



# University of HUDDERSFIELD

## University of Huddersfield Repository

Howorth, Carole, Wright, Mike, Westhead, Paul and Allcock, Deborah

Company metamorphosis: Professionalization waves, family firms and management buyouts

### Original Citation

Howorth, Carole, Wright, Mike, Westhead, Paul and Allcock, Deborah (2016) Company metamorphosis: Professionalization waves, family firms and management buyouts. *Small Business Economics*. ISSN 0921-898X

This version is available at <http://eprints.hud.ac.uk/id/eprint/27260/>

The University Repository is a digital collection of the research output of the University, available on Open Access. Copyright and Moral Rights for the items on this site are retained by the individual author and/or other copyright owners. Users may access full items free of charge; copies of full text items generally can be reproduced, displayed or performed and given to third parties in any format or medium for personal research or study, educational or not-for-profit purposes without prior permission or charge, provided:

- The authors, title and full bibliographic details is credited in any copy;
- A hyperlink and/or URL is included for the original metadata page; and
- The content is not changed in any way.

For more information, including our policy and submission procedure, please contact the Repository Team at: [E.mailbox@hud.ac.uk](mailto:E.mailbox@hud.ac.uk).

<http://eprints.hud.ac.uk/>

# **Company Metamorphosis: Professionalization Waves, Family Firms and Management**

## **Buyouts**

### **Carole Howorth\***

University of Bradford School of Management  
Emm Lane, Bradford, BD9 4JL  
Email [c.howorth1@bradford.ac.uk](mailto:c.howorth1@bradford.ac.uk)  
Telephone: +44 1274 235631  
Fax: +44 1274 234405

### **Mike Wright**

Enterprise Research Centre  
Imperial College Business School, London  
And  
University of Ghent  
Email: [mike.wright@imperial.ac.uk](mailto:mike.wright@imperial.ac.uk)

### **Paul Westhead**

Durham Business School  
Durham University  
Mill Hill Lane, Durham DH1 3LB, UK  
and  
Bodø Graduate School of Business, Norway  
Email: [paul.westhead@durham.ac.uk](mailto:paul.westhead@durham.ac.uk)

### **Deborah Allcock**

University of Huddersfield  
Queensgate, Huddersfield, HD1 3DH, UK  
[Email: d.allcock@hud.ac.uk](mailto:d.allcock@hud.ac.uk)

\*corresponding author

# **Company Metamorphosis: Professionalization Waves, Family Firms and Management Buyouts**

## **ABSTRACT**

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.

Keywords: family firms; professionalization; management buyout; stewardship; agency

JEL classification: D21; G32; G34; M10.

## INTRODUCTION

Despite most firms being family owned or controlled, family managers are often assumed to be non-professional and contrasted with non-family ‘professional’ managers (Hall and Nordqvist, 2008). However, some family managers may be highly educated and skilled, whereas some non-family managers may not (Stewart and Hitt, 2012). Regardless, studies of family firms focus on introducing non-family managers as a route to professionalization (Dekker et al., 2015). Despite concerns (Stewart and Hitt, 2012) engagement in professionalization has been reduced to a binary variable. Dekker et al., (2015) assert that professionalization needs to be conceptualized as a multi-faceted process.

Professionalization is seen as a threshold stage that firms need to attain to progress. Professionalized firms are assumed better able to circumvent business development barriers; with the management style and organizational structure to ensure firm growth. However, few studies have examined the dynamic professionalization process. Even with a multi-faceted professionalization process approach, professionalization is often reduced to a checklist in cross-sectional studies exploring the link between professionalization propensity and variations in firm performance (Dekker et al., 2015). Cross-sectional studies provide limited insights into causal process relationships, being limited to analysing the co-existence of specific variables (Yildirim-Öktem and Üsdiken, 2010). Professionalization does not happen overnight (Dekker et al., 2015). We need, therefore, to understand the temporal dynamics of the process of professionalization in private family-owned firms before conclusions can be drawn about causality but few studies have explored the process (Hall and Nordqvist, 2008; De Massis, Chirico, Kotlar, and Naldi, 2014).

