Journal of Business Research 69 (2016) 492–499

Contents lists available at ScienceDirect

Journal of Business Research

Strategic bankruptcy: A stakeholder management perspective

Sharon D. James *

Department of Management & Marketing, College of Business, Arkansas State University, PO Box 59, State University, AR 72467, U.S.A.

ARTICLE INFO

Article history:
Received 13 June 2014
Received in revised form 15 May 2015
Accepted 16 May 2015
Available online 4 June 2015

Keywords:
363 asset sales
Chapter 11
Executory contracts
Restructuring
Stakeholder theory
Strategic change

ABSTRACT

There has been growing interest in whether and when a Chapter 11 bankruptcy can be a mechanism through which firms make strategic changes that help to preserve value and overcome competitive disadvantages. Using a stakeholder management perspective, this paper examines the influence of firm characteristics on the likelihood of filing for Chapter 11, subsequently emerging from bankruptcy, and the number of years in bankruptcy. Theoretical predictions are tested in a study of publicly traded firms from 1980–99. Intangible assets and assets that can be efficiently sold in bankruptcy positively influence the likelihood that a firm will file for Chapter 11 and reorganize in a shorter number of years. Further, unfavorable executory contracts with primary stakeholders, a previously unexplored area, positively influence a firm's likelihood of both filing and reorganizing in bankruptcy. These findings are consistent with a stakeholder view of strategic bankruptcy.

1. Introduction

Over the past two decades, there has been growing interest in whether and when a strategic Chapter 11 bankruptcy can be a mechanism through which firms can make strategic changes that help to preserve and enhance firm value (Delaney, 1992; Evans & Borders, 2014; Gilson, 2001). A strategic bankruptcy is one that helps firms to implement strategic changes to relationships with customers, suppliers, or other trading partners in a manner that positively alters the likelihood of sustainable performance improvements and survival. However, there is disagreement on whether a strategic bankruptcy is an effective mechanism for strategic change (Flynn & Farid, 1991; Moulton & Thomas, 1993). Prior research has examined several factors, such as poor performance and excessive financial leverage, which contribute to a firm's decline and failure (Daily, 1994; D'Aveni, 1989a; Hambrick & D'Aveni, 1988). This literature assumes that bankruptcy is a definitive form of failure and should be a firm's decision of last resort (Platt & Platt, 2012). This research does not reconcile with anecdotal evidence, which indicates that firms have successfully preserved value for all key stakeholders by proactively (i.e., strategically) reorganizing under Chapter 11 of the US Bankruptcy Code. More research is needed to reconcile this contradiction between research and recent trends in proactive Chapter 11 bankruptcy filings, which are more stakeholder focused. This paper addresses this gap in the literature by examining conditions under which a proactive Chapter 11 filing can be an effective mechanism for making strategic changes that improve a firm's performance and long-term viability (Evans & Borders, 2014).

Aside from theoretical and descriptive work on strategic bankruptcy (Delaney, 1992; Flynn & Farid, 1991; Moulton & Thomas, 1993), little is known about firm-specific characteristics that influence whether and when declining firms will proactively file for Chapter 11, subsequently emerge as a going concern entity, and ultimately survive. This study examines the influence of a firm's relationships with key stakeholders (i.e., employees, customers, suppliers, creditors, and shareholders) on its decision to reconfigure its resources in bankruptcy. While prior studies of prepackaged bankruptcies have examined firms' motivations to compel large creditors to renegotiate debt contracts (Asquith, Gertner, & Scharfstein, 1994; Tashjian, Lease, & McConnell, 1996), these studies have not examined a firm's strategic motivations to file for Chapter 11. By emphasizing the influence of difficult-to-trade assets and the need to renegotiate or terminate unfavorable contractual arrangements as part of a firm's strategic reorientation, this study complements prior bankruptcy studies that primarily focused on the effects of firms' financial characteristics. It incorporates firms' resource characteristics that influence the ability to implement strategic changes that improve performance and the ability to create competitive advantages (Barney, 1991).

Stakeholder theory provides a strong foundation from which to evaluate the influence of a firm's relationships with key stakeholders on its strategies for improving long-term performance (for comprehensive reviews of this literature, see Parmar et al., 2010; Laplume, Sonpar, & Litz, 2008). In general, poor relationships with primary stakeholders can have negative performance consequences for a firm (Choi & Wang, 2009; Clarkson, 1995; Hillman & Keim, 2001). For declining firms, in particular, poor stakeholder relations can have irreversible long-term negative effects on performance (Hambrick & D'Aveni, 1988; Meyer & Zucker, 1989; Platt, Mirick, & Platt, 2011). The U.S. Chapter 11 Bankruptcy

* Tel.: +1 870 680 8170; fax: +1 870 972 3833.
E-mail address: sjames@astate.edu.

http://dx.doi.org/10.1016/j.jbusres.2015.05.006
0148-2963/

Code allows firms to manage relationships not only with creditors and shareholders, but also with other key stakeholders (e.g., employees, customers, and suppliers) who directly affect a firm's value creation activities.

The decision to file for Chapter 11 is often necessary when a firm has unfavorable relationships with some key stakeholders that can have a detrimental effect on other stakeholders, and the firm is unable to manage these relationships outside of bankruptcy without incurring severe penalties. Using a stakeholder management perspective, theoretical arguments are developed to predict whether a firm is more likely to make value-enhancing strategic changes in bankruptcy and subsequently emerge as a going-concern entity. These predictions are tested on a sample of publicly traded firms that filed for bankruptcy from 1980–1999. The results are consistent with arguments supporting strategic bankruptcies.

The remainder of the paper proceeds as follows. The next section briefly reviews stakeholder management literature. This stakeholder perspective is then used to develop theoretical predictions regarding whether a firm is more likely to file, reorganize, and subsequently emerge from Chapter 11 bankruptcy as a going-concern entity. Empirical analysis follows this section, and the paper concludes with a discussion of implications for research and management practice.

2. Stakeholder management and firm performance

Over the past two decades, the stakeholder perspective has been used to evaluate complex business issues, including how organizations create and capture value (Parmar et al., 2010). This is a salient issue for strategic management scholars who are particularly concerned with understanding why firms differ and what explains variation in firm performance (Rumelt, Schendel, & Teece, 1994). Conventional wisdom argues that a for-profit organization's primary duty is to increase shareholder value, and that managers' incentives must be aligned with shareholders' interests in order to remain focused on this imperative (Jensen, 1986; Jensen & Meckling, 1976). Research in this tradition assumes that managing stakeholder relationships is a zero sum game, where attending to the interests of nonfinancial stakeholders is to the detriment of financial stakeholders.

