INTRODUCTION

Corporate restructuring has become a popular strategic activity. Since the 1980s, tens of thousands of firms have used it to refocus, remove negative synergies, and raise cash (for literature reviews see Brauer, 2006; Bruner, 2004; Johnson, 1996); actions that are oftentimes welcomed by Wall Street (Comment and Jarrell, 1995; Donaldson, 1990; Markides, 1992). However, there is more to restructuring than fixing strategic and organizational problems; managers also have to decide how to implement the restructuring strategy. They need to compare implementation alternatives and then select the one they believe will most effectively address the motivation for the restructuring while simultaneously producing the highest financial returns. How do managers make those decisions? Does the profitability of a corporate restructuring depend upon how it is implemented?

Prior research finds that most corporate restructuring is implemented through using spin-offs and sell-offs (Bruner, 2004; Gaughan, 1999).
Despite their prevalence, however, our understanding of how managers select between spin-offs and sell-offs and their subsequent influence on financial performance is still developing. For example, most studies focus on these actions separately (e.g., Cusatis, Miles, and Woolridge, 1993; Lang, Poulsen, and Stulz, 1995; Woo, Willard, and Daellenbach, 1992), while only a few consider how and when managers select between restructuring implementation alternatives, and those that do tend to focus on financial determinants (Chen and Gui, 2005; Khan and Mehta, 1996; Nixon, Roenfeldt, and Sicherman, 2000) or outcomes (Slovin, Sushka, and Ferraro, 1995). In addition, most theoretical explanations focus on the restructuring event and performance relationship (e.g., Brauer, 2006; Johnson, 1996), and tend not to make explicit the execution component of the restructuring process and how it, in turn, could influence performance. Considered collectively, previous studies provide a limited explanatory framework for understanding how managers select between restructuring implementation alternatives and what those decisions mean for the profitability of corporate restructuring. This is an important limitation because the success of corporate strategies depends on the effectiveness of their implementation (Chandler, 1962; Hrebinjak and Joyce, 1984; Rumelt, 1974).

The present study seeks to increase knowledge of how managers implement restructuring strategies and how those decisions influence financial performance. We develop a multilevel mediated model that relates the restructured assets and the firm’s diversification strategy to the adoption of spin-offs and sell-offs, and then to the stock market reaction of the restructuring event. Drawing from prior research on information asymmetries, we argue that knowledge about the restructured assets and the restructuring firm’s diversification strategy is not distributed equally between managers and owners, and that managers select restructuring implementation alternatives to transform the information differences into financial gain. The predictions are tested by a sample of 204 corporate restructuring events. This study contributes to the literature by developing a strategic logic for how managers select between spin-offs and sell-offs and the implications of those decisions on financial performance. In addition, the findings suggest that the relationship between corporate restructuring and financial performance is clarified and extended by accounting for how restructuring is conducted. This study also extends the information asymmetries view by linking it with how managers make decisions when they are at a knowledge disadvantage relative to well-informed outsiders. Overall, by helping explain how restructuring is implemented, this study supports a more integrative framework of corporate restructuring and its potential influence on financial performance than has been reported in previous research.

THEORETICAL MODEL AND HYPOTHESES

Research on information asymmetries may help explain how managers select among restructuring implementation alternatives and how those decisions influence financial performance. Information asymmetries, or differences in knowledge between parties to a transaction, have been shown to impact decision making, strategy, and investor reaction (for reviews see Cohen and Dean, 2005; Sanders and Boivie, 2004). In general terms, information is usually incompletely and asymmetrically distributed among parties to a transaction (Akerlof, 1970; Nelson, 1970; Spence, 1974). Managers often have more complete information about the product or service they offer, while outsiders rely on information the manager is willing to share. These knowledge differences can create conditions where managers could potentially obfuscate costs and manipulate earnings, making investors vulnerable to adverse selection (e.g., hidden information) and/or moral hazard problems (e.g., hidden actions) (Sanders and Boivie, 2004; Nayyar, 1990; Stiglitz, 1985). To protect against the possibility of opportunistic behavior, investors typically discount the firm’s stock price (Riley, 1989), even to points below what managers believe their firms are worth.

This information asymmetry reasoning has been applied to corporate restructuring. For example, Krishnaswami and Subramaniam (1999) posit that when firms become diversified, they become more complex and difficult for outside investors to understand and appraise. In these circumstances,
managers have better and more complete knowledge of the firm’s value. Investors become vulnerable to an adverse selection problem, as managers have knowledge advantages that can allow them to hide costs and overstate earnings, capitalizing on information asymmetries the market may have about the value of the diversified firm (Aron, 1991; Emmanuel and Mehafdi, 1994; Vijh, 2002). To reduce their vulnerability to self-serving behavior, investors may withdraw or devote less resources to the diversified firm, thereby lowering its market value relative to what managers may believe the firm is truly worth. In response, managers can use spin-offs to restructure parts of the firm into independent units that provide improved clarity about the firm’s strategy, assets, and earnings potential, mitigating the prior information problem (cf. Allen, 2001). Krishnaswami and Subramaniam conclude that ‘spin-offs reduce information asymmetry in the market about the cash flows and operating efficiency of the individual divisions of the firm … and [f]irms that are undervalued due to information asymmetry therefore experience an improvement in market valuation when they divest through spin-offs’ (Krishnaswami and Subramaniam, 1999: 110).

We extend this reasoning to explain how managers select between spin-off and sell-off actions and how those decisions influence the restructuring firm’s market value. Figure 1 presents our research model. We posit that information asymmetries can arise from two hierarchically ordered levels within the firm: the restructured assets and the firm’s diversification strategy. Both are strategically relevant to how firms compete, are likely to be the origin of information and knowledge differences between managers and owners, and could lead to conflicts in discerning value. We argue that managers select between spin-offs and sell-offs to transform the information asymmetries associated with restructured assets and the firm’s diversification strategy into financial gain.

