

Figure 1: Adoption of best management practices (BMP): (a) BMP and buyout firm's age; (b) BMP and buyout firm's size

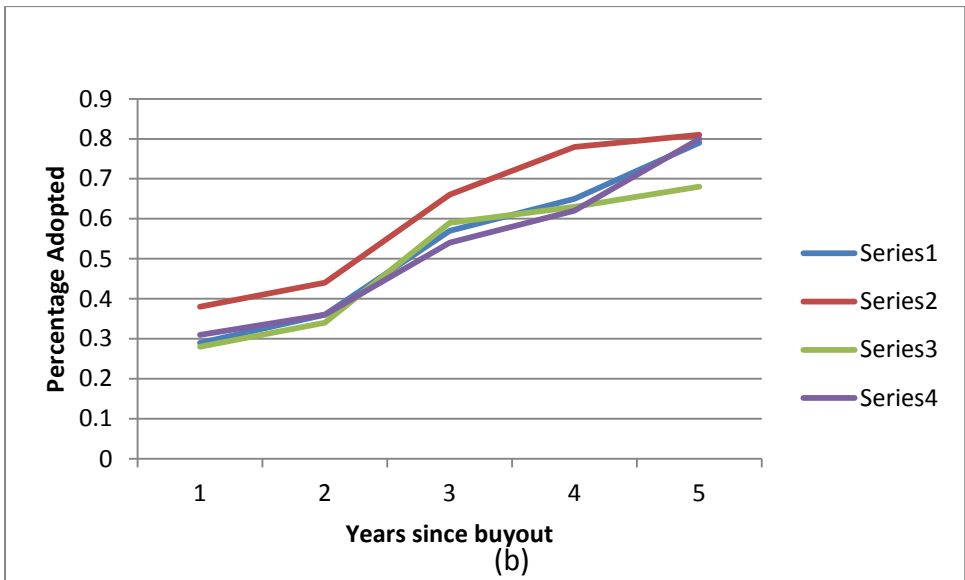
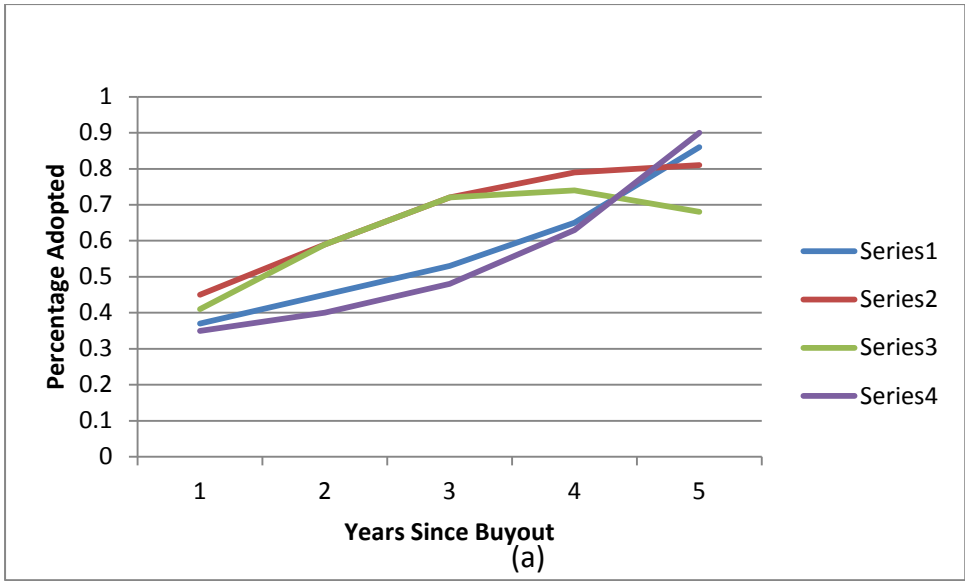


Figure 2: Adoption of best management practices: (a) BMP and buyout age in MBOs; (b) BMP and buyout age in non-MBOs.

Table 1: Adaptive organizations and best management practices

Areas where adaptive processes are likely to occur	Information-based decision support organizational mechanisms	Resource allocation related organizational mechanisms	Performance measurement related organizational mechanisms
Best management practices	Operations related management practices	Incentives related management practices	Targets related management practices, including the type of targets, realism of the targets, the transparency of targets and the range and interconnection of targets
	The introduction of lean manufacturing techniques	Promotion criteria	Monitoring related management practices, including the tracking of performance of individuals, reviewing performance and consequence management
	The documentation of processes improvements The rationale behind introductions of improvements	Pay and bonuses Fixing or firing bad performers	

Table 2: Sample development

Companies in the initial database	520
Companies that went out of business	16
Companies acquired	72
Companies ineligible in some other way ^a	49
Companies that did not respond ^b	48
Companies that declined participation	127
Final sample of companies	208

a: These are companies that are too old, or have trade union problems.

b: These are companies that did not respond at all.

