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SUCCESSION, PROFESSIONALIZATION AND THE STAYING POWER OF "FAMILINESS": A LONGITUDINAL STUDY OF MANAGEMENT BUYOUTS OF FAMILY FIRMS

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ABSTRACT

This study is a longitudinal analysis of eight UK family businesses that underwent an MBO/I in 1998. It examines whether the MBO/I triggers professionalization of the business, the continuance of a family ethos and their influences on performance. Analysis is of interview, survey and financial data collected from multiple respondents at three points in time up to 2006. We find that succession through MBO/I can enable the family firm to maintain its independent ownership and sustain the notion of "familiness" over time, albeit in a metamorphosed state.

INTRODUCTION

Life-cycle perspectives regarding the development of enterprises suggest that professionalization is an important stage for entrepreneurs who aim to grow their businesses (Filatotchev and Wright, 2005). It is of particular interest to family businesses, which are commonly perceived to be less "professional" due to the intertwining of family and business objectives and values. Earlier conceptualizations suggested that family firms were a stage in the development of firms. There is an assumption that "professional" firms will be more efficient and this is epitomized in the agency theory argument for the separation of ownership and control, supplemented by financial rewards, to ensure goal congruence. However, this is the opposite scenario to many family businesses, which are often owner-managed and founded on non-financial objectives. Yet the ethos, the "familiness", of family firms may provide positive attributes in terms of loyalty, long term commitment and trust.

Succession in family firms introduces major challenges for the survivability of the business (Lansberg, 1999). It presents a juncture where the continuation of familiness and the professionalization of the business potentially collide. It has been suggested that, in some cases, the entrepreneur should move on to allow the business to grow (Boeker and Karichalil, 2002). Similarly, professionalization and performance may be influenced by removal of the family from the business. However, organizational cultures may be deeply embedded such that aspects of familiness may continue. Hence, while the life-cycle view appears to take a linear perspective of firm development, a gap in the literature concerns the reconciliation of notions of professionalization and familiness. Addressing this gap has important implications for the survivability and future performance of the firm. Management buyouts (MBO) and buyins (MBI) are a discrete event where some or all of the owners exit the firm but the ethos and identity of the firm remains similar. MBO/Is are an increasingly popular succession option for owners of family firms who wish to exit the firm and realize their investment (Howorth, Westhead and Wright, 2004). The majority of MBOs involve privately held firms, many of which are family owned businesses (CMBOR, 2006), but there are significant gaps in our knowledge surrounding the performance of privately held firms post MBO.

We address the following research questions:

1. Are MBO/Is a means of professionalizing family firms? Is there any link between professionalization and improved performance?
2. What influences the prevalence of a family ethos post MBO/I? And are there any links between that and performance?

3. To what extent does the MBO/I provide a dynamic mechanism to reconcile notions of professionalization and familiness?

The research is based on a novel longitudinal study of eight firms that went through a management buyout or buyin in 1998. The following section provides a brief overview of previous studies to highlight the issues that are relevant. This is followed by a description of the longitudinal case study methodology that tracked firms over eight years from 1998 to 2006 and included interviews with multiple respondents as well as secondary financial data. The bulk of the paper is devoted to analysis of the case studies and the discussion that follows. The conclusion highlights that MBO/Is do appear to provide the trigger for professionalization of owner managed firms. However, professionalization does not *per se* improve the performance of the firm. We also find that succession through MBO/I can be a mechanism whereby the family firm not only maintains its independent ownership but where the notion of "familiness" can be sustained over time, albeit in a metamorphosed state.

LITERATURE REVIEW

Many authors have assumed that all companies will professionalize their management as they increase in size. Boeker and Karichalil (2002) highlight the expectation that management styles and capabilities need to change as a firm evolves into an established business. In discussing professionalization, Daily and Dalton (1992: 25) talk about the "threshold" firm which they define as being "near or at the point of transition from entrepreneurial to professional management." Entrepreneurial management is characterized by the centrality of a founder, ad hoc planning and control, informal structures, very basic budgeting and a "loosely defined family-oriented culture." (Flamholtz, 1986:42). Professional management is expected to be profit oriented, with less focus on an individual leader, having formal planning and organization systems, more sophisticated budgeting techniques and a consultative or participative leadership style (Flamholtz, 1986). In summary, professionalization is associated with putting management systems and structures in place and reducing dependence on the entrepreneur.

