Has aggressive investing strategy performed? An insight from Malaysia listed companies

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Abstract

This study examines the role of aggressive investing strategy on firm performance for a sample of 514 listed firms in Malaysia from 2010 to 2017. In our first objective, we investigate the investing activism effect on firm performance by simultaneously controlling the firm characteristics and industry in our model. Our second objective is to test whether aggressive investing activism affects the firm performance. Lastly, we want to investigate whether this aggressive investing may produce different result with different measures of performance. Our findings show that investment has significant effects on firm performance. Our research further indicates that companies with aggressive investing strategies had a better firm performance than compared to its peers. We test this theory using three different measures of aggressive investing strategies and substantiate this conclusion. Our research confirms the resource based view theory and empirically proves that aggressive investments would result in better firm performance.

Abstrak

Studi ini menguji peran strategi investasi agresif pada kinerja perusahaan untuk sampel 514 perusahaan yang terdaftar di Malaysia dari 2010 hingga 2017. Dalam tujuan pertama kami, kami meneliti pengaruh aktivitas investasi terhadap kinerja perusahaan secara simultan dengan kontrol karakteristik perusahaan dan industri dalam model penelitian kami. Tujuan kedua kami adalah untuk menguji apakah aktivitas investasi agresif memengaruhi kinerja perusahaan. Terakhir, kami ingin menyelidiki apakah investasi agresif ini dapat menghasilkan hasil yang berbeda dengan ukuran kinerja yang berbeda. Temuan kami menunjukkan bahwa investasi memiliki pengaruh signifikan terhadap kinerja perusahaan. Lebih lanjut penelitian kami menunjukkan bahwa perusahaan dengan strategi investasi yang agresif memiliki kinerja perusahaan yang lebih baik dibandingkan dengan perusahaan sejenisnya. Kami menguji teori ini menggunakan tiga ukuran strategi investasi agresif yang berbeda dan mendukung kesimpulan ini. Penelitian kami menegaskan teori resource based view *dan membuktikan secara empiris bahwa investasi yang agresif akan menghasilkan kinerja perusahaan yang lebih baik.*

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1. Introduction

Although investing activities are widely discussed and fundamentally important, they remain poorly conceptualized. Much of the argument on investing activity is based on supposition or anecdotal evidence. Whether or not investing activities would facilitate better performance is rarely discussed or empirically tested. Research in strategic management, or managerial accounting, is more concerned with the performance of specific investment activities such as diversification (Selçuk, 2015), product competition (Fosu, 2013; Wang, 2016), financial market instrument (Brav et al., 2018), equity investment (Edmans, Fang, & Lewellen, 2017), or outbound direct investment (Hsu, Wang, & Clegg, 2015). Scant research comprehensively examines the investing activism by gauging both financial investment and real investment; a gap that this research aims to tackle

The relationship between investing activism and performance seems of little interest to strategic managers and corporate finance scholars amid the actual outcomes which are heavily documented. For example, Twitter employed retrenchment due to the company's failed large investments in research and development. Meanwhile, the Lehman Brothers invested heavily in subprime mortgage and ended up bankrupt. Reynolds Tobacco invested aggressively up to USD 1 billion in 1987 to develop smokeless cigarettes and faced financial distress. In early 2000, Pet supply retailer Pets.Com retailer invested USD 300 million in their capital expenditure and saw it fail after just two years. The reason for these strategy failures may be more strongly associated with the behavioral perspective (i.e. greed or overconfidence) rather than aggressive investing activism conducted by managers (agents).

From the perspective of Resource Base View (RBV) as proposed by Penrose (1959), investing activism should be the resource by which firms to enhance their performance. RBV explains that firm performance is influenced by firm-specific resources and capabilities. These resources are allocated heterogeneously (unequally) within an industry. It is essential for the firm to be certain of its strengths and weaknesses so as to enable the development of strategies that best fit them. Harnessing these strengths, capabilities and available resource bundles can thus be used to outperform competitors (Hitt, Xu, & Carnes, 2016).

