

The information content of reorganization procedures: contagion or competitive effects?

Tseng-Chung Tang

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Abstract Based on a consideration of the whole process from reorganization filing to confirmation, this paper examines the impact of corporate reorganization on both filing firms and industry rivals, and how it changes the competitive landscape of the industry. Results show that there exist intra-industry information transfers throughout the whole course of the reorganization proceedings that result in an incessant downward revaluation of the rival firms' values. Specifically, the market reassesses the prospects of not only the filer but also of its industry rivals simultaneously. Results also show that whether a rival firm has a contagious or a competitive reaction is largely decided by firm-specific rather than industry-specific characteristics.

Keywords Corporate valuation • Corporate reorganization • Reorganization filing to confirmation • Contagion effect • Competitive effect

JEL Classification G3

T.-C. Tang
Department of Business Administration, National Formosa University, 64 Wen-hwa Road,
Huwei, Yunlin 632, Taiwan, Republic of China
e-mail: tctang@nfu.edu.tw