Alternatively, a stakeholder view argues that firms must also focus on the interests of nonfinancial key stakeholders who materially affect a firm's ability to create and capture value (Becchetti, Ciciretti, Hasan, & Kobeissi, 2012; Freeman, 1984, 1994, 1999; Hillman & Keim, 2001; Platt et al., 2011). For instance, massive corporate failures (e.g., Tyco International, Enron) due to management excesses, despite these firms' efforts to maximize shareholder value, demonstrate that a focus only on shareholders as the most important stakeholder class may not consistently generate the results that theory would suggest. Hillman and Keim (2001) refute the notion of a 'stakeholder paradox' by showing that building better relationships with primary nonfinancial stakeholders can help a firm to develop valuable resources that lead to a sustainable competitive advantage and increase shareholder value. Platt et al. (2011) found that an amendment to the 2005 US bankruptcy code, which gave landlords stronger bargaining power against debtors in the acceptance or rejection of commercial leases, had the unintended consequence of higher failures of retailers, thereby decreasing commercial rents. This is another example of how a focus on one key stakeholder to the detriment of others can have unintended negative consequences not only for a firm, but also for the disgruntled stakeholder.

Building on this stakeholder management perspective, strategy scholars have emphasized the importance of understanding how managing relationships with all stakeholders influences a firm's competitive advantages and performance persistence (Bosse, Phillips, & Harrison, 2009; Choi & Wang, 2009; Harrison, Bosse, & Phillips, 2010). Bosse et al. (2009) theorize that stakeholders' perception of a firm's distributional fairness reciprocated this treatment, and firms that focus on such fairness generate higher economic performance. Similarly, Harrison et al. (2010) argue that firms focused on managing stakeholder relationships garner greater trust and cooperation from stakeholders, are better able to adapt to unforeseen changes in the external environment, and are more likely to achieve a sustainable competitive advantage. Choi and Wang (2009) demonstrate that positive stakeholder relations not only contribute to the persistence of superior financial performance, but also help a firm to recover from poor performance.

Taken together, this work supports a positive association between managing relations with key stakeholders and firm performance. Empirical studies demonstrate that this perspective can not only improve firm performance, but also stem performance declines by helping firms to better adapt to environmental changes. While previous work has focused on the persistence of superior performance as a benefit of stakeholder management, few have emphasized its effect on mitigating the persistence of inferior performance (Choi & Wang, 2009). Drawing on these insights, this study examines firm characteristics that increase the likelihood of a strategic bankruptcy, which helps firms to shorten the duration of poor performance and refocus on value-enhancing resources.

3. Stakeholder view of strategic bankruptcy

Firms in declining industries can improve performance by proactively implementing strategic change before industry opportunities enter a period of persistent decline and before a firm experiences financial distress (Harrigan & Porter, 1983). However, when there are high barriers to exit stemming from assets that are difficult to trade, have environmental concerns, or other attributes that hinder a fair asset valuation, firms may have difficulty implementing strategic changes without experiencing value-destroying disruptions to their operations. For some firms, a Chapter 11 bankruptcy filing can provide a stable forum in which to better manage relationships with key stakeholders (Gilson, John, & Lang, 1990) and achieve a persistent improvement in post-bankruptcy performance. To the extent that Chapter 11 is an efficient mechanism for implementing value-enhancing strategic change, a firm is more likely to file, reorganize, and emerge in a timely manner.

Under Chapter 11 of the U.S. Bankruptcy Code, court protection through a stay of pre-petition liabilities provides a firm with management-led operating stability and time to make strategic changes that are necessary for sustainable performance improvements and long-term survival. At the same time, Chapter 11 provides access to debtor-in-possession financing that allows a firm to retain key employees and maintain relationships with key suppliers, both of which are critical for value creation activities. By actively managing relationships with all key stakeholders, a declining firm can maximize value for all. Thus, a stakeholder perspective does not trade off the interests of financial stakeholders in favor of nonfinancial interests. As a firm's post-bankruptcy value and likelihood of long-term success increases, so does the value of assets held as security for secured creditors while also maintaining key employees, customers, and suppliers who directly influence firm value. Prior research argues that firms should pursue bankruptcy only as a last resort after it has explored all out-of-court options (Moulton & Thomas, 1993). However, in some cases, delaying bankruptcy may cause relationships with key stakeholders to deteriorate beyond repair and could threaten a firm's survival. A chronically ailing firm that does not strategically file risks losing key customers, employees, and suppliers, as instability causes stress and concern for all involved. Such firms can end up in a downward spiral or become known as permanently failing (Hambrick & D'Aveni, 1988; Meyer & Zucker, 1989).

Declining firms that have greater intangible assets are more likely to have difficulty restructuring outside of bankruptcy because these assets are difficult for potential acquirers to value (Hand & Lev, 2003) and, therefore, may not yield expected values that are sufficient to repay debt obligations. As a result, a firm's efforts to sell these assets outside of bankruptcy may unintentionally lead to operational instability and increase the likelihood that the firm will lose key stakeholders that directly affect value creation activities. Because the value of intangible assets depends greatly on a firm's human capital and comprises organizational level capabilities (Campbell, Coff, & Kryscynski, 2012; Hatch & Dyer, 2004), firms must maintain stability of operations while attempting to implement strategic change. Chapter 11 bankruptcy provides this stability and enables orderly strategic change. Ultimately, a strategic bankruptcy can help to preserve firm value for all key stakeholders. This logic supports the following hypothesis.

H1. Intangible assets increase the likelihood that a declining firm will file for Chapter 11 bankruptcy.