Table 3: Descriptive statistics

Variables	Year 1	Year 2	Year 3	Year 4	Year 5
BMP					
Mean	0.38	0.50	0.60	0.69	0.80
Std. Dev	0.18	0.19	0.20	0.20	0.21
Operations ^a					
Mean	0.35	0.43	0.51	0.64	0.84
Std. Dev	0.26	0.26	0.27	0.28	0.26
Monitoring					
Mean	0.42	0.56	0.69	0.76	0.78
Std. Dev	0.26	0.28	0.28	0.27	0.24
Targets					
Mean	0.44	0.65	0.75	0.77	0.71
Std. Dev	0.24	0.23	0.24	0.24	0.24
Incentives					
Mean	0.31	0.36	0.44	0.59	0.87
Std. Dev	0.28	0.28	0.26	0.27	0.26
Size					
Mean	76.30	71.61	197.30	386.78	523.85
Median	42	63	86	120	126
Std. Dev	175.45	238.39	220.77	412.37	585.65
BOARD					
Mean	0.71	0.73	0.73	0.77	0.76
DEBT					
Mean	0.66	0.72	0.65	0.61	0.54
CEO					
Mean	0.33	0.35	0.35	0.54	0.52
CFO					
Mean	0.34	0.38	0.25	0.49	0.58
HR MANAGER					
Mean	0.65	0.78	0.64	0.53	0.47
BD MANAGER					
Mean	0.17	0.56	0.45	0.76	0.58
COMPETITION					
Mean	0.65	0.66	0.65	0.63	0.63
COST LEADERSHIP	Std. Dev = 0.72 Actual Range = -1.89-1.53 Cronbach's α = 0.71				
DIFFERENTIATION	Std. Dev = 0.81 Actual Range = -2.54-2.17 Cronbach's α = 0.84				
SUBSIDIARY					
Mean	0.23	0.17	0.20	0.24	0.27
Productivity					
Mean	34.9				
ROA					
Mean	22.7				
Revenues ('000) ^b					
Mean	11,869				
Industry	Number of companies				
Manufacturing	52				
Trade	58				

Telecommunications	26				
Health & Education	40				
IT Industry	32				

Notes: a: Operations, Monitoring, Targets and Incentive are the percentage of practices adopted over the maximum number of practices that can be potentially adopted.

b: Revenues are for the last year of data available.

Table 4: Correlation Matrix

	SIZE	BOARD	DEBT	CEO	CFO	SUB	BMP	OPER	MON	TAR
BOARD	0.48									
DEBT	0.17	0.65								
CEO	0.36	0.32	0.29							
CFO	0.42	0.52	0.38	0.23						
SUBSIDIARY	0.24	0.53	0.26	0.20	0.48					
BMP	0.28	0.58	0.24	0.31	0.35	0.24				
OPERATIONS	0.48	0.63	0.49	0.54	0.57	0.48	0.37			
MONITORING	0.32	0.45	0.28	0.43	0.75	0.52	0.39	0.47		
TARGETS	0.16	0.61	0.57	0.22	0.62	0.54	0.31	0.52	0.53	
INCENTIVES	0.13	0.55	0.28	0.34	0.38	0.41	0.35	0.64	0.49	0.21

Note: Pearson correlation is reported. All correlations are significant at the 1% level.

Table 5: Buyout adoption of BMP

	BMP		Operations		Monitoring		Targets		Incentives	
	Coeff.	Z-stat	Coeff.	Z-stat	Coeff.	Z-stat	Coeff.	Z-stat	Coeff.	Z-stat
SIZE	1.21**	0.58	0.68**	0.76	2.44***	1.24	0.16	-0.15	1.342***	0.56
BOARD	1.38**	2.74	1.52**	1.86	2.36***	1.65	1.74***	1.48	1.54**	0.64
DEBT	1.26**	0.76	1.39***	1.23	1.87**	1.35	1.43**	0.58	2.76***	1.34
CEO	1.14*	0.11	1.85***	0.01	0.54	0.03	0.12	-0.67	1.58***	1.13
CFO	1.79**	2.49	1.32**	3.11	1.21**	1.18	2.27***	1.31	1.42**	0.28
HR MANAGER	1.64**	0.22	3.65***	1.34	3.86***	5.06	1.16**	4.51	1.54***	1.49
BD MANAGER	1.84*	1.31	1.12**	1.15	4.25***	2.76	1.52**	1.82	1.53***	1.47
COMPETITION	1.68**	1.47	0.31	0.50	1.65**	0.45	1.48**	1.24	1.37***	1.26
COSTLEADERSHIP	1.03**	0.01	1.06**	0.02	0.03	0.18	3.67***	3.31	0.01	0.02
DIFFERENTIATION	2.25**	0.82	2.28***	0.68	0.08	0.12	0.21	-0.91	1.26***	0.12
SUBSIDIARY	1.03	0.17	0.82	0.14	0.04	-0.12	1.32***	0.21	1.45***	1.13
Manufacturing	1.86***	1.31	1.30***	0.35	1.46***	0.21	1.69***	3.60	1.12***	1.59
Trade	0.05	0.29	0.93	0.89	0.73	0.49	0.78	-1.60	0.86	0.69
Telecom	0.91	-0.53	0.74*	-1.87	0.83	-1.25	0.80	-1.55	0.36	0.70
Health & Education	0.73	-2.17	0.94	0.60	0.90	-0.89	-1.47*	3.51	0.25	1.43
IT Industry	0.96	-0.33	0.80	-1.55	1.27	1.25	0.81	-1.79	0.02*	0.54