The resources and capabilities of a firm are the central considerations in formulating the firm's strategy. In this research study, the investment activities of the firm can add great contributions of resources to the organization to further expand the businesses with their extra profits. If the activities of their investments are well planned and monitored, for instance, according to the firm capabilities for instance, than the firm can reach financial viability. Smart investments are the fundamental blocks upon which a firm can build its identity and frame its strategy. What's more, they also act as the fundamental sources of profit for the organization. The key to a resource-based view approach to strategy formulation is to understand the relationships between resources, capabilities, competitive advantage and profitability. That is, firms must gain a good understanding of the mechanisms through which competitive advantage can be sustained for the long run. The firm can exploit its unique characteristics to maximum effect with good strategic design. Without any exception, Malaysia offers a unique environment for investing activism and performance association. Goh & Wong (2011) reported that Malaysia's investments have leaped frog from Rm0.45 billion in 1980 to Rm36.7 billion in 2007. On the government level, Malaysia had a positive US$ 2.4 billion worth of net portfolio investment in 2005, and the second largest in South East Asia following Singapore. A well-known state owned corporation, Khazanah Nasional Berhad, was established for aggressive investing activism across the world involving wide range of sectors including telecommunications, healthcare, infrastructure, financial services, power, leisure and tourism, property.

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Several companies in Malaysia have shown positive results in terms of aggressive investing activism. For instance, Kueh Group engaged in a diverse range of activities which include financial services (mainly in securities brokering and insurance), trading of commodity, hotel ownership and management, plantations and vegetable oil refining, shipping, property development, mass media, entertainment, retail sales and manufacturing (especially packaging of its food products), and it gives the owner the wealth of USD12.5 billion.

There is also Petroliam Nasional (PETRONAS) as another example of a successful company which has been in operations for the past three decades as the leading oil company in the world. Recently, PETRONAS announced its decision of investing approximately $36 billion to a liquefied natural gas plant on the British Columbia coast. The plan of investing in overseas asset portfolio represents the significant success of PETRONAS for the past decades. The recent record of PETRONAS that sold $5 billion dollar-denominated bonds has led to PETRONAS being rated as the fifth-highest investment grade A1 at Moody's Investors Service. This shows that the corporation is actively involved in all forms of investment activities to ensure the firm performance is being improved from time to time.

Yet, several Malaysian companies face investing failure due to their aggressiveness. Take Proton for example, which was pumped Rm13.9 billion to assist their cash shortage. Malaysia Airlines made headlines after they retrenched just over 60,000 employees due to investing heavily in networking capital and planes. Perwaja Steel had tremendous loss of nearly Rm10 billion after it failed to find steel demand in any government. The pertinent question remains: Has this aggressive investing activism really performed (in Malaysia)?

The main driving forces behind the aggressive investing activism engaged by firms may be similar in both advanced and emerging markets. But one important institutional characteristic that could possibly lead to different investing effects is the support level from market demand, governments and the capital market. The less developed capital market of Malaysia may have been assisted by the market demand as this country is emerging market. With a growing middle class and income level, Malaysia is in a beneficial position with much potential demand. Opting into real investments such as property and plantation, or in financial assets may open the door of opportunity for investors. The government also supports the investing activism with several tax incentives and local protection. Moreover, the growing capital market may give more capital to firms for pool funding because it attracts global investors around the world. Therefore, these trends suggest that aggressive investing activism is more valuable in emerging markets than in developed markets.

In our first objective, we investigate the investing activism effect on firm performance by simultaneously controlling the firm characteristics and industry in our model. Our second objective is to test whether aggressive investing activism affects the firm performance. This means that we test increasingly risky investing activities up to and above the peer average, contrasting the effects with any rise in firm performance. Lastly, we want to investigate whether this aggressive investing may produce different result with different measures of performance. Firstly, we test with accounting-book performance such return on assets (ROA), and secondly, we test the model with market based performance such Tobin's Q.

In sum, we examine the effect of investing activism on firm performance, in which we break down the type of investment against other competing performance measures, such as Tobin's Q and ROA among others. However, we extend the study to a new empirical context in terms of certain measures and definitions. For instance, we develop the excess investment by replicating the imputed value model of Berger & Ofek (1995) as a proxy for ag-

gressive investing activism. The full explanation is in Section 3.

