Int. Journal of Business Science and Applied Management, Volume 13, Issue 1, 2018

Firm performance, retrenchment strategy and different ownership structure: Evidence from public listed companies in Malaysia

Lik-Jing Ung
Faculty of Economics and Busines, Universiti Malaysia Sarawak
Kota Samarahan, Sarawak 94300, Malaysia
Tel: +60 82-584 488
Email: unglikjing@hotmail.com

Rayenda Brahmana*
Faculty of Economics and Business, Universiti Malaysia Sarawak
Tel: +60 82-584 408
Kota Samarahan, Sarawak 94300, Malaysia
Email: brkhresna@feb.unimas.my

Chin-Hong Puah
Faculty of Economics and Business, Universiti Malaysia Sarawak
Tel: +60 82-584 492
Kota Samarahan, Sarawak 94300, Malaysia
Email: chpuah@feb.unimas.my

*Corresponding author

Abstract

This research aims to investigate the relationship between retrenchment strategy and firm performance for a sample of 119 listed firms in Malaysia over the period 2008–2015. Using robust panel regression, we find that retrenchment strategy contributes positively to firm performance. Our research further indicates that controlling shareholders plays a significant role in the association between retrenchment strategy and firm performance, in which retrenchment strategy decreases the performance of family and government-linked firms. Our findings contribute to Malaysian firms, government, and policymakers by showing that retrenchment strategy may harm the performance of firm if the firms are family firms or government-linked firms.

Keywords: retrenchment, controlling shareholder, firm performance, corporate governance

1. INTRODUCTION

In the current downtrend economy condition, each firm has to have survival capabilities. Strategic management and finance literatures document retrenchment strategy is one way to keep firms afloat against the roaring tide (Ung et al, 2018). Retrenchment strategy is a common strategy used by organizations in facing bad financial performance (Morrow et al, 2004; Ung et al, 2018). It is operationalized to reduce the risk of loss by selling the assets and eliminating sticky fixed cost.

Although commonly imposed by companies, retrenchment is rarely investigated as empirical research. Moreover, studies on the relationship between firm strategy and firm performance are dominated by a diversification strategy (e.g., Khanna & Palepu 2000; Denis et al. 2002; Lins & Servaes 2002; Fauver et al. 2004; Lee et al. 2012). Therefore, this research aims to examine empirically firm performance in imposing retrenchment strategy in a relatively less developed market like Malaysia.

This research defines retrenchment as a reduction in assets and costs. It consists of reduction of the finished goods and inventory, reduction of the number of employees, reduction of selling, general, and administrative expenses (SGA), reduction of plant, property, and equipment costs (PPE), and reduction of research and development costs (R&D) (Hofer 1980; Morrow et al. 2004; David 2013). Selling off inefficient and underutilized assets might help firms to perform better in declining economy (Schendel et al.1976; Hambrick & Schecter 1983; O'Neill 1986; Lim et al., 2013).

Malaysian firms offer a good platform for further exploration of this topic due to its high degree of retrenchment. For example, Malaysian companies that have conducted a retrenchment strategy, such as job cuts, selling off property, and closure of a plant or factory as part of strategy may have different outcomes. One of the popular cases is the Malaysia Airlines. This firm was restructured and privatized in ensuring the air carrier would remain operating after the MH370 and MH17 crises. Another example of retrenchment strategy in Malaysia is Tesco Malaysia. Tesco Malaysia's CEO announced a plan to restructure, standardizing job grading and transferring jobs to make Tesco Malaysia more profitable. Yet, each company has taken different benefit and cost that incurred from retrenchment strategy.

Malaysia also provides a unique institutional setting to examine the performance of retrenchment with its interesting pyramiding and crossholding controlling shareholder issue. For instance, Firm A might be controlled by the owner of Firm B, where Firm B is controlled by owner of Firm C. Yet, Firm C is controlled back by owner of Firm A. Interestingly, those owners are from one family business groups. This might provide us with different insights into the literature of this research area. It is noteworthy that the majority of Malaysian companies belong to family-controlled owners (Lee et al, 2012). Yet, there is no consensus regarding the role of different controlling shareholder on performance of firm strategy. For example, Fauver et al. (2004), Anderson and Reeb (2003), Joh (2003), and Andres (2008) who show that family firms outperform than other type of firms when imposing firm's strategy. However, studies by Chibber and Majumdar (1999) in India and Wiwattanakantang (2001) in Thailand document that foreign ownership companies have great performance compared to other types of ownership structure. Meanwhile, Lau and Tong (2008) find that the government firms might perform well as government firms are controlling by the government that toward clearly mission which maximizing shareholders' wealth. Therefore, introducing ownership structure as the moderating factor in the association between retrenchment strategy and performance within Malaysia context might give different snapshot for strategy management literature.

This research contributes to body of knowledge and policymakers in three ways. Firstly, it adds to the literature by exploring the association between firm performance and firm strategy; yet, it is different from prior research wherein this research uses retrenchment strategy as the main variable. Note that the relationship between firm performance and retrenchment strategy is a relatively new topic and has received less attention from researchers compared to other strategies such as diversification and Merger and Acquisition. Secondly, we contribute to the literature by extending the understanding of this research area to less developed markets, such as Malaysia. The findings of this research can be used as a benchmark or guideline for similar future researches with similar market contexts like developing markets. Thirdly, we further establish that controlling shareholder may or may not play a significant role in the relationship between retrenchment strategy and firm performance.

In a sum, this research aims to investigate the retrenchment effect on firm performance. Our second objective is to test whether different controlling shareholder plays significant role on the relationship between retrenchment strategy and firm performance. Lastly, we expect to draw a conclusion about retrenchment strategy – performance nexus by contesting two seminal theories: agency theory and resource base view theory. We expect that it may reveal interesting findings on strategic decision in imposing retrenchment strategy, and portray how that retrenchment strategy may benefit the firm. In term of method, our estimation model is run under robust panel regression to overcome the heterogeneity issue. This panel regression allows us for assessing changes in

retrenchment level over time albeit no significant changes in certain firm level over time, thus giving more reliable estimates.

The rest of this paper is outlined in the following manner. Next section reviews the literature and develop the hypotheses accordingly to our theoretical concepts. Section 3 addresses the method including data and robustness tests. Section 4 delivers the findings and discusses the results by elaborating the theory. Section 5 is to conclude the research.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Despite the abundance of literature on retrenchment-performance, there is little agreement on whether imposing retrenchment strategy may give a positive, negative, or no relationship with firm performance. Thus far, many empirical studies conducted to investigate the firm benefits of retrenchment strategy have yielded inconsistent results. The earlier studies on retrenchment were mostly conducted for firms from developed countries, and only later extended to other few emerging countries.