This literature reflects a commonly-perceived association between "entrepreneurial" (or less professional) management and a "family-oriented culture." The Chandlerian model of the evolution of the large modern corporation indicates that family firms are only a stage in the growth of the firm and there is an assumption that they should progress to become "managerial enterprises" (Chandler, 1980: 14). Johannisson (2002) argues that as family businesses grow they face an ideological tension between paternalism, entrepreneurialism and managerialism.

Daily and Dalton (2003) highlight a common perception that lack of professionalization will eventually lead to the failure of founder-managed firms. It has been suggested that for the firm to grow, it must move away from a management structure dominated by the entrepreneur. A large number of studies have investigated the association between corporate governance and the performance of the firm (see Daily, Dalton and Cannella, 2003). Studies of family firms have shown an association between board structure and performance (Schulze, Lubatkin, Dino and Buchholtz, 2001; Westhead, Cowling and Howorth, 2001; Westhead and Howorth, 2006).

By examining MBO/Is of family firms, it is possible to view a discrete event where the ownership and management structure of a family firm changes. There is little understanding of the performance of private firms post MBO and in particular very few longitudinal studies of post buyout performance have been undertaken. Bruton et al (2002) compared the performance of public to private buyouts at pre, post and reverse MBO stages. They provide evidence for the validity of an agency perspective, in that performance improved post MBO during the stage of private ownership and declined following the reverse buyout. Interestingly, they identified a three year lag between the reverse buyout and decline in performance. This highlights the importance of conducting longitudinal research over a long time span. Howorth, Westhead and Wright (2004) suggest that knowledge transfer is crucial to the post MBO/I performance of firms. They also argue that low information asymmetries, high levels of trust and good relationships between former and new owner managers have a positive impact on performance.

This longitudinal study explores the changes that occur post MBO/I to establish whether family firms introduce more of the concepts associated with professionalization and whether this influences performance.

METHOD

We adopt the logic of inductive inquiry to investigate complex phenomena where the interaction between the phenomena and context are unclear (Yin, 1984). This approach allows new theoretical insights to emerge through the process of gathering data from multiple sources, analyzing that data through comparison, and iterating between emerging conceptual insights and re-examination of the data (Strauss and Corbin, 1990). A multiple case study research design was adopted using a system of replication logic (Yin, 1984).

A longitudinal study of eight cases was undertaken. All the cases were UK family firms which underwent a MBO or MBI in 1998. Data was collected at the time of the MBO/I in 1998, they were surveyed in 2000, interviewed in 2001 and interviewed again in 2006. For the initial selection, a postal questionnaire was administered in 1999 to all buy-outs completed in 1998 held on the Center for Management Buyout Research (CMBOR) database. Respondents indicating that they would be interested in being involved in interview research were approached. Cases needed to meet the family form definition of more then 50% of shares being owned by a single family group related by blood or marriage and the business was perceived as a family business prior to the MBO/I. Theoretical sampling was employed to select cases in 1998 to include a mix of first and multi-generation family firms, MBOs and MBIs and varying degrees of offspring involvement pre and post-MBO/I. Multiple sources of evidence enabled data to be cross-checked, thus improving consistency and reliability. The survey provided information on the firm, the deal, perceived reasons for the MBO/I and changes in structure and strategy. Face to face interviews in 2000/1 obtained comprehensive information on the motivations of both parties, antecedents to the MBO/I decision, the deal process and the subsequent performance of the firm. Face to face interviews with surviving firms in 2006 explored changes in the structure, strategy and performance of the firms. Interviews consisted of open questions and interviewers did not use the words professional or professionalization.

Five of the eight firms interviewed in 2001 were interviewed in 2006: the firms that were not interviewed were two that had failed and one that had been bought out by a multinational; it proved impossible to obtain access to these firms. Archival company and financial data were obtained on all eight firms from Bureau van Dijk covering the period pre and post buyout/buyin. A major strength of this study is that interviews were held, separately, with multiple respondents from each firm and across a period of 8 years post MBO/I. Interviews were recorded and transcribed verbatim. Data analysis was based on interpretive methods where the key concepts and understandings are developed from the subjects' interpretations. Data analysis aimed to identify themes, consistencies or paradoxes.

