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Anti-Takeover Provisions In Corporate Spinoff

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Abstract: *This paper investigated the relationships which subsist between Anti-Takeover Provision (ATPs) and the performance of Spin-off firms. The paper specifically assess the operating performance of the firms before and after Spin-off and attempts to shed new light on the use of ATPs in corporate Spin-off. The primary data used for the study was collected via questionnaire administered on the sampled respondents. The study employed Analysis Of Variance (ANOVA) and Regression Techniques to analyse the data with the aid of the Statistical Package for Social Sciences (SPSS,Version 16). The Pearson Correlation test was conducted to explain the relationships between the study variables. To test the significance and reliability of the parameters used, the Standard error test was carried out and the Durbin Watson (DW) test was also applied to test for auto-correlation. The study found out that firms that are protected by more ATPs before Spin-offs have a higher abnormal announcement return and greater improvements in post Spin-off operating performance. The study revealed that ATPs have a direct and positive relationship with the performance of a corporate Spin-off firm. This positive correlation ensures that Anti-takeover measures affect Shareholders value positively and also improves the firm's value. The study thus recommended that financial firms need to employ more ATPs to protect their firms from unnecessary takeovers and also to protect the value of the firm and cushion aftermaths of spin-offs. Moreover, the Anti-takeover measures that are available should be used specifically to regulate and control the effects on the Spin-off firms.*

Keywords: *Anti-takeover, Spin-off, Corporate, Acquisitions, Distressed.*

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I. Introduction

This paper focuses on Anti-takeover provisions and how such provisions affect the performance of spin-off firms in Nigeria. More often, firms do make anti-takeover provisions to protect themselves from unnecessary takeover by larger and more competitive firms.

Takeover is a feature of modern business, which is largely responsible for the growth of many firms, thereby playing a key role in the economic growth of a society. In view of the impact of business takeover on any economy, different jurisdictions regulate takeover provisions in their laws in line with their peculiar circumstances, and Nigeria is not an exception. Several reasons exist why a company may decide to take over another company. A company can take over another company in order to boost its revenue stream and increase market share. A company can take over another company to achieve international growth. Again, a company may decide to take over another company in order to diversify its products and expand new revenue streams. A typical example is Kraft's 2010 takeover of Cadbury for $19.5 billion, which diversified Kraft's candy line with more than 40% brands, increased revenue and sales as well as the company's international presence, especially in emerging markets.In most circumstances, companies in the best position to buy out (takeover) other companies are those with extra cash and balance sheets that have reached maximum revenue potential and need to make strategic change to grow.

In the Nigerian banking industry, a lot of acquisitions took place during the tenures of Prof. Soludo and Mallam Sanusi Lamido Sanusi. Many distressed banks were taken over by those banks that were considered to be sound and efficient. For example, Mainstreet Bank took over Afribank Plc, Sterling Bank Plc acquired Equatorial Trust Bank. Intercontinental Bank Plc and Oceanic Bank Plc were acquired by Access Bank Plc and Ecobank Nigeria Plc respectively. Enterprise Bank Ltd and Keystone Bank Ltd took over Spring Bank and Platinum-Habib Bank respectively

A takeover can either be friendly or hostile. A hostile takeover always aimed at replacing the current existing management, and is usually attempted through a public tender offer. Antitakeover provisions are the measures a firm's management takes to discourage unwanted or hostile takeovers. In other words antitakeover

provisions are actions by a firm's management to block or halt takeover by another party (Scott, 2003; Campbell&Morgenson, 2012). There existseveral controversial researches on antitakeover provisions and how they impact on the performance of a firm (Field &Karpoff, 2002, Core et al, 2006, Chemmanur, Paeglis&Simonyan, 2011; Chemmanur, Jordan, Liu & Wu, 2009).

Results of past research show that antitakeover provisions (ATPs) reduce shareholder value because they entrench managers by insulating them from the market for corporate control (Garvey & Hanka, 1999; Masulis et al, 2007; Harris & Glegg, 2007). Other researchers are of the opinion that firms can use ATPs to enhance shareholders wealth. They argued that ATPs can increase the bargaining power of the target firm, and enhance the long-term value of the firm in the hands of high ability managers (Ryngaert& Schotten, 2010; Chemmanur & Jiao, 2005, Chemmanur & Yan, 2004).