This study defines retrenchment as reduction in assets and costs. It includes the reduction of the finished goods and inventory, the reduction of the number of employees, the reduction of selling, selling, general, and administrative expenses (SGA), the reduction of plant, property, and equipment costs (PPE), and the reduction of research and development costs (R&D) (Hofer 1980; Michael & Robbins 1998; Morrow et al. 2004; Schmitt & Raisch 2013). According to David (2013), firms use retrenchment when an organization regroups through cost and asset reduction in order to help declining performance. Retrenchment includes selling off land and buildings, cutting the number of employees, knocking off product lines, discontinuing the marginal businesses, and closing obsolete factories.

Previous literatures have documented that retrenchment strategy might induce firm performance in two ways: (i) asset retrenchment, and (ii) cost retrenchment (Hofer 1980; Robbins and Pearce 1992; Morrow et al. 2004; Lim et al. 2013). Asset retrenchment refers to the net reduction of assets (Robbins and Pearce 1992), such as closing plants, divesting equity and reducing stocks of property, equipment, and inventory (Morrow et al. 2004; Lim et al. 2013). Meanwhile, cost retrenchment refers to the net reduction of total costs such as Selling, General, and Administrative (SGA) expenses, interest expense and miscellaneous costs. (Robbins and Pearce 1992; Lim et al. 2013). Morrow et al. (2004) argues that firms throw all their less effective and less productive assets in order to improve the performance. The results show that retrenchment strategy have significant effect on firm performance. Meanwhile, Robbins and Pearce (1992) documents the strategy reducing cost of employee or SGA expense might mitigate financial downturn. As the result, these retrenchment actions increase firm profitability and strengthen the firm's industry position. (Robbins & Pearce 1992; Robbins & John 1993; Love & Nohria 2005; Lim et al. 2013; Schmitt & Raisch 2013).

2.1. Theoretical Framework

There are two general arguments on the study of retrenchment strategy and firm performance. First group belongs to scholars who are focused on putting forward their arguments of agency cost that could explain why firms that imposed retrenchment strategy may harm the performance of the firm. The second comes from another group of scholars who are more interested in treating retrenchment strategy as a process to shape the internal resources, and hence create better performance. More importantly, the findings of these two groups of scholars must be able to converge in order to establish some facts associated with retrenchment–performance relationship.

The first group is more on utilizing agency theory as the conceptual framework. Agency theory is concerned with agency problems that can occur between principal (shareholder) and agent (manager). Jensen and Meckling (1976) and Baker and Anderson (2010) explain that the agency problem arises when company managers attempt to maximize and fulfill their interest at shareholders' expense. Lang et al. (1995) find that managers will be reluctant to restructuring the corporate such as reducing the assets. Because imposing a defensive strategy such retrenchment showing their incapability to handle complicated task. Agency theory also shows there is a possibility manager imposes retrenchment as the shortcut to pertain their position, and part of showing their power as an outcome of pride and self-esteem. In the context of ownership structure, agency cost is easily occurred for non-family firm due to different interest between outsider and the family interest (Anderson and Reeb, 2003).

On the other hand, the second group utilizes resource base view (RBV) theory to frame the association between retrenchment strategy and firm performance. RBV explains retrenchment as new source for firm to achieve competitive advantage (Wernefelt, 1984; Helfat and Peteraf, 2003; Reddy and Xie, 2017). The proponent of RBV argues that firm should look inside the organization to find the best and efficient sources instead of looking at the competitive environment for it. They further elaborate that firm is more feasible to exploit opportunities using existing resources rather than trying

to acquire new skills and assets for each business challenge. Relate back to retrenchment strategy, selling assets and reducing cost might give much more efficient source for firm. This refreshed source is the new resource for firm in achieving its best performance.

2.2. Retrenchment Strategy and Firm Performance

According to the comprehensive review of the retrenchment literatures, mostly studies have indicated the performance of firms would be induced by adopting retrenchment because of increased efficiencies brought about by the reduction of costs and the reduction of assets. (O'Neil, 1986; Miles, Snow, & Sharfman, 1993; Dodge et al., 1994; DeWitt, 1998). Those researchers indicate retrenchment has a significant and positive effect on performance. In addition, due to reducing expenditures and eliminating assets, retrenchment is positively related to improved performance. (Schendel et al. , 1976; Hambrick & Schecter, 1983; Robbins & Pearce, 1992; Robbins & Pearce II, 1993).

Many studies have indicated the performance of firms would be induced by adopting retrenchment (O'Neil 1986; Miles et al. 1993; Dodge et al. 1994; DeWitt 1998). This due to the increased efficiencies brought by the reduction of costs and the reduction of assets. Hence, due to reducing expenditures and eliminating assets, retrenchment improves performance (Schendel et al. 1976; Hambrick & Schecter 1983; Robbins & Pearce 1992; Robbins & John 1993). Lim et al. (2013) find that there is a statically significant relationship between retrenchment and firm performance. This is consistent with Love and Nohria (2005) who also find the firm performance in the retrenched year is positive and significant.

In addition, Robbins and John (1993) also found retrenchment is positively related to turnaround performance. Besides that, Love & Nohria (2005) also find the firm performance in the retrenched year is positive and significant. More recently from Lim et al. (2013) and Dominic et al. (2013) found there is a statically significant relationship between retrenchment and firm performance. This is consistent with Schmitt & Raisch (2013), a survey type analysis scholar that indicate the retrenchment create a significant and positive effect on performance.

More topical findings, Morrow et.al (2004) find that retrenchment strategies will have different effects on firm performance which asset retrenchment is positively related to performance improvement while cost retrenchment is unrelated in growth industries meanwhile cost retrenchment is positively related to improved performance while asset retrenchment had a negative effect on firm performance in declining industries. According to the Pearce & Robbins (2008) argues that retrenchment and recovery cam create additional costs that impact turnaround performance negatively. Moreover, Castrogiovanni & Bruton(2000) expose there is no retrenchment performance linkage. In addition, Barker III & Mone (1994) and Fisher et al. (2004) also come up with the result shows that there is no retrenchment effect on performance. Hence, this study hypothesizes:

H1: There is a positive relationship between retrenchment and firm performance.

2.3. Controlling Shareholder and Firm Performance

We introduce controlling shareholder to intervene the relationship between retrenchment and performance. Previous research shows that in the time ownership structure is introduced, the strategy effects will be different. Each type of ownership has different conclusion in the strategy-performance links. For example, family firms will have negative relationship between strategic decision and firm performance (Morck & Yeung 2003; King & Santor 2008). Lee et al. (2012) find that family-controlled firms faced value reduction in imposing a diversification strategy. However, Fauver et al. (2004), Anderson and Reeb (2003), Joh (2003), and Andres (2008) show that family firms outperform than other type of firms when imposing firm strategy.

On the other hand, Razak et al. (2008) argue that government firms generally guided by social altruism and will make their performance poorer. Orden and Garmendia (2005) and Gursoy and Aydogan (2000) find that companies which under controlled government showed negative impact from imposing a strategic decision. In contrast, Lau and Tong (2008) find that the government firms might perform well as government firms are controlling by the government that toward clearly mission which maximizing shareholders' wealth.

