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The Antecedents and Consequences of Plant-Closing Announcements

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(various studies with Yann Ferrand, Ratee Apana, Bogdan Bichescu)

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214 Lindner Hall

Plant closings are widespread throughout the U.S. economy. The affected businesses are not limited by industry, size or any other factor. When one company closes a plant the impact is felt in other businesses in the community including customers, suppliers, and competitors. Import competition, restructuring, manufacturing phase-out, technological obsolescence, declining orders (loss of contracts), cost cuts, bankruptcy, or selling of a firm often trigger unhappy and demoralizing stories of plant closings. This paper attempts to classify and assess the key antecedent conditions that lead to plant-closing announcements and the consequential financial impact of these announcements. We use Dow Jones, Reuters, and similar news wires to collect announcements of plant closings over a five-year period, and through cluster analysis develop a classification scheme to develop a typology of plant-closing announcements. Then we use Compustat to test hypotheses related to key financial antecedent conditions and consequences of these announcements. We find significant tendencies in the financial data to suggest antecedents and consequences of plant-closing announcements.

Amitabh S. Raturi is Professor of Operations Management and SAP Research Fellow in QAOM, CoB, University of Cincinnati. Prof. Raturi's research interests are in the area of manufacturing planning, scheduling, and operations strategy. His research covers resource-constrained scheduling, opportunity costs, flexibility, and responsiveness. He has published over 30 papers in journals such as JOM, POMS Journal, Decision Sciences, Sloan Management Review, IIE Transactions, EJOR, IJPR, NRLQ, Omega, JORS, Interfaces, and others. His work experience is in engineering and purchasing. His academic qualifications include a Ph.D. in Operations Management from University of Minnesota, an MBA from IIM, Ahmedabad, India, and B.Tech. in Mechanical Engineering from IIT, Kanpur, India. He is the author and architect of Pathways for Continuous Improvement, an intensive program for developing operations strategy in manufacturing firms, offered through the Navy Centers for Excellence and has conducted the workshop in over 20 firms. Prof. Raturi teaches Operations Management, Project Management and Operations Strategy.

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