The interviews lasted between one and two hours. Interview transcripts were read and re-read to identify emerging themes. They were analyzed separately for each case by consideration of the research questions and a running record of analysis and interpretation was kept, thus allowing the patterns of each case to emerge, before comparisons were made between cases (Eisenhardt, 1989). Characteristics of the eight cases are provided in Table 1. They were all given anonymous identifiers based on their major product at the time of MBO/I.

DATA ANALYSIS AND RESULTS

Analysis of the eight longitudinal case studies compared their performance since the MBO/I in 1998. Interviewees' interpretations of the development of the business, changes in management style and structure, strategy, and objectives were analyzed alongside company performance data. The structure of the analysis first presents a comparison of performance and identification of high, variable and low performing firms. We then consider whether there are any patterns with regard to professionalization and familiness.

Performance

Following accepted practice, multiple performance measures were analyzed. There were clear distinctions between the firms in terms of turnover and employment growth and financial performance post-MBO/I. Two firms (FILMPACKS and PIPES) had a distinct growth trajectory throughout the eight years, four had performance that was variable (BOXES, LOCKS, PLANTS and TROLLEYS) and two firms (DISPENSERS and DUMPS) failed between the first and second round of interviews.

Professionalization

Without prompting, interviewees at two firms (DISPENSERS and PLANTS) used the word "professional" in discussing changes since the MBO. Both cases involved the introduction of an "external" managing director who had a background in larger companies. In both cases the managing directors talked about professionalizing the firm in terms of making improvements that reflected their experience in larger companies. The themes that emerged are summarized in Table 2, which highlights that these interviewees present "professional" as being in contrast to "family" and industry expertise, as the norm for "large companies" and as being about relinquishing control. These cases exemplify the dominance of a managerial ideology (Johannisson, 2002). Interviewees who were "external" managing directors showed much less attachment to the firm in comparison to founders, and to "internal" MDs, as shown in the following quotes.

> *"Actually I'm doing a job, it's not an extension of my personality isn't the business."* PLANTS: external MD

> *"I would give everything I have to get back there."* TROLLEYS: Founder

> *"For me, it's a long term thing you know. I've worked here pretty much since I left college and you know, it's my life, sort of thing. I love it. So, you know, I'm here for the long haul."* BOXES: internal MD.

One of the employees of PLANTS, who has worked there for 16 years, also stated that the company was "*run more professionally now.*" Her explanation below highlights that she does not consider family firms to be *"proper companies."*

> *"I think it's just easier to run you know. In family firms there's a lot of bickering and things as well. Sort of things you know are going on, that you're not actually part of but you can, you feel it don't you, you feel something's going on but you don't, I don't think you get that. It's not tolerated is it in a proper company."*

Concepts of professional versus entrepreneurial management are frequently presented as opposite ends of a continuum. Tables 3 and 4 present evidence of the concepts identified earlier and separated into those that were evident before the MBO/I and those only evident afterwards. It is obvious that these concepts are relative and there are no absolute measures of when for example a structure or process is "formal." We therefore consider all increases in the degree of professionalization to be relevant.

Table 3 highlights that, post MBO/I, evidence of changes associated with concepts of professionalization were noted in five cases (PLANTS, DISPENSERS, PIPES, BOXES and DUMPS), although PIPES, BOXES and DUMPS did not use the term "professional" specifically. In response to the very first question "Tell me the story of what's happened since 2001…" the current MD of BOXES chose to tell us about increases in turnover and profit levels, highlighting the importance of these concepts to him. Interestingly, the interviewees did not talk specifically about needing greater "control" but instead they emphasized the importance of delegation and relinquishing control. Interviewees talked about introducing formal systems, performance related bonus schemes, greater management structure and hierarchy.

PIPES provides an example of all of the concepts associated with professionalization being introduced following the MBI. They put in management systems, bought computers and computerized all their invoicing, which had up to that point been done manually, and they introduced a stock control system whereas previously that, and much of the operations, had centered on the owner manager. The following series of quotes are from an interview with the current finance director in 2001. They highlight the centrality of the previous owner manager and seem to suggest that the informal approach was a luxury that could be afforded in the past, but no longer.

