guide to company restructuring process

What is company restructuring?

Company restructuring is the act of changing the business model a company operates under so that it's better equipped for success. While some companies undergo restructuring due to financial pressures, this isn't the only reason for restructuring. The purpose of restructuring is to change the company for the better and create a strong foundation upon which to build its operations.

Learn more

Why do companies restructure?

Restructuring can happen due to internal or external factors. The most common factors for restructuring include:

volatile business environment

The environment that companies operate in is dynamic and constantly changing. Companies undergo restructuring when external factors changing the business environment place pressure being placed on a company's financial and operational resources.

debt

Companies also undergo restructuring when they may not be able to pay their debts in the short term or in the long term.

continuous poor performance

A corporate restructure should be considered if a company is consistently recording a poor trading performance and/or failing to produce returns that effectively meet the expectations of its shareholders.

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cashflow requirements

Cashflow is fundamental to ongoing business operations. Businesses rely on cashflow to meet their expenses and pay their employees. When a company has issues maintaining cashflow, they typically look to restructure their financial and operational processes.

one-off serious events

One-time serious events may also be a reason for companies to undergo restructuring. For example, this can include when a company has encountered the collapse of a large customer, leaving the company in financial distress.

Important considerations when restructuring

Before making the decision to undergo company restructuring, there are several issues that a company may consider. These factors important and have the potential to impact the type of restructuring the company undertakes. They include:

- ✓ legal or procedural issues to be addressed during the restructuring process
- ✓ necessary changes to accounting procedures
- ✓ the impact of restructuring on staff morale and company culture
- ✓ any valuation or funding issues
- ✓ taxation liabilities and responsibilities
- ✓ the impact of restructuring on the ability to remain competitive

Types of restructuring

Some common types of restructuring include:

- financial restructuring
- legal restructuring
- mergers & acquisitions
- turnaround
- divestment
- cost reduction

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