Lack of understanding is partly due to the dearth of longitudinal analysis. Longitudinal studies are warranted to explore whether current conceptualizations of professionalization are appropriate for family firms (Stewart and Hitt, 2012). We examine longitudinal cases of six UK private family firms over 16 years. Professionalization is monitored before, during and after management buyout (MBO) or buyin (MBI). By examining buyouts of private family firms, we view a discrete event relating to ownership and management changes. The MBO/I context contributes to understanding of family firms (Chrisman et al., 2012) and where the buyout may facilitate professionalization in former private family firms to enable future venture growth. The selection of extreme cases where the former family owners and managers left the firms to different extents over time enabled examination of ‘how’ the professionalization process evolved in a context of decreasing

family involvement (De Massis and Kotlar, 2014). In relation to the research gap concerning the process of professionalization in family firms over time, we explore the following research question:

Q1. How does the professionalization process evolve pre- and post-MBO/I in former private family firms?

The cases were privately family-owned and family-managed to a greater or lesser extent prior to MBO or MBI. Attitudes, goals and behaviour were monitored before, during and after the buyout. This provided the opportunity to examine how the professionalization process evolved, and how family exit and an increase in external influences lead to changes in management controls and processes associated with ‘professional’ management.

Most MBO/Is involve private largely family-owned firms (CMBOR, 2014) with incumbent managers taking over ownership from the former owner-manager(s). The MBO team sometimes includes next generation family members. MBIs involve a new external management ownership team and can be viewed as a distinct move towards professionalization (Gilligan and Wright, 2014). Post-buyout the new ownership team could introduce more formal governance mechanisms, greater use of planning and control systems, and involvement of non-family board members. MBO/Is may also be used to remove some family members who wish to retire, or do not contribute to future firm development (Howorth et al., 2004). Family firm owners may select an MBO to enable them to exit and realize their investment whilst ensuring some continuity of the former dominant family ethos, particularly if some family members retain positions in the firm. Stewardship relationships may continue post-MBO/I.

We make the following contributions. First, we provide fresh insights into how professionalization evolves and how the professionalization process varies in private family firms involved in MBO/Is. Second, we illustrate that professionalization is a process occurring in waves, which intensify with firm ownership and management changes. The MBO/I is an important transitory phase enabling former family firms to introduce formalized management control systems. Conceptually, the buyout presents a funnelling mechanism whereby systems and controls are standardized. Third, we highlight that post-MBO/I increased variation in control systems and processes are contingent upon different types of ownership change, and levels of continuing family involvement associated with the relative importance of long or short-term goals. Fourth, we integrate insights from agency and stewardship theories. We conceptualize how the relevance of stewardship and agency

constructs change over time, shaping the nature and form of the professionalization process. Fifth, we contribute to understanding how family firms balance the best aspects of professionalization and stewardship cultures in their control systems and processes. Succession through MBO/I provides a juncture whereby the former private family firm maintains its independent ownership and sustains the stewardship culture, albeit in a metamorphosed state.

## **THEORETICAL BACKGROUND**

Family firm professionalization involves utilization of formal governance mechanisms and strategic planning and control systems, plus involvement of non-family members on the board and in the management team. Involvement of ‘outside’ professionals can bring fresh objectivity to decision-making (Ibrahim et al., 2001). It is wrong to assume that all family managers are inherently not professional (Hall and Nordqvist, 2008). Despite numerous studies, there is no consensus relating to whether family managers benefit family firms (Minichilli et al., 2010). There is growing acknowledgement that the dominant view of professionalized family business management is overly simplistic when it focuses on non-family manager employment (Dekker et al., 2015), notwithstanding desires to preserve socioemotional wealth and shortcomings relating to family management (Colombo et al., 2014).

Life-cycle theorists suggest introducing formal management control systems is critical for firm development. Threshold firms are those around the point of transition from entrepreneurial to professional management (Daily and Dalton, 1992: 25). Entrepreneurial management involves founder centrality, ad hoc planning and control, informal structures, basic budgeting, and a ‘loosely defined family-oriented culture’. Professionalization is associated with an increase in management control systems and processes formalizing management. Many studies adopt a simplistic and narrow conceptualization of professionalization regarding employment of non-family managers (Chrisman et al., 2013). A rare longitudinal study (Lien and Li, 2014) concluded that post-initial public offering (IPO) family firms should combine family control with professional (i.e. non-family) management to improve performance.