For declining firms that own businesses that can be sold as a going concern, a useful strategy is to divest low performing segments (Harrigan & Porter, 1983) and reinvest the cash proceeds in businesses that have better growth prospects. However, in some cases, firms face high exit barriers that impede their ability to achieve fair value in an out-of-court asset sale. Section 363 of the US Bankruptcy Code provides a mechanism for firms to sell these difficult-to-trade assets unencumbered by any contingent liabilities that a potential acquirer would likely not assume in an out-of-court sale (ABIWorld, 2013a). Many firms have used this provision to sell difficult-to-trade assets. According to Mintz and Stevens (2012), the percentage of large public company bankruptcies that were resolved through significant asset sales increased from under 4% in the 1990–2000 period to around 20% in the 2001–2010 and peaked at 43% in 2011. Such sales allow a firm to achieve going-concern value for these assets rather than liquidation values that yield pennies on the dollar (Espen Eckbo & Thorburn, 2008; Thorburn, 2000). An acquirer would likely pay a higher price for unencumbered assets than what it would pay outside of bankruptcy where the seller ultimately cannot provide a bulletproof warranty to the buyer for all contingent liabilities at the time of sale. Accordingly, the interests of all key stakeholders may be better protected by the sale of assets in bankruptcy, preserve more jobs, and allow businesses to sustain stable relationships with customers and suppliers. Creditors would also benefit from Section 363 asset sales, as the firm is likely to generate more cash proceeds that can be used to repay debt. For these reasons, Chapter 11 bankruptcy can be a primary mechanism for asset sales (Anderson & Powers, 2009; Mintz & Stevens, 2012).

H2. Potential Section 363 asset sales increase the likelihood that a declining firm will file for Chapter 11 bankruptcy.

Chapter 11 bankruptcy also allows a declining firm to manage relationships with key stakeholders who may have divergent interests. For instance, a firm may have an unfavorable contractual arrangement with a supplier who is extracting the lion's share of economic value from a trading relationship, thereby putting the firm at a competitive disadvantage (Porter, 1980). As a result, a firm may be forced to cut costs, including reducing its work force or downsizing its product line to accommodate a powerful supplier. Section 365 of the US Bankruptcy Code as amended under the Bankruptcy Reform Act of 1978 provides for a debtor-in-possession to "assume or reject any unexpired executory contract or lease" without recourse for the other parties to these contracts (ABIWorld, 2013b). This provision allows a firm to reject unfavorable contracts with stakeholders that impede the firm's ability to create value, a benefit that does not exist outside of bankruptcy without significant penalties for breach of contract. Thus, Chapter 11 bankruptcy provides a mechanism for a firm to renegotiate or reject contracts that have become unfavorable due to unforeseen and uncontrollable events in the external environment, thereby reducing transaction costs in cases where contract provisions do not allow firms to renegotiate when unforeseen events occur (Williamson, 1979, 1991).

Because Section 365 of the US Bankruptcy Code allows firms to renegotiate or reject contracts that may cause irreparable harm to the firm, this provision can help firms to implement strategic change that may be difficult, if not impossible, to achieve outside of bankruptcy. In a Chapter 11 proceeding, firms that can reconfigure their resources in a manner to take advantage of profit growth opportunities while mitigating threats have a greater likelihood of improving performance and post-bankruptcy survival. Unprofitable contracts hinder a firm's ability to restructure outside of bankruptcy for the following reasons. First, any attempt to renegotiate unfavorable contracts would likely face resistance from the trading partner who may be benefiting from existing terms. Second, if a firm were to terminate such contracts, it might face onerous penalties. In both cases, the firm's performance would suffer, thereby exacerbating its financial distress. Accordingly, firms that have unfavorable contracts, which can be renegotiated or rejected in bankruptcy, will likely preserve more value for all stakeholders by restructuring in bankruptcy.

Further, firms that can reject unfavorable contracts are more likely to implement value-enhancing strategic changes and achieve sustainable performance improvements (Choi & Wang, 2009). To receive court approval of its plan of reorganization, a firm must demonstrate that it can operate as a going-concern post-bankruptcy, and an integral part of this plan is identifying sources of sustainable advantages, such as revenue-enhancing or cost-reducing contracts. Therefore, firms that have unfavorable contracts, which they can reject in bankruptcy, are more likely to emerge as a going concern.

H3a. Unfavorable contracts increase the likelihood that a declining firm will reorganize in and subsequently emerge from Chapter 11 bankruptcy.

H3b. Unfavorable contracts that can be rejected increase the likelihood that a declining firm will reorganize in and subsequently emerge from Chapter 11 bankruptcy.

Chapter 11 of the US Bankruptcy Code provides a 120-day exclusivity period in which a firm can file a reorganization plan. This period may be extended up to 210 days in which a firm can develop a plan of how it will operate as a going concern post-bankruptcy. However, the use of this extension option may negatively influence the likelihood that a firm will survive long term for the following reasons. First, the use of any extension increases bankruptcy costs, such as legal and court fees (Branch, 2002). Second, as the bankruptcy case continues, a firm risks losing key employees, customers, and suppliers as these key stakeholder groups will assess the probability that a firm will survive (Branch, 2002; Thorburn, 2000).

Because firms that strategically file for Chapter 11 develop a preliminary plan of reorganization ex ante, these firms face lower bankruptcy costs, all else equal. Moreover, this plan involves the firm identifying key stakeholders, which are critical to operating as a going-concern and increase the likelihood of meeting solvency and survivability tests required for court approval without delay. Therefore, firm-specific characteristics that motivate a declining firm to file for Chapter 11 bankruptcy would also enable that firm to have a shorter duration in bankruptcy. This logic leads to the following.

H4a. For declining firms that reorganize in Chapter 11, intangible assets decrease a firm's duration in bankruptcy.

H4b. For declining firms that reorganize in Chapter 11, potential Section 363 asset sales decrease a firm's duration in Chapter 11 bankruptcy.

A plan of reorganization incorporates arguments for why a firm should accept or reject executory contracts and the expected effects on firm performance. This logic assumes that all executory contracts have a comparable level of complexity (e.g., number of contractual partners, similar magnitude of potential effects on competitive advantage and performance). However, to the extent that contracts differ significantly in complexity, the expected effect of rejected executory contracts on a firm's duration in bankruptcy is unclear. As complexity increases, it is likely that a firm's case may be delayed by counterarguments from disgruntled contract partners. This logic leads to the following competing hypotheses.

H5a. For declining firms that reorganize in Chapter 11, unfavorable contracts decrease a firm's duration in bankruptcy.

H5b. For declining firms that reorganize in Chapter 11, unfavorable contracts that can be rejected decrease a firm's duration in Chapter 11 bankruptcy.

