



Corporate Restructuring and Performance Enhancing Equation: Evidence from UK Non – Financial Firms

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Abstract

This paper examines performance changes following corporate restructuring using an event study methodology that employs accounting-based measures of operating performance where a sample of UK non-financial firms that announced different forms of corporate restructuring during 1993-2000 is used for an analysis. The analysis finds that there is an improvement in firm performance, financial health, and firms are more focused following restructuring. Moreover, firms increase investment, efficiency and were able to cut costs over the period following corporate restructuring.

Keywords: Corporate Restructuring; Poor Performance; Financial Leverage; Corporate Diversification; Asset Sales; Dividend Cuts; Layoffs; and CEO Turnover.

1. Introduction

In recent years, interest has focused on strategies companies use in respond to poor performance. One of these strategies is to undertake some forms of corporate restructuring. Corporate restructuring is viewed as a mechanism through which agency problems are corrected and the alignment of managerial interest and stockholders' wealth is reached [1]. In the logic of diversification theorists [2;3], corporate restructuring is a process through which firms optimize their degree of diversification. Moreover, from the standpoint of resource-based theory [4], corporate restructuring activities represent a firm's effort to rebuild and optimize a firm's input-based competencies.

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The preceding evidence implies that operating performance improves following corporate restructuring. Despite this observation, the empirical evidence is not conclusive.

[5, 6, 7] find that there is firm performance improvement over the years following corporate restructuring. By contrast [8, 4] do not find a significant difference in performance between restructured and non-restructured firms.

Whilst much of the previous literature examines operating performance changes centred in the year of restructuring, very few studies examine financial leverage. An exception to this is that of [5], who document that large firms that undertook restructuring because of poor performance reduced their leverage quickly over the years following restructuring.

Another strand of literature posits that corporate restructuring is aimed to correct over-expansion and over-diversification programmes. It is documented that a reduction in business diversity may improve firm's performance by creating narrow lines of businesses that will utilize related firm resources [4]. It will also reduce information-process demand on top management and provide the firm with the opportunity to reconfigure the governance structure. In the process, the shareholder value increases [9]. This would suggest that there is a reduction in firm's diversification following corporate restructuring.

This paper investigates performance changes of sample firms that undertook corporate restructuring over a period 1993 - 2000. The paper employs accounting-based measures of operating performance where a sample of 1551 UK non-financial firms that announced different forms of corporate restructuring during 1993-2000 is used for an analysis. There are several forms of corporate restructuring, however, in this paper only four forms are being examined: asset sales, dividend cuts, layoffs, and CEO turnover. There are no apparent reasons why only these forms are being examined but it is the opinion of the author that the findings drawn from these forms could well be replicated to the other forms of corporate restructuring. The choice of the time period is limited by the requirement that a window of at least 3 years of data be available before and after the announcement of corporate.

An asset sale is defined as the disposal by the selling firm of subsidiaries, divisions or other combinations of fixed assets of a firm through direct transfer of ownership from one corporate entity to another, in exchange for cash or equity. Dividend cuts include dividend decreases and omissions. Layoffs are defined as a termination of a significant number of employees from the payroll of an organization. CEO turnover is defined where the company has changed its top officer [9].

2. Sample Data and Descriptive Statistics

2.1 Sample Characteristics

The data used in this paper tracks corporate announcements of different restructuring events for a sample of UK non-financial firms from 1993 to 2000. As explained earlier, this paper examines the four different forms of corporate restructuring, and therefore four different sets of data were created. In general, to be included into the

final sample, a firm should meet the following requirements: first, a firm should be a UK non-financial and listed on the London Stock Exchange. Second, only one announcement per firm per year is included in the sample.

On asset sales, the initial sample of 697 events was collected from the FT Extel cards database and verified by Financial Times archive news articles. Details of asset sales were taken from official announcements made by companies to the London Stock Exchange. In addition to the general requirements explained above, the final sample was made according to the following criteria: first, the firm should have traded for at least one year following the asset sale announcement. Second, the firm should disclose a selling price of a divested asset and the price should be a minimum of £5.0m. These requirements produced a final sample of 399 firm-observations by 253 firms during the period 1993 – 2000.

On dividend cuts, the initial sample data of 650 events was drawn from the same source as that of asset sales. In addition to the general requirements explained above, the final sample was made according to the following criteria: first, for a dividend decrease firm, the percentage change in dividends is between 12.5% and 99%. The lower bound of 12.5% ensures that only economically significant dividend changes are included, and the upper bound eliminates outliers. In addition, eliminating small dividend changes means that only unusual dividend changes are included.