A parent company can decide to create a new independent company through the distribution or sale of shares of an existing subsidiary or a division of the company. This part of the parent company that is sold is what is known as a spinoff. In most cases, the spun-off companies are less productive or unrelated subsidiary businesses, which the parent company expects will worth more as independent entities than as part of larger business. Some researchers are of the view that managers of spinoff companies use ATPs to entrench themselves and extract private benefits from shareholders (Ahn and Denis, 2004; Chemmanur and Nandy, 2006). They argued that if the Chief Executive Officer (CEO) of the pre-spinoff firm continues to be the CEO of either the post-spinoff parent or the spun-off unit (but not both), he will assign more ATPs to the unit in which he remains as CEO and fewer ATPs to the other units. Researchers also posit that high ATP firms have poorer operating performance before spin-off, and greater improvement in operating performance after spin-off, compared to low ATP firms; and that firms optimally choose ATPs to increase their bargaining power in a takeover battle, or to implement risky long-term projects. They added that ATPS are not related to the firm's performance (Chemmanur et al, 2009; Chemmanur, Paeglis and Simonyan, 2011).

Till date, limited research exist on antitakeover provisions and corporate spinoffs in Nigeria. Most finance researchers in Nigeria tend to focus more on mergers and acquisition and theireffect on corporate performance. Little or no attention has been given to the impact of those measures that companies (especially spinoffs) put in place against unnecessary takeovers by stronger and more competitive companies. This research, therefore, exists to fill this gap in literature.

1.1 Objectives of the Study

The major objective of this study is to investigate the effect of Anti-takeover provisions (ATPs) on the performance of spin-off companies in the Nigerian banking sector. Other specific objectives are:

- To assess the operating performance of firms before and after spin-off
- To shed more light on the use of ATPs by studying the role of ATPs in corporate spin-off

1.2 Research Questions

Answers to the following research questions will be sought in the course of the study:

- What effect do Anti-takeover provisions have on spin-off firms?
- Do ATPs actually increase the value of a firm?
- Do ATPs actually decrease firm value?

II. Literature Review

The topic of Anti-takeover provisions and corporate spinoff has been a very controversial topic among different scholars. This section entails the review of the existing body of knowledge, starting with the clarification of the key terms contained in the topic.

2.1 Conceptual Clarification

The term Takeover according to Harvey (2012), is a general term referring to the transfer of control of a firm from one group of shareholders to another shareholder or group of shareholders, either through a friendly acquisition or through an unfriendly (hostile) bid. It is a corporate action in which an acquiring company makes a bid for another company. A takeover is considered to be hostile, when the targeted company refused to be purchased, if otherwise, it is considered a friendly takeover. In other words, there is a friendly takeover, when the board of directors support the acquisition (takeover). A hostile takeover occurs when the board of directors does not support the bid for the takeover. It (hostile takeover often aims at replacing the current existing management.

A spin-off is a situation in which a company offers stock (shares) in one of its wholly-owned subsidiary or dependent division such that the subsidiary or division becomes an independent company. The parent company may or may not maintain a portion of ownership in the newly spun-off company. In another way round, a spin-off can be seen as a company, whose business is based on products/services or technology initially

developed in a parent company. It is a type of divesture and can be partial or full spin-off. A partial spin-off occurs if the parent company decides to sell only a minority stake in the business, thereby exercising some form of control on the semi-independent spun-off company.

Simply put, Anti-takeover provisions are the periodic or continual measures a firm's management put in place to discourage unwanted or hostile takeover by another stronger company. When a hostile bid is received, the board of directors must organize defense tactics, depending on what is permissible by law or stock market regulations in the company's country of operation.