4. Empirical analysis

4.1. Data and sample

The sample includes all Chapter 11 bankruptcy filings by publicly traded firms from 1980–1999 that have financial data available in Compustat for the most recent year prior to filing for Chapter 11 and have a resolution of the bankruptcy case (i.e., reorganization, sale, or liquidation). For each Chapter 11 filing event date, a group is formed consisting of all other firms that operate within the same primary four-digit SIC code as the filing firm. This step mitigates sample selection bias and allows control for industry level factors that might affect a Chapter 11 filing. This matched sampling process yielded a usable sample of 2048 firm years and 136 industry groups for the 140 Chapter 11 bankruptcy filings included in the final sample.

4.2. Dependent variables

A Chapter 11 bankruptcy filing (*Bankruptcy*) is coded 1 if a firm files and 0 otherwise. A re-organization (*Reorganization*) is coded 1 if a firm emerges from Chapter 11 as a going-concern and 0 otherwise. Duration in bankruptcy (*Duration*) is the number of years between the filing date and the confirmation date of a Chapter 11 re-organization. Data on bankruptcy filings were collected from the UCLA—LoPucki Bankruptcy Research Database and the Lexis–Nexis database.

4.3. Independent variables

All independent variables are measured in the most recent year prior to a firm's filing for bankruptcy. Intangible asset intensity is the ratio of total intangible assets divided by total firm assets (*Intangible Asset Intensity*). Potential Section 363 asset sales are measured as the ratio of intangible assets plus net property, plant and equipment to total assets (*Potential 363 Sales*). Compustat data are used to construct these variables.

Executory contracts include the number of contracts a filing firm has with primary stakeholders, including alliance partners, customers, suppliers, and landlords (*Executory Contracts*). These contracts are reviewed in the bankruptcy case, discussed in briefs filed with the US Bankruptcy court, and are deemed executory by the court in that the debtor (firm) has a preemptive right to accept or reject to perform under the contracts with the goal of increasing the likelihood of post-bankruptcy survival. These data are available in the Lexis–Nexis database. Each legal brief is coded as 1 if it is an executory contract and 0 otherwise. Excluded from this count are collective bargaining agreements (11 U.S. Code § 1113 — Rejection of collective bargaining agreements) and executive employment contracts (11 U.S. Code § 502 — Allowance of claims or interests). Because this study focuses on contracts that have a quantifiable direct effect on a firm's revenues/profits and can have material effects on a firm's long-term value and survival, this step is necessary to control for alternative motivations for proactively filing, which include to avoid paying a legal judgment or employee claims such as commitments in collective bargaining agreements and high severance payouts in executive employment contracts (Delaney, 1992). Rejected executory contracts include the number of executory contracts that are rejected (*Rejected Executory Contracts*) in bankruptcy court. It is important to note that the Court approves some but not all executory contracts that the debtor proposes to reject.

4.4. Control variables

Other factors that have been shown in previous studies to affect a firm's propensity to file for Chapter 11 bankruptcy (Altman, 1968; Asquith et al., 1994; Gilson et al., 1990) and to subsequently reorganize as a going concern (Moulton & Thomas, 1993) are included as controls in models testing the hypotheses. Cash position is the ratio of total cash and marketable securities to total assets (*Cash Position*) and measures a firm's ability to meet its financial obligations on the maturity date. Financial leverage is the ratio of total debt to total assets (*Leverage*) and measures a firm's financial distress or inability to repay debt obligations on the maturity date. Profitability is measured as the ratio of earnings before interest and taxes to total assets (*Profitability*).

Table 1a includes descriptive statistics and correlations for the matched sample. Table 1b presents descriptive statistics for 140 filing firms, of which 91% reorganized and emerged from bankruptcy. The average duration in bankruptcy is nearly two years. Few firms made requests to reject executory contracts (0.42 average) and less than half (0.17) of these requests were approved.

4.5. Methods and results

Because the dependent variables are dichotomous, Logit and Probit analysis are appropriate methods for testing hypotheses regarding a firm's propensity to file for Chapter 11 and to reorganize as a going concern. Because these two specifications are consistent in all models predicting reorganization, only the random effects results are presented below.

Hypotheses regarding duration in bankruptcy are tested using cross sectional analysis. Table 2 presents estimation results predicting a firm's likelihood of filing for bankruptcy. Column 1 provides fixed effects logit results, with the four-digit primary SIC as the fixed variable for each bankruptcy filing event. Column 2 replicates this analysis using random effects logit. Column 3 re-estimates these models using random effects Probit.

Hypothesis 1 predicts declining firms that have greater intangible assets are more likely to file for Chapter 11. The results in Table 2 strongly support (at $p < 0.001$) this prediction and are consistent with firms filing for Chapter 11 to maintain stability among its employees, customers, and suppliers as key stakeholders who are affected by and have a significant influence on a firm's ability to generate and preserve value. The coefficients for the variable Intangible Asset Intensity indicate that a one unit increase in intangible asset intensity increases the likelihood of filing for Chapter 11 by 1.85 to 3.4.

Hypothesis 2 posits declining firms that have greater assets that can be orderly sold in Chapter 11 bankruptcy are more likely to file for bankruptcy. Contrary to this prediction, the results indicate a negative and significant effect of potential Section 363 sales, suggesting that capital intensive declining firms are more likely to implement asset sales outside of bankruptcy.

Turning to the control variables, consistent with previous studies, cash has a negative and strongly significant effect across all models predicting bankruptcy. In addition, although the coefficients for financial leverage and profitability have the expected sign, these variables are not significant, except for profitability in the fixed effects Logit models. More importantly, after controlling for other factors, the results remain consistent with a stakeholder view of strategic bankruptcy.

Table 3 presents random effects estimation results predicting a firm's likelihood of reorganizing in Chapter 11 and emerging from bankruptcy as a going concern entity. Column 1 includes Logit results predicting the effect of executory contracts. Column 2 replicates the analysis in Column 1 using a Probit estimator. Column 3 presents Logit results estimating the effect of rejected executory contracts on the

Table 1a
Descriptive statistics and correlations for the matched sample.

