Proven Ways to Increase Stock Value

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Proven ways to increase shareholders’ wealth:

Find investment opportunities that beat the market
  • Find better business unit strategies than anyone expected you would
Sources of competitive advantage

- **Becoming a low-cost producer**
  - increased efficiency
  - power over suppliers of inputs
- **Creating or enhancing valuable real options**
  - such as options for growth, flexibility, exit, or timing
- **Gaining monopoly power or market power**
  - patent protection, proprietary knowledge, product differentiation, or switching costs

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Porter’s Generic Product/Market Strategies

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<th>Lower Cost</th>
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<td><strong>Broad Market</strong></td>
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- Winning isn’t enough; you have to be better than people expected
It’s not winning or losing that counts, son. What counts is beating the point spread.

Other proven ways to increase shareholders’ wealth:

- Stop non-competitive activities
- Pay out cash
  - (making promises about future dividends doesn’t count)
  - this leads to gradual liquidation
- Spin off any divisions that can stand alone
- Be acquired by another company

These Lead to Restructuring
Forms of Governance

- Restructuring usually brings a change in the form of governance
- Equity
  - Decisions by management
  - Useful in rapidly changing environments
- Debt
  - Governed by rules that cannot be changed
  - Useful in very stable environments
- Dequity
  - Governed by rules that can be renegotiated
  - Useful in somewhat stable environments