This study's contribution is threefold. First, we add to the literature by extending the understanding of investing activism-performance link within a small emerging market. Second, we document the empirical findings of the aggressive investing activism's effect on Malaysian listed firms' performance. We lay further grounds for the argument that type of investing, real investment or financial assets investment, may play a significant role in determining the performance of a firm.

The rest of this paper is organized in the following manner: Section 2 reviews the theoretical concepts and literature of investing activism. Section 3 describes the methodology and data collection including our estimation models. Section 4 reports the findings of the study and discusses the significance of the results. Lastly, Section 5 suggests the implications and conclusion of the research.

2.   Hypotheses Development

Theoretical framework and literature review

This research is built under resource base view (RBV) and institutional theory. From the RBV perspective, investing activism is the resource of firm to enhance company's performance. The manager (agent) effectively uses the strategic assets and appropriate resources to help the company achieve their optimum performance. For instance, managerial spending for capital expenditure as a way to achieve their objective.

Meanwhile, taking the institutional theory perspective, firms appear to be identical in terms of management without being criticized. Therefore, organizations will continually become more comparable in behavior and select the approach that businesses have been regulated. Hussain & Hoque (2002) suggest institutional theory as an approach of management studies that emphasizes institutional factors such as the economic competition, standard of accounting or legislation of finance, adapting to the best practice (investment activism) from one another, socioeconomic-political institutions' pressures, top management or corporate culture, professionals, organizational strategic orientation and organizational characteristics. In other words, the various types of activities related to investment practices that induce a firm's performance. Such activities and practices may be models to be followed and adopted in the other institutions. In short, institutional factors of investment activism can influence the firm's organizational systems. Firms typically pursue every likely avenue that will enhance their businesses.

Investment activism and firm performance

The effects of firm investment activism on Firm performance has been previously investigated in strategy management literature. Most of the findings examine one particular investment instead of regarding the comprehensive measures of investment activities. For example, Brav et al. (2018) studied the role of hedge fund investment on firm innovations. The authors found that the activist hedged funds have improve firm innovation. Meanwhile, Lamont (1997) examined the real asset investment of non-oil subsidiaries of oil companies during 1986. The results showed that oil companies significantly reduced their non-oil investment compared to the median industry investment, and yet the performance was poor. Using resource based view as grounded theory, Chae, Koh, & Prybutok (2014) examined the relationship between information technology and firm performance. The result of the study shows that information technology have no effect on the firm performance. Further, Pérez-López & Alegre (2012) found that the knowledge management mediate the relationship between information technology and firm performance. On the other hand, Benitez-Amado & Walczuch (2012) and Mithas, Ramasubbu, & Sambamurthy (2011) found the positive effect of information technology on firm

performance. Cheng et al. (2010) also suggested that there is a significant positive correlation between the intellectual capital investment and company performance. Bose & Luo (2011) also suggested that investment in capital expenditure, such as IT-related technology, are important in improving the performance of the organization.

Having said this, most of these findings focus on developed countries, or testing in a single industry, or testing towards a single measurement of performance. This study differs from previous studies as it: (1) tests in developing countries like Malaysia; (2) tackles the entire non-financial industries, and controls the industrial effect by clustering method; (3) considers three different ways to measure investment activism; and (4) applies two different performance approaches (accounting book and market based).

Overall, most scholars suggest that the relationship between firm investment activism and firm performance is positively correlated. It was found that the investment expenditure responds significantly to long-run disequilibrium from Tobin's Q which is also a benchmark of the firm performance during a particular regime (Holmes & Maghrebi, 2015).

Therefore, this research hypotheses: there is a significant and positive relationship between the investment activism and firm performance.

3. Method, Data and Analysis

Tentatively, the most current estimates place a total of 815 active public-listed companies in Malaysia. However, not all of these companies were selected since a number of them have incomplete data. The sample used in this study includes 514-listed firms in Bursa Malaysia (Malaysia stock exchange). We pooled the data by retrieving 8 years of data for each firm over the period 2010-2017, and collected 4,112 observations. The data was taken directly from the annual reports. Nevertheless, companies in the financial sector are not included in this sample because it is subject to different legislative terms and essentially distinct forms of financial statements presentation.

