

## What Does it Take to be Good Parent?

### Opening the Black-box of Value Creation in the Unrelated Multibusiness Firm

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#### ABSTRACT

This paper develops and tests new theory about the determinants of value creation in unrelated multibusiness firms from a resource-based perspective. We argue that the availability of *headquarter resources*, which are at the basis of headquarter services provided to the business units, is the 'driving force behind unrelated diversification. The availability of headquarter resources on the one hand and the need for the corresponding headquarter service on the other are key contingencies for value-creating unrelated diversification. We then examine the case of Leveraged Buyout (LBO) associations as one type of unrelated multibusiness firm and derive hypotheses from our theoretical model regarding the mechanisms through which the investing private equity firm (as the corporate center) adds value to the acquired portfolio companies (as business units). This analysis considers the moderating effect of: (a) relevant competencies of the private equity firm; and, (b) the need of the acquired units in these hypotheses. We test our predictions on a sample of 101 European LBO associations and find general support for our argument.

#### KEYWORDS:

Diversification, Private Equity, Management Buyout, Leveraged Buyout, Resource-Based View, Parenting Effect, Conglomerate