Relatedness of restructured assets and selection between spin-off and sell-off

**Primary and related business assets**

These assets reside within the firm’s main business lines and create value by sharing and developing complementary interrelationships with other assets within the same groups (Farjoun, 1998; Markides and Williamson, 1994, 1996; Robins and Wiersema, 1995). For most firms, assets in primary and related business lines comprise the basis of competitive advantage, contain tacit operational knowledge, and are less transparent to outsiders (e.g., Chatterjee and Wernerfelt, 1991; Montgomery and Wernerfelt, 1988). Managers have deep and rich knowledge of the assets in these businesses, and they understand how interactions among the assets create strategic value (Hill, Hitt, and Hoskisson, 1992; Hill and Hoskisson, 1987).

Such assets have the potential for creating information asymmetries that can be resolved most effectively by spin-offs when their restructuring is necessary. First, because of their specificity, these assets have high constraints to their application, making them difficult to value and fit into another organization (Williamson, 1985), thereby making

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1 Holding companies and unrelated diversified firms are exceptions. These firms tend to realize value through arbitrage and the realization of financial synergies through the use of competitive internal capital market systems (Bergh, 1997; Hill and Hoskisson, 1987; Montgomery and Wernerfelt, 1988; Williamson, 1985).

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![Figure 1. Theoretical model](image-url)
sell-offs a less viable alternative. In addition, managers may lose financially if they try to sell off such assets; the specialized uses of these types of assets create a thin resale market that reduces the number of potential buyers for an auction or sell-off setting. Managers might also be reluctant to sell potentially important assets to an acquiring firm that could turn out to be a rival. Second, spin-offs of such assets would produce a less complex organizational structure, lower agency and overhead costs, and reduce information asymmetries, all of which improve the efficiency and earnings potential of the restructuring firm (e.g., Aron, 1991; Cusatis et al., 1993; Krishnaswami and Subramaniam, 1999). Third, the restructuring assets, once separated into their own independent divisions, can be individually valued as pure play investments (e.g., Allen, 2001). Further, spin-off contracts can be structured such that the spun-off asset and the restructuring firm can maintain mutually beneficial post-restructuring relationships. Such associations may be particularly appealing for assets residing in primary and related businesses, given their potential to contribute to the restructuring firm’s value chain (Ito, 1995).

Considered collectively, restructuring primary and related business assets through spin-offs improves organizational clarity while permitting investors to value a more efficient and transparent restructuring firm.

### Secondary and unrelated business assets

Assets outside the restructuring firm’s primary and related business lines usually serve as revenue hedges, contribute to financial synergies, and lower managerial risk (Bergh, 1997; Chatterjee and Wernerfelt, 1991; Hill and Hoskisson, 1987; Montgomery and Wernerfelt, 1988). We expect managers to use the sell-off mode for restructuring such assets. Managers would likely have less knowledge about the assets than potential buyers, as secondary and unrelated business assets are usually managed through arm’s-length transactions between a headquarters or central administrative office (Chandler, 1962; Williamson, 1985), emphasizing general and broad objective performance measures (Hill et al., 1992; Hill and Hoskisson, 1987), while the buying firms may actually be competitors within the same industries as the restructured assets (Bhagat, Shleifer, and Vishny, 1990). The managers of the acquiring firm are likely to have greater knowledge of the potential uses and value of the restructured assets, and they would have an incentive to capitalize on this advantage by paying less for the assets than they may be worth.

The sell-off mitigates the abilities of buyers to capitalize on potential information asymmetries. Sell-offs have the potential to simulate an auction, where the forces of the market for acquiring assets could offset a buying firm’s abilities to exploit information disadvantages in the selling firm’s managers. By involving multiple parties in a competition for the restructured assets, the selling price would be driven higher and those managers seeking to purchase the assets at less than their market value would likely be pushed out of the competition. In addition, the pressures created by multiple buyers would serve as a corrective mechanism for asset undervaluation due to the selling firm manager’s ignorance of their value. The sell-off process would reallocate the assets to their most efficient and productive uses, and their market-derived value could exceed managerial expectation (John and Ofek, 1995). Sell-offs of secondary and unrelated business assets help mitigate the restructuring firm’s information and knowledge disadvantages while maximizing financial value by using competitive bidding forces.

**Hypothesis 1:** Assets located in primary and related businesses will be restructured by spin-off while those located in secondary and unrelated business lines will be sold off.

The preceding logic also aligns the restructured assets, implementation alternative, and the restructuring firm’s financial performance (Figure 1). Restructured assets that reside within primary and related businesses that are spun off are expected to yield higher financial performance than when they are sold off. By contrast, restructured assets in secondary and unrelated business assets that are sold off are expected to produce higher performance than when these assets are spun off. We therefore predict that the restructuring implementation method will mediate the relationship between the relatedness of the restructured assets and the financial performance of the restructuring event. Financial performance is considered from the perspective of the stock market reaction to the restructuring announcement, as investors’ reactions provide a direct, clear, and immediate
assessment of the expected financial returns associated with the restructuring event. In addition, market value matters to managers and outsiders, and both have incentives to maximize it.

Hypothesis 2: The relationship between the relatedness of the restructured assets and the stock market reaction to the restructuring event will be mediated by how the restructuring was implemented.

Diversification strategy and selection between spin-off and sell-off

Diversification strategy is, in part, reflected by the relatedness of a firm’s business lines. In general, firms have one of five different portfolios of business lines: single, dominant, related-constrained, related-linked, and unrelated business (Rumelt, 1974; see Bergh, 2001, for a review of the diversification strategy literature). The single, dominant, and related-constrained businesses receive the overwhelming majority of their revenues and incomes from a single group of related business lines. Related-linked and unrelated businesses are highly diversified and oftentimes resemble holding companies and conglomerate firms. These five diversification types achieve value in different ways, are managed in different ways, and have dissimilar information asymmetries that require different restructuring alternatives.

Firms having high relatedness among their product lines (single, dominant, related-constrained business) create and share unique knowledge, pool tangible resources, and establish market power in a few industries (Farjoun, 1998; Hill and Hoskisson, 1987; Montgomery, 1985). This value is managed through using strategic control systems that emphasize interaction, intensive interface management, cooperation, and reciprocal understanding of interrelationships (Hill and Hoskisson, 1987; Hill et al., 1992; Hoskisson, Hill, and Kim, 1993). These control systems use subjective measures that are vague, expensive, and difficult for outsiders to understand, and would create high information asymmetries for investors and other observers (Jones and Hill, 1988).