For the foreign ownership, Jusoh (2015) finds that foreign ownership has positive and significant relationship with performance. Another study by Chibber & Majumdar (1999) in India and Wiwattanakantang (2001) in Thailand document that foreign ownership companies have great performance compared to other types of ownership structure. Previous studies such as Shapiro & Vining (1997), Djankov & Hoekman (2000), Douma et al. (2002), and Cook & Jeon (2006) conclude that high foreign ownership produce better performance. In short, the involvement of foreign investors in monitoring and controlling activities reduces agency conflict in the emerging economy (Demsetz & Leh, 1985).

In contrast, Munday et al. (2003) conduct a panel data analysis in manufacturing sector and find that the results evidence the relatively poor profit performance of foreign subsidiaries. Moreover, Phung & Le (2013) find that foreign ownership negatively impact firm performance due to it is not concentrated. Besides that, Barbosa & Louri (2005) conclude that performance of firms in Portugal is not affected by foreign ownership after controlling for firm. From previous literatures, as the foreign-controlled firms will reduce the agency costs and increase the performance. Thus, this study predicts that foreign ownership plays a positive and significant role on retrenchment firm performance.

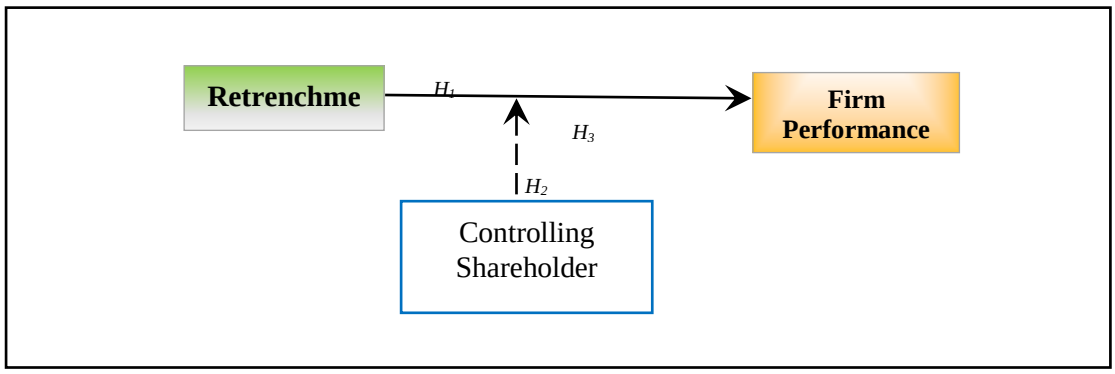
In summarize, no matter it is government or foreign or family, there is a significant impact on firm performance. Especially, family firms have better performance than other type of firms when imposing firm's strategy. This is important to Malaysia as majority of Malaysia companies belong to family-controlled owners. As a result, this study hypothesizes:

H2: There is a positive relationship between ownership concentration and firm performance.

H3: There is a significant moderating effect of controlling shareholders on the relationship between retrenchment strategy and firm performance

Research framework of the study is shown in Figure 1. Using agency theory and resource base view theory, this study proposes that retrenchment may significantly influence firm performance. In addition, the study also investigates whether the relationship between retrenchment strategy and firm performance across different controlling shareholder. The above relationships are depicted in a schematic diagram as given below:

Figure 1 Research Framework



3. METHODOLOGY

Following multivariate regression, we use panel data analysis to examine the impact of retrenchment strategy on company performance. Panel data analysis is more informative as compare to cross-sectional based regression as this avoid certain assumption promulgated by simple multiple regression.

3.1. Firm Performance

This research uses two performance measures: (1) Tobin's Q (Chung & Pruitt 1994; Thomas & Waring 1999; Morrow et al. 2004), and (2) return on assets (ROA) (Meeks & Meeks 1981; Schmitt & Raisch 2013). Tobin's Q is measured as the sum of the market value of equity, the book value of debt, and deferred taxes divided by the book value of total assets. Meanwhile, ROA is the earnings before interest tax Depreciation and amortization (EBITDA) divided by total assets. This type of measurement is an appropriate indicator of the perceived ability of the firm's strategy to achieve the required returns of investors. On the other hand, ROA indicates how a firm's wealth is relative to its total assets, and shows how efficient management is at using its assets to generate earnings. ROA can be directly affected by asset retrenchment (Meeks and Meeks 1981).

3.2. Baseline Model

Following previous research, the baseline model of this research consists of firm performance factors, such as firm size, growth, leverage, and profitability (Hambrick & D'Aveni 1988; Lu & Beamish 2001; Morrow et al. 2004; McClelland, Liang, & Barker 2010; Lee et al. 2012; Lim et al. 2013; Schmitt & Raisch 2013). The size of firms (SIZE) is measured using the log of total assets.

Meanwhile, growth opportunity (GROWTH) is measured by the capital expenditure to sales ratio. The profitability is measured by the operating income to sales ratio (OIS), and leverage (LEV) is measured by using the ratio of debt to common share equity. Our baseline model is given as follows.

$$Firm\ Performance\ = f(size, growth, opportunity, profitability)$$

To estimate the above model empirically, we pooled all samples and estimate the following regression model:

$$PERFORMANCE_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 OIS_{it} + \beta_3 GROWTH_{it} + \beta_4 LEV_{it} + \varepsilon_{it} \quad (1)$$

Where:
Performance = Firm Performance
SIZE = the log of assets or the firm size
OIS = the ratio of operating income- sales ratio
GROWTH = the capital expenditure-sales ratio
LEV = the ratio of debt to common share equity

3.3. Retrenchment Strategy (RET)

In this study, retrenchment strategy (RET) is defined as the reduction in assets and costs especially in action of the reduction of the finished goods and inventory, the reduction of the number of employees, the reduction of SGA, the reduction of PPE, and the reduction of R&D costs (Hofer 1980; Robbins & Pearce 1992; Morrow, Johnson & Busenitz 2004; David 2013). Following accounting calculation of reduction, the difference is calculate by assets/cost of t year period minus assets/costs of t-1 year period. For example, $\Delta Inventory_{2014}$ is equal to inventory from 2014 minus inventory from 2013. This method is common method to reveal the reduction movement. Note that reduction of number of employees is included in the sales, general, and administrative expenses. The formula calculation is presented in index measurement. Higher value of retrenchment indicates how active a firm imposing retrenchment strategy. The formula is as follow.

$$RET = \Delta Inventory + \Delta Sales\&General\ Expenses + \Delta Research\&Development\ cost + \Delta Properties, Plant\&Equipment\ cost \quad (2)$$

The above calculation is presented in index measurement. A higher value of RET indicates how active a firm is at imposing retrenchment strategy. Hence, RET is introduced into Model 1, and the model is as follows:

$$PERFORMANCE_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 OIS_{it} + \beta_3 GROWTH_{it} + \beta_4 LEV_{it} + \beta_5 LRET_{it} + \varepsilon_{it} \quad (3)$$

Where, LRET = the log of retrenchment value

3.4. Controlling Shareholder as Moderating Variable

This study takes ownership structure and ownership identity as the proxy of controlling shareholder. Ownership structure is measured by the ultimate ownership (UO), meanwhile, Ownership identity is classified into three which are Family firms (FAM), Government-linked companies (GOV) and foreign. We drop the foreign to tackle dummy trap and variance-collinearity bias issue.

