

# Defensive Strategy's Effect on Firm Value: Evidence from Public-Listed Companies in Malaysia

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- **ABSTRACT**

- This study examines the relationship between defensive strategy and firm value for a sample of 596 listed firms in Malaysia over the period 2008 to 2015. For the sake of robustness, the institutional setting is considered in this research by gauging the ownership structure. More specifically, this study seeks to determine whether a firm's ownership structure might have a significant contribution to the value of its defensive strategy. Additionally, the value creation of defensive strategy is compared among family firms, government-linked firms, and foreign firms. This study concludes that defensive strategy, especially retrenchment strategy, has a positive significance on a firm's excess value. This implies that defensive strategy will improve the firm performance. The reduction of the costs and assets, the efficiency of monitoring structure, the threat of dismissal, and the promotion of stewardship can enhance a firm's benefits. Low profitability is found to be better for the firm performance. However, the ownership structures of government-linked and foreign firms tend to have a discount value on the excess value when these firms adopt retrenchment actions. The implication of this study lies in two main points. Firstly, it enriches the body of knowledge by showing how an effective defensive strategy creates value, and the role corporate governance plays in that relationship. Secondly, it helps to inform regulator and policymakers about how defensive strategy might have a good corporate governance to create value.

- **KEYWORDS:**

- [Defensive strategy](#)[excess value](#)[ownership](#)[expropriation](#)[corporate strategy](#)