Second, for a dividend omission firm, only those firms that omit the cash dividend for the first time, following a series of at least three consecutive cash dividend payments were included in the sample. Finally, other non-dividend distribution events such as stock splits, stock dividends, and so on, were excluded. These requirements produced a final sample of 442 dividend-cut events by 386 firms during the period 1993-2000. This data includes 277 (or 62.7%) dividend-decrease and 165 (or 37.3%) dividend-omission events.

The data of 550 layoff events was drawn from a variety of sources, as no one comprehensive database was available. Newspaper databases and the Extel Company Research database were consulted. The variety of data sources ensured as wide a coverage of announcements as possible. In addition to the general requirements explained above, the final sample was made according to the following criteria: first, a layoff has to be for permanent employees. Secondly, to avoid including small observations, the size of layoff should at least be 0.1% of layoffs divided by the total number of employees at the end of the year prior to layoffs, or as a percentage of layoffs, if given. These requirements produced a final sample of 322 layoff events by 175 firms from over the period 1990-2000. The sample of CEO Turnover is constructed by examining all CEO Turnover announcements drawn from *The Financial Times*, reports from the *UK Regulatory News Service* provided by *FT Extel News Reports*, *McCarthy's News Information Service*, *Lexis-Nexis*, and annual company reports. Initially, 1200 CEO Turnover events were collected from the above sources. In addition to the general requirements explained above, the final sample satisfied the following criteria: the CEO should be the top officer of a company. These requirements produced a final sample of 705 CEO turnover events by 511 firms during the period 1993-2000. This data includes 394 (or 55.9%) forced CEO turnover and 311 (or 44.1%) normal CEO turnover events.

It was also possible that some firms announced more than one form of corporate restructuring in a year. In this case, only the first announced event was included in the final sample and using this filter, a total sample of 1551 events is created and is made up of: asset sales, 336 (or 21.7%); dividend cuts, 381 (or 24.6%); corporate layoffs, 216 (or 13.9%) and CEO turnover, 618 (or 39.8%) observations.

In all cases, the choice of the time period is limited by the requirement that at least 3 years of data be available before and after the event announcement period. Firms' returns and accounting data were collected from Datastream.

Table 1 reports distribution of sample firms by different forms of corporate restructuring and years.

The table reports descriptive statistics for a sample of UK non-financial firms that announced different corporate restructuring events over the period 1993-2000. An asset sale is defined as the disposal by the selling firm of subsidiaries, divisions or other combinations of fixed assets of a firm through direct transfer of ownership from one corporate entity to another, in exchange for cash or equity. Dividend cuts include dividend decreases and omissions. Layoffs are defined as a termination of a significant number of employees from the payroll of an organization. CEO turnover is defined where the company has changed its top officer.

Table 1: Descriptive statistics for restructuring firms

Year	Asset Sales		Dividend Cuts		Layoffs		CEO Turnover		Total
	Number	Fraction (%)	Number	Fraction (%)	Number	Fraction (%)	Number	Fraction (%)	
1993	31	9.2	93	24.4	17	7.9	84	13.6	225
1994	40	11.9	26	6.8	22	10.2	81	13.1	169
1995	63	18.8	20	5.2	30	13.9	86	13.9	199
1996	19	5.7	25	6.6	29	13.4	78	12.6	151
1997	24	7.1	35	9.2	27	12.5	96	15.5	182
1998	63	18.8	48	12.6	27	12.5	64	10.4	202
1999	25	7.4	76	19.9	42	19.4	62	10.0	205
2000	71	21.1	58	15.2	22	10.2	67	10.8	218
Total	336	100.0	381	100.0	216	100.0	618	100.0	1551

2.2 Firms Financial Characteristics Prior and Following Restructuring

Table 2 reports median changes in assets, sales, employment levels and industrial diversification over the seven-year period surrounding the restructuring announcement.

It is found that the growth rate of assets and sales for sample firms declines over the years immediately preceding the corporate restructuring and recovers in subsequent years.

The employment growth rate results show that the sample firms experience significantly declines in employment in two years following restructuring.

These results suggest that restructuring firms were able to cut back and produce more efficiently since they continue to grow with a reduced number of employees. These results are consistent with those of [5].