Prior research of Claessens et al. (2002) shows that ownership concentration can be measured by using the control rights of the ultimate owner of the largest shareholder, which consists of direct and indirect shareholdings, as a proxy for UO. Furthermore, the application of cash flow rights may not be appropriate since there are a number of firms in Malaysia that are owned indirectly through a chain of privately-held firms. There is only indirect shareholding by the ultimate owner when the gap between the cash flow and control rights arises. In addition, according to Claessens et al. (2000), the concentration of control rights has superior explanatory power to cash flow rights from the corporate governance perspective. Since this research aims to further investigate the role of ownership concentration, we modify equation 1 by adding in the interactive terms, as well as the square of the ultimate ownership (UO2). UO2 is used to investigate whether or not the relationship between ultimate ownership and firm performance is nonlinear. The two mentioned variables are added to equation 4 as follows:

$$PERFORMANCE_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 OIS_{it} + \beta_3 GROWTH_{it} + \beta_4 LEV_{it} + \beta_5 LRET_{it} + \varepsilon_{it} \quad + \beta_6 UO_{it} + \beta_7 UO^2{}_{it} + \varepsilon_{it} \tag{4}$$

To further investigate the ownership identity, we include the interactive term into equation 5 according to each type of firm identity, namely, family-owned and government-owned. We consider foreign firms as a benchmark in this research:

$$PERFORMANCE_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 OIS_{it} + \beta_3 GROWTH_{it} + \beta_4 LEV_{it} + \beta_5 LRET_{it} + \beta_6 UO_{it} + \beta_7 UO^2{}_{it} + \beta_8 (LRET_{it})(DFAM_{it}) + \beta_9 (LRET_{it})(DGOV_{it}) + \varepsilon_{it} \tag{5}$$

3.5. Data

Data used in this research is retrieved from two main sources. Firstly, we use Thomson Reuters Worldscope database to collect the panel set of annual financial data for publicly listed Malaysian firms from 2008 to 2015. Initially, this study consists around 815 companies in Malaysia that are publicly listed on the Bursa Malaysia Stock Exchange. Our final sample covered all 219 publicly listed firms for industrial product sector on the Malaysian stock exchange with the total pooled observations of 1,752 firm years over the period of six years with complete data. Note that the firms that have missing data throughout the eight-year period from 2008 until 2015 are removed. Furthermore, the data scope was limited to firms listed on Bursa Malaysia.

The firm performance, retrenchment and ultimate ownership data are retrieved from the annual reports of the sample firms. Firm performance data included total market and total revenue for each year for each firm. Meanwhile, the retrenchment data involved the value of finished goods and inventory, the number of employees, the value of SGA, the value of PPE, and the value of R&D costs. The ultimate ownership is determined through the list of substantial shareholders in annual report. Finally, we classify the identity of ownership into family, government and foreign.

4. RESULTS AND DISCUSSION

We identify the firm performance of 219 listed firms in Malaysia across the eight-year period (2008–2015) using two measurements - Tobin's Q and ROA. In this paper, we investigate the association between retrenchment and the performance of the firm across its ownership structure. In this section, the results that interpret the relationship between retrenchment and the performance of the firm across its ownership structure are discussed.

4.1 Summary of Descriptive Statistics

Table 1 presents the summary of the descriptive statistics for our sample of 219 companies across the eight-year period (2008–2015). The mean values are determined for each variable to facilitate comparisons among the variables. The mean value of Tobin's Q is 0.214 with standard deviation of 0.174. This is consistent with the characteristics of emerging markets where many firms are growing and underrated by the market. Meanwhile, the mean value for ROA is 0.075 implying that Malaysian listed firms have average ROA of 7.5%. This is also consistent with the characteristics of emerging markets where it still can give high profitability rate.

The retrenchment strategy is reported to have average value of -0.334. The negative sign indicate that Malaysia firms are in shaping their business to be more efficient. The inventory, sales and general expenses, R&D expenses, and PPE expenses are shrinking perhaps due to economy turbulence in 2008.

The descriptive analyses for control variables such as Size, profitability, growth, and leverage are also reported. It obtained different mean value, for instance, the mean value was 5.409 for firm size. Meanwhile, profitability (OIS), Growth, and leverage have mean value of -0.069, 0.115, and 0.395 respectively.

In this paper, seven variables are measured and compared with each other. On the right side of the table, we report the Satterthwaite-Welch t-tests for differences in the mean value for each variable. Table 1 shows that Tobin's Q and ROA are negatively correlated with SIZE and positively correlated with RET and OIS. As the correlation matrix also shows, Tobin's Q and ROA have a stronger association with GROWTH but not LEV.

The sample residuals of error terms are analyzed and considered as normally distributed either through numerical methods or through graphical methods. The diagnostic analysis is also being run. This study applies a fixed effect model with heteroscedasticity problem. Lastly, the model is rectified heteroscedasticity problem by robust option of White's test.

Table 1 Summary of Descriptive Statistics

This table reports the summary statistics for our sample of 1,752 firm years between 2008 and 2015. For the mean values, values in parentheses are standard deviations; SW-t test refers to the Satterthwaite-Welch t-test and the values in parentheses under SW-t test are p-values.

Variable	Code	Mean	SW-t test						
			Tobin's Q	ROA	SIZE	OIS	GROWTH	LEV	RET
Tobin's Q	**Tobinsq**	0.214 （0.174）							
Return on Assets	**ROA**	0.075 （0.110）	0.139 (0.008)***						
Log of assets	**SIZE**	5.409 （0.576）	-5.194 (0.023)***	-5.333 (0.022)***					
Operating income to sales ratio	**OIS**	-0.069 （1.734）	0.284 (0.065)***	0.144 (0.065)***	5.478 (0.068)***				
Capital expenditure to sales ratio	**GROWTH**	0.115 （0.619）	0.100 (0.024)***	-0.040 (0.024)*	5.294 (0.032)***	-0.184 (0.069)***			
Debt to common share equity ratio	**LEV**	0.295 （3.815）	-0.081 (0.143)	-0.220 (0.143)	5.114 (0.144)***	-0.364 (0.157)**	-0.180 (0.145)		
Retrenchment	**RET**	-0.334 （0.449）	0.549 (0.018)***	0.409 (0.017)***	5.743 (0.027)***	0.265 (0.067)***	0.449 (0.029)***	0.629 (0.144)***	

4.2. Preliminary Estimates for Firm Performance

Before showing the results of our estimations, it is important to notice that all estimations have follow the proper procedure in panel regression. Firstly, the model is tested under Breusch Pagan LM test to reveal the individual effect, specifically, for choosing between pooled OLS and random effect. As all results show significant result, we proceed to Hausman test in choosing between random effect and fixed effect. The p-values for all models are less than 0.05 indicating that all models are under Fixed effect.

