
Chun-xiao SUN and Lei SHEN
College of Zhijiang, University of Science and Technology, Zhejiang, 310024, China

Keywords: Asset divestment, Divestment ability, Performance, Listed company.

Abstract. With the rapid change and growth of market and technology, more and more listed companies make the divestiture decision to improve the performance. Different companies have different asset divestment ability which impacts the decision of the asset divestment and the performance it produces and has been an obstacle to make a strategic adjustment and change at an appropriate time. Based on the extant theoretical study of the asset divestment capability and its impact on performance, this paper puts forward the hypothesis of the impact of the listed company’s asset divestment ability on the performance and draws the conclusion through Factor Analysis and Correlation Analysis to verify the initial hypothesis with the purpose to improve asset divestment ability to better the performance.

Introduction

In recent years, divestiture is considered to be an important strategic decision for the company to seek long-term development (Tan, 2014; Foss, 2002). However, the difference of the divestment ability of different companies affects the divestiture decision, and then the company makes strategic adjustment and change in the right time, which affects its performance (Nguyen, Rahman, Zhao, 2013). Divestment capability is a certain capacity formed through the accumulation of managers’ experience to reduce the loss of decision-making errors, effectively to control costs and enhance value (Bergh & Lim, 2008; Wang, 2017). Most extant studies of the effect of divestment on performance suggest that there is a correlation between the two factors, but few have explored its relevance based on the perspective of divestment ability. Therefore, based on the perspective of ability, this paper systematically explores the effect of divestment ability on performance and carries out empirical test, which helps to improve the divestment ability of enterprises and improve performance.

Literature Review

Divestment ability is the management ability of the enterprise to structure its resources, and also management ability adjust its resource base for a certain purpose (Sirmon, Gove & Hitt, 2008). Sirmon, Gove & Hitt (2008) Furtherly point out that divestment ability is the path to achieve organizational change, including the ability to take the initiative to carry out resource divestiture awareness and determine what kind of resources to divest. Teece (2007) and Wood (2009) combined with dynamic capability theory, their papers point out that divest reflects the reconfiguration and evolution of enterprise capability, including the ability of strategic consciousness, organization behavior and motivation, including the capability of divestment. In the dynamic process of regroup and adjust the resources, the enterprise's own strategic consciousness is a unique ability (Sharma & Manikutty, 2005). Divestment often stems from the enterprise leaders of this strategic consciousness ability, facing different crisis environment and internal problems, enterprise leaders consciously change enterprise scope and scale contraction, reduce diversification, so divestment consciousness ability determines the appropriate timing of action (Ninli, 2008; Marc & Shapira, 1987). Divestment capacity is the ability of a company to determine what resources to divest (Sun, 2011; Bowman, 1984) when making divestiture decisions. In the process of divestment, it is also necessary to manage the operation of the company, the divesting behavior of supervision, so that divesting create value (Nguyen, Rahman, Zhao, 2013). Divesting will change the enterprise's
existing resources portfolio, the size of this change reflects the divesting of the enterprise's incentive ability. Removing the pressure before divesting, there is surplus cash flow to the existing or new business projects to resupply, is its own incentive capacity. On the other hand, divesting brings revolutionary resource integration to create value for the enterprise, which is also a kind of incentive for managers (Mariotti & Poseitello, 1999), after divesting the performance change reflects the difference of incentive ability of managers.

Theory Hypothesis Proposed

The Influence of Divesting Consciousness Ability on Performance

In the premise sense of divesting awareness managers will take a higher level of voluntary divesting activities, and voluntary divesting can be more possible than involuntary divesting to produce higher abnormal income (Dai, 2014; Montgomery & Thomas, 1998). Managers have a relatively strong ability to divest consciousness, which often based on long-term development perspective, to make strategic adjustment to adapt to change environment, which usually can enhance the value of the company. Often the divesting consciousness is negative, the divesting performance has not been promoted (Lu & Su, 2015). This paper puts forward hypothesis H1: the ability of managers' divesting consciousness has positive influence on company performance.

The Influence of Divesting Behavior Ability on Performance

Enterprises access to information and knowledge through accumulation and the effective use of resources, and allocate resources rationally to form a divesting capacity, that is to determine what kind of resources to divest. Based on the ability of target selection, it has been shown that the divesting target has low performance and less relevance to other departments, the company's performance improvement is more obvious after divesting, and the larger the size of divesting target is, the better the performance of the company. And the manager's familiarity with the divesting department influences the decision of resource allocation, and the path that hinders the divesting occurs to the familiar department managers, which further influences the company's performance. Based on this, this paper puts forward the hypothesis H2: Managers' divestiture behavior has a positive impact on corporate performance.

The Influence of Divesting Incentive Ability on Performance

After the enterprise divestment takes place, the reorganization of the resources eliminates the negative synergy effect, net cash inflows which will bring to the enterprise and the management level incentive, this kind of incentive ability will have certain influence to the performance. Whether the removal of non-performing assets or the liquidation of idle assets is a realignment of existing business units, this incentive to enhance the enthusiasm of management, personal and collective interests are high degree of consistency in decision-making, managers’ consideration of objectives will be closer to the company's value maximization, thereby enhancing corporate performance. This paper puts forward hypothesis H3: stripping incentive ability and company performance have positive influence.

