

# Contents

Acknowledgments	xi
<b>PART I The Nature and Origin of Structural Change</b>	
1. Introduction	3
• A Decade of Confrontation	3
• Financial Structure as an Instrument of Change	6
• Some Questions about Restructuring in the 1980s	8
• The Nature of the Evidence	13
• The Organization of the Book	14
2. The Structure of the 1970s: The Origins of Investor Discontent	17
• Chapter Overview	17
• The 1970s	20
• Leadership in the 1970s: Motivation and Rationale	22
• Career Jobholder/Transient Stockholder	24
• The Social Environment	28
• The Voice of the Capital Markets	29
• A Case in Point: Armco Steel	31
• The Legacy of the 1970s	35
• A Time of Reckoning	38
	vii

3. The Imperative for Change	41
• Chapter Overview	41
• Clear and Present Danger	43
• Preconditions for Voluntary Restructuring	44
• Leadership in Place	46
• The Triggers of Change	49
• The Voluntary Imperative	52
4. Changing the Structure of Corporate Investment	57
• Chapter Overview	57
• Restricting the Authority to Reinvest	59
• Limiting Investment Choice	61
• Contracting Discretionary Reserves	64
• Tightening the Terms of Funding	67
• Enhancing the Productivity of Dollars Invested	69
5. Changing the Structure of the Revenue Stream	71
• Chapter Overview	71
• Armco's Survival Plan	73
• The Corporate Superstructure	76
• The Structure of Constituency Claims	78
• The Ultimate Payoff	81

## **PART II The Process of Structural Change**

6. Alertness to Change: General Mills, Inc.	89
• Introduction to Part II	89
• Chapter Overview	90
• A History of Voluntary Restructuring: Prologue	91
• The Origins of "The All-Weather Growth Company"	93
• Consolidating the Gains, Assessing the Losses	97
• New Leadership, New Environment	100
• The Implementation of Voluntary Restructuring	102
• Corporate Transformation and Market Response	105
7. Commitment to Change: Burlington Northern Inc.	111
• Chapter Overview	111
• Setting the Stage	114
• Developing Natural Resources	116

• Working on the Railroad	118
• Options Considered	123
• The Crowning Blow	124
• The End of an Era	126
• The Bottom Line	130
• Postscript	134
8. Stimulus to Change: CPC International, Inc.	137
• Chapter Overview	137
• The Origins of the Pre-1986 Structure	139
• CPC under McKee	141
• Two Decades of Structuring, a Year of Restructuring	146
• The Results of Restructuring	150
• Two Decades of Performance	152
• CPC Restructuring—Voluntary or Involuntary?	155
<b>PART III The Management of Structural Change</b>	
9. The Record of the 1980s	159
• Chapter Overview	159
• A Historical Perspective	160
• The Consequences of the 1980s Restructuring	162
• Winners and Losers	165
• Resistance to Change/Windows of Opportunity	168
• The Efficiency of the Voluntary Process	171
• Unfinished Business	174
10. Issues for the 1990s	177
• Chapter Overview	177
• The Forces Driving Investment	178
• The Propensity to Overcapitalize	180
• The Competition for Corporate Value-Added	181
• Cycles of Restructuring	182
• The Future of Restructuring—Voluntary or Involuntary?	184
• The Role of Board Oversight	189
11. Doing It Better Next Time	193
• Chapter Overview	193
• Evolutionary Reform	195

• Working within the System	198
• The Boundaries of Intervention	200
• The Elements of a Responsive Governance Process	202
• Self-Renewal and the Need for Governance Reform	210
Appendix: Sources of Company Data	213
Index	221