Table 2 presents the panel regression results for two types of firm performance and a few restricted variations of Model (1). This study uses Tobin's Q and ROA as the measure of firm performance (Barker & Mone , 1994; Hoskisson et al., 1994; Morrow et al., 2004; Schmitt & Raisch, 2013). The restricted variations in this research include the firm size (SIZE), firm profitability (OIS), growth opportunity (GROWTH), and leverage (LEV). **Table 2** shows that the results from both Tobin's Q and ROA indicate that growth opportunities and leverage do not have any significant impact on a firm performance. However, there is a significant positive relationship between Tobin's Q and firm size at the 1% level. A unit increase in size leads to a 0.123 unit change in Tobin's Q. This is consistent with previous research, which also suggests that firm size will normally affect a firm's turnaround performance (Bruton et al., 2003; McClelland et al., 2010). There is also a significant and positive relationship between Tobin's Q and profitability at the 5% level. A unit increase in profitability leads to a 0.007 unit change in Tobin's Q. For the ROA model, there is no relationship between size and performance. Meanwhile, the profitability has a significant positive relationship with the ROA. A unit increase in profitability leads to a 0.007 unit change in ROA.

Table 2 Panel Regression Estimates of Firm Performance

Value reported is the coefficient value, with standard error in parentheses. The regression is performed using four control variables that affect firm value. SIZE is the log of assets (firm size); GROWTH is the capital expenditure to sales ratio (growth opportunities); OIS is the operating income to sales ratio (profitability); LEV is the ratio of debt to common share equity (leverage). *, **, *** Denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Variables	Firm Performance	
	Tobin's Q	**ROA**
SIZE	0.123	0.050
	(0.037)***	(-0.035)
OIS	0.007	0.007
	(0.0031)**	(0.003)**
GROWTH	-0.006	0.011
	(0.009)	(0.008)
LEV	0.001	-0.001
	(0.001)	(0.001)
CONSTANT	-0.451	-0.196
	(0.201)	(0.188)
R2	0.031	0.062

4.3. Results for Firm Performance with Retrenchment Strategy

Table 3 shows the panel regression results of Model (2). The R^2 of the Tobin's Q model is 0.1264, meanwhile the R^2 of the ROA model is 0.098. By comparing the results from Table 3 with table 2, the growth (GROWTH) and leverage (LEV) still do not have any impact on firm performance for both models. For Tobin's Q model, we document that there is a significant positive relationship between Tobin's Q and firm size (SIZE) at 5%, where the coefficient value is 0.081. There is also significant positive relationship between Tobin's Q and profitability (OIS) at the 5% level, where the coefficient value is 0.006. In ROA models, size still has no significant effect on the ROA. Yet, profitability denotes a positive statistical significance at the 1% level.

Our main variable, retrenchment, is documented to have significant contribution for both performance measures. In Tobin's model, retrenchment denotes the positive statistical significance at the 1% level, where the coefficient value is 0.043. This is the same conclusion with ROA model, wherein retrenchment denotes the statistical significance at the 10% level, where the coefficient value is 0.015. A unit increase in retrenchment leads to a 0.0148 unit change in ROA. This is consistent with early literature documents where retrenchment strategy is positively related to firm performance (Schendel et al., 1976; Hambrick & Schecter, 1983; O'Neill, 1986). Moreover, Robbins & Pearce (1992) also said that retrenchment is positively related to turnaround performance. As a result, our paper indicates that retrenchment should lead to the growth of firm performance. This situation happens because the reduction in costs and assets will form efficient assets and operation. As the outcome, firm performance will be enhanced.

Table 3 Panel Regression Estimates of Firm Performance with Retrenchment Strategy

Value reported is the coefficient value, with standard error in parentheses. The regression is performed using four control variables and the dependent variables that affect firm performance. SIZE is the log of assets (firm size); GROWTH is the capital expenditure to sales ratio (growth opportunities); OIS is the operating income to sales ratio (profitability); LEV is the ratio of debt to common share equity (leverage). RET is the retrenchment strategy that we mainly focus on in this study which is defined as reduction in assets and costs, especially in respect of the reduction of the finished goods and inventory, the reduction of the number of employees, the reduction of SGA, the reduction of PPE, and the reduction of R&D costs. *, **, *** Denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Variables	Firm Performance	
	Tobin's Q	ROA
RET	0.043	0.015
	(0.204)***	(0.009)*
SIZE	0.081	0.036
	(0.003)**	(0.036)
OIS	0.006	0.008
	(0.009)**	(0.003)***
GROWTH	-0.001	0.013
	(0.001)	(0.008)
LEV	0.001	-0.001
	(0.009)	(0.001)
CONSTANT	-0.208	-0.113
	(0.038)	(0.194)
R2	0.126	0.098

4.4. Further estimates for firm performance with Controlling Shareholder

Table 4 reports the estimates of firm performance of listed firms with Controlling shareholder. All the findings show that the results are still consistent with the estimates in Model (2) of Table 2. There is significant relationship on profitability (OIS), firm size (SIZE) and retrenchment (RET) on Tobin's Q. Meanwhile, profitability (OIS) and retrenchment (RET) denote the positive statistical significance to ROA.

Table 4 reports the regression that is performed using a few restricted variations, degree of ultimate ownership and its squared term that affects a firm performance. For Tobin's Q model, UO shows the positive statistical significance at the 10% level, where the coefficient is 0.003; meanwhile, UO2 denotes the negative statistical significance at the 10% level. The results indicate two important findings. Firstly, the UO contributes positively and significantly to firm performance. This implies that firms with high ultimate ownership will produce high firm performance, which is consistent with the agency theory. Secondly, when the UO2 significantly affects firm performance, there is a non-linear relationship between ultimate ownership and firm performance. Both findings are in line with prior research by Jensen and Meckling (1976) who suggested that ownership concentration has a positive effect on performance. This is because high ownership concentration reduces the conflict of interest between owners and managers. As a result, firms with high ultimate ownership will increase the firm performance. However, there is no significant relationship between the degree of ultimate ownership and its squared term on the ROA model compared to the Tobin's Q model.