> *"We've now got an external sales team… we've put computers in… and are developing more of a management structure…there's now sort of a tier of managers with people responsible to them and then roughly the manager is responsible to the managing director"*

> *"[owner manager] would come in historically at 5 o'clock in the morning, he'd just wander around the warehouse, you know, if the bin was empty or near empty he'd just go away and order a pallet load of those fittings and then he could forget about it for six months which was nice and easy in the days when we had plenty of cash to do it. So we are struggling to come to terms with that now, we have to be a bit more conscious of what we are spending and therefore we'll probably be doing more paperwork because we are placing a lot more orders but at much smaller quantities."*

> *"without knowing your stock the only time they'd know what their profit was, was whenever they did a stock take…they certainly did no more than two a year so it's only then that they'd know what the sales figure was. Now [VC] need a copy of management accounts every month, we are developing a system." PIPES 2001.*

The interviews highlighted that professionalization is an ongoing process and in some cases started before the MBO/I (see Table 3). The process of professionalization started at BOXES many years before the MBO as a result of increasing size and continued as the managing director became less involved prior to the MBO. DISPENSERS brought more changes in when the new MD was recruited with the intention of leading an MBO. The managing director of DUMPS suggested that structures and systems were put in place as part of grooming the firm for the MBI. However, in all three of these cases the MBO/I appears to have provided a boost to the process of professionalization.

There was also some talk of professionalization in terms of working smarter and being more responsive to customers.

> PIPES: *"What we've done is got a lot better on buying ourselves… in terms of alternative products, better sourcing, better negotiations."*

> BOXES: *"It's just trying to be clever really, I mean we're all trying to be clever but trying to be cleverer than the next man."*

Table 4 provides evidence that in three of the cases, entrepreneurial concepts of management were the norm prior to the MBO/I. PLANTS and PIPES were similar in that they operated as "one-man bands" with a great deal of tacit knowledge residing with the founder (or his son). Both cases suffered difficulties due to the poor management skills of second generation family members and their wish to be involved following the MBO/I. Both firms brought in external managing directors a couple of years after the MBO/I and this appears to the trigger for higher levels of professionalization. FILMPACKS was a contentious case in which the founder had little control or involvement in the firm immediately prior to the MBO.

In contrast, LOCKS appears to exhibit many of the concepts associated with "professionalization" prior to the MBO, whilst also maintaining some features associated with entrepreneurial management, such as family orientation and informal decision making process. Following the MBO the family maintained a role through a position on the board until 2006. Although the ownership of the firm is shared across the MBO team and a trust for the son and daughter, post-MBO the managing director dominates decision making and owns 60% of the firm. In many ways, LOCKS appeared to revolve around one dominant owner-manager in a similar way to the central founder seen in entrepreneurial management.

Table 4 highlights that TROLLEYS stands out as adopting more of the concepts associated with entrepreneurial management. However, analysis of when these changes occurred is interesting. Prior to the MBO the firm already had a reasonable level of professionalization with planning, accounting and control systems but alongside a paternalistic style of leadership. Following the MBO there appears to have been a move away from paternalism towards a more shared leadership model. Since then, the two family members have bought out the other two members of the MBO team and an interview with the new MD in 2006 (quotes in Table 4) suggested that the firm has the informality, ad hoc planning and centrality of one figure that is associated with more entrepreneurial management. They have also had ongoing problems with appointees in the finance function which could indicate a relative lack of importance being attached to that function as indicated by the following quote: *"the actual administration function as an accounts function isn't that taxing…It's easy for me to say that because I don't get involved but my understanding is it's not that taxing."*

Most of the cases were like TROLLEYS in having had changes of leadership. Interestingly, Table 1 highlights that LOCKS is the only case that has all the original MBO team still involved. The only original member remaining from the PLANTS MBO team is the finance director *"Over a period of years he just changed his whole attitude and he just went from being a problem to part of the solution, which was really good to see… he's now my closest colleague and he and I effectively now run the business." PLANTS MD*

This quote highlights the difficulties associated with changes in culture that were expressed in many different ways. For PLANTS it was seen as a positive move by employees (see employee quote above). Interviewees at PLANTS talked about how previously people had been paid cash to work overtime. DISPENSERS talked in terms of *"cleaning up lots of things"*. In a number of the cases, where the changes led to tightening up of slack, there was resistance from some employees. Table 3 includes a quote showing the difficulties DUMPS had in introducing performance related bonuses. PIPES' employees had previously enjoyed a very relaxed attitude to work: *"the accounts office they tell me stories about in the afternoon they'd fill in crosswords and play Scrabble…I think if everyone was honest they'd say they'd like it to be as it was before, but as it was before wasn't really in the real world."* Following the MBI this was tightened up and bonuses were linked to performance rather than provided automatically.