A multi-faceted examination of family firm professionalization is warranted. Professional management relates to cultural and formal competence regarding family or non-family managers (Hall and Nordqvist, 2008). Appreciation of dimensions of

professionalization has enabled identification of different types of family firms (Westhead and Howorth, 2007; Dekker et al., 2015). Professionalization relates to rights to use specialized knowledge, and morals, capability and integrity of individuals (Stewart and Hitt, 2012), rather than increasing bureaucracy (Hall and Nordqvist, 2008). Studies generally provide little understanding of how professionalization evolves and how the professionalization process might vary. In particular, contingent factors influencing the professionalization process have been neglected. Contingency-based research examines links between structure and processes of management control systems, and contextual variables associated with uncertainty and external environmental complexity (Otley, 1988). Control systems can relate more to firm specific contingencies post-MBO because MBOs place increased emphasis on operational efficiency and planning (Jones, 1992). Yildirim-Öktem and Üsdiken (2010) found power and institutional perspectives were more appropriate than contingency theory to explore the professionalization of family business group boards, measured as governance structure variables rather than control systems and processes. However, the nature of board professionalization can be contingent upon the absorptive capacity of firm founders seeking to cross the professionalization threshold (Zahra et al., 2009). The impact of professionalization on post-succession performance in family owned firms may be contingent upon whether succession is to a family member or a nonfamily professional manager (Chittoor and Das, 2007). Effecting such changes may require fundamental changes to organizational processes, values and culture because they may challenge the legacy of the founder (Gedajlovic et al., 2004).

We develop contingency-based approaches by drawing on agency and stewardship theories. These theories enable greater insights into different influences within the ownership and management structures shaping the professionalization process in former private family firms that selected MBO/Is (Howorth et al., 2004; Bruining, et al., 2013). We conceptualize how the relevance of stewardship and agency constructs change over time, shaping the nature and form of the professionalization process.

### **Agency Theory**

Agency theory has been used in understanding interactions between family owners and non-family managers and in MBO/Is of family firms (Chrisman et al., 2012). Chrisman et al., (2004) noted that strategic planning influenced the performance of non-family firms more than family firms, implying lower agency costs in family-owned firms. Studies across the

MBO life-cycle provide evidence for the validity of an agency perspective (Bruton et al., 2002) showing that post-buyout increased entrepreneurial and administrative management increased the likelihood of private equity (PE) investment.

Family firms are not homogeneous because they vary in terms of goals, ownership and management structures (Westhead and Howorth, 2007; Kotlar and De Massis, 2013). Some family firms face agency problems much earlier than others. For some family firms, introducing governance and management mechanisms may reduce potential conflicts of interest between family and non-family owners and managers, and may control agency problems arising from altruism or nepotism (Schulze et al., 2003).

### **Stewardship Theory**

Stewardship relationships are associated with the stereotypical family firm (Schulze et al., 2003). Social rather than formal controls may be used where there is high goal alignment (Pieper et al., 2008). With a strong stewardship culture in a family firm, formal management controls associated with professionalization may be inappropriate (Stewart and Hitt, 2012). Some elements of this may prevail post-MBO/I to restrict the professionalization process. However, introduction of a PE investor may lead to a greater preponderance of agency relationships and precipitate the professionalization process.

### **Summary of Theoretical Insights**

Contingency-based approaches have been criticized for overemphasizing external context (Otley, 1988) rather than the role of internal culture, as embodied in agency and stewardship perspectives, which is a key theme in family firm studies. Prior studies provide limited perspectives on thresholds, succession and professionalization because they focus on ways of effecting succession while retaining family ownership in relation to succession as a one-off event. Limited examination of internal and external influences on professionalization structures in family firms (i.e. narrow focus on governance variables) may, in part, explain the claim that contingency theory may have minimal explanatory power (Yildirim-Öktem and Üsdiken, 2010). However, this may not be the case regarding professionalization processes. We provide fresh insights regarding the appropriateness of a contingency-based approach to explore internal and external firm issues shaping the professionalization process in private firms pre- and post-MBO/I. The buyout can retain family ownership but involves a more

fundamental break with the past than succession. Monitoring firms post-MBO/I enables longer-term examination of challenges in making changes to processes, values and cultures, which is missing in prior studies. We hold constant key contextual variables to isolate the effect(s) of changes in family ownership and management on the professionalization process in firms over time. Notably, we highlight links between the presence and exit of former family owners and managers due to the MBO/I, and the nature and form of professionalization processes pre- and post-MBO/I.