Table 4 Panel Regression Estimates of Firm Performance with Retrenchment Strategy and Ownership Concentration

Value reported is the coefficient value, with standard error in parentheses. The regression is performed using four control variables and the dependent variables that affect firm performance. SIZE is the log of assets (firm size); GROWTH is the capital expenditure to sales ratio (growth opportunities); OIS is the operating income to sales ratio (profitability); LEV is the ratio of debt to common share equity (leverage). RET is the retrenchment strategy that we mainly focus on in this study which is defined as reduction in assets and costs, especially in respect of the reduction of the finished goods and inventory, the reduction of the number of employees, the reduction of SGA, the reduction of PPE, and the reduction of R&D costs. UO is the ownership concentration. *, **, *** Denote statistical significance at the 10%, 5%, and 1% levels, respectively. *, **, *** Denote statistical significance at the 10%, 5%, and 1% levels, respectively

Variables	Firm Performance	
	Tobin's Q	ROA
RET	0.046	0.015
	(0.009)***	(0.009)
SIZE	0.080	0.036
	(0.376)**	(0.036)
OIS	0.006	0.008
	(0.003)**	(0.003)***
GROWTH	-0.001	0.013
	(0.009)	(0.008)
LEV	0.001	-0.001
	(0.001)	(0.001)
UO	0.003	0.000
	(0.002)*	(0.002)
UO2	0.000	0.000
	(0.000)*	(0.000)
CONSTANT	-0.257	-0.103
	(0.207)	(0.196)
R2	0.124	0.090

After that, we re-run model 3 but now adding dummy variables of ownership identity and their interactive terms across family and government firms in the estimation model. For Tobin's Q, Table 5 reports that the results are still consistent with Table 4, which shows there is a significant relationship with profitability (OIS), firm size (SIZE) and retrenchment (RET). However, the results for ROA are slightly different where growth denotes the positive statistical significance at the 10% level, which is different from the previous result. In addition, profitability (OIS) and retrenchment (RET) still has positive contribution to ROA.

We then test the moderating effect of ownership identity on the performance of retrenchment strategy. Firstly, we look at the family-owned firm result that employed retrenchment strategy (DFAM*RET). To understand the result, we analyze it step-by-step. First, the findings show that family-owned firm have better performance compared to non-family firm. Second, firm that employed retrenchment strategy had induced their financial performance. Yet, the interaction result between family-owned firm and retrenchment strategy has negative contribution on performance. Therefore, it can be concluded ownership identity of family firm has negative moderating effect on the relationship between retrenchment strategy and performance. This means that family firms that employed retrenchment strategy would have declining performance. This is consistent with the findings of Lee et al (2012), Tangpong et al (2015), Tsao et al (2016), and Ung et al (2016).

Our result shows there is a negative and significant effect on Tobin's Q, where the coefficient value is 0.055. The same conclusion is also found in our OA model, wherein, there is negative relationship between the interaction variable and ROA with 0.014 coefficient value. This is quite intriguing considering the positive effect of retrenchment on performance in our earlier findings. To explain this findings,

For government firm, it gives interesting findings. Firstly, government firm (DGOV) indicates that government-linked firm has better performance compared to non-government-linked firm in both performance measures (Tobin's Q and ROA). However, the interaction between ownership identity of

government firm with retrenchment strategy (DGOV*RET) has no consensus conclusion towards performance. In Tobin's Q model, it documents there is no significant moderating effect. This means that retrenchment strategy may not give any impact to the performance of government-linked firm, where the performance is measured by using Tobin's Q. However, the conclusion is different with ROA model. The interaction surmises the negative moderating effect with coefficient value of -0.082. This implies that government link firm which imposes retrenchment strategy might have worsening ROA.

Table 5 Panel Regression Estimates of Firm Performance with Retrenchment Strategy and Ownership Structure

Value reported is the coefficient value, with standard error in parentheses. The regression is performed with the dataset identified based on the family firm, foreign firm, and government firm. Then model 3 is run again with the dependent variables ROA and Tobin's Q; the control variables are firm size (SIZE), growth opportunities (GROWTH), profitability (OIS), and leverage (LEV); the main independent variables are retrenchment (RET); ownership concentration (UO) as moderate variable, and its interactive terms. *, **, *** Denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Variables	Firm Performance	
	Tobin's Q	**ROA**
RET	0.086	0.043
	(0.002)***	(0.018)**
SIZE	0.090	0.047
	(0.003)**	(0.036)
OIS	0.005	0.008
	(0.009)*	(0.003)***
GROWTH	0.002	0.014
	(0.001)	(0.008)*
LEV	0.001	-0.001
	(0.019)	(0.001)
UO	0.003	0.000
	(0.000)*	(0.002)
UO2	0.000	0.000
	(0.023)*	(0.000)
DFAM	0.014	0.009
	(0.006)**	(0.004)**
DGOV	0.027	0.011
	(0.016)*	(0.003)***
DFAM*RET	-0.055	-0.014
	(0.016)**	(0.008)**
DGOV*RET	-0.044	-0.082
	(0.208)	(0.024)***
CONSTANT	-0.319	-0.171
	(0.038)	(0.196)
R2	**0.127**	**0.067**

4.5. Discussion

The results from this study have indicated that retrenchment has positive association with firm performance supporting our first hypothesis. There are several explanations for this result. Firstly, reducing costs and assets for retrenchment is good for firm performance. The reduction and elimination of inefficient and not-productive goods, inventories, assets, activities, and inefficiency employees might maximize the profitability and minimize the losses. This is supported by previous literature (Schendel et al., 1976; Hambrick & Schecter, 1983; O'Neil, 1986; Robbins & Pearce, 1992; Robbins & John, 1993 Miles et al., 1993; Dodge et al., 1994; DeWitt, 1998). The findings is in line with resource

base view (RBV) theory. Selling inefficient and not-productive assets might left the best resource for firm. This resource makes firm gaining its competitive advantage and induce their performance.

In the perspective of agency theory, retrenchment can be part of alignment agency. Manager impose this strategy to achieve the needs of shareholders. After eliminated all the non-profit, and inefficiency costs and assets through the retrenchment actions, a systematic and efficient monitoring system has to be formed in the firm. Such monitoring system is important to prevent the agency problems such as the agency agents from taking selfish actions for their own benefits. Moreover, by adding in the threat of firing can ensure the managers or agents of the firm to act in the shareholders' best interests and benefits to avoid themselves from being dismissed. When some of the employees are dismissed or sacked, the remaining managers or agents are usually work at their best, and therefore it might benefit to the company, as well as in order to maintain their own self-interests for not losing the job. This is supported by McColgan (2001), managers may to take shareholder maximizing actions in order to keep their jobs

Meanwhile, ownership concentration also contributes positively on firm performance. This implies that firms with high ultimate ownership will produce higher performance, which is consistent with the agency theory of Jensen and Meckling (1976) who suggested that ownership concentration has a positive effect on performance. This is because high ownership concentration reduces the conflict of interest between owners and managers. As a result, firms with high ultimate ownership will increase the firm performance.

On the other hand, the negative relationship between firm performance with both government and family retrenchment firms exists. For the government-controlled firms which impose retrenchment strategy, Razak et al. (2008) argue that government firms are generally guided by social altruism and will make their performance poorer., Zeitun and Tian (2007) and Gürsoy and Aydogan (2002) also defined government involvement is negatively related to the company's performance. There are several reasons for these findings. First, social altruism controls the government. The management is more on public well-being and social oriented. Hence, manager in government linked firm most likely feel reluctant to selling of assets or laying off the employee. Second, it perhaps due to the lacking of competency of the board. Li et al (2008), and Menozzi et al (2011) argue that most of board in state-owned firms is closely related to political circle rather than competency.

