

Assessing the Impact of Management Buyouts on Economic Efficiency: Plant-Level Evidence from the United Kingdom

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Abstract

We assess the total factor productivity of 35,752 manufacturing establishments before and after management buyouts (MBOs). MBO plants are less productive than comparable plants before the transfer of ownership. They experience a substantial increase in productivity after a buyout, which appears to be due to measures undertaken by new owners to reduce the labor intensity of production, via outsourcing of intermediate goods and materials. These findings, which are pervasive across industries, imply that MBOs reduce agency costs and enhance economic efficiency. Our evidence is consistent with Jovanovic and Rousseau (2002), who suggest that ownership changes shift resources to more efficient uses and to better managers.

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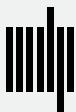
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