2.2.1 Why companies takeover other companies

A number of reasons exist as to why a company may decide to take over another company. Some of the reasons include but not limited to the followings:

- To diversify the company's products and expand new revenue streams. A typical example is found in Kraft's 2010 takeover of Cadbury (Bloomberg Businessweek).
- To achieve international growth: A company may decide to take over another in order to increase its international presence, especially in emerging markets. For instance, Belgium Brewing Company, INBEV, took over Budweiser for $52billion in 2008 in order to expand its presence in the U.S market (The New York Times).
- Some companies will take over an under-performing company or a company that has the potentials to grow in the future, in order to restructure the business and make more it profitable. A typical example is BJ's Wholesale Club's takeover by Leonard Green & Partners and CVC Capital Partners for $2.8billion 2011 (USA Today).
- Another reason why companies takeover other companies is for expansion purposes. For instance, Wells Fargo's 2008 takeover of Wachovia for $15.1billion. The takeover resulted in a significant expansion in Wells Fargo's operations (The New York Times).

2.2.2 Why companies spin-off

A company may conduct a spin-off for any number reasons. A company may conduct a spin-off with the expectation that the spun-off company will more as an independent entity than as part of the parent company. Possibly, a company's management might see a need to divest the company of one industry so that it can expand into another company, through a corporate spinoff. Companies sometimes conduct spinoffs if they wish to profit from the sale of their subsidiaries or divisions through spin-offs.

A company may decide to conduct a spin-off, when it desires to sell off an unprofitable part of the business, especially when it is offered an attractive price and such business can realize greater value to shareholders when sold than when retained. In addition, a company may decide to conduct a spinoff in compliance with the pronouncements of regulatory bodies. For instance, following the repeal of universal banking by the Central Bank of Nigeria (CBN), United Bank for Africa (UBA) PLC in 2012, kick started a scheme of arrangement for its restructuring into a holding company. The Proposed holding company structure was to come out with three new listed entities created, in addition to the bank (UBA PLC) which is already listed on the Nigerian Stock Exchange (NSE). They are: UBA Africa Holdings Limited, UBA Capital Holdings Limited (which comprises all of UBA PLC's non-bank subsidiaries and associate companies), andAfrica Prudential Registrars, which was to be created when UBA PLC spins-off UBA Registrars to existing UBA PLC Shareholders, to operate as a separate entity.

2.2.3 Anti-takeover measures

Defending a company against takeover bids often requires a long-term strategy to discourage any potential bidders, and short-term tactics to resist a specific bid. The most effective long-term defensive strategy is to achieve continuing growth in profits and dividends, and a high share price. A hostile takeover bid will then have to be at a very high price to stand a chance of succeeding. If a target company's directors indicate their hostility to a possible bid, the potential bidder often will give up the attempt immediately. There are several measures companies put in place as protection against hostile takeovers by stronger companies. They include but not limited to the followings:

- "**Macaroni" Defense:** An anti-takeover measure in which a company issues a large number of bonds with the provision that they must be redeemed at high price, if the company is to be taken over. This measure expands the cost of a hostile takeover, just like macaroni expands when it cooks (Scotte, 2003). Macaroni defense can also make a friendly takeover more difficult.
- **Argument:** A company can resist a takeover bid through the force of argument. Various arguments against takeover can be used such as: "The bid is too low and undervalues the shares", the offer price fails to reflect the future profitability of the company, its future business prospects, high dividend per share, and its high assets value.

- **"White Knight" Defense:** The target company's board of directors can persuade another company (a White knight) to make a rival but friendly bid, which can be circulated to the shareholders for support. To win shareholders support, the price offered by the rival bidder must be sufficiently attractive.
- **Poison Pill Defense:** This has to do with the alteration of the voting rights of existing shareholders in the event of a hostile bid, making the takeover less attractive to the bidder. This approach is prohibited in the U.K by company law. It restricts the voting rights of unwanted bidders who acquire shares in the company.
- **Fatman Defense:** A company acquires a largeunderperforming company as a means of deterring a hostile bid.
- **Golden Parachute:** This measure adds to the overall cost of a takeover without giving the buyer any benefit. The Golden Parachute measure encourages managerial entrenchment because it makes provision for lucrative termination arrangement for executives in the event of takeover. It tempts directors to welcome a takeover bid, if payments are very large.