In the next section we analyze how much the culture has changed in these firms. We highlight the staying power of familiness and in the discussion we argue that professionalization can incorporate the best aspects of a family ideology.

The Staying Power of Familiness

In the 2006 interviews, two of the cases talked about the growing importance of family in the business. The MD of PLANTS suggested that, in contrast to his quotes from the same interview in Table 1, the firm was becoming more like a family business again. *"So I own 76% of the business and the Finance Director owns 24%. We've removed over the last seven years, we've removed [VC] as a shareholder so they're gone… and it's almost come full circle back to being almost like the family business again… but with a different culture."* PLANTS is however a more professionally run family business.

TROLLEYS has returned to family ownership and is run by the son and daughter of the pre-MBO owners. The new MD highlighted the disaccord that had arisen between them and the non-family members of the MBO. The unusual turn of phrase ("fell swoop"; get rid) in the following quote also suggests that it was not totally amicable.

> *"So in one fell swoop we managed to get rid of two majority shareholders."*

Even though it would fit all definitions of a family business (second generation, 100% family ownership, family managed), there was evidence of a tension regarding whether TROLLEYS should be classed as a family business.

> *"I think it'll have a family business feel to it I think, but would it be a family? I don't actually class it as a family business."*

This could be related to the need to be seen to be different from their parents' generation. The current MD suggested that the world moved too fast now to be a family business and stated: *"The business from when we bought it off my dad in 98, it is a completely different business… We're still doing the same thing but we're going about what we do in a different way."*

Interestingly, the previous non-family MD (interviewed in 2001) was more accepting of the "family" label.

> *"I would say we are informal, too much so sometimes I suppose. It's always been a family-type firm, we try to make things formal when we have to … we try and make it relaxed and hope people enjoy themselves."*

Other cases showed aspects of familiness without labeling it as such. These included a long term view, attachment to the firm and a paternalistic style of management. For example, LOCKS showed a lot of respect and attachment to the history of the firm, shown in discussing the poor performance as if it was letting the side down. *"It was the first time in the history of the company, going back to 1970… that we'd ever recorded a loss in a year. So I was bitterly disappointed in that."*

The quote presented earlier by the current MD of BOXES shows that he has a long term view and a strong attachment to the firm in a similar way to that expected in family businesses. The management style in many of the firms became more patriarchal as the MBO teams changed and many of them became dominated by one central character. This was seen in LOCKS, TROLLEYS, PLANTS and BOXES. DISPENSERS was extremely patriarchal throughout the MBO process and in the years following. *"hundred of hours which I spent just getting the internal shareholders to agree to everything [I wanted]."*

Employees at PIPES showed a strong attachment to the family identity. Even though it has been bought by a large national, PIPES continues to use the original family firm name which is [name of the founder] and Sons Ltd. *"What we don't want for them to do is to come along in 12 months time and say "right we're going to put [name of parent company] above the door now."*

DISCUSSION

Our first research question, asked whether MBO/Is are a means of professionalizing family firms, and if there is there any link between professionalization and improved performance. The evidence from the cases suggests strongly that the level of professionalization increases following an MBO/I. For many of the cases, concepts of professionalization were evident before the MBO/I or were introduced as part of the preparations for MBO/I, highlighting that professionalization is an ongoing process not an event. The highest performing firms showed a much stronger emphasis on strategic planning and short term goal setting than the other firms. They also managed to maintain continuity pre and post MBO/I. In the case of FILMPACKS this was continuity of management and their social capital. PIPES experienced many difficulties in the period immediately post MBI but long-standing staff remained very loyal to the firm.

The second research question considered what influences the prevalence of a family ethos post MBO/I and whether there are any links between that and performance. The prevalence of a family ethos was much more evident in the second round of interviews eight years post MBO/I than it had been in the earlier interviews. Reasons appeared to include a greater appreciation for the history of the firm and the positive aspects of familiness; the presence of long standing employees and the removal of outside influence such as venture capitalists. In terms of performance, neither of the firms which failed had maintained any family ethos or continuity. Of the other firms, performance was variable but the more successful firms appeared to have removed the negative aspects of family like free-riding, shirking and inequitable treatment and built on the positive aspects, such as loyalty, long term commitment and trust.