Baseline model

Our econometrics model has two main equations: (a) baseline model, and (b) main model. The first model is the grounded model of performance, and it is built based upon prior research in finance. The estimation is assumed that performance of firm is a function of leverage, growth, and age. Prior to testing the baseline model, we had firm's size and firm's liquidity. We ran the principal component analysis, and gained low loading for the two variables. We did trial and error by stubbornly adding these two variables to the baseline, despite encountering a misspecification issue and finding bad results. Hence, we decided to use only the remaining three firm's characteristics as the basic function of performance. This is consistent with Alon et al. (2008). Following Collins, Filibus, & Clement (2012) we use ratio of debt to equity to measure firm leverage, and ratio of capital expenditure to sales to measure firm growth. Firm age is the period of the firm's establishment. The firm performance is measured using two approaches: (a) accounting book performance which is Return on Assets (ROA), and (b) market based performance, which is Tobin's Q. Accounting book performance is measured by Return on Assets (ROA), which is computed as operating profit after tax, divided by total assets. Higher ROA is more favorable to investors because it shows that the company more effectively manages its assets to generate greater accruals of net profit (Westerfield, Ross, and Jaffe, 2005). Meanwhile, Tobin's Q is the proxy of market based performance. The ratio is computed as the market value of a firm divided by the replacement value of its assets. This Tobin's model measures the valuation of stock which is one of the factors that supports the investment

decisions in a firm (Smirlock, Gilligan, & Marshall., 1984).

Hence, the research constructs firm performance as the function of firm leverage, firm growth and firm age as follows:

$$firm\ performance = \int (firm\ leverage, firm\ growth, firm\ age)$$

To estimate the above model empirically, this research pooled all the sample firms and estimated the following model:

$$firm\ performance_{i,t} = \alpha_1 + \beta_1 LEV_{i,t} + \beta_2 Growth_{i,t} + \beta_3 AGE_{i,t} + \varepsilon_{i,t} \quad (1)$$

Based on the pool of Ordinary Least Square (OLS) regression analysis, a firm performance equation model can be established to analyze its relationship between the other variables. A multiple regression model is best suited as regression can include multiple independent variables.

Full model

The main objective of this research study is to investigate the role of investment activism (IA) on the Firm performance. Following Alon et al. (2008), we add IA into our baseline model. IA consists of financial investment and real investment. Financial investment is an asset that a firm contributes in terms of money for a period of time with an idea that this contribution will grow and appreciate into a greater sum of return over time. This investment includes the financial instruments such as shares, derivatives, bonds, funds or mergers acquisition, and other intangible assets. Real investment is the money that is contributed in purchasing tangible assets as such equipment, machinery and real estate property. It is also called capital expenditure, which chiefly emphasizes the fixed assets. According to accounting standard, investment is defined as purchased of assets to create future wealth. This means investment calculation has to include both real assets and financial assets. It cannot be solely only real assets or only financial assets. Aggressiveness in investment, which is mimicking the managerial behavior, has to be the combination of both real assets and financial assets. Therefore, we sum up all investment expenditure from both real assets (such as Plant, Property, and Equipment) and financial assets (such as Stocks, Bonds, derivatives that retrieve and cross-check from cash flow statement and notes to financial statements).

Thus, the IA is introduced into the baseline model to form the new function of firm performance as follows:

$$firm\ performance = \int (investment\ activism, firm\ leverage, firm\ growth, firm\ age)$$

This function is examined empirically under OLS panel regression and the estimation model is simplified as follows:

$$firm\ performance_{i,t} = \alpha_1 + \beta_1 IA_{i,t} + \beta_2 LEV_{i,t} + \beta_3 Growth_{i,t} + \beta_4 AGE_{i,t} + \varepsilon_{i,t} \quad (2)$$

Where: IA is investment activism, LEV is firm leverage, GROWTH is firm growth, and AGE is firm age.