Other Anti-takeover provisions a company can adopt include Sketchily Defense, Fair Price Amendments, Greenmail, Just-say-no Defense, Pac-man Defense (initiation of a takeover for the hostile acquirer itself), Super majority approval of takeover, White square Defense, Shark Repellants (i.e. amendments to the corporate charter that make hostile takeover difficult to accomplish), and by corporate charter amendments that makes the replacement of the board of directors difficult.

Of the aforementioned anti-takeover measures, poison pill has become the most notorious, although it is by far not the most commonly used around the world. One of the most benign tactics allowed by law in virtually all countries around the world is a negotiation with an alternative friendly acquirer (white knight or White Square). Poison pills and other sophisticated defenses are popular almost nowhere outside of the U.S and are especially rare in emerging and less active markets. In some countries, they are simply not needed, as less sophisticated defenses exist (Nenova, 2006). Bebchuk et al. (2009) opined that six particular provisions are the most effective among all ATPs. They are: classified boards, limits to bylaw amendments, limit to charter amendments, supermajority requirements for mergers, poison pills, and golden parachute.

III. Empirical Review

Till date, limited research exist on anti-takeover provisions and how they impact on the performance of corporate spinoffs in Nigeria in view of the fact that concept is a recent development in the finance. This section of the paper dwells on the review of results of various researches conducted on the subject matter, both within and outside the shores of Nigeria.

Existing literatures provide mixed evidence on the impact of anti-takeover provisions on firm's operating performance, particularly corporate spin-offs. Early literature examining the impact of anti-takeover amendments on Research and Development(R & D) expenditures has provide a mixed result (Chemmanur & Tian, 2013). For instance, Meulbrock et al. (1990) posit that firms decrease R&D expenditures after adopting anti-takeover amendments. Conversely, Pugh et al. (1992) find empirical evidence that R&D expenditures rise after amendment adoptions. In another development, Johnson and Rao (1997) find no significant departures from for R&D expenditures from industry norms after firms pass anti-takeover amendments.

Using regression techniques, Chemmanur and Tian (2013) find a positive causal effect of ATPs on firm innovation, consistent with the value creation hypothesis and that the effect of ATPs on firm innovation is more pronounced for firms with a larger degree of information asymmetry. The result further suggest that the positive effect of ATPs on patent quality is stronger for firms that are operating in more competitive product markets. They concluded that firms with a larger number of ATPs are more innovative and that adopting more ATPs is optimal for innovative firms and suboptimal for firms that are not engaged a significant extent of innovation. ATPs such as dual class share structures may encourage managers to undertake innovative long-term investments by insulating them from takeovers. Using the enactment of state anti-takeover laws (especially the enactment of Business Combination Laws) as a proxy for the decrease in the threat of hostile takeover, Atanassov (2013) finds out that state ant-takeover laws stifle innovation. Using the same state anti-takeover laws as the proxy takeover, Sapra, Subramaniam and Subramaniam (2013) developed a theoretical model and show a U-shaped relationship between innovation and takeover pressure. On the impact of corporate spin-off on firms operating performance, Colak and Whited (2007) find that efficiency improvement after spin-offs and divestures disappears after controlling for self-selection and measurement errors in efficiency. Research evidence also shows that the abnormal returns around spin-off announcements are lower in countries where shareholders rights are better protected (Veld & Veld-Merkoulova, 2004; Chemmanur et al., 2009; Hagendorff et al., 2008, Morey et al., 2009). Other researchers suggest that there are greater gains from spin-offs. Spin-of increases the probability of the parent company or the subsidiary becoming takeover targets and that operating performance of improves after spin-off (Chemmanur & Yan, 2004; Ahn & Denis, 2004; Chemmanur & Nandy, 2006). Chemmanur et al. (2009) opine that the stock market reacts positively to spin-off announcements.

Gompers, Ishii, and Metrick (2003) empirically find out that firms with a greater number of ATPs have lower stock (share) returns. This finding was questioned by Core, Guay and Rusticus (2006) on the ground that the finding lacks conclusive evidence indicating that ATPs affect actual firm performance, rather they argue that ATPs destroy firm value in a subset of firms. While they are value-neutral or even enhance value in others. In a similar development, Bebchuk and Cohen (2005) find that staggered boards are associated with reduction in firm value. This finding is further supported by the findings of Bebchuk, Cohen & Ferrel (2009), that six ATPs (Classified boards, limits to bylaw amendments, limit to charter amendment, supermajority requirement for mergers, poison pills, and golden parachute) deserve attention and are associated with firm valuation and stock return.

