CORPORATE RESTRUCTURING

Restructuring Strategies

Usually corporate restructuring goes along with a firm having to improve its efficiency and profitability which requires specific expertise in corporate management. In a broad sense, corporate restructuring refers to changes in ownership, business mix, assets mix or alliances with a view to enhance shareholder value. Therefore, corporate restructuring may involve ownership restructuring, business restructuring or assets restructuring or all of it. At times, a company can already create value merely through capital restructuring,

Peter Drucker, one of founding fathers of management strategy, argued that turnarounds and reinventing itself require a particular willingness to rethink and to re-examine a company's business theory: Stop saying "We know!" and instead saying "Let's ask!", was his credo in that regards. - First: Who are the customers and who are the non-customers? What is value to them? What do they pay for? - Second: What do successful players do that we do not do? What do they not do that we know is essential? What do they assume that we know to be wrong?

Types of corporate restructuring strategies may include, among others:

- Mergers: A combination to establish a single firm. Horizontal mergers are designed to accomplish economies of scale in an industry, whilst vertical mergers aim for creating efficiencies through combining different stages of production or distribution.
- Acquisitions and Takeovers: A company takes control of another company. Takeovers that occur without the consent of the target´s management are referred to as hostile takeovers.
- Divestures: A firm sells a portion of its assets or a division to another company for cash or securities.
- Demergers (spin off / split up / split off): An entity's business operations are segregated into one or more components. Spin-offs offload business divisions a firm whereby new shares with claims on this portion of the business are created and given to current stockholders. In split-offs parent company shareholders receive shares in a subsidiary, in return for relinquishing their parent company's shares. A split-up is a transaction in which a company spins off all of its subsidiaries to its shareholders and ceases to exist.
- Joint Ventures: A combination of subsets of assets contributed by two (or more) business entities for a specific business purpose (possibly for a limited period of time only).
- Other alternatives may include – among others - buy-backs of securities, franchising strategies or leverage buyouts.

A corporate restructuring strategy usually involves the dismantling and renewal of areas within an organization that needs special attention from management.

Good management understands when the time for change has come and pro-actively takes appropriate measures for the necessary transformation process to occur. On the other hand, in a defensive move (e.g. defense against a hostile takeover approach), management takes action to protect the company, stakeholders and management itself from a change in control. - In a distress constellation, lenders and shareholders frequently lose out or get marginalized, but try to work out the best way to minimize losses.

RESTRUCTURING STRATEGY

EXPANSION	RE-ORGANIZATION	FINANCIAL	GOVERNANCE
ALLIANCES	CARVE-OUTS	LBO	TAKEOVER-DEFENCE
JVs	SPIN-OFFS	RECAP	PROXY CONTEST
MERGERS	SPLIT-UPS	BUY-BACK	GREENMAIL-BUYBACK
	IPO		
	TRACKING STOCK		
	DIVESTITURES		