4. Results

Descriptive statistics

Table 1 reports the descriptive statistics. ROA ranges from -7.3077 to 6.4949 with a mean of 3.0134 and standard deviation of 0.7589, while Tobin's Q shows a minimum value of 0.0133 and maximum value of 4.9999. The mean of Tobin's Q was recorded at 2.4772 with the standard deviation of 0.3392. Investment activism shows a mean ratio of 4.0541 and standard deviation of 0.6975 with values range from minimum 1.9459 to maximum of 7.0230. Firm leverage has a minimum value of -1.9520 and a maximum value of 3.9248 with a mean ratio of 0.6562 and standard deviation of 0.3155. Meanwhile, Firm growth which ranges from a minimum of 0 to a maximum value of 5.6923 records a mean ratio of 2.0464 and

standard deviation of 0.2588. The mean ratio and standard deviation of Firm age is 1.4343 and 0.2855 respectively. Firm age values range from a minimum of 0.3010 to a maximum of 3.3043.

Pearson correlation

Table 2 reports the correlation matrix, which shows the correlation between the dependent variable with the other independent variables (investment activism, firm leverage, firm growth and firm age). Firstly, Table 2 shows high correlation among the performance measures. The correlation coefficient between ROA and Tobin's Q is 0.4112. The correlation between ROA and independent variables are also considered high, where the coefficients are 0.3158, -0.3014, 0.5263, and 0.3035 for investment activism, leverage, growth, and age, respectively. We conclude similarly for the correlation between Tobin's Q and independent variables, where the coefficient correlations values are 0.3212, -0.2865, 0.2968, 0.1969, for investment activism, leverage, growth, and age, respectively.

Baseline results

The estimates in Tables 3, 4, 5 and 6 are retrieved by employing dynamic GMM method to rectify the endogeneity issue. Lagged dependent variables are added to all the models and it is statistically significant in all estimations. The diagnostic tests also behave properly where AR(1) and Hansen test statistics are expected to be significant, but not for AR(2) and Sargan test statistics. Overall, GMM estimation is acceptable and there is no over identification problem (Note: that we have run Breusch Pagan LM Test, Sargan Test, Wooldridge Test, before choosing our estimation model. Our dynamic model is a two-step GMM with controlling the standard error. Meanwhile, the industrial effect has been tested in three ways: (1) the mean difference, and (2) treated it as control variable by clustering the effect. Our preliminary results show there is no significant difference of investment expenditure across industry. However, we did cluster the industrial effect under industry and there are no significant sign).

Table 1. Descriptive statistics

Variables	Mean	Standard Deviation	Minimum	Maximum
ROA	3.0134	0.7589	-7.3077	6.4949
Tobin's Q	2.4772	0.3392	0.0133	4.9999
Investment Activism	4.0541	0.6975	1.9459	7.0230
Firm Leverage	0.6562	0.3155	-1.9520	3.9248
Firm Growth	2.0464	0.2588	0.0000	5.6923
Firm Age	1.4343	0.2855	0.3010	3.3043

N= 4112, n= 514, t= 7

Table 2. Correlation matrix

	ROA	Tobin's Q	Investment Activism	Firm's Leverage	Firm's Growth	Firm's Age
ROA	1					
Tobin's Q	0.4112	1				
Investment Activism	0.3158	0.3212	1			
Firm Leverage	-0.3014	-0.2865	0.0819	1		
Firm Growth	0.5263	0.2968	-0.0593	-0.0072	1	
Firm Age	0.3035	0.1969	0.1141	-0.016	0.0165	1

Table 3 reports our baseline results where it documents all control variables' impact on firm performance. Generally, the coefficient estimated for those variables are consistent in sign and significance. We find that leverage is negatively significant with firm performance. This is consistent with previous literature such as Baum, Fear, & Colley (2012), Alcock et al. (2013) and Dawar (2014). Meanwhile, growth has positive effect on firm performance, aligning with the research by Rosenbusch, Brinckmann, & Müller (2013) and Fischer & Karlan (2015). In contrast, firm age has no significant contribution to firm performance.

Investment activism and performance

To test our main objectives, we investigate the presence of investment activism on firm performance. We add the investment activism variable into our baseline model and rerun it under dynamic GMM panel regression. Table 4 reports the findings.

The control variables produce a similar conclusion to the findings of our baseline model. Only leverage and growth have significant effects on firm performance, whereas firm age has no significant effect. Leverage contributes negatively on firm performance, whilst growth contributes positively.