When restructuring is necessary, spin-offs enable managers to remove and reorganize linkages within the related business lines, enabling investors to better understand and assess the restructuring firm’s value-creating potential (Krishnaswami and Subramaniam, 1999). In addition, spin-offs create independent divisions out of the restructured assets, lower the uncertainties of the strategic controls, and allow investors to bid on the spun-off assets as pure play investments. Moreover, the restructuring firm and the spun-off assets can continue to maintain relationships, but do so in a more efficient manner than before (Ito, 1995). Thus, spin-offs reduce information asymmetries that arose in strategic control systems, transfer difficult-to-value assets to a capital market where they become pure play investments, and improve the transparency and efficiency of the restructuring firm. By contrast, sell-offs threaten value creation for these types of diversified firms. Although sell-offs would improve information asymmetries by reducing the restructuring firm’s complexity, they would threaten the continuation of associations that are common among the related assets involved in a spin-off. The restructuring firm could lose the related-business assets to another firm, possibly a competitor, as the assets have limited application and would likely appeal to other firms in the same industry. Thus, we expect that firms having single, dominant, or related-constrained diversified firm types will restructure by spin-off.

The related-linked and unrelated business types have low to no relatedness among their business lines and do not receive a majority of their revenues and incomes from any single industry. Such strategies produce value by diversifying risk in revenue streams, by economizing financial synergies, and by assigning professional managers to underperforming firms (Bergh, 1997; Trautwein, 1990). These firms are typically managed through the use of financial control systems that utilize internal capital markets to lower information asymmetries and reduce opportunistic behavior (Williamson, 1985). Such methods establish individual profit centers, decentralize decision making, evaluate performance using objective measures, and require the profit centers to compete for resources (Hill and Hoskisson, 1987; Hill et al. 1992; Hitt et al., 1996). Financial control systems are transparent and use internal competitive forces to discourage managers from hiding or transferring costs within or across units. Information asymmetries are likely
to be very low in these types of diversification settings.

Firms with high diversification are expected to
restructure by sell-offs rather than spin-offs. First,
little to no information asymmetry exists about
the earnings or costs of each profit center or divi-
sion (Chandler, 1962; Hoskisson, 1987; Hoskisson
et al., 1993). Sell-offs allow value to be created by
(a) ridding the firm of assets that are not meeting
performance objectives, and (b) generating pro-
ceeds from the sale that can be injected into the
firm’s internal capital market. Remaining business
dielines would compete for those additional resources,
thereby improving their efficiency and the perfor-
ance of the overall firm. Second, the sell-off
process allows assets to be restructured via a
bidding process that has the potential to max-
imize the sale value. Because of the clarity of the
organizational structure, investors are not at
an information disadvantage in these settings, and
can estimate the restructuring firm’s likely profit-
ability gain as a result of the restructuring event.
By contrast, spin-offs would likely produce lower
benefits. Although spin-offs could remove negative
synergies and refocus the diversified firm, they do
not generate financial proceeds. Further, spin-offs
would not offer any comparative advantages that
are not already matched by the sell-off.

Hypothesis 3: Restructuring firms with low
diversification among business lines will be re-
structured by spin-off while restructuring firms
with high diversification among business lines
will be restructured by sell-off.

Hypothesis 4: The relationship between a firm’s
diversification strategy and the stock market
reaction to the restructuring event will be medi-
ated by how the restructuring was implemented.

METHOD

Sample

The hypotheses were tested by a sample of restruc-
turing firms. This sample was determined using
several steps. We first identified the 300 largest
restructuring announcements that occurred between
1 January 1990 and 31 December 1997. These
announcements were found in the Securities Data
Corporation’s Worldwide Merger & Acquisition
Database. We then evaluated each restructuring
event relative to three screens. (1) The firm mak-
ing the restructuring announcement had to be pub-
licly held and headquartered in the United States,
a necessity for data collection purposes. (2) Only
the first restructuring event by any of the restruc-
turing firms over the study period was included.
This screen reduced potential firm bias. (3) Data
had to be available for all of the study variables.
Implementing these screens reduced the sample to
204 restructuring firms, of which 82 were spin-offs
and 122 were sell-offs. Comparison of the firms in
the final sample against those omitted indicated no
significant differences.

Dependent variables

The hypotheses included two dependent variables:
restructuring implementation alternative (spin-off,
sell-off) and stock market value. A variable called
restructuring alternative was coded as a 1 for spin-
offs and as a 0 for sell-offs. The classification of
spin-off and sell-off was reported in the SDC’s
Merger & Acquisition Database and Mergerstat.
No restructuring events were a hybrid of the two
alternatives.

Second, stock market value was the stock market
returns associated with the restructuring announce-
ment. We measured stock market return using
the standard event study methodology, whereby
a cumulative abnormal return (CAR) was com-
puted for the days surrounding the restructuring
announcement. The standard event study approach
estimates a market model for each firm and then
calculates a cumulative abnormal return for the
event. Specifically, the CARs were estimated using
the following equation:

\[ \text{AR}_{it} = R_{it} - (a_i + b_i R_{mt}) \]

where \( a_i \) and \( b_i \) are the ordinary least squares
(OLS) parameter estimates obtained for the regres-
sion of \( R_{it} \) on \( R_{mt} \) over an estimation period
\( T \) preceding the event; \( AR_{it} \) is daily abnormal
returns, \( R_{it} \) is the rate of return on the share price
of firm \( i \) on day \( t \); and \( R_{mt} \) is the rate of return
on the S&P 500 on day \( t \). The parameter estimates
were based on an estimation period of 250 days
\((-300 \text{ to } -50)\) before the restructuring announce-
ment. Abnormal returns were cumulated over the
two-day window (day 0 is the announcement busi-
ness day, \(+1 \) is the next business day) surrounding
the announcement date. Stock market data were
found in the Center for Research Security Prices data tapes.