Meanwhile, for the family-controlled firms, there is a significant negative relationship between the firm performance and the family retrenchment firms. Generally, retrenchment happens when a firm is under poor condition. Based on Claessens et al. (2009), agency problem happens especially when the firm is in bad conditions. The family-controlled firm which, considers as large ownership attempt to maximize their interest, makes poor decision and does not coincide with the interest of minority shareholders (Jensen & Meckling, 1976; Shleifer & Vishny, 1997; Lins & Servaes, 2002; Filatotchev & Toms, 2003; Pajunen, 2006; Baker & Anderson, 2010; Tangpong et al., 2015; Tsao et al., 2016; Ung et al., 2016). Those actions may produce agency cost and tend to reduce the firm performance.

5. CONCLUSION

Retrenchment strategy has gained its popularity and is being regarded as a common strategy in the corporate world to cut down cost. We provide a link between firm performance and retrenchment cost. A balanced panel data regression model is established to implement and test the relationship between firm performance and retrenchment cost. From the results, we document a positive association between the firm performance and retrenchment cost. Our finding is consistent with the prior researcher which majority under qualitative research type, find that retrenchment actions that reduce assets will increase firm profitability and strengthen the firm's industry position.

In conclusion, this study examines the role of retrenchment strategy in firm performance, and investigates the role of ownership structure in imposing firm strategy. This paper indicates that retrenchment will lead to firm performance. This is consistent with prior knowledge in strategic management where retrenchment strategy is important for the performance of firm. Thus, we can conclude that the reduction of the costs and assets, the efficiency of monitoring structure, the threat of firing, and stewardship can enhance the firm performance. The ownership exploration remains as a big issue that influences the retrenchment actions. The ownership concentration denotes a positive statistical significance with firm performance. This implies that large ownership firms will improve firm performance. In addition, the family-owned firms with retrenchment strategy tend to have a reduced performance and are followed by the government firms.

The findings of this study provide guidelines to Malaysian firms, government, and policymakers in three matters: (i) enhancing the performance of a retrenchment strategy; (ii) imposing a crystal clear corporate governance policy and guidelines for Malaysian firms in avoiding financial distress; and (iii) communicating the importance of controlling shareholder role in shaping the performance of

retrenchment strategy. As for the limitations, this study does not segregate retrenchment strategy into actions. Therefore, future research suggests to extend not only beyond an industry, but only beyond a single country to several less developed countries, sector classification and different analysis methods such as event study and survey study.

REFERENCES

Anderson, R., & Reeb , D. (2003). Founding family ownership and firm performance: evidence from the S&P 500. *Journal of Finance*, 58, 1301–28.

Andres, C. (2008). Large shareholders and firm performance: An empirical examination of founding-family ownership. *Journal of Corporate Finance*, 14, 431-445.

Baker, H., & Anderson, R. (2010). Corporate governance: a synthesis of theory research and practice. Hoboken, New Jersey: John wiley and Sons.

Barker, V., & Mone , M. (1994). Retrenchment: Cause of turnaround or consequence of decline? *Strategic Management Journal*, 15: 395–405.

Bruton, G., Ahlstrom, D., & Wan, J. (2003). Turnaround in East Asian firms: Evidence from ethnic overseas Chinese communities. *Strategic Management Journal*, 24(6), 519-540.

Castrogiovanni, G., & Bruton, G. (2000). Business turnaround processes following acquisitions: reconsidering the role of retrenchment. *Journal of Business Research*, 48, 25–34.

Chung, K., & Pruitt, S. (1994). A simple approximation of Tobin's q. *Financial Management*, 2(3), 70-74.

Claessens, S., Djankov, S., & Lang, L. (2000). The separation of ownership and control in East Asian corporations. *Journal of financial Economics*, 58(1), 81–112.

Claessens, S., Djankov, S., Fan, J., & Lang, L. (2002). Disentangling the incentive and entrenchment effects of large shareholdings. *The Journal of Finance*, 57(6), 2741–2771.

Claessens, S., Fan, J., Djankov, S., & Lang, L. (2009). On expropriation of minority shareholders: evidence from East Asia. *Social Science Research Now*, 202390.

David, F. (2013). Strategic management: A competitive advantage approach, concepts and cases. Harlow,England: Pearson Prentice Hall.

Denis , D., Denis, D., & Yost, K. (2002). Global diversification, industrial diversification, and firm value. *Journal of Finance*, 57(5), 1951–1979.

Denis, D., & Shome, D. (2005). An empirical investigation of corporate asset downsizing. *Journal of Corporate Finance*, 11(3), 427-448.

DeWitt, R. (1998). Firm, industry, and strategy influences on choice of downsizing approach. *Strategic Management Journal*, 19(1): 59–79.

Dodge, H., Fullerton, S., & Robbins, J. (1994). Stage of the organizational life cycle and competition as mediators of problem perception in small businesses. *Strategic Management Journal*, 15(2), 121-134.

Fauver, L., Houston,, J., & Naranjo, A. (2004). Cross country evidence on the value of corporate industrial and international diversification. *Journal of Corporate Finance*, 10(5), 729–752.

Filatotchev, I., & Toms, S. (2003). Corporate governance, strategy and survival in a declining industry: A study of UK cotton textile companies. *Journal of Management Studies*, 40(4), 895-920.

Fisher, G., Lee, J., & Johns, L. (2004). An Exploratory Study of Company Turnaround in Australia and Singapore Following the Asia Crisis. *Asia Pacific Journal of Management*, 21(1-2), 149–170.

Gürsoy, G., & Aydoğan, K. (2002). Equity ownership structure, risk taking, and performance: an empirical investigation in Turkish listed companies. *Emerging Markets Finance & Trade*, 38(6), 6-25.

Hambrick, D., & D'Aveni, R. (1988). Large corporate failures as downward spirals. *Administrative Science Quarterly*, 33(1), 1–23.

Hambrick, D., & Schecter, S. (1983). Turnaround strategies in mature industrial product business units. *Academy of Management Journal*, 26(2), 231–248.

Helfat, C. E., & Peteraf, M. A. (2003). The dynamic resource-based view: Capability lifecycles. *Strategic management journal*, 24(10), 997-1010.

Hofer, C. (1980). Turnaround strategies. *Journal of Business Strategy*, 1(1): 19–31.

Hoskisson, R., Johnson, R., & Moesel, D. (1994). Corporate divestiture intensity in restructuring firms: Effects of governance strategy and performance. *Academy of Management Journal*, 37(5), 1207–1251.

Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.

Joh, S. (2003). Corporate governance and firm profitability: evidence from Korea before the economic crisis. *Journal of Financial Economics*, 68(2), 287-322.