In another development, Chemmanur, Paeglis & Simonyan (2011) study the relationship between management quality and the prevalence of anti-takeover provisions in IPO firms. They find that firms with lower quality management teams will be more likely to adopt stronger (a greater number of) ATPs in their corporate charter prior to going public. So that managers will secure their position and assume private benefit of control. This finding supports the managerial entrenchment hypothesis put forward by Chemmanur et al. (2009). They also find that management team size (TSIZE), the percentage of managers with MBA degrees (PMBA) and the percentage of managers who are CPAs (PCPA) have positive and significant impact on the number of ATPs in IPO firms. Firms with greater percentage of MBAs in their management teams (PMBA) have a greater likelihood of having a staggered board, restriction on shareholders' to call shareholder meetings, a restriction on voting by written consent, and a requirement for directors to be removed only for a cause. They conclude that firms with high quality managers are associated with a greater number of ATPs relative to those with lower-quality managers; and that those with larger growth options are associated with number of anti-takeover provisions (ATPs). Regardless of management quality, firms with a greater number of ATPs outperform those with small number of, both in terms of post-IPO operating and stock (share) return performance.

Supporting the management entrenchment hypothesis, Chemmanur et al. (2009) find that if the chief executive officer (CEO) of the pre-spin-off firm continues to be the CEO of the parent but not the subsidiary company, he is likely to assign more ATPs to the parent company and vice versa. They also find that firms protected by more ATPs before spin-off have higher abnormal announcement returns and greater improvements in post spin-off operating performance than firms with fewer ATPs, and that firms that reduce the number of ATPs after spin-offs have greater improvements in operating performance than firms otherwise.

IV. Theoretical Framework

This section of the paper focuses on the theoretical context within which the research was conducted. The study is undertaken within the context of two existing theories on anti-takeover provisions and corporate spin-offs.

The Managerial Entrenchment Theory: This theory posits that high Anti-takeover Provision (ATP) firms have poorer operating performance, before spin-offs and greater improvements in operating performance after spin-offs compared to low-ATP firms. According to the proponents of the theory, the poor operating performance before spin-offs in high ATP firms is due to higher degree of management entrenchment in these firms. More entrenched managers in high ATP firms are less subject to the market for corporate control, therefore manage such firms less efficiently so that the potential gains from the spin-off may be greater.

The Shareholder Interest Theory: The shareholder interest theory predicts no difference in abnormal returns around spin-off announcements between high-ATP firms and low-ATP firms. Proponents argue that firms optimally choose ATPs based on their characteristics, such as growth opportunities and market valuation, to protect shareholder value instead of entrenching the management. Therefore, they argued that ATPs are in way related inefficiency in firms or gains from spin-off. In other words, the shareholder interest theory predicts no difference in operating performance between high-ATP and low-ATP firms. Existing researchers are known to have used these two theories in their study (Chemmanur et al.2009; Chemmannur, Paeglis & Simonyan, 2011).

V. Corporate Spin-Offs In The Nigerian Banking Industry

A number of matters pertaining to insolvency and restructuring occurred in Nigeria in 2012, particularly in the banking industry. In a bid to prevent a recurrence of the 2009 crisis in the financial sector, the Central Bank of Nigeria (CBN), the industry's primary watch dog, implemented policies and directives aimed at remodeling the industry. One of such policies was the reversal of Universal Banking policy (introduced in 2010), which permitted banks to consolidate or integrate various distinct operations under one corporate structure. Instead, the Apex Bank directed commercial banks either to spin-off their subsidiaries involved in non-commercial banking activities such as insurance, asset management, capital market and investment banking, to adopt a holding company structure. Examples of corporate spin-offs in the Nigerian Banking industry include but not limited to the followings:

UBA PLC: As a result of the directives given by CBN, UBA PLC commenced a restructuring exercise in 2012, which saw the spin-off of UBA Capital PLC and Africa Prudential Registrars (formally UBA Registrars PLC). The shares of UBA Capital PLC and Africa Prudential PLC were listed on the Nigeria Stock Exchange (NSE) on Friday 11, 2013 (The Citizen). The historic listing of the two firms was sequel to the adoption of a monoline commercial banking structure by UBA PLC, as approved by shareholders on Thursday, December 13, 2012; which authorized the divestment (spin-off) of non-commercial banking business of UBA Group.