The table reports median changes in financial characteristics over the sample period. The number of segments relates to the number of reported 3-digit SIC lines of business that sample firms operated in. The Herfindahl Index is calculated as the sum of segments' sales squared divided by total sales squared, where sales are defined as the 3-digit SIC level. *, **, and *** denote statistical significance at the 1%, 5%, and 10% respectively.

Percentage Change from Year i and Year j

Table 2: Financial characteristics of corporate restructuring firms in the years surrounding announcements

Variable	-3 to 0	-1 to 0	0 to +1	0 to +2	0 to +3
Assets (%)	17.35*	1.90*	1.90*	6.95*	13.05*
Sales (%)	14.65*	2.60*	3.45*	6.60*	8.20*
Employees (%)	5.45*	-0.55	-2.35*	-2.95*	-1.40
SEGS	0.000	0.000	-0.000*	-0.000*	-0.000*
HI	0.000*	0.000*	0.257*	0.262*	0.259*
Sample Size	1407	1514	1452	1371	1286

On industrial diversification results, the results show that the sample firms experience a significant increase in focus in each of the three years following restructuring as measured by lines of business the firm reports and the sales-based Herfindahl index, *H*.

Reference [5] find that the majority of their sample firms that undertook change in number of segments reduced the number of segments. This finding suggests that restructuring allows managers to focus on a reduced set of core businesses.

2.3 Changes in Investment, R&D, Cost of Sales, Labour Productivity, and Industrial Diversification

If managerial behaviour is consistent with the maximization of shareholder wealth, as the theories of finance assume, one should expect a restructuring firm increases investment, R&D, efficiency, and focus; and decreases costs over the period following corporate restructuring.

In this section changes in these variables over the three years following restructuring relative to the year prior to restructuring are measured. The results are reported in Table 3.

It is found that the sample firms experienced a significant increase in investment in the years 2 and 3 relative to the year -1 and the change is significant at the 5% level or higher.

On the other hand, the sample firms have insignificant increase R&D over the three years following corporate restructuring.

The table reports median changes in financial characteristics for sample companies surrounding 1551 different corporate restructuring announcements by a sample of UK listed non-financial companies between 1993 and

2000. Labour productivity is measured as the ratio of sales to the number of employees. Industrial diversification is measured by the number of segments. *, **, and *** denote statistical significance at the 1%, 5%, and 10% respectively.

Table 3: Measures of Investment, R&D, Cost of Sales, Labour Productivity, and Industrial Diversification

Financial performance	-1 to 1	-1 to 2	-1 to 3
Investment	0.0000	0.0000**	0.0000*
R & D	0.0002	0.0000	-0.0000
Cost of Sales	-0.0034***	-0.0041***	-0.0050**
Labour productivity	6.780*	10.88*	13.93*
Industrial diversification	0.0000*	0.0000*	0.0000*

The cost of sales results show that the sample firms significantly reduced their cost of sales over the three-year period post-restructuring relative to the year prior to the restructuring announcement. Further, it is interestingly to note that all restructuring firms examined increased monotonically their efficiency following corporate restructuring as measured by labour productivity. Finally, the results show that the sample firms significantly reduced their number of business segments and are more focused over the three-year period following corporate restructuring.

Collectively, these results suggest that the sample firms increased their investment; and increased their R&D, and reduced costs. These findings are to some extent consistent with those of [5].

3. Methodology

The main methodological approach of this paper is an event study that employs accounting-based measures of operating performance. Operating performance is used, as opposed to stocks returns, as performance metric, because share prices incorporate markets expectations of the value of restructuring following corporate restructuring. The operating performance or profitability is measured by return on assets (ROA).

ROA is preferable to return on equity, ROE, or other scaled-earnings variables because: first, ROE is sensitive to changes in capital structure while ROA is not (since ROA is measured using EBITDA and not net income). Second, the ROA is not affected by factors such as special items (that is, unusual and nonrecurring items reported before taxes), accounting for minority interest, and income taxes that usually obscure the ROE. Indeed, using simulation analysis, Reference [11] show that ROA is the best available measure to detect abnormal operating performance under most circumstances.

3.1 Performance Measure

A benchmark based on the median industry is constructed and used. Industry-matching assumes that some of the cross-sectional variation in operating performance can be explained by an industry benchmark [11].