	Variable name	Mean	Std. dev.	Min.	Max.
1	Bankruptcy	0.07	0.25	0	1
2	Reorganization	0.06	0.24	0	1
3	Duration (years) in bankruptcy	0.13	0.62	0	7
4	Executory contracts	0.03	0.27	0	6
5	Rejected executory contracts	0.01	0.13	0	3
6	Intangible asset intensity (%)	0.03	0.08	0	1
7	Potential Section 363 sales (%)	0.33	0.45	0	12.43
8	Cash position ($Mil)	0.09	0.15	0	1.00
9	Leverage	0.31	0.53	0	20.33
10	Profitability	−0.05	0.39	−5.6	0.59

	1	2	3	4	5	6	7	8	9	10
1	1									
2	0.949*	1								
3	0.795*	0.79*	1							
4	0.397*	0.342*	0.406*	1						
5	0.337*	0.292*	0.432*	0.785*	1					
6	0.162*	0.147*	0.061*	0.054*	0.041	1				
7	−0.170*	−0.159*	−0.139*	−0.07*	−0.061*	−0.122*	1			
8	−0.081*	−0.08*	−0.068*	−0.030	−0.032	−0.060*	−0.095*	1		
9	0.028	0.024	0.007	−0.010	−0.001	0.027	0.012	−0.119*	1	
10	0.001	0.002	0.011	0.005	0.007	0.047*	−0.060*	−0.044*	−0.098*	1

n = 2048 firm years, 140 Chapter 11 bankruptcy filings, matched sample by 4-digit primary industry.
* $p < 0.05$.

likelihood of reorganization in bankruptcy. Column 4 re-estimates the analysis in Column 3 using a Probit estimator. Column 5 presents Logit results including both executory contracts and those that are rejected as the independent variables of interest. Column 6 replicates the results in Column 5 using Probit estimation.

Hypothesis 3a predicts that a greater number of unfavorable relationships with key stakeholders will increase the likelihood that a declining firm will reorganize in Chapter 11 bankruptcy and subsequently emerge as a going concern. The results in Column 1 and Column 2 strongly support this prediction. Hypothesis 3b asserts that a greater number of executory contracts that a declining firm can reject will increase the likelihood that it will reorganize in Chapter 11 and emerge as a going concern entity. The results in Column 3 and Column 4 provide strong support for this prediction. With respect to the control variables in models predicting reorganization, cash position is the only significant variable.

Table 4 includes the cross sectional regression results predicting a firm's duration in bankruptcy. Model 1 estimates the effect of unfavorable executory contracts with stakeholders. Model 2 replicates the analysis in Column 1 and replaces executory contracts with only those that are rejected by the court. Column 3 re-estimates these models and includes both unfavorable contracts and those that are rejected.

For declining firms that reorganize in and emerge from bankruptcy, Hypothesis 4a predicts that intangible assets will have a negative association with a declining firm's duration in Chapter 11 bankruptcy. The results in Table 4 provide consistent strong support for this prediction. Similarly, Hypothesis 4b posits that potential Section 363 asset sales will have a negative association with a declining firm's duration in bankruptcy. Although the findings provide only weak support ($p < 0.10$) in two of the three models in Table 4, the results are significant and consistent with Hypothesis 4b.

The final set of hypotheses present competing arguments regarding the effect of rejected executory contracts on a firm's duration in bankruptcy. Hypothesis 5a predicts that the greater the number of unfavorable contracts with stakeholders that a declining firm can reject, the shorter its duration will be in bankruptcy. Hypothesis 5b makes the opposite argument. The results in Table 4 support the argument in Hypothesis 5b. The discussion section summarizes the implications of these findings and the consistency of these results with prior research on organizational decline and bankruptcy.

5. Discussion and conclusion

This study examines previously unexplored characteristics of declining firms that likely affect a firm's propensity to file for bankruptcy and implement a timely reorganization. Hypothesis 1 predicts that a declining firm's intangible assets increase its likelihood of filing for Chapter 11.

Table 1b
Descriptive statistics for firms that filed for Chapter 11 (n = 140).

Variable name	Mean	Std. dev.	Min.	Max.
Bankruptcy	1	0	1	1
Reorganization	0.91	0.29	0	1
Duration (years) in bankruptcy	1.96	1.45	0	6.87
Executory contracts	0.42	0.95	0	6
Rejected executory contracts	0.17	0.46	0	3
Intangible asset intensity (%)	0.07	0.13	0	0.56
Potential Section 363 sales (%)	0.04	0.16	0	0.84
Cash position ($Mil)	0.04	0.08	0	0.47
Leverage	0.37	0.33	0	1.47
Profitability	−0.05	0.28	−3.02	0.20

Table 2
Estimation results predicting Chapter 11 bankruptcy filing (robust standard errors in parentheses).

	FE logit	RE logit	RE probit
Intangible asset intensity	3.46***	3.44***	1.85***
	(0.97)	(0.80)	−0.45
Cash position	−4.43***	−4.78***	−1.99***
	(0.74)	(0.70)	−0.26
Potential Section 363 sales	−2.97*	−3.13**	−1.65***
	(1.23)	(1.05)	−0.50
Leverage	0.07	0.04	0.02
	(0.14)	(0.12)	−0.07
Profitability	−0.52*	−0.24	−0.15
	(0.24)	(0.24)	−0.13
χ^2 (*** indicates model significance)	95.45***	79.68***	92.00***

n = 2048 firm years, 140 bankruptcy filings, matched sample by 4-digit primary industry.
* $p < 0.05$.
** $p < 0.01$.
*** $p < 0.001$.

Table 3
Random effects estimation results predicting Chapter 11 reorganization (robust standard errors in parentheses).

	Logit1	Probit1	Logit2	Probit2	Logit3	Probit3
Executory contracts	2.62***	1.09***			2.53***	1.14***
	(0.42)	(0.15)			(0.56)	(0.26)
Rejected executory contracts			3.59***	1.69***	0.21	−0.10
			(0.64)	(0.26)	(0.90)	(0.46)
Intangible asset intensity	3.21***	1.57***	3.25***	1.64***	3.21***	1.57***
	(0.86)	(0.47)	(0.86)	(0.47)	(0.86)	(0.47)
Cash position	−4.20***	−1.74***	−4.22***	−1.78***	−4.20***	−1.74***
	(0.70)	(0.26)	(0.68)	(0.26)	(0.70)	(0.26)
Potential Section 363 sales	−3.50**	−1.80**	−3.26**	−1.68**	−3.48**	−1.81**
	(1.25)	(0.58)	(1.19)	(0.55)	(1.25)	(0.58)
Leverage	0.04	0.03	0.02	0.02	0.04	0.03
	(0.12)	(0.07)	(0.13)	(0.08)	(0.12)	(0.07)
Profitability	−0.22	−0.13	−0.25	−0.14	−0.22	−0.13
	(0.26)	(0.13)	(0.25)	(0.13)	(0.26)	(0.13)
χ^2 (*** indicates model significance)	104.11***	128.94***	95.98***	117.55***	104.22***	128.59***

n = 2048 firm years, 140 bankruptcy filings, matched sample by 4-digit primary industry.
** p < 0.01.
*** p < 0.001.