Note: one-tailed for SIZE, CEO, CFO, HR MANAGER, BD MANAGER, two-tailed otherwise. *** p < 0.01; ** p < 0.05; * p < 0.1

Table 6: Best management practices and buyout firm performance.

	Revenue Growth	Productivity	ROA
CONSTANT	1.197* (0.441)	1.691*** (0.559)	0.351*** (1.016)
OPERATIONS	0.003 (0.112)	0.531*** (0.455)	0.383*** (0.541)
MONITORING	0.111 (0.143)	1.647*** (0.482)	0.372** (0.282)
TARGETS	0.012* (1.284)	1.536*** (0.338)	1.831*** (0.986)
INCENTIVES	0.023 (0.024)	1.363*** (0.571)	1.654** (0.645)
SIZE	0.219* (0.164)	0.771*** (0.153)	0.631*** (0.581)
BOARD	0.066 (0.162)	0.841*** (0.512)	0.536*** (0.432)
DEBT	0.024 (0.036)	0.152*** (0.142)	0.641*** (0.234)
CEO	0.002 (1.202)	0.298*** (0.020)	0.017* (0.033)
HR MANAGER	0.142 (0.101)	0.253*** (0.139)	0.109** (0.085)
CFO	0.105 (0.021)	0.149*** (0.376)	0.002 (0.117)
BD MANAGER	0.171 (0.049)	0.231 (0.153)	0.232** (0.357)
COMPETITION	0.182** (0.138)	1.451** (0.512)	0.672*** (0.324)
COSTLEADERSHIP	0.105 (0.016)	3.342*** (0.618)	1.256** (0.781)
DIFFERENTIATION	0.116* (0.218)	2.671*** (0.357)	2.341*** (0.873)
SUBSIDIARY	0.005 (0.029)	0.231 (0.181)	-0.031 (0.171)
Industry Controls	Yes	Yes	Yes
Observations	207	208	208
P-value of F-Statistic	0.006	0.009	0.013
R ²	0.112***	0.560***	0.346***

Note: The standard errors and covariances are white heteroskedasticity-consistent. In all regressions, industry controls are included but not reported. (***) $p < 0.01$; (**) $p < 0.05$; (*) $p < 0.1$

Table 7: Endogeneity – Best management practices and buyout firm performance

	Revenue Growth	Productivity	ROA
Constant	0.186 (0.131)	0.008 (0.513)	0.027* (0.930)
OPERATIONS	0.198 (0.160)	1.180*** (0.792)	0.691*** (0.530)
MONITORING	0.058 (0.023)	0.147*** (0.134)	0.156*** (0.041)
TARGETS	0.056 (0.164)	0.474*** (0.226)	1.277*** (0.612)
INCENTIVES	0.279** (0.036)	1.083*** (0.961)	1.031*** (0.420)
SIZE	0.218 (0.283)	0.832*** (0.529)	0.460** (0.434)
BOARD	0.094 (0.215)	0.410*** (0.351)	0.191** (0.133)
DEBT	0.118 (0.112)	0.203** (0.134)	0.774*** (0.678)
CEO	0.124 (0.221)	0.378** (0.257)	0.216*** (0.114)
HR MANAGER	0.186 (0.131)	0.212*** (0.161)	0.264*** (0.142)
CFO	0.203 (0.255)	2.955*** (1.175)	0.210*** (0.116)
BD MANAGER	0.170 (0.142)	0.261** (0.171)	0.001 (0.001)
COMPETITION	0.001 (0.003)	0.278*** (0.173)	0.169*** (0.136)
COSTLEADERSHIP	0.115 (0.109)	0.236*** (0.244)	0.233* (0.43)
DIFFERENTIATION	0.130 (0.137)	0.278*** (0.114)	0.175** (0.085)
SUBSIDIARY	0.001 (0.003)	0.163 (0.149)	-0.001 (0.007)
Industry Controls	Yes	Yes	Yes
Observations	207	208	208
P-value of F-Statistics	0.011	0.007	0.011
R ²	0.118***	0.361***	0.589***

Notes: The standard errors and covariances are White heteroskedasticity-consistent. In all regressions, industry controls are included but not reported. (***) p < 0.01; ** p < 0.05; * p < 0.1).