Jusoh, M. (2015). Foreign Ownership and Firm Performance: Evidence from Malaysia. *Asian Journal of Accounting and Governance*, 6, 49–54.

Khanna, T., & Palepu, K. (2000). Is group affiliation profitable in emerging markets? An analysis of diversified Indian business groups. *Journal of Finance*, 55(2), 867–891.

King , M., & Santor, E. (2008). Family values: Ownership structure, performance and capital structure of Canadian firms. *Journal of Banking & Finance*, 32, 2423-2432.

Lang, L., Poulsen, A., & Stulz, R. (1995). Asset sales, firm performance, and the agency costs of managerial discretion. *Journal of Financial Economics*, 37(1), 3–37.

Lau, Y., & Tong, C. (2008). Are Malaysian Government-Linked Companies (GLCs) creating value? *International Applied Economics and Management Letters*, 1(1), 9-12.

Lee, K., Hooy, C., & Hooy, G. (2012). The Value impact of international and industrial diversifications on publisted-listed firms in Malaysia. *Emerging Markets Review*, 13(3),366-380.

Li, H., Meng, L., Wang, Q., & Zhou, L. A. (2008). Political connections, financing and firm performance: Evidence from Chinese private firms. *Journal of development economics*, 87(2), 283-299.

Lim, D., Celly, N., Morse, E., & Rowe, W. (2013). Rethinking the effectiveness of asset and cost retrenchment: The contingency effects of a firm's rent creation mechanism. *Strategic Management Journal*, 4(1), 42-61.

Lins, K., & Servaes, H. (2002). Is Corporate Diversification Beneficial in Emerging Market? *Financial Management*, 31(2), 5-31.

Love, E., & Nohria, N. (2005). Reducing Slack: The Performance Consequences of Downsizing by Large Industrial Firms, 1977–93. *Strategic Management Journal*, 26(12), 1087–110.

Lu, W., & Beamish, P. (2001). The Internationalization and Performance of SMEs. *Strategic Management Journal*, 22(6-7), 565-586.

McClelland, P., Liang, X., & Barker, V. (2010). CEO commitment to the status-quo: replication and extension using content analysis. *Journal of Management*, 36(5), 1251–77.

McColgan, P. (2001). Agency theory and corporate governance: a review of the literature from a UK perspective. Glasgow: University of Strathclyde: Department of Accounting and Finance.

Meeks, G., & Meeks, J. (1981). Profitability measures as indicators of post-merger efficiency. *Journal of Industrial Economics*, 29(4), 335–44.

Menozzi, A., Gutiérrez Urtiaga, M., & Vannoni, D. (2011). Board composition, political connections, and performance in state-owned enterprises. *Industrial and Corporate Change*, 21(3), 671-698.

Michael, S., & Robbins, D. (1998). Retrenchment among small manufacturing firms during recession. *Journal of Small Business Management*, 36(3): 35–45.

Miles, G., Snow, C., & Sharfman, M. (1993). Industry variety and performance. *Strategic Management Journal*, 14(3), 163–177.

Morck, R., & Yeung, B. (2003). Agency problems in large family business groups. *Entrepreneurship: Theory and Practice*, 27(4), 367-382.

Morrow, J., Johnson, R., & Busenitz, L. (2004). The effects of cost and asset retrenchment on firm performance: the overlooked role of a firm's competitive environment. *Journal of Management*, 30(2), 189-208.

O'Neill, H. (1986). Turnaround and recovery: What strategy do you need? *Long Range Planning*, 19(1), 80–88.

Orden, O. D., & Garmendia, A. (2005). Does it matter ownership structure? performance in Spanish companies. *Journal of European Financial Management*, 1(, 1-40.

Pajunen, K. (2006). Stakeholder influences in organizational survival. *Journal of Management*, 43(6),1261-1288.

Pearce, J., & Robbins, K. (2008). Strategic transformation as the essential last step in the process of business turnaround. *Business Horizons*, 51(2), 121–30.

Razak, N., Ahmad, R., & Aliahmed, H. (2008). Government ownership and performance: An analysis of listed companies in Malaysia. *Corporate Ownership and Control*, 6(2), 434-442.

Reddy, K. S., & Xie, E. (2017). Cross-border mergers and acquisitions by oil and gas multinational enterprises: Geography-based view of energy strategy. *Renewable and Sustainable Energy Reviews*, 72(2), 961-980.

Robbins, D., & John, A. (1993). Entrepreneurial Retrenchment among Small Manufacturing firms. *Journal of Business Venturing*, 8(4), 301-318.

Robbins, D., & Pearce, J. (1992). Turnaround: retrenchment and recovery. *Strategic Management Journal*, 13(4): 287–309.

Schendel, D., Patton, G., & Riggs, J. (1976). Corporate turnaround strategies: A study of profit decline and recovery. *Journal of General Management*, 3(spring): 3–11.

Schmitt, A., & Raisch, S. (2013). Corporate Turnarounds and Recovery: The Duality of Retrenchment. *Journal of Management Studies*, 50(7), 1216-1244

Schmitt, A., Borzillo, S., & Probst, G. (2012). Don't let knowledge walk away: knowledge retention during employee downsizing. *Management Learning*, 43, 53–74.

Shleifer, A., & Vishny, R. (1997). A survey of corporate governance. *Journal of Finance*, 52(2), 737–783.

Tangpong, C., Abebe, M., & Li, Z. (2015). A temporal approach to retrenchment and successful turnaround in declining firms. Journal of Management Studies, 52(5), 647-677.

Thomas, L., & Waring, G. (1999). Competing capitalisms: Capital investment in American, German, and Japanese firms. *Strategic Management Journal*, 20(8), 729–748.

Tsao, C. W., Newman, A., Chen, S. J., & Wang, M. J. (2016). HRM retrenchment practices and firm performance in times of economic downturn: exploring the moderating effects of family involvement in management. The International Journal of Human Resource Management, 27(9), 954-973.

Ung, L. J., Brahmana, R., & Puah, C. H. (2016). Does retrenchment strategy induce family firm's value? A study from Malaysia. International Journal of Management Practice, 9(4), 394-411.

Ung, Lik-Jing Rayenda Brahmana & Chin-Hong Puah (2018) Defensive Strategy's Effect on Firm Value: Evidence from Public-Listed Companies in Malaysia, *Journal of Asia-Pacific Business*, DOI: HYPERLINK "https://doi.org/10.1080/10599231.2018.1453746" 10.1080/10599231.2018.1453746

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic management journal*, 5(2), 171-180.

Wiwattanakantang, Y. (2001). Controlling shareholders and corporate value: Evidence from Thailand. *Pacific-Basin Finance Journal*, 9(4), 323-362.

Zeitun, R., & Gang Tian, G. (2007). Does ownership affect a firm's performance and default risk in Jordan? *Corporate Governance: The international journal of business in society*, 7(1), 66-82.