The Influence of Divesting Integration Ability on Performance

The separation of resources for the integration of the enterprise is crucial, integration is not a separate stage after the divestment, and for the entire transaction is an integral part of the success of divesting, the key lies in whether the enterprise has excellent integration capabilities. If divesting integration is neglected, the performance of enterprises is low and hinder development (Zhu, 2012). After divesting occurs, the ability of resource allocation and reconstruction, integration design, implementation and communication and coordination will affect the performance of the company. This paper puts forward hypothesis H4: divesting integration ability have positive influence on company performance.
Empirical Research

Samples and Data Sources

In this paper, the samples of 2010-2014 five years in Shanghai and Shenzhen stock market are selected which are only one-time asset divesting transactions, have the normal financial indicators, and exclude the occurrence of related transactions and ST and PT category of the 137 director of triangular listed companies as a sample. Through the RESSET Financial Research database to obtain sample financial data, with independent sample T test, to compare and analyze the performance changes before and after the divesting event occurred in this year, before this year, and four years after the evaluation with the comprehensive performance score factor of the listed companies. Then, the correlation analysis was made between the comprehensive divesting performance and the stripping ability of the significant changes.

Data Analysis

Divestment performance can be measured by the profitability of listed companies (ROE and EPS), Solvency (asset-liability ratio, QR and FR), asset management capacity (total asset turnover) and growth capacity (net asset growth rate, per-share income growth rate and so on).

Evaluation of comprehensive divesting performance

(1) KMO and Bartlett Test

The year of 2010-2014 financial data were used to make KMO and Bartlett tested by SPSS22.0 to show that the sample data was suitable for factor analysis. The number of KMO sample test was more than 0.5, and the Bartlett statistic value of Bartlett spherical test was significant.

(2) Construction Function of Factor Score

The cumulative contribution rate of performance index variance in 2010-2014 years was 69.317%, 70.762%, 73.856%, 72.632% and 75.64% respectively, and the main component factor was selected according to the factor analysis, and the number of three was obtained. It is indicated that three principal component factors are substituted for the original 9 variables to provide information of the original value table data, namely, F1, F2, F3. Three factors can be used as the comprehensive index to evaluate the stripping performance. In 2010 years, for example, the 2011-2014 function is constructed in the same way, not listed, the Factor-scoring Function can be obtained according to the rotational factor load matrix:

<table>
<thead>
<tr>
<th>F1</th>
<th>Y1</th>
<th>Y2</th>
<th>Y3</th>
<th>Y4</th>
<th>Y5</th>
<th>Y6</th>
<th>Y7</th>
<th>Y8</th>
<th>Y9</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.213</td>
<td>-0.044</td>
<td>+0.975</td>
<td>+0.974</td>
<td>-0.074</td>
<td>-0.101</td>
<td>-0.087</td>
<td>Y10</td>
<td>+0.336</td>
<td>-0.795</td>
</tr>
<tr>
<td>F2</td>
<td>+0.854</td>
<td>+0.761</td>
<td>Y2</td>
<td>-0.019</td>
<td>Y3</td>
<td>+0.023</td>
<td>Y4</td>
<td>+0.051</td>
<td>Y5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F3</td>
<td>+0.058</td>
<td>+0.219</td>
<td>Y2</td>
<td>-0.026</td>
<td>Y3</td>
<td>+0.000</td>
<td>Y4</td>
<td>+0.914</td>
<td>Y5</td>
</tr>
</tbody>
</table>

Score of Comprehensive Divesting Performance

Taking the variance contribution ratio of each factor as the weight of each factor to the performance effect, the paper constructs the function of performance comprehensive score of the sample company, and then takes the Factor Analysis output factor score into the comprehensive scoring function, which can get the corresponding annual sample company's respective performance comprehensive score value. By the method of Independent Sample T Test, the difference of comprehensive factor score between the year before divesting, divesting year and four years after divesting was tested, and the difference was found in Table 1.

Table 1. Results of mean and significant tests for four-year performance before and after divesting.

<table>
<thead>
<tr>
<th>Comparison test annual</th>
<th>sample</th>
<th>mean</th>
<th>median</th>
<th>positive ratio (%)</th>
<th>Significant (double tail)</th>
</tr>
</thead>
<tbody>
<tr>
<td>the divesting year with the previous one(F2-F1)</td>
<td>137</td>
<td>0.0193</td>
<td>0.4677</td>
<td>42.67</td>
<td>0.039**</td>
</tr>
<tr>
<td>the first year after divesting with the divesting year(F1-F0)</td>
<td>137</td>
<td>-0.0263</td>
<td>-0.246</td>
<td>57.71</td>
<td>0.695</td>
</tr>
</tbody>
</table>
Comparing the results of the four-year performance of the sample company after divesting with the divesting year and previous year, the asset divesting year ($F_{0}-F_{-1}$) and the third year after divesting with the divesting year ($F_{3}-F_{0}$) were significantly changed, the former represents divesting short term comprehensive performance and the latter represents the long-term comprehensive performance of divesting.