The estimation model documented that investment activism has significant contribution on the firm performance at 5% of significant level. It has positive contribution for both measures of firm performances. This means that the more aggressive the investment, the better the performance of the corporation. Such finding is in line with the strategy literature presented by Brav et al. (2018), Safarova (2010), Alderson & Betker (2012) and Ngoc (2015). This is evidence of the positive effect that firm investment activism has on the Firm performance. These findings confirms the RBV theory wherein the firm uses investment as a resource to enhance firm performance.

Aggressive investing activism: Dummy method

The previous estimation may not give a clear conclusion regarding the relationship between investing activism aggressiveness and firm perfor-

Table 3. Baseline Model

	Tobin's Q	ROA
Lag(1)	0.0893	0.0689*
	(0.1459)	(0.0635)
Firm Leverage	-0.0102***	-0.0129***
	(0.003)	(0.0035)
Firm Growth	0.0281***	3.4589***
	(0.0062)	(0.1286)
Firm Age	0.0063	-0.0065
	(0.0391)	(0.0332)
Constant	0.4736***	0.2753***
	(0.0554)	(0.0506)
AR(1)	-2.690***	-2.600***
	(0.977)	(1.009)
AR(2)	-1.120	1.700
	(0.764)	(0.484)
Hansen Test	32.320	42.370

This model estimates the baseline of the model where the performance is measured by Tobin's Q and ROA. The regression is then performed by using dynamic GMM panel regression controlling for year fixed effect, in addition to controlling for the heteroscedasticity and autocorrelation problems. The data period ranges from 2010 to 2016. The coefficient values are stated in figures while the standard errors are stated in the figures of parentheses. ***, ** and * denote the level of significances of 1%, 5% and 10% respectively. The model is shown as:

$$Y_{i,t} = \alpha + \beta_2 LEV_{i,t} + \beta_3 GROWTH_{i,t} + \beta_4 AGE_{i,t} + \varepsilon_{i,t}$$

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mance, namely due to the limitation of the performance measure. Our concern is that the effect of investment activism may cause a different impact according to its investment scale. Even though this is debatable, we remodify our performance by using a dummy variable in a percentile method. We re-cluster the firms according to industry, then rank the firms based on its level of investment expenditure, from highest to the lowest. Intuitively, the top 10% of investing activism is given 1, and the rest is 0. This method aims at finding whether the level of investment aggressiveness may cause a different impact on firm performance.

The results in Table 5 align with the conclusion in Table 4. For example, firm leverage is negatively significant with firm performance. Meanwhile, Firm growth has contributed positively and significantly on firm performance. The only dissimilar result for these two variables is the significance levels in Tables 4 and 5. Additionally, firm age has no effect on firm performance.

Our main variable, investment activism, has significant effect on firm performance. It has a coef-

ficient value of 0.1799 and 0.1419 for ROA and Tobin's Q, respectively. This implies that firms that more aggressively invest may have a higher firm performance, in line with previous literature by Brav et al. (2018), Safarova (2010), Alderson & Betker (2012) and Ngoc (2015). Hence, we confirm the literature findings concerning the positive effect of firm investment activism on firm performance.

In Table 5, we can see evidence of aggressive investment activism affecting firm performance. The top 10% firms with high levels of investment enjoyed improved firm performance compared to those firms with lesser investment. In conclusion, the robust results confirm that higher investment activism will enhance the firm performance.

Robustness check: Using excess investment approach

We further investigate whether levels of investment aggressiveness may have a different impact on firm performance by modifying the measures of firm performance. Using a dummy vari-

Table 4. Investment activism and performance

	ROA	Tobin's Q
Lag(1)	0.0581***	0.0451**
	(0.208)	(0.144)
Investment activism	0.0367***	0.0118**
	(0.0068)	(0.0058)
Firm leverage	-0.0631*	-0.0108***
	(0.0382)	(0.0032)
Firm growth	3.4569***	0.0297***
	(0.1231)	(0.0061)
Firm age	0.0046	0.0039
	(0.0339)	(0.0384)
Constant	0.1922***	0.3587***
	(0.0702)	(0.0828)
AR(1)	-2.850***	-2.820***
	(1.024)	(0.995)
AR(2)	1.720	1.500
	(1.185)	(1.133)
Hansen Test	48.120	50.650

