Restructuring Strategies

Corporate restructuring stands for a process whereby a firm aims to improve its efficiency and profitability. It refers to a wide range of topics, such as changes in ownership, of a firm´s assets, its business mix or even striking alliances, all with the target to enhance shareholder value.

Peter Drucker, a founding father of management strategy, argued that turnarounds and processes of reinventing oneself require a particular willingness to rethink and to re-examine a company's business theory: Stop saying "We know!", instead say "Let's ask!"

1. Who are the customers and who are the non-customers? What is value to them? What do they pay for?
2. 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?

From a Corporate Finance point of view, following basic categories of corporate restructuring strategies can be distinguished:

- 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.
- 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 of 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 (perhaps for a limited period of time only).
- Other alternatives may include – among others - buybacks of securities, franchising strategies or leveraged buyouts.

A corporate restructuring strategy usually involves the dismantling and renewal of areas within an organization that needs special attention by management. This is particularly relevant in restructuring situations due to distress.

Good management understands when time for change has come and pro-actively takes appropriate measures for the necessary transformation process to occur. Missing out on this, in a defensive move (e.g. against a hostile takeover attempt), management may take action to protect the company, stakeholders and itself from a change in control. - In a distress constellation, lenders and shareholders face the risk to lose out or get marginalized and therefore aim for the best alternative to minimize (own) losses.

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RESTRUCTURING STRATEGIES

EXPANSION	REORGANIZATION	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		

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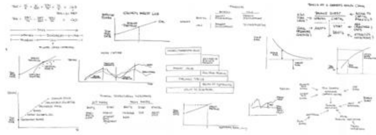

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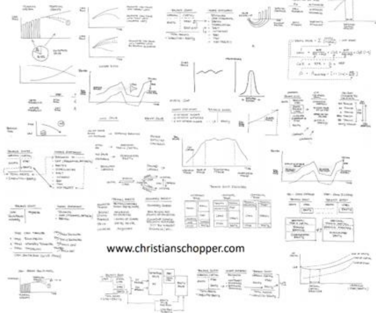

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