The positive and strongly significant results support this prediction. This finding is contrary to prior research, which found that firms with more intangible assets are more likely to restructure outside of bankruptcy (Gilson et al., 1990). The results for Hypothesis 1 are consistent with resource based strategy research, which demonstrates that certain resources or capabilities, such as intangibles, are causally ambiguous because they are embedded in organizations (Barney, 1991; King & Zeithaml, 2001; Lippman & Rumelt, 1982). Consequently, the value of intangible assets likely depends on stabilizing and sustaining a going concern, and this can more effectively occur in Chapter 11 bankruptcy. Liquidating these assets outside of bankruptcy would likely create instability and erode the potential value of intangibles.

Hypothesis 2 asserts that potential Section 363 asset sales increase the likelihood that a declining firm will file for Chapter 11. Contrary to this prediction, the results are positive and strongly significant. These findings are consistent with seminal work on asset sales outside of bankruptcy (Hoskisson & Johnson, 1992; John & Ofek, 1995; Montgomery, Thomas, & Kamath, 1984; Ravenscraft & Scherer, 1991). It appears that capital-intensive declining firms can implement strategic changes by selling off segments that do not fit their core competence without causing a major disruption to their operations. Alternatively, this result may stem from measurement error. We need more research to develop better measures of potential Section 363 assets and to identify particular conditions that affect a firm's propensity to implement asset sales in bankruptcy versus selling assets outside of bankruptcy. One approach is to first compile a sample consisting of firms with assets held for sale in bankruptcy and firms with assets available for sale in the normal course of business, and then examine firm characteristics that influence the likelihood of each mode of asset sales.

The findings for Hypotheses 3a and 3b are consistent with firms reorganizing in bankruptcy when they have more unfavorable relationships with stakeholders and especially when they can reject unfavorable contracts with these stakeholders. The results strongly support these predictions and suggest that firms can more efficiently implement such strategic changes in bankruptcy. This implied higher efficiency is enhanced when one considers the potential value lost in a distressed firm operating outside of bankruptcy where employees, customers, and suppliers become very uneasy about the firm's long-term survival and are more likely to terminate their relationship with the firm.

Hypotheses predicting a shorter duration in bankruptcy are supported by the data. As predicted, intangible assets (Hypothesis 4a) and potential Section 363 asset sales (Hypothesis 4b) are associated with a shorter duration in bankruptcy. These findings suggest that because the values of these assets are more closely tied to relationships with key employees, customers, and suppliers, firms have greater incentives to utilize bankruptcy as a mechanism for protecting the interests of these stakeholders.

The lack of support for Hypothesis 5a, which predicted a negative effect of rejected executory contracts on a firm's number of years in bankruptcy, and support for the opposite effect argued in Hypothesis 5b may stem from differences in the complexity of executory contracts. As contract complexity increases, the likelihood that opposing parties can make convincing arguments that delay the bankruptcy judge's decision increases and may force a firm to expend greater efforts to justify the necessity for early termination of a given contract. We need more research and finer grained data to identify other factors that might better explain this result.

Taken together, the results provide new evidence demonstrating a firm's motivations to file for and make strategic changes in Chapter 11 bankruptcy. An important implication of this study is its suggestion that focusing on managing the interests of all key stakeholders might help firms to overcome competitive disadvantages (Choi & Wang, 2009) and increase the likelihood of achieving sustainable performance improvements post-bankruptcy. In contrast to the traditional view, which focuses on the interests of creditors as the effective owners of

Table 4
Cross sectional regression results predicting duration in bankruptcy (robust standard errors clustered on primary industry in parentheses).

	Model1	Model2	Model3
Executory contracts	0.27+		−0.20
	(0.16)		(0.13)
Rejected executory contracts		1.09***	1.39***
		(0.28)	(0.35)
Intangible asset intensity	−2.99***	−2.78***	−2.78***
	(0.67)	(0.65)	(0.65)
Potential Section 363 sales	−1.09*	−0.98+	−0.97+
	(0.54)	(0.53)	(0.53)
Cash position	0.33	0.97	1.17
	(2.05)	(2.07)	(2.01)
Leverage	−0.28	−0.31	−0.36
	(0.44)	(0.42)	(0.41)
Profitability	0.48	0.49	0.50
	(0.31)	(0.31)	(0.31)
R^2 (*** indicates model significance)	0.14***	0.22***	0.22***

n = 127 firms.
+ p < 0.10.
* p < 0.05.
*** p < 0.001.

an insolvent, bankrupt firm, a stakeholder management perspective helps to resolve the contradiction between theory and practice regarding the potential strategic benefits of Chapter 11 bankruptcy. To the extent that they can simultaneously manage relationships with all key stakeholders, firms are likely to preserve more value in bankruptcy by maintaining stability of operations, thereby mitigating tension between creditor interests and all other stakeholder interests. Moreover, this examination of renegotiated or rejected executory contracts as a potential source of value is a significant contribution to our knowledge of why firms might use Chapter 11 as a mechanism for implementing strategic changes.

Because this study examined the 1980–1999 period, it is unclear whether these findings would hold in a sample since the 2005 amendments to the US Bankruptcy Code. These amendments substantially reduced the debtor's bargaining power with respect to the exclusivity period in which the debtor can file a plan of reorganization and conditions for acceptance or rejection of nonresidential leases (a type of executory contract). However, anecdotal data may shed some light on the likely effect of these changes. According to BankruptcyData.com, the number of business bankruptcies declined by 50% in 2006. However, subsequent to this decline there were increases from 2007–2010 of 7% to 17%. Given greater restrictions on filing firms' bargaining power since 2005, it is likely that firms currently have more incentives to strategically file for Chapter 11. More research is needed to determine whether a post-2005 sample would yield similar results.

