Waves of Professionalization Before, During and After Management Buyouts and Buy-ins of Private Family Firms

Carole Howorth
University of Bradford School of Management
Email: c.howorth1@bradford.ac.uk

Mike Wright
Imperial College Business School and University of Ghent
Email: mike.wright@imperial.ac.uk

Paul Westhead
Durham University and University of Nordland, Norway
Email: paul.westhead@durham.ac.uk

Deborah Allcock
University of Huddersfield
Email: d.allcock@hud.ac.uk

We explore the process of professionalization pre- and post- buyout (MBO) or buyin (MBI) of former private family firms using longitudinal evidence from six UK family firms undergoing an MBO/I in 1998. Professionalization behaviour was monitored up to 2014. Previous studies have conceptualized professionalization as a threshold to be attained. We demonstrate that professionalization is a complex process occurring in waves, triggered by changes in firm ownership and management. Waves of professionalization converge during the MBO/I process. Buyouts provide a funnelling mechanism enabling diverse control systems to be standardized. Post-MBO/I, divergence in the professionalization process reoccurs contingent on firm-specific contexts. Professionalization focuses on operations when stewardship relationships predominate, but on agency control mechanisms when there is increased potential for agency costs. Buyout organizational form is an important transitory phase facilitating the professionalization process. Professionalization is not a once for all development stage.