**Independent variables**

**Relatedness of restructured assets**

The relatedness of the restructured assets was measured using a two-step process. First, the assets were classified in terms of whether they existed within the restructuring firm’s self-reported primary and related businesses, or in the secondary and unrelated business lines. The primary business is the four-digit Standard Industrial Classification (SIC) code noted as such in the firm’s financial statements. The related businesses are all other business lines that have the same two-digit code as the designated primary business line. Secondary and unrelated business lines are those that do not share the same two-digit SIC code as the primary business line. This classification follows conventional approaches to defining and designating business lines in an archival setting such as ours. Data for these classifications were found in company financial statements and cross-referenced against published disclosures of the restructuring announcement (see below).

Second, we identified the types of restructured assets within the business lines. Assets can take different forms, including physical (plant, machines, equipment), human (staff, management, sales) and brand name (Williamson, 1991). Separate dummy variables for physical assets, human assets, and brand-name assets were computed.

The values of the dummy variables were determined by a content analysis of published reports on each spin-off and sell-off. This analysis involved several steps. (1) The Lexis-Nexis database was used to identify popular press announcements, articles, and stories on and about the restructuring (e.g., the Wall Street Journal, Business Week, Fortune, Forbes, USA Today). In addition, analyst reports, annual reports, and proxy reports were used to supplement the restructuring announcements. Data for the classifications were gathered by two teams of three graduate students (average number of articles for each restructuring event was 8.2). Each team analyzed the articles of half of the spin-offs and half of the sell-offs. (2) The text of each article was analyzed to identify the restructured assets, the characteristics of those assets, and their relationships with the primary and related business lines of the restructuring firm. (3) Each restructuring was coded using Williamson’s definitions (1991). Physical asset was coded as 1 if the restructured assets were machinery, facilities, and technology from the firm’s primary and related business lines. Human asset was coded as 1 if the restructured assets were personnel from the firm’s primary and related businesses. This variable was defined broadly to include assets having specialized attached personnel (e.g., technicians) and instances where the assets themselves were personnel, such as the case in service industries whereby personnel constitute the productive assets. Brand-name asset was coded as 1 if the restructured assets contained the restructuring firm’s name. The variables were coded as 0 when the restructured assets resided outside the primary and related businesses.

The designation of primary and related businesses was based upon the restructuring firm’s disclosures. To measure validity and reliability, the distinction of primary and related business lines identified in the restructuring announcements was compared against the restructuring firm’s SIC codes as listed in firm financial disclosures (annual reports, 10-k reports) and as reported in popular registers (Moody’s, Standard & Poor’s). Primary and related business assets were compared against what the restructuring firm had identified as its primary two- and four-digit SIC business lines. Non-primary and unrelated business assets were compared against those the firm had identified outside its primary two-digit and four-digit SIC business lines. This comparison produced a percentage of agreement that was 98 percent. The discrepant cases were discussed and reconciled.

Reliability of the variable codes was determined with a retest and percent agreement evaluation (Carmines and Zeller, 1979; Jones et al., 1983). Half of each team’s restructurings were identified randomly, and the materials for each were exchanged with the other team for coding. The teams independently repeated the coding process described above. The codes for the exchanged restructurings were compared. The percent agreement between the original coding and the retest was 94 percent. The discrepant cases were discussed and agreement reached between the two teams, raising the total agreement to 100 percent. This process for computing interrater reliability is appropriate for assessing the coding of dichotomous variables, such as those in our study, and offers reliability estimates that are consistent.
with alternative approaches (see Jones et al., 1983: 514).

**Diversification of business lines**

Diversification is ‘the extent to which firms are simultaneously active in many distinct businesses’ (Ramanujam and Varadarajan, 1989: 524). It pertains to the ‘scope of the firm in terms of the industries and markets in which it competes’ (Bergh, 2001: 363). The diversification of business lines variable was measured using Rumelt’s (1974) classification typology, whereby each restructuring firm was categorized on the basis of its specialization ratio (largest business segment in sales divided by total sales) and relatedness ratio (proportion of a firm’s revenues attributable to its largest groups of related businesses). A variable called diversification was coded as 1 for those firms that were single businesses, as 2 for those that were dominant businesses, as 3 for those that were related-constrained, as 4 for those that were related-linked and as 5 for those that were unrelated businesses (see Hoskisson et al., 1993). Two researchers independently coded each firm’s diversification strategy. The intraclass correlation of the researchers’ codes was 0.96, suggesting a high degree of coding reliability. Data were gathered from financial statements and disclosures.

Construct validity was tested by comparing the Rumelt measure against an entropy measure of diversification (Palepu, 1985). These comparisons could be made for 112 firms only, as the data used for computing the entropy were not available for the full sample. The entropy measure is the sum of \( P_j \times \ln(1/P_j) \), where \( P_j \) is defined as the percentage of firm sales in segment \( j \) and \( \ln(1/P_j) \) is the weight for each segment \( j \). This measure accounts for both the number of segments in which a firm operates as well the relative importance of each segment in terms of sales. The components of the entropy measure were cluster analyzed into five strategy types. The correlation between the entropy-based type and our measure of diversification strategy type was 0.82. Although this correlation test is not a complete determination of construct validity, the results are consistent with prior tests of the construct validity of the Rumelt measure (Hoskisson et al., 1993).

**Control variables**

Several factors other than information asymmetries could influence the adoption of spin-offs and sell-offs, including the restructuring firm’s pre-restructuring financial performance and debt, the size of the restructuring, agency factors, year effects, and industry norms (e.g., Chen and Gui, 2005; Khan and Mehta, 1996; Nixon et al., 2000). The study design included variables to account for these other determinants. Financial performance was the restructuring firm’s return on assets (ROA) and debt (total debt/revenues) averaged for the 2 years immediately prior to the restructuring event. Transaction size was measured as the log of the transaction price on the announcement date. Agency factors were reflected at both the managerial and ownership levels. A variable called managerial equity (percent of managerial ownership) was computed to account for outstanding common stock held by managers of the restructuring firm, and a variable called blockholder equity was computed to represent the outstanding common stock owned in 5 percent or larger blocks by external parties. The year of the restructuring was coded as 1 for restructurings in 1990 (the first study year), 2 for those in 1991, and so on until 1997 (the last study year). Finally, we controlled for industry effects. A variable called industry was the restructuring firm’s primary two-digit SIC code as reported in the financial statements. All financial variables were found in COMPUSTAT and data for the ownership variables were collected from Compact Disclosure, Securities and Exchange Commission filings, and proxy statements for the year of the restructuring.