This model estimates the full model where the performance is measured by Tobin's Q and ROA. The regression is then performed by using dynamic GMM panel regression controlling for year fixed effect, and also controlling for the heteroscedasticity and autocorrelation problems. The data period ranges from 2010 to 2017. The coefficient values are stated in figures while the standard errors are stated in the figures of parentheses. ***, ** and * denote the levels of significance of 1%, 5% and 10% respectively. The model is shown as: $Y_{i,t} = \alpha + \beta_1 IA_{i,t} + \beta_2 LEV_{i,t} + \beta_3 GROWTH_{i,t} + \beta_4 AGE_{i,t} + \varepsilon_{i,t}$

able, as seen in Table 5, may not capture the excess investment effect. Therefore, we adopt excess value method, famously developed by Berger & Ofek (1995), for our investment measure. The key difference is that we use excess investment instead of excess value like Berger & Ofek (1995).

Table 5. Aggressive investing and performance

	ROA	Tobin's Q
Lag(1)	0.1881***	0.1270**
	(0.0674)	(0.0577)
Investment Activism	0.1779***	0.1419**
	(0.0609)	(0.0556)
Firm Leverage	-0.01799*	-0.0192**
	(0.0102)	(0.0108)
Firm Growth	0.0224*	0.0503*
	(0.0121)	(0.0298)
Firm Age	-0.1477577	-0.1590
	(0.0893)	(0.1095)
Constant	0.2810***	0.4303**
	(0.1011)	(0.2090)
AR(1)	-2.680***	-2.640***
	(1.017)	(1.038)
AR(2)	1.390	1.460
	(0.738)	(0.926)
Hansen Test	46.550	43.390

This model estimates the full extents of the model where the performance is measured by Tobin's Q and ROA. The regression is then performed by using dynamic GMM panel regression controlling for year fixed effect while controlling for the heteroscedasticity and autocorrelation problems. The data period ranges from 2010 to 2017. The coefficient values are stated in figures while the standard errors are stated in the figures of parentheses. ***, ** and * denote the level of significance of 1%, 5% and 10% respectively. The model is shown: $Y_{i,t} = \alpha + \beta_1 IA_{i,t} + \beta_2 LEV_{i,t} + \beta_3 GROWTH_{i,t} + \beta_4 AGE_{i,t} + \varepsilon_{i,t}$

Table 6. Excess investing and performance

	ROA	Tobin's Q
Lag(1)	0.1176*	0.1927**
	(0.691)	(0.0977)
Investment Activism	0.1956***	0.1091**
	(0.0457)	0.0444
Firm Leverage	-0.0095**	-0.02337**
	(0.004715)	(0.0100)
Firm Growth	0.3535***	0.1232***
	(0.101968)	(0.0262)
Firm Age	0.2484	0.1731
	(0.1612)	(0.1087)
Constant	0.4077***	0.2597*
	(0.1427)	(0.1496)
AR(1)	-2.870***	-2.720***
	(0.944)	(0.970)
AR(2)	1.350	0.950
	(0.978)	(0.943)
Hansen Test	36.920	33.910

This model estimates the full extents of the model where the performance is measured by Tobin's Q and ROA. The regression is then performed by using dynamic GMM panel regression controlling for year fixed effect while controlling for the heteroscedasticity and autocorrelation problems. The data period ranges from 2010 to 2017. The coefficient values are stated in figures while the standard errors are stated in the figures of parentheses. ***, ** and * denote the level of significance of 1%, 5% and 10% respectively. The model is shown as:

$Y_{i,t} = \alpha + \beta_1 IA_{i,t} + \beta_2 LEV_{i,t} + \beta_3 GROWTH_{i,t} + \beta_4 AGE_{i,t} + \varepsilon_{i,t}$

Excess investment is calculated using a natural logarithm ratio of actual to imputed value. The actual value is our investment activism, a value that used in Table 4. On the other hand, imputed value is calculated as the median of investment expenditure in each industry. This means that we re-cluster the firms within their industry, and calculate the median. This calculation implies the additional investment taken by a firm compared to its industry median. We use this excess investment as the new measure for investment activism.