This highlights that in answer to the third research question, the MBO/I can provide a dynamic mechanism to reconcile notions of professionalization and familiness. To suggest that family firms are by definition not professional is misleading. However, the intertwining of family and business objectives in family firms makes them more prone to lower levels of professionalization. Taking PLANTS as an example, this family firm was centered on the founder with most of the family conflicts that one might envision, low performing son, sibling rivalry, conflict between stepbrothers, divorce settlement, second marriage all impacting on the firm’s performance. A “professional” managing director, brought in from outside to rescue the firm, talks in his own words about professionalizing the operation but also tells us that it is reverting to being like a family business. This firm has put in systems and strategies to professionalize the operations, removed underperforming family members but built on the family ethos in terms of relationships with employees.

It is usually assumed that firms should be recommended to move along the entrepreneurial to professional management continuum in one direction only, i.e. towards more professionalization. Our cases show that firms may also successfully include aspects of entrepreneurial management. This highlights that the separation of entrepreneurial from professional management is an oversimplification. A more useful conceptualization would consider how firms reconcile or balance both dimensions. We would argue that the notion of “professionalization” occurring for “threshold” firms is a gross oversimplification that is not actually useful. The introduction of concepts of professionalization is relative and a progression. It is the interface of family and “managerial” ideologies that is important and we should be looking at models that improve our understanding of how successful firms balance family and managerial interests and draw on the best aspects of both.

Our study has shown that there is some resistance to being seen as a family firm as if that is somehow less legitimate. We would argue that the resistance to a family business label may stem from perceptions that family businesses are less professional and that this is not helped by the enforced separation of the two concepts.

CONCLUSION AND IMPLICATIONS

This article has shown that the MBO/I can be a stimulus for change, a turning point in the development of the firm, or it can be business as usual or it can be an absolute disaster. Although the small sample means that we cannot generalize from the results because there were a lot of dissimilarities among the firms, *ceteris paribus* the path that the business takes appears to be influenced by the MBO/I process and the motivations of the team as much as environmental factors.

Our findings have implications for perspectives that suggest that the development of enterprises is a linear process. We suggest that the process is more complex. Succession through MBO/I can be a mechanism whereby the family firm not only maintains its independent ownership but where the notion of “familiness” can be sustained over time, albeit in a metamorphosed state. It is interesting that some firms resist the family business label whilst showing characteristics of “familiness”.

These results have implications for the performance of family firms following MBO/Is. Reversion to an owner-manager model could restrict the potential for future growth and development. The identification of positive and negative aspects of family MBO/Is will be of assistance to family firm owners, potential MBO/I teams and their advisors and financiers. The sustainability of familiness emphasizes that for some firms this may be an appropriate long term structure. An MBO/I organizational form may be an important transitory phase to enable necessary professionalization. Advisors and private equity financiers may need to consider structuring of MBO/Is that envisage this longer term independent ownership rather than exit as a trade sale. As such, these deals may extend the application of secondary buyout whereby initial financiers exit through an incoming set of financiers acquiring their shares.

As all papers, our study has a number of limitations. First, as noted above, it is based on a small sample of MBO/Is. Further research is needed that uses a wider representative sample to establish the empirical generalizability of the insights presented. Second, our study has focused only on the UK context. Further research is needed that examines the issues considered here in other institutional contexts where the notion of familiness and family firm succession may be different but where MBO/Is play a role in the succession process. The CMBOR database, which contains the population of UK MBO/Is and also covers MBO/Is of family firms in Continental Europe, could provide the sample frame for further research in these two directions using a questionnaire supplemented by archival financial data. Third, our study has focused solely on family firms that have undertaken succession through MBO/I. A further interesting extension would be to undertake comparison with the dynamic development of professionalization and familiness in family firms that undertake succession to subsequent generations or external management.