A firm's industry-adjusted performance is computed by subtracting the median performance of the industry comparison group from each firm's performance. The abnormal performance of firm i in year t , AP_{it} , is defined as realized performance, P_{it} , less expected performance, $E(P_{it})$:

$$AP_{it} = P_{it} - E(P_{it}) \quad (1)$$

where performance is measured using return on assets, and expected performance is based on industry medians and/or control firms.

3.2 Other Variables

In this section the other variables examined in this paper are briefly defined.

3.2.1 Financial Leverage

Two variables are used to measure financial leverage: debt ratio and interest coverage ratio. According to [12], a more appropriate definition of financial leverage is provided by the ratio of debt (both short term and long term) to total assets. A measure of the firm's ability to meet its fixed payments (or financial distress) is interest coverage ratio. Interest coverage ratio is defined as the ratio of pre-tax profits and interest charges to interest charges.

3.2.2 Business Focus

The business focus is examined using the number of different lines of business the firm reports and the sales-based Herfindahl index, H .

This index is calculated across n business segments as the sum of the squares of each segment i 's sales, S_i , as a proportion of total assets. H takes values between zero and one. The closer H is to one, the more concentrated are the firm's sales within a few of its segments, and hence the more focused its operations.

4. Empirical Results

4.1 Company financial characteristics surrounding corporate restructuring

In this section financial characteristics that were investigated around the restructuring decision are investigated. Table 2 reports median changes in assets, sales, employment levels and industrial diversification over the seven-year period surrounding the restructuring announcement.

It is found that the growth rate of assets and sales for sample firms declines over the years immediately preceding the corporate restructuring and recovers in subsequent years. The employment growth rate results show that the sample firms experience significantly declines in employment in two years following

restructuring. These results suggest that restructuring firms were able to cut back and produce more efficiently since they continue to grow with a reduced number of employees. These results are consistent with those of [5].

On industrial diversification results, the results show that the sample firms experience a significant increase in focus in each of the three years following restructuring as measured by lines of business the firm reports and the sales-based Herfindahl index, *H*. [5] find that the majority of their sample firms that undertook change in number of segments reduced the number of segments. This finding suggests that restructuring allows managers to focus on a reduced set of core businesses.

The table reports median changes in financial characteristics over the sample period. The number of segments relates to the number of reported 3-digit SIC lines of business that sample firms operated in. The Herfindahl Index is calculated as the sum of segments' sales squared divided by total sales squared, where sales are defined as the 3-digit SIC level. *, **, and *** denote statistical significance at the 1%, 5%, and 10% respectively.

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If managerial behaviour is consistent with the maximization of shareholder wealth, as the theories of finance assume, one should expect a restructuring firm increases investment, R&D, efficiency, and focus; and decreases costs over the period following corporate restructuring.

In this section changes in these variables over the three years following restructuring relative to the year prior to restructuring are measured. The results are reported in Table 3. It is found that the sample firms experienced a significant increase in investment in the years 2 and 3 relative to the year -1 and the change is significant at the 5% level or higher. On the other hand, the sample firms have insignificant increase R&D over the three years following corporate restructuring.

The cost of sales results show that the sample firms significantly reduced their cost of sales over the three-year period post-restructuring relative to the year prior to the restructuring announcement. Further, it is interestingly to note that all restructuring firms examined increased monotonically their efficiency following corporate restructuring as measured by labour productivity. Finally, the results show that the sample firms significantly

reduced their number of business segments and are more focused over the three-year period following corporate restructuring.

Collectively, these results suggest that the sample firms increased their investment; and increased their R&D, and reduced costs. These findings are to some extent consistent with those of [5].

The table reports median changes in financial characteristics for sample companies surrounding 1551 different corporate restructuring announcements by a sample of UK listed non-financial companies between 1993 and 2000. Labour productivity is measured as the ratio of sales to the number of employees. Industrial diversification is measured by the number of segments. *, **, and *** denote statistical significance at the 1%, 5%, and 10% respectively.

Table 5: Measures of Investment, R&D, Cost of Sales, Labour Productivity, and Industrial Diversification

Financial performance	-1 to 1	-1 to 2	-1 to 3
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Labour productivity	6.780*	10.88*	13.93*
Industrial diversification	0.0000*	0.0000*	0.0000*

4.3 Operating performance and financial leverage following corporate restructuring

In this section company financial performance over the period surrounding restructuring announcements is examined. Because performance differences might have been attributable to economy and industry factors, industry-adjusted financial metrics are examined. Medians are used for discussion/analysis rather than means because of known skewness in financial ratios [11].