This study contributes to stakeholder research, which focuses on the performance impact of a stakeholder view of the firm. By proactively managing the interests of all key stakeholders (Bosse et al., 2009; Choi & Wang, 2009; Harrison et al., 2010; Preston & Sapienza, 1990), firms can implement sustainable performance improvements and increase shareholder value (Hillman & Keim, 2001). The findings offer two important implications for this literature. First, by strategically filing for Chapter 11 bankruptcy, firms can preserve more value for all primary stakeholders and stem performance declines by implementing strategic changes that could help to overcome competitive disadvantages (Choi & Wang, 2009). Second, firms' strategic use of bankruptcy in the stakeholder management process might foster more value-enhancing relationships with key stakeholders such as customers, suppliers, and other trading partners. Future work will build on these findings by exploring post-bankruptcy performance implications.

This study contributes to strategy research on the efficacy of bankruptcy as a mechanism for reconfiguring a firm's resources and capabilities (Karim & Mitchell, 2000). Prior research has examined bankruptcy as a strategic option pursued only as a last resort (Flynn & Farid, 1991; Moulton & Thomas, 1993) and in certain cases to avoid legal judgments or employee claims (Delaney, 1992). However, the findings in this study suggest that declining firms might benefit from a strategic bankruptcy when they have more intangible assets, assets that can be traded under Section 363 of the US Bankruptcy Code, and unfavorable relationships with key stakeholders that cannot be resolved outside of bankruptcy. Future research will examine the nature of these benefits in an examination of post-bankruptcy performance. Another interesting topic is to examine when firms can use the bankruptcy process to make whole or partial firm sell-offs. A key mechanism for achieving this strategic reorientation is the efficacy of Chapter 11 bankruptcy as a market for corporate control (Anderson & Powers, 2009; Mintz & Stevens, 2012).

This study complements research on organizational decline by highlighting that, while historically the stigma of bankruptcy led firms to pursue this strategy only as a last resort (D'Aveni, 1989a,b; Hambrick & D'Aveni, 1988; Platt & Platt, 2012), in recent years bankruptcy has been a viable strategic tool for persistently poor performing firms. Future research will explore the efficacy of bankruptcy as a strategic change mechanism. This work will complement prior literature on corporate turnarounds (Barker & Barr, 2002; Barker & Duhaime, 1997).

This study also complements finance theories of corporate restructuring. While prior research has extensively examined the effect of a prepackaged bankruptcy on firm value (Tashjian et al., 1996), this work focuses on firm characteristics that signal financial distress to predict bankruptcy and emphasizes the interests of creditors as the firm's primary stakeholder. Corporate finance theories do not shed light on the influence of other stakeholder interests on a firm's decision to file for Chapter 11 and the effect of this choice on firm strategy and performance. This study highlights bankruptcy as a potential mechanism for implementing value-enhancing changes

For top managers, this study suggests that strategically filing for bankruptcy can help firms to preserve value and long-term viability. By renegotiating unprofitable contracts with key stakeholders, firms can implement strategic changes that facilitate sustainable performance improvements.

References

ABIWorld (2013a). The Bankruptcy Code, § 363 Use, sale, or lease of property. from http://law.abi.org/#/title11/363

ABIWorld (2013b). The Bankruptcy Code. § 365 Executory contracts and unexpired leases. from http://law.abi.org/#/title11/365

Altman, E. I. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. *Journal of Finance*, *23*(4), 589–609.

Anderson, D., & Powers, V. (2009). *Section 363 bankruptcy sales*. Schottenstein Zox & Dunn Co., LPA (Retrieved from Law360 website: www.law360.com).

Asquith, P., Gertner, R., & Scharfstein, D. (1994). Anatomy of financial distress: An examination of junk-bond issuers. *Quarterly Journal of Economics*, *109*(3), 625–658.

Barker, V. L., III, & Barr, P. S. (2002). Linking top manager attributions to strategic reorientation in declining firms attempting turnarounds. *Journal of Business Research*, *55*(12), 963–979http://dx.doi.org/10.1016/S0148-2963(00)00217-4.

Barker, V. L., III, & Duhaime, I. M. (1997). Strategic change in the turnaround process: Theory and empirical evidence. *Strategic Management Journal*, *18*, 13–38.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120.

Becchetti, L., Ciciretti, R., Hasan, I., & Kobeissi, N. (2012). Corporate social responsibility and shareholder's value. *Journal of Business Research*, *65*(11), 1628–1635http://dx.doi.org/10.1016/j.jbusres.2011.10.022.

Bosse, D. A., Phillips, R. A., & Harrison, J. S. (2009). Stakeholders, reciprocity, and firm performance. *Strategic Management Journal*, *30*(4), 447–456http://dx.doi.org/10.1002/smj.743.

Branch, B. (2002). The costs of bankruptcy: A review. *International Review of Financial Analysis*, *11*(1), 39–57http://dx.doi.org/10.1016/S1057-5219(01)00068-0.

Campbell, B. A., Coff, R., & Kryscynski, D. (2012). Rethinking sustained competitive advantage from human capital. *Academy of Management Review*, *37*(3), 376–395http://dx.doi.org/10.5465/amr.2010.0276.

Choi, J., & Wang, H. (2009). Stakeholder relations and the persistence of corporate financial performance. *Strategic Management Journal*, *30*(8), 895–907http://dx.doi.org/10.1002/smj.759.

Clarkson, M. B. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review*, *20*(1), 92–117http://dx.doi.org/10.2307/258888.

Daily, C. M. (1994). Bankruptcy in strategic studies: Past and promise. *Journal of Management*, *20*(2), 263–295.

D'Aveni, R. A. (1989a). The aftermath of organizational decline: A longitudinal study of the strategic and managerial characteristics of declining firms. *Academy of Management Journal*, *32*(3), 577–605.

D'Aveni, R. A. (1989b). Dependability and organizational bankruptcy: An application of agency and prospect theory. *Management Science*, *35*, 1120–1138.

Delaney, K. J. (1992). *Strategic bankruptcy: How corporations and creditors use Chapter 11 to their advantage*. Berkeley, CA: University of California Press.

Espen Eckbo, B., & Thorburn, S. K. (2008). Automatic bankruptcy auctions and fire-sales. *Journal of Financial Economics*, *89*(3), 404–422http://dx.doi.org/10.1016/j.jfineco.2007.10.003.