FIRST BANK NIGERIA PLC: First Registrars Nigeria Limited was a wholly-owned of First Bank Nigeria PLC until December 2012, following a resolution passed at the Court-Ordered-Meeting that First Bank should divest (spin-off) its entire holdings in First Registrars in line with CBN directives. This resulted in First Bank Nigeria PLC, off-loading its industry-leading share registration business with the assurance that shareholders interest will be taken care of (First Registrars Nigeria Limited, 2013).

ACCESS BANK: Trust Bond Mortgage Bank PLC began its success story as Intercontinental Homes Savings and Loans PLC, which emerged in the wake of the recapitalization of banks in 2005 on the acquisition of Gateway Bank by the defunct Intercontinental Bank PLC, and Intercontinental Homes Savings and Loans PLC became a subsidiary of Access Bank PLC in 2011. Trust Bond Mortgage Bank PLC came into being as a result of divestment of non-commercial banking activities in Access Bank PLC in 2013 (Trust Bond Mortgage Bank PLC, 2015).

Other spin-off companies in the Nigerian Banking Industry include: GTB Registrars, the share registration business of Guarantee Trust bank PLC; Union Registrars (which is the share registration business of Union Bank), ADIC Insurance Limited, the risk firm sold by Diamond Bank, Afriland Properties, Wema Bank.

VI. Methodology

This research utilized a survey research technique through the administration of 55 questionnaires to staffs of five quoted banks within Lagos state and Ikare-Akoko, in Akoko North-East, Ondo State. The banks are Skye Bank, Wema Bank, Ecobank Nigeria PLC, First Bank Nigeria PLC and Access Bank PLC. Data for the study were collected from primary source.

6.1 Techniques of Estimation

The study employ regression techniques with the aid of the Statistical Package for Social Sciences (SPSS) version 16, to analyze the data collected from the subjects of the study.

The **Pearson Correlation Test** is used to explain the relationship between the study variables. To test the significance and reliability of the parameters used, the standard error test, also known as "the rule thumb test" is carried out. The regression coefficient ($\mathbf{R^2}$) is utilized to test for the goodness of fit in the parameters estimated, to confirm and justify the performance of anti-takeover provisions of spin-off firms. Finally, the **Durbin Watson (DW) test** is applied to test for auto-correlation.

6.2 Model Specification

The primary aim of this study is to investigate the effect of Ant-takeover provisions (ATPs) on the operating performance of spin-off firms in the Nigerian banking industry. Therefore, the model to be estimated in this research expresses the outcome (operating performance) of spin-off firms (OPS_f) as the function of anti-takeover provisions (ATPs). The model is specified thus:

$$OPS_f = f(ATPs) \quad \text{.....(1)}$$

Incorporating the relationship between the parameters to be estimated, the model is re-written as follows:

$$OPS_f = \beta_0 + X_1\beta_1 + X_2\beta_2 + X_3\beta_3 + e_1 \quad \text{.....(2)}$$

Where, OPS_f = Dependent variable,

β_0 = Constant

$\beta_1, \beta_2, \beta_3$ = Predictors or Independent variables

X_1, X_2, X_3 = Parameters to be estimated, and

e_1 = Random, stochastic, disturbance or error term.

From the subject matter of the study, it could be said that anti-takeover provisions are the independent variables, while operating performance of spin-off firms is the dependent variable.

A Priori Expectation: In this study, it is expected that the ATPs employed by spin-off firms will have a positive and direct effect on the performance of such firms and shareholder value likewise. Therefore, the expected signs of the explanatory or independent variables are:

$$\beta_1, \beta_2, \beta_3 > 0$$

In equation (2), the dependent variable take (OPS_f) takes the value of unity (1) if the firm adopts a particular ATP, and zero (0), if otherwise.