Examining levels of operating performance and other financial variables surrounding corporate restructuring provides information on the causes and outcomes of restructuring decisions. Industry-adjusted changes from years -3, -2, and -1 relative to that of restructuring year, year 0. Over the period following restructuring, industry-adjusted changes from year +3, +2, and +1 relative to that of restructuring year, year 0. These results are reported in Table 4.

This table reports means [medians] changes in industry-adjusted interest coverage for a sample of UK non-financial firms that announced different forms of corporate restructuring over the period 1993-2000. Industry-adjusted means [medians] are computed by subtracting the median value for all firms in the same FTSE level 4-industry group from the corresponding corporate restructuring firm value.

Panel A reports performance changes prior to corporate restructuring. Panel B reports performance changes following corporate restructuring. *, **, and *** denote statistical significance at the 1%, 5%, and 10% respectively.

Table 4: Operating performance and financial leverage for corporate restructuring firms

Window	ROA	Debt Ratio	Interest Cov. Ratio
Panel A: Performance Changes prior to Corporate Restructuring			
Δ -3 to 0	-0.0514*** [-0.0332*]	0.0261* [0.0234*]	-8.83* [-2.215*]
Δ -2 to 0	-0.0481*** [-0.0332*]	0.0187* [0.0162*]	-7.33* [-1.925*]
Δ -1 to 0	-0.0322*** [-0.0232*]	0.0105* [0.0070*]	-2.97** [-1.150*]
N	1377	1420	1261
Panel A: Performance Changes following Corporate Restructuring			
Δ 0 to +3	0.0154* [0.0091*]	-0.0016 [-0.0045**]	-0.25 [0.615*]
Δ 0 to +2	0.0225** [0.0155*]	0.0028 [-0.0057**]	1.49 [0.900*]
Δ 0 to +1	0.0254** [0.0170*]	0.0011 [-0.0090**]	3.97 [0.885*]
N	1196	1171	1063

The industry-adjusted changes in ROA results show that there is a significant decline in industry-adjusted ROA over the 3 years period prior to corporate restructuring. As such, corporate restructuring appears to occur in response to declining performance going back over a period of at least three years. Subsequent to corporate restructuring, the industry-adjusted changes in ROA results show that there is a significant improvement in industry-adjusted ROA over the 3 years following corporate restructuring.

This finding suggests that restructuring reverses a trend of declining performance over the period prior to restructuring. This finding is consistent with that of [5, 6, 7], who observe a significant increase in operating performance over the 3 years following restructuring for firms that undertook restructuring in response to poor performance. However, these results are at odds with those of [8], who find deterioration in earnings following restructurings.

Table 4 also shows a significant increase in financial leverage relative to industry medians prior to the restructuring announcement for sample firms as measured by debt and interest coverage ratios. Collectively, these results suggest that the sample firms were saddled with high debts prior to announcements of restructuring events. These results are consistent with a view that highly-leveraged firms are more likely to restructure when their values decline [14]. In addition, firms are motivated to reduce their debt levels because high debt constrains investment and reduces managerial discretion on cash flows [15]. Therefore, restructuring appears to offer a viable means of reducing debt overhang.

The financial leverage results following corporate restructuring show that restructuring firms experience a significant decline in debt ratio and increase in interest coverage post – restructuring period. These results are consistent with those of [5], who document that poorly performing firms reduce leverage quickly following restructuring.

These results also suggest that managers restructure in order to avoid indirect bankruptcy costs, among other things. According to [16], there are three main sources of indirect bankruptcy costs. First, following lost sales

and a decline in the value of inventory, customers may become concerned about assured supply or warranties. In certain industries (for example, financial services) these costs can completely destroy the value of the firm. Second, with increased operating costs, firms may lose key employees or have to pay more to keep them from abandoning a troubled firm. Suppliers may refuse to ship on favourable credit terms, and the firm's costs of capital may increase. Third, a reduction in the firm's competitiveness may occur because management attention is focused on the bankruptcy, thus increasing the firm's vulnerability to competitors. All these suggest that there is a huge benefit for managers to undertake restructuring in response to high financial leverage.

In summary, the post-restructuring results provide evidence that following restructuring there is an improvement in operating performance and an increase in financial health. Consistent with the results reported in Table 3, these results suggest that restructuring increases the firm's efficiency, and thus the manager's behaviour is consistent with shareholder wealth maximization.