Agency theory suggests that as firm ownership and management are diluted through a MBO/I, there will be increased need to professionalize to control agency costs. Stewardship theory indicates that examination of motivations, relationships and information asymmetries may shed light on variations in the professionalization process, and the use of formal and/or social controls. Prior to MBO/I, family firms where stewardship relationships prevail may have greater use of informal methods and social controls. The MBO/I may increase formalization, particularly with PE firm involvement. A longitudinal qualitative approach enables exploration of these complex interactions between multiple factors relating to internal and external environments. A contingency-based approach building upon insights from agency and stewardship theories provides understanding of how the professionalization process evolves, particularly variations related to shifts in agency and stewardship constructs due to changes in family and non-family ownership and management.

## **METHOD**

We adopt the logic of inductive inquiry that allows new theoretical insights to emerge through the process of gathering data from multiple sources, analysing that data through comparison, and iterating between emerging conceptual insights and re-examination of the data (Yin, 2014; Reay, 2014; De Massis and Kotlar, 2014; Fletcher et al., 2015). A longitudinal study was conducted involving six UK family firms undergoing a MBO/I. MBO/Is provide ‘extreme cases’ (Siggelkow, 2007) for studying family firm professionalization because they involve a discrete event where family ownership and management changes to non-family. Data were collected at MBO/I in 1998 and subsequently from key informants up to 2014 as detailed below. Company reports, financial data, ownership and management data and media coverage were obtained across the period 1998 to 2014.

## **Case Selection**

For the initial selection, we administered a postal questionnaire to all MBO/Is completed in 1998 from the Centre for Management Buyout Research (CMBOR) database, which effectively comprises the UK MBO/I population. From survey respondents agreeing to a follow-up interview, we identified cases that, prior to MBO/I, met the European Union definition for private family firms as over 50% of shares were owned by a single family group related by blood or marriage, family were involved in management and the business was perceived as a family business (Westhead and Cowling, 1998). We employed theoretical sampling to select respondents with distinct differences (Eisenhardt and Graebner, 2007) that *ex ante* might be expected to provide variations in the professionalization process. We sought first and multi-generation firms because the depth of family experience can increase if more generations of the dominant family are involved in the firm (Astrachan et al., 2002); stewardship may have stronger roots and be more likely to prevail. We included MBOs and MBIs because the former includes managers from within the firm and the latter involves external managers who may be perceived as being ‘professional’ managers. The survey data also allowed us to identify cases with varying levels of family involvement post-MBO/I. Level of involvement of family members may shape pre- and post-MBO/I behaviour. Crucially, continuity of some family involvement may be associated with fewer changes post-MBO/I.

## **Data Collection**

Multiple sources of evidence enabled data to be cross-checked, improving consistency and reliability. The initial survey provided information on the family and the firm, perceived reasons for MBO/I, the deal, and changes in structure and strategy. Face-to-face interviews with vendors and acquirers in 2000/1 gathered information on motivations of family firm owners and MBO/I teams, antecedents, the deal process, and changes post-MBO/I. Face-to-face and telephone interviews with surviving firms in 2006 and 2014 explored changes in structure, operations and strategy. Interviews comprised open questions to avoid leading interviewees, focusing on changes since the previous data collection point. Five firms interviewed in 2001 were re-interviewed in 2006. One firm was not re-interviewed in 2006 due to closure. In 2014, ownership and management data on all six firms were obtained for the period pre-MBO/I to 2014. In 2014, of surviving firms interviewed in 2006, one was interviewed extensively because the family still had a role in 2006, and a further two

confirmed their current status by telephone. The fourth was the subject of extensive media coverage following a criminal court case against the two family directors. This firm was closed and subsequently sold in 2012 following their conviction. The fifth surviving firm was acquired in 2006. By obtaining data across the 16 years period up to 2014, we examined all firms beyond final exit of vendor families.