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Table 1: Description of Cases

	Locks	**Boxes**	**Dispensers**	**Film packs**	**Dumps**	**Pipes**	**Plants**	**Trolleys**
Industry	Engineering	Paper/print	Hygiene service	Packaging	Construction	Merchant	Horticulture	Engineering
Founded	1965	1963	1950	1973	1979	Pre 1928	1972	1979
Turnover £m 1998* : 2005	4.6 : 3.8	2.5 : not known	8.5 : n.a.	6 : 47.5	20 : n.a.	4 : 18.2**	24 : 30.4	6
Employees 1998 : 2005/6	120 : 99	45 : 25	120 : n.a.	81 : 388	114 : n.a.	30 : 75	300 : 221	65 : 60
Ownership changes since 1998	Former owner's minority shares bought 2006	2nd MBO 2006	Last tranche of shares bought 2000. Failed 2001	Bought by multinational media group 2001.	Failed 2003.	MBI team bought out by new mgt team 2000. Bought by competitor 2006.	MBO team xc 1 bought out 2001. 2 VCs bought out 2004/6. 76% MD, 24% FD.	MBO lead and VC bought out 2001. Other MBO member bought out 2003.
Control changes		MD retired 2002. New board structure 2006.	Chair preMBO resigned 2000. Directors resigned 2001.	Changes in directors 1999, 2001, 2003, 2004, 2006.	Changes in directors 1999, 2002, 2004. MD resigned 2003.	New board structure 2000, 2006. Changes in directors 2005, 2007.	MD replaced 1999. Director resignations 2000, 2001. 2003, 2004	New board structure 2004.
Family involvement	Family on board until 2006. 12.5% in trust for family.	None in business. Family own business' premises.	Until 2000.	None since MBO.	None since MBI.	Until 2000.	Until 2000.	Continuing. 50/50 owned by son & daughter of founder
MBO team involvement	All original team still involved in similar roles.	1 of 4 first MBO team in 2nd MBO.	All team involved up to failure.	Last member of MBO team resigned 2006.	MBI lead resigned 2003. One involved till liquidation.	All MBI team resigned by 2000.	FD was 1 of 4 in original team	2 of 4 in original team
Major strategic changes	Restructured. Subsidiary and holdings cos. New markets and products.	New markets.		Change of name 2003. New markets and products.	Restructured. Subsidiaries and holdings co. 1 sub sold out of receivership.	New branches. Change regional to national focus.	New products.	Overseas manufacture. Restructured. New rentals company.
Interviewed 2006?	MD	MD	No	No	No	Financial Controller	MD and employee	MD

Notes: *i.e. last complete financial year pre-MBO/I. **2006 data because 2005 not available. MD = Managing Director; FD = Financial Director

Table 2: Definitions of "Professional"

Professional is	**Sample Quotes**	**Case**
The opposite of family	*"the big challenge was changing it from a family culture to what I wanted which was a professional culture"*	Plants
	"it was family, primarily a family company until I came in…I came in from a background mostly in large companies… I'm extremely ok and professional."	Dispensers
Associated with "large companies"	*"I was brought in as a turnaround MD… bring some professional management… my previous corporate background was big, large, professional companies"*	Plants
	"We've picked up the levels of professionalism in terms of dealing with our major customers and major suppliers. We've brought people in from Proctor and Gamble, Mars… big names within our industry."	Dispensers
Relinquishing control	*"[it became] almost like a fiefdom within which certain people just like to control things. I think …we've become… professional really."*	Plants
Management expertise (in contrast to industry or operations expertise)	*"We got a new level of management in, more professional, not all industry based. So it was a business prior to me coming in that overvalued industry knowledge."*	Plants

