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Information Sharing, Price Negotiation and Management Buy-outs of Private Family-owned Firms

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Abstract

Perspectives relating to agency theory, information asymmetries and game theory were utilized to explore two outcomes associated with the management buy-out (MBO) or management buy-in (MBI) of former private firms: whether information was shared equally between vendors (i.e., family firm owners) and purchasers (i.e., MBO/I management teams) and whether a mutually agreed price was achieved. With reference to the themes of company ownership structure, governance structure and company objectives several hypotheses were derived. Survey evidence was gathered from the managers of 114 former private family-owned firms located across Europe that recently reported an MBO/I. Multiple logistic regression analysis detected that respondents in founded (first generation) family firms and those reporting a high focus on the strategic importance of the

market value increment were more likely to report that 'information was shared equally between vendors and purchasers'. Respondents reporting no suitable family successor had been identified, a high focus on the strategic importance of the market value increment, and the involvement of venture capitalists in succession planning were more likely to report that a mutually agreed sale price had been achieved. Implications for practitioners and researchers are discussed.

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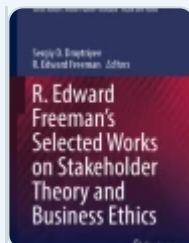
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