**Analysis**

The hypotheses were tested with regression analyses. Logistic regression was used for testing Hypotheses 1 and 3 because the dependent variable in these hypotheses (restructuring alternative) was dichotomous. Similar to OLS regression, hierarchical logistic regression analyses provide variable coefficients and model parameters. The coefficients are nonstandardized, range from positive to negative infinity, and are distributed as z-scores. The signs of these coefficients (+, 0, −) can be interpreted like those produced by OLS regression (+ is more, − is less). The model parameters are
reflected in the Cox and Snell $R^2$ and the Nagelkerke $R^2$. Like the $R^2$ measure in OLS, these measures range from 0 to 1, approaching 0 as the quality of fit diminishes and 1 as it improves. The other hypotheses were tested using OLS regression.

RESULTS

Table 1 reports means, standard deviations, and intercorrelations for the study variables.

Table 2 reports the results of the logistic regression analysis. The dependent variable, restructuring alternative (spin-off, sell-off), is regressed onto the full set of controls and predictors. The first model reports the results of testing the control variables. Model 2 adds the asset variables and shows the results of testing Hypothesis 1. The results indicate that the coefficients for physical, human, and brand-name assets are positive and significant. In addition, the model (chi square is 45.88, $p < 0.001$) and parameters (Cox and Snell $R^2$ is 0.20 and Nagelkerke $R^2$ is 0.27) are significant. These results support Hypothesis 1, that assets located in primary and related businesses are restructured by spin-off, while those located in secondary and unrelated business lines are restructured by sell-off.

Model 3 of Table 2 shows the results of testing Hypothesis 3. The coefficient for the diversification of business lines variable is negative and significant. In addition, the model (chi square is 22.59, $p < 0.01$) and parameters (Cox and Snell $R^2$ is 0.11 and Nagelkerke $R^2$ is 0.14) are significant. Collectively, these results provide support for Hypothesis 3, restructuring firms with low diversification of business lines will be restructured by spin-off while those with high diversification will be restructured by sell-off. Tests of the full model, reported under Model 4, indicate that Hypotheses 1 and 3 are supported when the variables are considered simultaneously.

Table 3 reports the results of linear regression analysis, which was necessary to test the performance of Hypotheses 2 and 4. These hypotheses predict mediated relationships; restructuring asset relatedness, and diversification of business lines influences value through selection of an optimal restructuring mode. We followed required Baron and Kenny’s (1986) three-step recommendations for testing mediation. The first was already met: a relationship existed between the mediator (restructuring alternative) and the independent variables (physical, human, brand-name assets; diversification strategy). The second was whether the independent variables have significant performance effects. The results under Model 2 of Table 3 show that one of the asset variables (brand-name assets) was associated (positively) with CAR while those under Model 4 indicate that diversification was also a significant predictor (negatively related). The third step was to test whether the performance variable (CAR) related to the independent variables and restructuring alternative simultaneously. The results show that CAR regresses onto restructuring alternative but not onto brand-name assets (Model 3) and diversification is no longer significant once restructuring alternative is considered (Model 5). Restructuring alternative mediates the effects of brand-name assets and diversification on CAR. These results provide partial support for Hypothesis 2 (one asset variable). Firms tend to restructure brand-name assets belonging to primary and related business lines through spin-offs (Table 2). Restructuring those assets in that manner is associated with a positive reaction by investors (Table 3, Model 2). Thus, the highest value of restructuring primary and related assets (at least as they involve brand-name assets) occurs through the use of spin-offs.

The results also support Hypothesis 4. To further describe the predicted relationships, we tabulated the CARs relative to the diversification of business lines and the restructuring mode.3 Table 4 reports these findings. Firms that had high relatedness and less overall diversification (single businesses, dominant businesses, related-constrained businesses) and used spin-offs had significantly higher CARs than such firms that adopted sell-offs. Similarly, firms that had low relatedness and more overall diversification (related-linked, unrelated businesses) that sold off had higher CARs than such firms that used spin-offs. Analyses of variance (ANOVA) and $t$-tests indicate that the variance and mean differences in CAR across the strategy types and restructuring implementation alternative combinations were significant.

3 This type of descriptive comparison was not for testing the relationship. It helps provide summary information only.
Table 1. Means, standard deviations and correlations (n = 204)

<table>
<thead>
<tr>
<th>Variable name</th>
<th>Mean</th>
<th>S.D.</th>
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<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
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<tbody>
<tr>
<td>1. CAR</td>
<td>0.02</td>
<td>0.05</td>
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<td>2. Implementation alt.</td>
<td>0.40</td>
<td>0.49</td>
<td>−0.01</td>
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<td>0.20*</td>
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<td>3. Physical assets</td>
<td>0.61</td>
<td>0.49</td>
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<td>−0.25*</td>
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<td>4. Human assets</td>
<td>0.33</td>
<td>0.49</td>
<td>0.12†</td>
<td></td>
<td>0.21*</td>
<td>0.20*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Brand-name assets</td>
<td>0.40</td>
<td>0.47</td>
<td>0.18*</td>
<td>0.29*</td>
<td></td>
<td></td>
<td>0.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Diversification</td>
<td>3.06</td>
<td>1.19</td>
<td>−0.14*</td>
<td>−0.21*</td>
<td>−0.17*</td>
<td>−0.08</td>
<td>−0.09</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Return on assets</td>
<td>1.62</td>
<td>10.20</td>
<td>−0.06</td>
<td>0.03</td>
<td>0.03</td>
<td>0.06</td>
<td>−0.01</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Debt to sales</td>
<td>0.43</td>
<td>0.56</td>
<td>−0.03</td>
<td>−0.01</td>
<td>−0.10</td>
<td>0.04</td>
<td>−0.09</td>
<td>−0.01</td>
<td>−0.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Transaction price</td>
<td>2.51</td>
<td>0.84</td>
<td>0.07</td>
<td>−0.13†</td>
<td>−0.06</td>
<td>0.03</td>
<td>0.02</td>
<td>0.28*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Blockholder equity</td>
<td>21.74</td>
<td>20.60</td>
<td>0.02</td>
<td>−0.03</td>
<td>0.05</td>
<td>−0.03</td>
<td>−0.07</td>
<td>−0.13†</td>
<td>−0.06</td>
<td>0.04</td>
<td>−0.16*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Insider equity</td>
<td>7.14</td>
<td>16.08</td>
<td>0.02</td>
<td>−0.03</td>
<td>0.14*</td>
<td>0.07</td>
<td>−0.25*</td>
<td>−0.05</td>
<td>0.23*</td>
<td>−0.09</td>
<td>−0.12†</td>
<td>−0.10</td>
<td>0.08</td>
<td>−0.13†</td>
</tr>
<tr>
<td>12. Year</td>
<td>1994.1</td>
<td>2.12</td>
<td>0.05</td>
<td>−0.02</td>
<td>−0.06</td>
<td>0.07</td>
<td>0.10</td>
<td>0.01</td>
<td>−0.02</td>
<td>0.10</td>
<td>0.08</td>
<td>−0.13†</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Industry</td>
<td>42.53</td>
<td>19.43</td>
<td>−0.04</td>
<td>0.07</td>
<td>−0.10</td>
<td>0.29*</td>
<td>−0.12†</td>
<td>−0.14*</td>
<td>−0.10</td>
<td>0.13†</td>
<td>−0.16*</td>
<td>0.03</td>
<td>0.18*</td>
<td>−0.04</td>
</tr>
</tbody>
</table>

