

DIVESTITURE, CORPORATE PERFORMANCE AND OWNERSHIP EXPROPRIATION: EVIDENCE ON MALAYSIA PUBLIC-LISTED COMPANIES

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ABSTRACT

This paper investigates the impact of divestiture strategy on Malaysia listed company performance. This paper attempts to determine ownership expropriation and use of proceeds associated based on the Agency Theory. We consider a sample of more than 100 companies between 2008 and 2013. We focus on Malaysia listed firm which is developing country. Our findings provide that return on asset as accounting measures performance will tend to increase when divestiture strategy is adopted while Tobin's q as market-based measures performance will decrease when divestiture strategy is used by firm.

Keywords: *Corporate Governance, Divestiture; Firm Value; Ownership Structure*

1. INTRODUCTION

Earlier studies in the performance of corporate strategy emphasizes on diversification strategy (e.g. Denis et al, 1997; Khanna and Palepu, 2002; Denis et al, 2002; Lins and Servaes, 2002; Fauver et al, 2004; Chen and Yu, 2012; Lee et al, 2012). Thus far most of the existing literature has rarely discussed divestiture strategy in optimizing firm's performance. Comparatively, firms are most likely doing divestiture through selling business operation or restructuring more often rather than diversification. It is the solution in the restructuring of firms and industries during the 1990s in the United States. Divestiture strategy is normally used to channel firm focus on core businesses