VII. Discussion Of Results

The results from the regression analysis are explained as follows:

Table 1: Pearson Correlation

	Q_{10}	Q_7	Q_8	Q_{11}	Q_{14}
Q_{10}	1.000	0.190	-0.031	0.053	0.238
Q_7	0.190	1.000	0.165	0.051	0.165
Q_8	-0.031	0.165	1.000	0.224	0.264
Q_{11}	0.053	0.051	0.224	1.000	0.021
Q_{14}	0.238	0.165	0.264	0.021	1.000

Source: SPSS output

Note that:

Q_{10} = Anti-takeover provisions affect the operating performance of spin-off companies after spin-off.

Q_7 = Anti-takeover provisions affect spin-off firms positively

Q_8= Spin-off units perform better as independent firms than when they were a part of the parent firm.

Q_{11} = There is abnormal returns around spin-off announcements.

Q_{14} = Firms protected by more Anti-takeover provision before spin-off have a higher abnormal return around spin-off announcement

Table 2: Regression Coefficient

		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. error	Beta	T	Sig.
1	(Constant)	.772	.332		2.328	.24
	Q_7	.174	.150	.168	1.163	.251
	Q_8	-.023	.025	-.139	-.916	.365
	Q_{11}	.073	.153	.070	.480	.633
	Q_{14}	.251	.151	.246	1.658	.104

Source:SPSS Output

From **Table 2** above, it can be seen that the coefficients for the model are low, which is an indication of low predictive ability. However, with the exception of Q_8, all the other predictors are positively related with the dependent variable (Q_{10}). Table

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change statistics					Durbin-Watson
					R-Square change	F change	df1	df2	Sig.F Change	
1	.314[a]	.098	.018	.4903	.098	1.227	4	45	.313	1.808

Source: SPSS Output

Dependent Variable: $Q_{10;}$ Predictors: (Constant), Q_7, Q_8, $Q_{11,}$ andQ_{14}

Table 4 shows that R Square and the Adjusted R Square stood at 0.098 and 0.018 respectively. This implies that only about 9.8% of the variation in the model is explain by the variables of the study. The remaining 90.2% is explained by other factors outside the model. This means that the independent variables are not good choices in predicting the dependent variable. Notwithstanding the low adjusted coefficient of determination, there still exists a positive relationship between the predictors (Q_7, Q_8, $Q_{11,}$ andQ_{14}) and the dependent variable (Q_{10}). The R value represents a simple correlation and is 0.314. This indicates a low degree of correlation. The closer the R value is to 1 the greater the degree of correlation between the variables of the study. The Durbin-Watson test for autocorrelation is calculated as 1.808 (Table 4). This lies between the critical points 1.5 and 2.5 (i.e. 1.5<1.808<2.5). The implication is that the variables are independent, and an indication that the model is free from the problem of autocorrelation.

6.4 Test of Hypothesis

The hypothesis to be tested is stated as follows:

H_0: Anti-takeover provisions do not significantly affect the performance of spin-off firms.

H_1: Anti-takeover provisions significantly affect the performance of spin-off firms.

Decision Rule: Reject the null hypothesis (H_0), if the computed T-statistic is greater than the critical table value at 0.05 (or 5%) significant level. Accept the null hypothesis if the calculated T-statistic is less than the critical table value. From table 3, the computed T-statistic for the model is 2.328; while the critical table value from T-table at a degree of freedom of 45 and significant level of 0.05 is 2.014. Since the calculated T-value is greater than the table value, the null hypothesis, which states that Anti-takeover provisions do not significantly affect the performance of spin-off firms, should be rejected. The alternative hypothesis, which states that Anti-takeover provisions significantly affect the performance of spin-off firms, should therefore be accepted.

VIII. Conclusion

The above finding supports the findings by Chemmanur and Tian (2013) and Chemmanur &Nandy, 2006. However, the result disagrees with findings of Chemmanur, Paeglis&Simonyan (2011); Gompers, Ishii, and Metrick (2003). The study contradicts the managerial entrenchment theory and supports the shareholder interest theory.

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