4.4 Cross – Sectional Analysis on Financial Performance: Pre and Post Corporate Restructuring Announcement

Following [17], abnormal industry-adjusted performance is measured as the intercept of cross-sectional regression of individual post – announcement industry-adjusted financial performance metrics on corresponding pre – announcement industry-adjusted metrics:

$$IAFP_{post,i} = \alpha + \beta IAFP_{pre,i} + \varepsilon \quad (2)$$

$IAFP_{post,i}$ ($IAFP_{pre,i}$) is the average annual industry-adjusted financial performance metric for firm i for the three years following (preceding) the year of the corporate restructuring announcement. For each financial metric, the intercept α (equation 2) represents the abnormal industry-adjusted return and the slope β represents the correlation between the pre and post announcement years.

The results of equation (2) are reported in Table 5. All intercepts are strongly significant at the 5% level or higher. These results suggest that firms performance and financial position improve in the ensuing three – year period relative to the three – year period prior to corporate restructuring. Moreover, all the equations and their slopes are significant at the 1% level of significance. The adjusted R2s, ranging from 0.008 to 0.038, indicated performance shifts across the two periods.

In summary, the cross-sectional analysis results provide further evidence that following restructuring there is an improvement in operating performance and an increase in financial health. In general, all these results suggest that restructuring increases the firm's efficiency, and thus the manager's behaviour is consistent with shareholder wealth maximization.

The table reports results of cross - sectional regression of individual post-announcement industry-adjusted financial performance metrics on corresponding pre-announcement industry-adjusted metrics for a sample of

UK non-financial firms that announced different forms of corporate restructuring over the period 1993-2000. Industry-adjusted means [medians] are computed by subtracting the median value for all firms in the same FTSE level 4-industry group from the corresponding corporate restructuring firm value. *, **, and *** denote statistical significance at the 1%, 5%, and 10% respectively.

Model: $IAFP_{post,i} = \alpha + \beta IAFP_{pre,i} + \varepsilon$

Table 5: Financial Performance: Pre and Post Corporate Restructuring Announcement

Financial Metric	N	α	β	Adj.R2	F - value
Industry-Adjusted ROA	1437	0.045*	0.204*	0.038	57.0*
Industry-Adjusted DEBT	1434	0.064**	0.008*	0.008	12.5*
Industry-Adjusted INTEREST COVERAGE	1253	18.5**	0.480*	0.076	104.6*

5. Summary and Conclusion

The performance changes following corporate restructuring of a sample of 1551 UK non-financial firms over the period 1993-2000 is examined. The approach of this study differs from most other studies of restructuring because it examines firms whose managers announced events that relate to corporate restructuring programmes. [5, 6, 7], among others, examine firms that undertook restructuring in response to performance declines. Moreover, Reference [8, 4], among others, start with restructured firms and examine changes in internal organization.

Evidence is found that there is an improvement in firm performance, financial health, and firms are more focused following restructuring. Moreover, firms increase investment, efficiency and were able to cut costs over the period following corporate restructuring.

There are several potential reasons for a firm’s increased efficiency following restructuring. First, restructuring leads to a firm being separated into different parts that can improve the efficiency of operations, and thereby increase the combined value of assets. Second, restructuring improves the use of resources. Indeed, [18] show that restructuring carried out because of financial leverage leads to improvement in operating performance. This is because financial distress gives creditors the right to demand restructuring because their contract with the firm has been breached. They can force the firm to liquidate or reorganize. Further, leverage reduces management’s ability to expand through value-reducing projects [1].

Third, corporate restructuring frees resources to move to higher-valued uses and this happens when corporate managers are forced to reduce capacity and to rethink operating policies and strategy decisions [18]. In addition, the firm’s restructuring programme leads to an improvement in the efficient use of corporate resources and the redistribution of income among competing constituent interests.

In summary, the findings of this paper suggest that corporate restructuring is likely to: (a) result in the correction

of inadequate governance patterns, (b) create a more focused diversification strategy, (c) increase strategic control, (d) reduce reliance on bureaucratic control through reduced corporate staff, and (e) increase the performance of the firm and shareholder wealth.

The results presented in this paper are drawn from an analysis done for firms in a developed economy, UK. It is the economy in which corporate managers' behaviours are closely monitored. This to some extent ensures that their behaviours are consistent with the maximization of shareholder wealth. The fundamental question follows then that can these results be replicated in an undeveloped economy, for example, Africa? It is hoped that future research can offer the evidence on this question.

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