Table 6 reports the results for our robustness checking. The results of the control variables have are similar in terms of sign and significance level with results in Tables 4 and 5. Leverage is still negatively and significantly associated with performance, and growth is positively and significantly associated. Meanwhile, firm age has no effect on firm performance.

For the investment activism, the results show that it has significant effect on firm performance. The coefficient values are 0.1956 and 0.1091 for ROA and Tobin's Q models, respectively. This implies that firms with more aggressive investment strategies may have better firm performance. This confirms the conclusion from Table 5.

In short, our findings reveal that investment activism has positive effect on firm performance. Firms with higher levels of investment or more aggressive in their investments may enhance their firm performance compared to firms with less aggressive agenda. This substantiates cautionary tales that keeping cash indicates inefficiency or investing hastily may hurt firm operation. It also indicates that higher investment in real assets or financial assets compared to peers will result in better performance.

5.   Discussion

Overall, our results reveal that investment activism has significant effects on firm performance

in Malaysia. This result is consistent with the empirical findings of previous literature presented by Brav et al. (2018), Cheng et al. (2010), Safarova (2010), Anderson & Betker (2012), Holmes & Maghrebi (2015) and Ngoc (2015). The more aggressive the investment activities, the better it can perform for the firm. This is due to the fact that investment can help to create shareholder value through efficient reallocation of capital. When the company makes investment in various types of investing, such as instruments, it is actually diversifying the firm's risk of exposure. It will enable the organization to perform more efficiently, creating a competitive advantage while the availability of capital generates more return with a proper investment plan.

Our results are consistent with the resource based view theory suggesting that the resources and capabilities of a firm are the central considerations in formulating new strategy for itself. This study suggests that investment activities of a corporation can add great contributions of resources to the firm. This can help expand the business using the added profits if a proper investment is being well managed and monitored with respect to the firm's risk tolerance. Through the investing process, the firm is able to exploit its unique characteristics to maximum effect to design effective investment strategies. Hence, the significant and positive relationship proven by the results affirm that investment activism can generate a competitive advantages and enable a firm to perform better and outshine competitors.

6.   Conclusion, Limitations, and Suggestions

Conclusion

This study investigates the role of investment activism on firm performance in the Malaysian context. We use dynamic GMM panel regression over the period of 2010-2017 to rectify the endogeneity issues of our model. We define investment activism

and firm performance with different measures. Moreover, we characterize investment activism as the combination of real assets and financial assets. Our results reveal that investment activism has significant effects on firm performance in Malaysia. Our results are consistent with the resource based view theory suggesting that the resources and capabilities of a firm are the central considerations in formulating new strategy for itself.

The findings of the research have several implications for investors and the industry. Firstly, aggressive investments do not always mean hurting firm performance. Our findings show that investment activism has a positive impact on firm performance due to efficient and productive cash management. Our findings confirm growth anomalies whereby a company with higher investment than its peers have a better return. In our findings, companies with higher investments demonstrate enhanced performances. Investors should consider performance before investing in both real assets and financial assets by firms. The findings can also be used as a guiding principle for investors, preventing them from plunging blindly into anti-aggressive investment activism. By being aware of the importance of investment activism, investors feel more confident investing which indirectly enhances the performance of the corporation in Malaysia.

Limitations and suggestions

This study has several limitations that future research can examine further. First, aggressive investment in this research does not separate real assets and financial assets. Theoretically, aggressive in real assets investment may give temporal effect compared to financial assets. In other words, invest in real assets may give slower performance impact compared to financial asset investment. Future research may tackle this issue by dividing investment into real assets and financial asset, and add temporal effect. Second, this research does not cater the business cycle effect on investment aggressiveness. Certain company may have higher investment due to its "growth" business cycle with cheaper economy cost. Future research may add it to reveal the effect of business cycle and market competition in this research topic. Lastly, the investment activism may different according to the controlling shareholder due to agency problem. Based on certain common characteristics for emerging markets, particularly for East Asian countries, which are dominated by family firms, this research can be extended further. For instance, future research may investigate this research topic by attributing corporate governance or agency factors such as manager ability, board structure or ownership expropriation. It will make for another interesting extension of study in this field.

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