**An Empirical Study on the Effect of Divesting Ability on Comprehensive Performance**

(1) Interpreting variables and interpreted variables

$F_{0}-F_{-1}$ represents short term comprehensive performance of divesting, $F_{3}-F_{0}$ represents the long-term comprehensive performance, as interpreted variable. The purpose of this paper is to study the effect of asset divesting ability on performance, and to take asset divesting ability as explanatory variable, including consciousness, behaviour, incentive and integration ability.

**Questionnaire design and distribution**

According to the “Likert Five scale method” design questionnaires, the corresponding mails were sent to the management of listed companies located in the Yangtze River Delta region as far as possible, especially to the senior management. 137 questionnaires were distributed totally with the recovery of effective questionnaires up to 126, the effective rate of 92%, included by the basic information and divesting ability.

**Correlation analysis and conclusion**

The reliability analysis of the questionnaire shows that the Cronbach a coefficient of 16 factors is above 0.65, and the overall reliability is 0.781 reliability and acceptable. The results of the correlation analysis of the data are as shown in table 2.

<table>
<thead>
<tr>
<th>Short-term comprehensive performance ($F_{0}-F_{-1}$)</th>
<th>consciousness ability</th>
<th>Behaviour ability</th>
<th>Incentive ability</th>
<th>integrate ability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson dependencies</td>
<td>0.158</td>
<td>0.349</td>
<td>-0.085</td>
<td>0.772</td>
</tr>
<tr>
<td>Significant (both sides)</td>
<td>0.171*</td>
<td>0.142*</td>
<td>0.768</td>
<td>0.155*</td>
</tr>
<tr>
<td>N</td>
<td>126</td>
<td>126</td>
<td>126</td>
<td>126</td>
</tr>
</tbody>
</table>

In table 2, divesting consciousness ability and short-term performance-related significance (bilateral) is 0.171<0.2, it was shown that the ability of divesting consciousness was significantly correlated with short-term performance, and correlated is 0.158>0, positive correlation, and significant relationship between divesting ability and short-term divesting performance (bilateral) is
0.142<0.2, significant correlation, and correlation 0.349>0, which present positive correlation, divesting incentive ability and short-term performance significant (bilateral) is 0.768>0.2, not significant correlation, after divesting integration ability and short-term performance significant (bilateral) =0.155<0.2, significantly correlated, And the correlation is 0.772>0, which shows that the spin-off integration ability is positively correlated with short-term performance.

Table 3. Relationship between long-term performance and divesting ability.

<table>
<thead>
<tr>
<th>Long-term comprehensive performance(F3-F0)</th>
<th>consciousness ability</th>
<th>Behaviour ability</th>
<th>Incentive ability</th>
<th>integrate ability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson dependencies</td>
<td>0.338</td>
<td>0.135</td>
<td>-0.694</td>
<td>0.682</td>
</tr>
<tr>
<td>Significant (both sides)</td>
<td>0.016*</td>
<td>0.129*</td>
<td>0.471</td>
<td>0.185*</td>
</tr>
<tr>
<td>N</td>
<td>126</td>
<td>126</td>
<td>126</td>
<td>126</td>
</tr>
</tbody>
</table>

In table 3, divesting consciousness ability and long-term performance-related significant (bilateral) is 0.016<0.2, it was shown that the ability of divesting consciousness was significantly correlated with long-term performance, and correlated is 0.338>0, positive correlation; divesting capacity and long-term divesting performance were significant (bilateral) is 0.129<0.2, significant correlation, and correlation 0.135>0, positive correlation, divesting incentive ability and long-term performance significant (bilateral) =0.471>0.2, not significant correlation, divesting integration ability and long-term divesting performance significant (bilateral) is 0.185<0.2, significantly correlated. And the correlation is 0.682>0, which indicates that the integration ability is positively correlated with the long-term performance after divesting.

Conclusions and Recommendations

(1) Relative to the divesting consciousness of the company, divesting awareness can be a strong ability to create more excellent short-term value. Enterprises should be proactive and active in the formulation of strategies, timely making adjustment of the core business and non-core business ratio combination, in order to achieve maximum corporate interests. (2) When divestment occurs, clear objectives, often can improve corporate performance. A clear goal of divestiture can enhance the core competitiveness of enterprises, through the disposal of the core business or weak related assets or business, enterprises can concentrate resources to develop core business. (3) Enterprises taking active integration of follow-up resources after asset divesting is conducive to long-term performance growth, thereby maintaining the sustainable development of enterprises. Enterprises attach importance to the integration of design capacity and implementation capacity, as well as internal and external communication and coordination capabilities.

Acknowledgement

This study was funded by the Ministry of Education's Humanities and Social Sciences Research Project (13YJC630139) and the key subject of Zhejiang Social Science Union (2013Z45).

References


