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Volume 36, 2004 - Issue 8

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Do asset sales lead to improvements in operating performance?

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Pages 865-871 | Published online: 02 Feb 2007

 [Download citation](#)  <https://doi.org/10.1080/0003684042000229578>

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Abstract

The changes in operating performance associated with asset sales are investigated for a sample of UK firms. Asset sales are followed by an improvement of 11% per annum in the level of operating performance relative to the pre-sale performance level. Further, improved abnormal operating performance is found, which is measured after controlling for the performance of the industry, the pre-sale performance of the firm and the level of competition in the market for asset sales. The abnormal operating performance of the remaining assets improve by 2.4% per annum, on average, for three years after the asset sales. This study also finds that the market for asset sales is imperfectly competitive.

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Acknowledgements

We would like to especially thank Jerry Coakley for comments and various helpful suggestions and Tony Arnold, Bimbola Adedeji, Richard Baker, Ephraim Clark, Jo Danbolt, Ronan Powell, Bill Rees, Richard Taffler, Andy Stark, Bob Wearing. The usual caveat applies.



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