† p < 0.10; * p < 0.05; Spearman Rank correlations are reported where nominal data are used.
### Table 2. Results of the hierarchical logistic regression analysis: predictions of spin-off and sell-off adoption

<table>
<thead>
<tr>
<th>Dependent variable: Restructuring alt: spin-off = 1, sell-off = 0</th>
<th>Model 1 Controls</th>
<th>Model 2 Primary and related business assets</th>
<th>Model 3 Diversification</th>
<th>Model 4 Full model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control variables</strong></td>
<td>β</td>
<td>S.E.</td>
<td>β</td>
<td>S.E.</td>
</tr>
<tr>
<td>Return on assets</td>
<td>0.03</td>
<td>0.02</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>Debt/sales ratio</td>
<td>-0.83*</td>
<td>0.37</td>
<td>-0.80*</td>
<td>0.48</td>
</tr>
<tr>
<td>Transaction price (log)</td>
<td>0.12</td>
<td>0.19</td>
<td>0.12</td>
<td>0.24</td>
</tr>
<tr>
<td>Blockholder equity</td>
<td>-0.01</td>
<td>0.01</td>
<td>-0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Managerial equity</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Year</td>
<td>-0.06</td>
<td>0.07</td>
<td>-0.07</td>
<td>0.18</td>
</tr>
<tr>
<td>Industry</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical assets</td>
<td></td>
<td></td>
<td>1.26**</td>
<td>0.38</td>
</tr>
<tr>
<td>Human assets</td>
<td></td>
<td></td>
<td>1.17**</td>
<td>0.39</td>
</tr>
<tr>
<td>Brand-name assets</td>
<td></td>
<td></td>
<td>1.13***</td>
<td>0.34</td>
</tr>
<tr>
<td>Diversification</td>
<td></td>
<td></td>
<td>-0.43**</td>
<td>0.14</td>
</tr>
<tr>
<td>–2 log-likelihood</td>
<td>262.24</td>
<td></td>
<td>229.03</td>
<td></td>
</tr>
<tr>
<td>Cox and Snell $R^2$</td>
<td>0.06</td>
<td>0.20</td>
<td>0.11</td>
<td>0.22</td>
</tr>
<tr>
<td>Nagelkerke $R^2$</td>
<td>0.08</td>
<td>0.27</td>
<td>0.14</td>
<td>0.30</td>
</tr>
<tr>
<td>Model $\chi^2$</td>
<td>12.67†</td>
<td></td>
<td>45.88***</td>
<td></td>
</tr>
<tr>
<td>Change for model $\chi^2$</td>
<td>12.67†</td>
<td></td>
<td>33.21**</td>
<td></td>
</tr>
<tr>
<td>Percent correctly classified</td>
<td>59.8</td>
<td>68.6</td>
<td>60.3</td>
<td>71.1</td>
</tr>
</tbody>
</table>

$*** p < 0.001; ** p < 0.01; * p < 0.05; † p < 0.10; N = 204$

$\beta$, unstandardized regression coefficients; S.E., standard error of the coefficients.

### Table 3. Results of hierarchical linear regression analysis: mediation tests and results

<table>
<thead>
<tr>
<th>Dependent variable: CAR</th>
<th>Model 1: Controls</th>
<th>Model 2: Assets</th>
<th>Model 3: Assets + restructuring alternative</th>
<th>Model 4: Diversification</th>
<th>Model 5: Diversification and restructuring alternative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control variables</strong></td>
<td>β</td>
<td>S.E.</td>
<td>β</td>
<td>S.E.</td>
<td>β</td>
</tr>
<tr>
<td>Return on assets</td>
<td>-0.08</td>
<td>0.10</td>
<td>-0.11</td>
<td>0.11</td>
<td>-0.09</td>
</tr>
<tr>
<td>Debt to sales</td>
<td>-0.04</td>
<td>0.03</td>
<td>-0.01</td>
<td>0.11</td>
<td>-0.04</td>
</tr>
<tr>
<td>Transaction price (log)</td>
<td>0.10</td>
<td>0.11</td>
<td>0.11</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical assets</td>
<td>-0.04</td>
<td>0.08</td>
<td>-0.08</td>
<td>0.04</td>
<td></td>
</tr>
<tr>
<td>Human assets</td>
<td>0.08</td>
<td>0.04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand-name assets</td>
<td>0.18*</td>
<td>0.14+</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversification</td>
<td></td>
<td>-0.14*</td>
<td>-0.14*</td>
<td>-0.11</td>
<td></td>
</tr>
<tr>
<td>Mediating variable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring alternative</td>
<td>0.16*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.01</td>
<td>0.06</td>
<td>0.08</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>Change in $R^2$</td>
<td>0.01</td>
<td>0.05</td>
<td>0.02</td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td>$F$</td>
<td>0.90</td>
<td>1.98†</td>
<td>2.36*</td>
<td>1.75*</td>
<td>2.47*</td>
</tr>
<tr>
<td>Change in $F$</td>
<td>0.90</td>
<td>3.07*</td>
<td>4.40*</td>
<td>4.24*</td>
<td>5.20*</td>
</tr>
</tbody>
</table>

$† p < 0.10; * p < 0.05; N = 204$. Number in column is a standardized regression coefficient.