Evans, J., & Borders, A. L. (2014). Strategically surviving bankruptcy during a global financial crisis: The importance of understanding Chapter 15. *Journal of Business Research*, *67*(1), 2738–2742http://dx.doi.org/10.1016/j.jbusres.2013.03.024.

Flynn, D. M., & Farid, M. (1991). The intentional use of Chapter XI: Lingering versus immediate filing. *Strategic Management Journal*, *12*(1), 63–74.

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston, MA: Pitman.

Freeman, R. E. (1994). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly*, *4*(4), 409–421http://dx.doi.org/10.2307/3857340.

Freeman, R. E. (1999). Divergent stakeholder theory. *Academy of Management Review*, *24*(2), 233–236http://dx.doi.org/10.5465/amr.1999.1893932.

Gilson, S. C. (2001). *Creating value through corporate restructuring: Case studies in bankruptcies, buyouts, and breakups*. New York: John Wiley & Sons, Inc.

Gilson, S. C., John, K., & Lang, L. H. P. (1990). Troubled debt restructurings. *Journal of Financial Economics*, *27*, 315–353.

Hambrick, D. C., & D'Aveni, R. A. (1988). Large corporate failures as downward spirals. *Administrative Science Quarterly*, *33*, 1–23.

Hand, J. R. M., & Lev, B. (Eds.). (2003). *Intangible assets*. Oxford University Press.

Harrigan, K. R., & Porter, M. E. (1983). Endgame strategies for declining industries. *Harvard Business Review*, *61*(4), 111–120.
Harrison, J. S., Bosse, D. A., & Phillips, R. A. (2010). Managing for stakeholders, stakeholder utility functions, and competitive advantage. *Strategic Management Journal*, *31*(1), 58–74http://dx.doi.org/10.1002/smj.801.
Hatch, N. W., & Dyer, J. H. (2004). Human capital and learning as a source of sustainable competitive advantage. *Strategic Management Journal*, *25*(12), 1155–1178http://dx.doi.org/10.1002/smj.421.
Hillman, A. J., & Keim, G. D. (2001). Shareholder value, stakeholder management, and social issues: What's the bottom line? *Strategic Management Journal*, *22*(2), 125–139 http://dx.doi.org/10.1002/1097-0266(200101)22:2<125::aid-smj150>3.0.co;2-h.
Hoskisson, R. O., & Johnson, R. A. (1992). Corporate restructuring and strategic change: The effect on diversification strategy and R&D intensity. *Strategic Management Journal*, *13*(8), 625–634.
Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *American Economic Review*, *76*(2), 323–329.
Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360http://dx.doi.org/10.1016/0304-405X(76)90026-X.
John, K., & Ofek, E. (1995). Asset sales and increase in focus. *Journal of Financial Economics*, *37*(1), 105–126.
Karim, S., & Mitchell, W. (2000). Path-dependent and path-breaking change: Reconfiguring business resources following acquisitions in the U.S. medical sector, 1978–1995. *Strategic Management Journal*, *21*, 1061–1081.
King, A. W., & Zeithaml, C. P. (2001). Competencies and firm performance: Examining the causal ambiguity paradox. *Strategic Management Journal*, *22*, 75–99.
Laplume, A. O., Sonpar, K., & Litz, R. A. (2008). Stakeholder theory: Reviewing a theory that moves us. *Journal of Management*, *34*(6), 1152–1189.
Lippman, S., & Rumelt, R. P. (1982). Uncertain imitability: An analysis of interfirm differences in efficiency under competition. *Bell Journal of Economics*, *13*, 418–438.
Meyer, M. W., & Zucker, L. G. (1989). *Permanently failing organizations.* Newbury Park, CA: Sage Publications, Inc.
Mintz, D. S., & Stevens, M. A. (2012). United States: So you want to sell (or buy) a company under Section 363? Here's how. 2014. http://www.mondaq.com/unitedstates/x/211994/Insolvency+Bankruptcy/So+You+Want+to+Sell+or+Buy+A+Company+Under+Section+363+Heres+How
Montgomery, C. A., Thomas, A. R., & Kamath, R. (1984). Divestiture, market valuation, and strategy. *Academy of Management Journal*, *27*(4), 830–840.
Moulton, W. N., & Thomas, H. (1993). Bankruptcy as a deliberate strategy: Theoretical considerations and empirical evidence. *Strategic Management Journal*, *14*(2), 125–135.
Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L., & DeColle, S. (2010). Stakeholder theory: The state of the art. *The Academy of Management Annals*, *4*(1), 403–445.
Platt, H. D., Mirick, C. R., & Platt, M. B. (2011). Ethics, bankruptcy and greed: The unintended consequences for landlords of the 2005 bankruptcy amendments. *International Journal of Business Governance and Ethics*, *6*(3), 249–263http://dx.doi.org/10.1504/IJBGE.2011.043240.
Platt, H., & Platt, M. (2012). Corporate board attributes and bankruptcy. *Journal of Business Research*, *65*(8), 1139–1143http://dx.doi.org/10.1016/j.jbusres.2011.08.003.
Porter, M. E. (1980). *Competitive strategy.* New York: Free Press.
Preston, L. E., & Sapienza, H. J. (1990). Stakeholder management and corporate performance. *Journal of Behavioral Economics*, *19*(4), 361–375http://dx.doi.org/10.1016/0090-5720(90)90023-Z.
Ravenscraft, D. J., & Scherer, F. M. (1991). Divisional sell-off: A hazard function analysis. *Managerial and Decision Economics*, *12*, 429–438.
Rumelt, R. P., Schendel, D. E., & Teece, D. J. (1994). Fundamental issues in strategy. In R. P. Rumelt, D. E. Schendel, & D. J. Teece (Eds.), *Fundamental issues in strategy: A research agenda* (pp. 9–47). Boston, MA: Harvard Business School Press.
Tashjian, E., Lease, R. C., & McConnell, J. J. (1996). An empirical analysis of prepackaged bankruptcies. *Journal of Financial Economics*, *40*(1), 135–162.
Thorburn, K. S. (2000). Bankruptcy auctions: Costs, debt recovery, and firm survival. *Journal of Financial Economics*, *58*(3), 337–368http://dx.doi.org/10.1016/S0304-405X(00)00075-1.
Williamson, O. E. (1979). Transaction cost economics: The governance of contractual relations. *Journal of Law and Economics*, *22*, 233–261.
Williamson, O. E. (1991). Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*, *36*, 269–296.