ENTREPRENEURIAL MANAGEMENT AND POST-BUYOUT PERFORMANCE (SUMMARY)

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SUMMARY

ENTREPRENEURIAL MANAGEMENT AND POST-BUYOUT PERFORMANCE

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Principal Topic

The empirical literature on the relationship between corporate entrepreneurship and business performance shows in general a positive correlate (Zahra, Jennings and Kuratko, 1999). However, it is not clear if after the buy-out corporate entrepreneurship increases and positively effects post-buyout performance (Wright et al. 2000). In the present study, we aim to address this gap in the buy-out literature and improve our knowledge on this fundamental relationship by gathering information on the development of entrepreneurial management (EM), post-buyout performance and buyout duration.

Method

Data from 108 CEOs of Dutch firms that underwent a buyout during 1996-2004 is gathered by questionnaire. We used Stevenson’s concept of entrepreneurship, operationalized and validated by Brown et al. 2001, comprising factors that capture strategic orientation, resource orientation, management structure, reward philosophy, growth orientation and entrepreneurial culture. Dependent variables are EBIT and Return on Assets. We use a T-test to examine the increase in post-buyout entrepreneurial management (EM), multiple regressions for the effect on post-buyout performance and for the effect of duration on EM.

Results and Implications

We find that post-buyout all dimensions scored significantly higher on all EM dimensions, indicating that buy-outs indeed open-up entrepreneurial potential which allows the firm to explore new entrepreneurial opportunities to generate gains from strategic reorientation in existing markets and innovation in new ones. Furthermore, the longer the buyout has passed, the higher the firm scores on entrepreneurial dimensions indicating that EM change is a time consuming process. Performance improvement post-MBO is also positively related to duration, indicating that taking and implementing decisions where to compete and how also takes considerable effort before the increase in EM pays-off. Within the time frame of our study, only the strategic orientation and the reward structure are positively associated with post buy-out performance. We find that entrepreneurial culture and growth orientation are even negatively associated with post-buy-out performance. We see this conflicting evidence as indicative for the fact that in buy-outs, which are mature companies, performance remains strongly dependent on a managerial focus on gains from efficiency of the standing organization as well as on an entrepreneurial focus on gains from entrepreneurial opportunities perceived by the new owners/managers.

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