now leverage each other's strengths to produce new products that can compete in the market. In addition, mergers also enable broader product diversification, which allows companies to reach various market segments and reduce dependence on one product or sector.

However, mergers also carry risks related to legal and regulatory aspects. The merger process must be carried out in accordance with applicable regulations, both in terms of business competition law, taxation and employment. In Indonesia, for example, mergers must obtain approval from the Business Competition Supervisory Commission (KPPU) to ensure that the merger will not create a monopoly that will harm consumers or reduce healthy market competition. If the merger process does not comply with applicable legal provisions, the company could face sanctions or even cancellation of the merger. Therefore, companies need to conduct thorough due diligence to ensure that all legal requirements have been met, while avoiding future legal disputes.

Overall, mergers can have a big impact on the companies involved, both in increasing operational efficiency, introducing product innovations, and increasing market influence. However, if the merger process is not managed well, various challenges can arise, both in terms of corporate culture integration, human resource management, and potential legal risks. Therefore, companies need to consider all factors carefully before carrying out a merger, and ensure that they are able to manage the changes that occur for the company's internal and external interests.

CONCLUSION

Companies have a very important role in the economy, both from a business, social and environmental perspective. As an entity established for the purpose of generating profits, companies must run efficient and sustainable operations, by integrating innovation, good human resource management, and research and development. In facing intense competition, companies need to adopt adaptive strategies, one of which is through mergers, which aims to increase efficiency, competitiveness and market share.

However, in the merger process, companies must also pay attention to social impacts, especially those related to workers. The transfer of assets and potential layoffs may affect workers' rights, which must be protected in accordance with applicable labor regulations. Therefore, companies must ensure that all legal aspects related to business transfer and workers' rights are complied with so that the merger process can run smoothly and be profitable for all parties. Thus, the success of a company is not only measured by financial profits alone, but also by its contribution to social and economic development and the protection of workers' rights. regarding the positive legal impact of the merger on PT Pelindo Regional 1 is that the merger has a significant impact on various legal and operational aspects of the company. First, mergers cause changes in the legal status and ownership of companies, which affect organizational structure and decision making. Second, the integration of assets and liabilities of various subsidiaries creates challenges in managing financial resources and liabilities, which requires careful due diligence.

The impact on employees is also an important aspect, where changes in organizational structure can affect the position and number of workers, and require careful employment policies to maintain good relations with employees. In addition, this merger has the potential to reduce the level of competition in the market, which needs to be monitored by the government to prevent monopolistic practices that harm consumers.

The merger also prompted changes in business strategy and company management, with PT Pelindo needing to formulate new strategies to optimize operational efficiency and improve service quality. Finally, companies must comply with applicable regulations, including the obligation to report the merger process to the Business Competition Supervisory Commission (KPPU) and ensure compliance with tax, employment laws and existing contracts. Thus, although mergers can increase competitiveness and efficiency, this process requires careful management to run smoothly and avoid potentially detrimental legal problems. The process of merging two companies into one larger entity has a significant impact on various aspects, both internal and external to the company. On the internal side, mergers change organizational and ownership structures, which require integration between departments, changes in managerial roles, as well as adjustments to share ownership that affect shareholder influence. From an operational perspective, mergers offer the potential for higher efficiency through combining facilities and reducing costs, but also pose challenges in human resource management, such as employee reductions and differences in work culture that must be managed well.

From an external perspective, mergers can increase a company's competitiveness by increasing the scale of operations and expanding the market, but they also risk creating an imbalance in competition that could harm consumers. Therefore, supervision by related institutions such as the Business Competition Supervisory Commission (KPPU) is very important to prevent monopolistic practices. Mergers also open up opportunities for innovation and product diversification that can strengthen the company's position in the market.

However, mergers are not free from legal risks, which require companies to comply with applicable regulations, including obtaining approval from regulatory agencies and carrying out due diligence to avoid future legal problems. Therefore, to ensure the success of a merger, companies need to carefully consider all the factors involved, manage change effectively, and ensure compliance with applicable regulations in order to create synergies that benefit both the company and other stakeholders.

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