### DISCUSSION

This study examines how managers select between restructuring implementation alternatives and how those decisions influence the profitability of the restructuring event. We develop and test a multilevel mediated model that relates the restructured assets and the restructuring firm’s
The evidence suggests that managers differentiate among the use of spin-offs and sell-offs on the basis of which alternative most effectively converts information asymmetries into financial gain. Viewed more generally, the study findings indicate that the financial implications of corporate restructuring are influenced in part through how the restructuring is conducted.

The study’s findings contribute to the literature in several ways. First, the dominant theoretical arguments for explaining value creation in corporate restructuring tend to focus on the restructuring action and then relating it to financial performance. Our study disaggregates this association by focusing on a key intervening stage: how is the restructuring action implemented and does the choice of a restructuring alternative influence performance? We find that there are different reasons for the selection of implementation alternatives, and that the overall value of the restructuring is associated with adopting the one that most effectively converts information asymmetries into financial benefit. This finding expands current theoretical explanations by indicating that the restructuring event itself may be insufficient for understanding the financial implications of corporate restructuring, and that the intervening implementation stages also appear to matter.

More specifically, one of the most popular arguments for corporate restructuring is that managers use divestitures of unrelated business lines in order to reduce excessively diversified firms to a point where they can be managed more economically and competitively (e.g., Bergh and Lawless, 1998; Comment and Jarrell, 1995; John and Ofeé, 1995; Markides, 1992, 1995). Studies have reported a positive stock market reaction to restructuring announcements by firms having high levels of diversification (Brauer, 2006; Bruner, 2004; Johnson, 1996). Our study results indicate that the empirical relationship between diversification strategy and market value reaction to a restructuring event disappears when restructuring implementation alternatives are considered simultaneously: a full mediation effect. The finding indicates that sell-offs best protect the restructuring firm’s management from a potentially disadvantageous information asymmetry with well-informed buyers and also lead to the highest financial result. Spin-offs might be viewed positively by the stock market, as they would also reduce diversification, but these actions would not be optimal for the highly diversified restructuring firm, given that managers are less likely to know the value and application potential of these assets. Spin-offs also tend to have a lower valuation than sell-offs for the more diversified firms (Table 4). Hence, by focusing on the intervening role of implementation, our study offers a more integrated and richer explanation of the excessive diversification, restructuring, and performance relationship.

Second, our results refine understanding of the effects of restructuring by indicating when each implementation alternative has the most value-creating potential. When firms that have high specialization and low levels of diversification (e.g., single businesses, dominant businesses, related-constrained businesses) adopt spin-offs, the implementation method that mitigates their sources of asymmetries, they tend to realize higher financial performance than when such firms use sell-offs. When firms that have low specialization and high levels of diversification (related-linked, unrelated businesses) use sell-offs, they tend to have higher financial performance than their peers that adopt spin-offs. Hence, there appears to be a symmetrical relationship between diversification strategy and restructuring implementation alternatives. These associations are consistent with the logic that reducing the different types of information asymmetries that affect the different kinds of

<table>
<thead>
<tr>
<th></th>
<th>Single business</th>
<th>Dominant</th>
<th>Related con.</th>
<th>Related-linked</th>
<th>Unrelated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spin-off</td>
<td>4.66%</td>
<td>5.79%</td>
<td>3.23%</td>
<td>1.09%</td>
<td>-0.06%</td>
</tr>
<tr>
<td>Sell-off</td>
<td>0.61%</td>
<td>1.62%</td>
<td>1.77%</td>
<td>3.55%</td>
<td>2.16%</td>
</tr>
</tbody>
</table>

ANOVA: $F = 6.89 \ (p < 0.01); n = 204$

Spin-off CAR (single, dominant, related constrained) > Sell-off CAR (single, dominant, related constrained), $t = 2.91 \ (p < 0.01)$

Sell-off CAR (related-linked, unrelated) > Spin-off (related-linked, unrelated), $t = 2.02 \ (p < 0.05)$
diversified firms improves financial performance. The findings extend theory development by identifying how firms with different diversification strategies can be restructured optimally and most profitably. Firms having different diversification strategies have different information asymmetry problems that lead to the adoption of different restructuring alternatives. Hence, our study adds to prior understanding by indicating that an alignment exists between diversification strategy, restructuring alternatives, and financial performance. We call for more research into how other explanations of corporate strategies may be influenced by considering implementation actions. More generally, we call for additional study into implementation more generally, as it may be a black box of unexplained sources of value creation.

Third, the results indicate how and when managers restructure assets that reside within core and related business lines. Most theories of corporate restructuring seem to have been developed to explain restructurings of secondary and unrelated businesses, portraying restructuring as a method of correcting strategic mistakes. However, managers also restructure assets of core and related businesses and tend to do so using spin-offs. The spin-off alternative not only reduces information asymmetries of such assets, but it also preserves the opportunity for the restructuring firm and restructured assets to maintain a post-restructuring relationship. For example, GM spun off its largest supplier, Delphi Automotive, and although the two businesses are now separate, they continue to have an intensive and closely managed relationship. Hence, when viewing restructuring, our study suggests that broadening the types of assets to include core and primary business lines provides for a broader understanding of the phenomena.

Fourth, our results unite the motivation for the restructuring to the method of implementation (spin-off, sell-off) and then to the stock market reaction. We view value maximization in corporate restructuring as occurring through the selection of an optimal implementation alternative. This depiction implies a set of interrelated linkages within the restructuring process that when viewed collectively provide for a more integrative explanation of how corporate restructuring influences firm financial performance. For theory development on restructuring to build cumulatively, conceptual frameworks and logical relationships benefit by accounting for implementation. By recognizing that restructuring implementation alternatives reside at an intervening stage in the restructuring process and that they are heterogeneous decisions, theoretical understanding of how corporate restructuring influences financial performance can be extended and refined.

