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Article

Longevity and the life-cycle of management buy-outs

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Abstract

The longevity debate about buy-outs has hitherto been restricted. By focusing on large highly leveraged transactions, existing research has taken only a partial view of how long buy-outs last and the factors influencing longevity. This paper develops and tests hypotheses concerning the influences on buy-out longevity across the whole spectrum of management buy-out applications. Both quantitative and case study evidence from the U. K. is presented. A heterogeneity view of buy-outs is supported. Tests using quantitative data show that earlier exit is associated with larger buy-outs, and buy-outs arising on privatization from the public sector and from non-U. K. parents. Case study evidence principally supports hypotheses that earlier exit is associated with financing institutions being in a relatively stronger position than management and with more rapidly changing market conditions for the firm.

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