Our finding that managerial objectives drive bad acquisitions suggests a different interpretation of the gains from bust up takeovers. Raiders in these deals facilitate the sale of each piece of the target to the highest bidder. Part of the gain from this activity is doubtless the improvement in the operations of particular divisions under a more talented or a better motivated management team.

Bradley, Michael, A. Desai, and E. Han Kim, 1988, Synergistic gains from corporate acquisitions and their division between the stockholders of target and acquiring firms, Journal of Financial Economics 21, 3-40. Donaldson, Gordon, 1984, Managing Corporate Wealth (Praeger, New York), and Jay Lorsch, 1983, Decision Making at the Top (Basic Books, New York). Do Managerial Objectives Drive Bad Acquisitions? The Journal of Finance, 1990. Randall Morck. READ PAPER. Do Managerial Objectives Drive Bad Acquisitions? Download. Do Managerial Objectives Drive Bad Acquisitions? Randall Morck. Loading Preview. These results are consistent with the proposition that managerial rather than shareholders' objectives drive bad acquisitions. This paper documents for a sample of 327 US acquisitions between 1975 and 1987 three forces that systematically reduce the announcement day return of bidding firms. The returns to bidding shareholders are lower when their firm diversifies, when it buys a rapidly growing target, and when the performance of its managers has been poor before the acquisition. These results are consistent with the proposition that managerial rather than shareholders' objectives drive bad acquisitions. Suggested Citation. Morck, Randall & Shleifer, Andrei & Vishny, Robert W., 1990. Modern managements are rightly described as 'Management by Objectives' (MBO). This MBO concept was popularized by Peter Drucker. The genesis of MBO is attributed to Peter Drucker who has explained it in his book 'The Practice of Management'. Definitions Of Management By Objectives MBO :- According to George Odiome, MBO is "a process whereby superior and subordinate managers of an Organisation jointly define its common goals, define each individual's major areas of responsibility in terms Of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."