Fifth, the findings revise prior depictions of restructuring actions as homogeneous actions. Most theory development on, and reviews of, restructuring make little distinction for restructuring alternatives, and instead seem to consider all types equally. The study findings add to prior representations by suggesting that different alternatives for restructuring appear to be used in different circumstances and that spin-offs and sell-offs do not appear to represent substitutes for one another. How firms restructure is not ‘a one size fits all’ decision. Rather, restructuring involves recognizing differences in how assets and diversification strategy create information asymmetries and how managers can select the alternative to best transform those differences into financial gain. Theoretical explanations of restructuring would be more specific and refined by recognizing implementation alternatives and the factors that influence their adoption.

Sixth, the theoretical model represents a more comprehensive explanation of the implementation decision than previously existed. It relates two different levels of strategic factors to two different restructuring alternatives that are then linked to financial performance. This mediated model builds upon prior studies that focus on financial antecedents such as profitability and debt, or agency factors as explanatory effects of how firms restructure (Chen and Gui, 2005; Khan and Mehta, 1996; Nixon et al., 2000). By adding the assets and the firm’s diversification strategy, the study captures a strategic rationale for selecting implementation methods. When making the decision about how to restructure, managers face a complex scenario and they appear to select the implementation alternative that most effectively mitigates information asymmetries and produces the most positive stock market reaction. The model developed herein represents a broader description of restructuring implementation and how it creates value.

Seventh, the findings contribute to prior research on the information asymmetry and corporate strategy relationship. Prior study has linked spin-offs by diversified firms to an increase in market value
D. D. Bergh, R. A. Johnson, and R.-L. Dewitt

(Allen, 2001; Krishnaswami and Subramaniam, 1999). Our study shows that there are circumstances where managers could also have information disadvantages. Specifically, when managers are restructuring highly diversified firms or assets in secondary and unrelated business lines, they may have an information disadvantage relative to external parties that may be better informed about the value of the restructuring. By using the sell-off implementation alternative, the market forces of an auction setting create a higher likelihood that the assets would receive their highest valuation and lower the risk to managers. Hence, restructuring to lower information asymmetries can increase transparency in the restructuring firm, but managers can also use it to lower threats of adverse selection and moral hazard by opportunistic buyers.

The study findings also provide insights for managers. In particular, the results suggest that spin-offs and sell-offs are not solutions to the same problems and that the performance of the firm may be influenced by how the restructuring is conducted. The study findings help managers by describing the conditions that are associated with the adoption of the restructuring alternative that is likely to create the most financial value. The results also show what can go wrong when restructuring alternatives are selected. Managers make the decisions on how to restructure, and they benefit from having evidence for how those decisions tend to impact financial performance. The study also shows that all types of firms restructure. Managers of low diversified firms engage in restructuring behaviors, and if the appropriate alternative is selected these actions can positively influence financial performance. Finally, the findings provide managers with a strategic rationale for considering how to restructure. Prior research provided managers with the reasons for, and effects of, restructuring. Our study provides a line of reasoning for how restructuring can be done in the most strategically and financially viable ways to account for differences across firms.

The theoretical and practical implications of this study should be considered in light of several limitations. First, the findings are based on samples of large spin-offs and sell-offs. It is unknown how the results apply to smaller-sized restructurings. The proposed explanation of restructuring and its effects would seem to apply to smaller organizations, but no direct inference can be made given that the sample was of large firms. Second, the study examined voluntary restructuring efforts only, and it is possible that the proposed explanation might not apply to involuntary spin-offs and sell-offs. For example, a court-ordered restructuring might lead a firm to spin off business lines when a sell-off might be the best option. Alternatively, a firm might restructure by sell-off instead of spin-off as part of scorched earth takeover defense. The study findings may not apply to circumstances where value maximization is not a priority. Third, the study does not consider all restructuring alternatives. For instance, firms can restructure by dissolution, liquidation, MBOs and EBOs, and partial stock sales (equity carve-outs). Our findings cannot be generalized to these other approaches. Fourth, the study does not identify how the restructured assets were originally created, either through internal growth or by acquisition. No inference can therefore be made that links entry and exit behaviors. A more complete explanation of restructuring behavior would include growth and exit alternatives. We leave that model for future research.

CONCLUSION

During the 1980s and into the 1990s, firms restructured tens of thousands of business lines, actions that were usually rewarded financially (Bruner, 2004; Gaughan, 1999; Johnson, 1996). The present study examines a relatively unexplained stage of the corporate restructuring process and seeks to improve understanding of how managers select between corporate restructuring implementation alternatives and how those decisions influence financial performance. We develop a multilevel theoretical model that links the relatedness of the restructured assets and the diversity of the firm’s business lines to the adoption of restructuring alternatives and to the stock market reaction to the restructuring event. We find that managers tend to adopt the restructuring alternative that best mitigates information asymmetries and maximizes financial value. The findings support an integrated view of the restructuring process among motive, implementation alternative, and performance, and suggest that it might be considered as a series of interrelated stages to raise the profitability of the restructured firm. The message from this study is...
that the method of implementation appears to influence the financial success of corporate restructuring, and our central thesis is that value maximization in corporate restructuring occurs through the selection of an optimal implementation alternative. Hopefully, the findings and explanations will be a step toward increasing understanding of how the visible, popular, and profitable behaviors of corporate restructuring can be best managed to help maximize financial value.

ACKNOWLEDGEMENTS

We are grateful to two anonymous SMJ referees and the editor, Edward Zajac, for their important contributions to the development of this article. We further express our appreciation to Professors Donald Hambrick, Michael Hitt, Robert Hoskisson, R. Duane Ireland, and Charles Snow for their many insightful and development suggestions. We also thank seminar participants at Arizona State University, Michigan State University, the University of Oklahoma, and Purdue University for their helpful contributions. Finally, we gratefully acknowledge the Smeal College of Business Administration at the Pennsylvania State University for its generous financial support of the study.

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