Table 3: Evidence of Concepts of Professional Management

Concept	Existing before MBO/I	Introduced post MBO/I
Consultative leadership	I had to talk to [MD] about it and say…if you see this in me and you think that we've got an opportunity…LOCKS founder. [Vendor] had backed off quite a lot in the last couple of years he was here and we wasn't running the company but we knew how it run if you like because we did a lot of the things basically. BOXES	We were able to instill in people the fact that they were part of the team. Their job wasn't to do what [former owner] said, their job was to offer their skills, their intelligence to do the best job that they could. PLANTS It's not a case of we say, you do…other people are involved. BOXES We've said…look guys, we agreed the plan as a team. DUMPS
Formal Planning	We've been planning the handover for ten years at least LOCKS founder We've been doing strategic planning for about 15 years. LOCKS MD	We've put computers in…PIPES We have a business plan of course, he never had a plan. DUMPS We are going to make a loss…it's been coming a while so there's no great shock. DUMPS I was reluctant to move over to computerized design which they did almost immediately. BOXES vendor
Formal Controls	I now understand that everyone who works for you doesn't see things in the same way…they said to me you'll have to get a clock and we'll all clock in and we'll know where we are. So that's what we did. LOCKS founder. [managers and directors] were highly incentivized, big bonuses based on results, to drive the business forward DUMPS	We've had great difficulty with one guy getting him to agree that his bonus will be linked directly to performance DUMPS …deliveries to customers on time, any credit notes or rejects that we would have. Obviously all these different areas are ways that we can monitor BOXES Various bonus schemes in place…sales people to warehouse people. PIPES Every week we have an element of progress, certainly once a month so the guys know what they are being asked to do…how they will be rewarded. DUMPS
Formal Structure	We bought what was basically a small group structure…an engineering manager, a sales manager, a foundry manager…financial control. LOCKS Did he have a personnel and health and safety quality manager? …He made damn sure that he did by the time I started…he had a number of contractor directors …each of whom led contracting teams. DUMPS I did need to delegate and have some senior people. BOXES vendor.	[We] reorganized, we changed, there was a lot of work to do in the company, we cleaned up all sorts of different things. DISPENSERS [We] are developing more of a management structure…a tier of managers with people responsible to them and…responsible to the managing director. PIPES There's opportunities always to you know, work up. BOXES
Sophisticated Budgeting	There wasn't a lot of additional things…We've got very well defined and well structured accounting practices…each of them have their own financial targets and controls. LOCKS MD	We have to be a bit more conscious of what we are spending and therefore we'll probably be doing more paperwork PIPES We developed systems for reporting in terms of profitability by customer by branch by product… a very good report and structure reporting analysis. PIPES We set budgets for turnover, profit, for monitoring overheads, throughput through the factory… BOXES The accounting systems were not great and we've… improved them. DUMPS
Profit Oriented	It's only in the last ten years or so…plan for retirement…started getting financial objectives. LOCKS founder	The company has increased turnover year on year, with increased profit levels to go with that. BOXES 2006 [Pre-MBI] the only time they'd know what their profit was, was whenever they did a stock take PIPES It enabled us to understand the business and what made us profits…PIPES We have a much better handle on margins. DUMPS

Table 4: Evidence of Concepts of Entrepreneurial Management

Concept	**Existing before MBO/I**	**Existing post MBO/I**
Founder centered	The guy who ran the business knew everything, could do everybody's job better than they could, or that was the sort of culture. When he left there was a leadership vacuum. PLANTS He was a bit of a strange character and didn't pass that knowledge onto anybody, he kept a lot of things in his head PIPES He was very schizophrenic…he would blow hot and cold…sometimes would say …get on with it and the next he would be effing and blinding and wanting to know the detail on here and the detail on there DUMPS	We went back in…and he immediately took over and [MD] said its like he's never left. And I said I know he thinks he's discussing it with you…I wouldn't say you were a dictator but you certainly were more of a decision maker than you make out to be. BOXES vendor's wife.
Planning ad hoc	[vendor] did his accounts once a year…and his accountant spent 9 months sorting them all out. BOXES The management decisions weren't getting made, the board was not operating properly… and a lot of money was being taken out of the company. FILMPACKS	No idea what the ten year plan is. Three to five years is pretty much more of the same. TROLLEYS
Informal structure	Previously I think that most of the decisions were made by [MD] and myself simply getting our heads together during the day or [MD] would decide something and tell me afterwards that he'd done it. LOCKS founder	There's three directors. We do have quarterly board meetings but we all work very closely so and because it's a smallish company and the management structure's quite flat, we make decisions quickly…We have a lot of informal meetings…they are formal meetings with structure but we don't have too much pomp and ceremony. TROLLEYS
Controls ad hoc	They used to get [bonuses] every year whether… good year or a bad year PIPES The owner kind of lost control of the business, he didn't know what was going on. FILMPACKS	
Budgeting basic	I used to tell them each month how we'd done…how much profit we'd made BOXES founder	
Family oriented	I think the ideology hasn't changed. I still believe that a company should provide for the people who work for it. LOCKS founder The firm got involved in supporting [his son] when he opened a place in [town] and one in [town]…so we lost quite a lot of money on that…I'd been paying my father a consultancy fee ever since he retired and I'd been running a car for my father…LOCKS founder We had second generation [employees], I think we even had third generation come in, in the 30 years I was there. BOXES founder	And it's almost come full circle back to being almost like the family business again PLANTS It's always been a family-type firm TROLLEYS