Advertisement

Strategic Management Journal / Volume 8, Issue 4 / pp. 319-327

Article

Financial and stock market variables as predictors of management buyouts

Rebekah J. Maupin

First published: July/August 1987

https://doi.org/10.1002/smj.4250080403

PDF

Abstract

This paper investigates whether publicly held firms which change to private ownership through management buyouts (ex-public firms) possess characteristics prior to the change which differentiate them from firms which remain publicly owned. The financial characteristics of ex-public firms for the year immediately prior to going private were analyzed. A multivariate framework was developed to determine which attributes best distinguished firms going private via management buyouts from similar firms not going private. A discriminant function was developed using seven ratios: (1) concentration of ownership, (2) cash flow to net worth, (3) cash flow to total assets, (4) price/earnings ratio, (5) price/book value ratio, (6) book value of depreciable assets in relation to original costs, and (7) dividend yield. The model demonstrated a classification accuracy of 77.8 percent for the original sample and 81.4 percent in a hold-out sample validation. These findings imply that financial characteristics alone provide a means by which firms going private via management buyouts can be separated from others. Therefore one can argue that, regardless of the stated motive for going private, financial characteristics either are explicit decision variables or directly reflect non-financial reasons for management buyouts.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Google Scholar

Bradley, M. 'Interfirm tender offers and the market for corporate control', Journal of Business, October 1980, pp. 345–376.

Google Scholar

Center for Research on Security Prices (CRSP), public use daily computer tapes, University of Chicago.

Google Scholar

DeAngelo, H., L. DeAngelo and E. M. Rice. 'Going private: minority freezeouts and stockholder wealth', *Journal of Law and Economics*, **XXVII**, October 1984, pp. 367–401.

Web of Science® Google Scholar

Dodd, Peter. 'Merger proposals, management discretion and stockholder wealth', *Journal of Financial Economics*, **8**, June 1980, pp. 105–137.

Web of Science® Google Scholar

Dodd, P. and R. Ruback. 'Tender offers and stockholder returns: an empirical analysis', Journal of Financial Economics, December 1977, pp. 351–374.

Google Scholar

Easterbrook, G. H. and D. R. Fischel. 'Corporate control transactions', *Yale Law Journal*, **91**, March 1982, pp. 698–737.

Web of Science® Google Scholar

Eisenbeis, Robert A. and Robert B. Avery. *Discriminant Analysis and Classification Procedures: Theory and Applications*, D. C. Heath and Company, Lexington, MA, 1972.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Jensen, M. C. and W. H. Meckling. 'Theory of the firm: managerial behavior, agency costs and ownership structure', Journal of Financial Economics, October 1976, pp. 305–337.

Google Scholar

Mesday, Lisa M. 'The 50 largest private industrial companies', *Fortune*, **105**, May 1982, pp. 108–114.

Google Scholar

Nossiter, Daniel D. 'Piece of the action: a lot of money is pouring into leveraged buyouts', *Barrons's*, **61**, October 1981, pp. 4–5 and 14.

Google Scholar

Pinches, George E. 'Factors influencing classification results from multiple discriminant analysis', *Journal of Business Research*, **8**, December 1980, pp. 429–456.

Web of Science® Google Scholar

Sandler, Linda. 'Wall Street finally discovers the leverged buyout', *Institutional Investor*, **16**, August 1982, pp. 88–93.

Web of Science® Google Scholar

Satran, Richard. 'Surviving without Wall Street: going private', *Chain Store Age Executive*, **58**, August 1982, pp. 15–17.

Google Scholar

Schneider, Carl W., Joseph, M. Manko and Robert, Kant 'Going public: practice, procedure and consequences', *Villanova Law Review*, **27** (1), November 1981, pp. 1–51.

Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Stevens, Donald L. ‘Financial characteristics of merged firms: A multivariate analysis’, Journal of Financial and Quantitative Analysis, March 1973, pp. 149–158.

Google Scholar

Wall Street Journal, ‘ Big tax advantages prompt rise in leveraged buyouts’ 12 Oct. 1983, p. 31.

Google Scholar

Webermen, Ben. ‘Operation buyout’, *Forbes*, **129**, March 1982, pp. 54.

Google Scholar

Williamson, O. E. *Corporate Control and Business Behavior*, Prentice Hall, Englewood Cliffs, NJ, 1970.

Google Scholar

Citing Literature

Download PDF

Strategic Management Society

134 N LaSalle St

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Privacy Policy
Terms of Use
About Cookies
Manage Cookies
Accessibility
Wiley Research DE&I Statement and Publishing Policies

HELP & SUPPORT

Contact Us
Training and Support
DMCA & Reporting Piracy
Sitemap

OPPORTUNITIES

Subscription Agents
Advertisers & Corporate Partners

CONNECT WITH WILEY

The Wiley Network
Wiley Press Room

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential