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**WORKING PAPER**

Transaction costs, behavioral uncertainty and the formation of  
interfirm cooperations: Syndication in the UK private equity  
market

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# Transaction costs, behavioral uncertainty and the formation of interfirm cooperations: Syndication in the UK private equity market

## **Summary**

Empirical results on the relationship between uncertainty and interfirm cooperation are conflicting. To address this puzzle, we distinguish between two different sources of uncertainty: primary and behavioral uncertainty. We hypothesize that the effect of primary uncertainty on interfirm cooperation is moderated by the behavioral uncertainty associated with an exchange partner. Evidence from the formation of investment syndicates in the management buyout market shows that for high levels of behavioral uncertainty, there is a negative effect of primary uncertainty on interfirm cooperation, whereas for low levels of behavioral uncertainty there is a positive effect. Implications for theory and research are suggested.

Keywords: transaction cost economics, uncertainty, interorganizational strategy, social capital, reputation