Nineteen interviews were held, separately, with multiple respondents from each firm over time. Respondents included former family owners, members of the MBO/I teams, managers and senior employees. Three interviews included two co-interviewees. Four people were interviewed on multiple occasions. Each one to two hour interview was recorded and transcribed verbatim. Anonymized case characteristics are provided in Table 1.

“INSERT TABLE 1 ABOUT HERE”

### **Data Analysis Method**

Data analysis was based on interpretive methods. Key concepts and understandings were developed from subjects’ interpretations. Interview transcripts from 2001, 2006 and 2014 were analysed manually using a three-stage process of description, inference and explanation. Manual coding and analysis were employed, facilitating identification of causal links and key concepts. Transcripts were coded and analysed using pattern-coding, tables and matrices. The first author undertook initial analysis and coding. Interpretations were checked with interviewees. Patterns and inferences were discussed between authors. Manual analysis allowed interviews to be read as a whole and to be critically considered within context. Data analysis aimed to identify themes, consistencies or paradoxes regarding two ordered steps: first-order analysis examined professionalization as firms went through changes in ownership and management, while second-order analysis involves development of conceptual insights through analytical generalization. Examples of data and early stage analysis are available in the online only appendix.

### **DATA ANALYSIS**

The professionalization processes were compared alongside changes in ownership and management post-MBO/I. Levels of family ownership and management declined post-MBO/I in all firms except TROLLEYS, which increased family ownership and was fully owned by the next generation of the original family six years post-MBO. Interviewees

evidenced views that polarized professional and family firms, consistent with earlier studies suggesting professionalization is simply the introduction of non-family management. Some non-family interviewees suggested family firms were the antithesis of ‘professional’ or ‘proper’ firms. *“I think the company’s run more professionally now... In family firms there’s a lot of bickering and things... It’s not tolerated in a proper company”* (PLANTS EMPLOYEE 2006). Here, the MBO/I was presented as having legitimized the family firm. Interestingly, the externally appointed managing director (MD)<sup>1</sup> of PLANTS stated (2001) *“Actually the business had pretty good controls and systems, the one strength of it before I came in was the systems were good”*. For some, being a family firm was not something to be proud of. The MD of TROLLEYS (in 2006) did not consider his firm to be a family business, despite being a second generation family member, and the business being owned fully by himself and his sister. Negative connotations of family business were more prevalent among firms managed very ad hoc pre-MBO/I which reported few formal controls and processes. In all these cases (PLANTS, PIPES and TROLLEYS), the firms were previously owner-managed, and dominated by one individual. A contra effect involved some non-family managers joining the smaller former private family firms, in part, due to prior negative experience of ‘professional’ management in large companies. These differences indicate a dichotomized view of family versus ‘professional’ management is an oversimplification of the professionalization process.

### **Professionalization in family firms pre-MBO/I**

Contrary to life-cycle perspectives, there were no discernible patterns in professionalization relative to firm size or age. The largest firms (DUMPS and PLANTS) and the oldest (PIPES) reported ad hoc and unsystematic management pre-MBO/I. This highlights that professionalization does not happen automatically as family firms grow, and suggests other factors influence the professionalization process.

Within-case and cross-case analysis identified variation in levels and focus of professionalization pre-MBO/I. Nearly all cases indicated owner-centric management and non-participatory leadership processes pre-MBO/Is. For example, *“The guy who ran the business knew everything, could do everybody’s job better than they could”* (PLANTS MD);

---

<sup>1</sup> MD = Commonly used term relating to privately held firms in the UK, and is equivalent to Chief Executive Officer.

and *“It was a one-man band in a way”* (PLANTS VENDOR). Vendors, employees, MBO/I team members and family members provided evidence of non-participatory leadership.

Cases varied in their introduction of external (non-family) managers: *“I’d tried to bring in senior people and for one reason or another it hadn’t worked”* (PLANTS, VENDOR 2001); *“He had a number of contractor directors...and they were highly incentivized...that’s how he had grown the business”* (DUMPS MD 2001). A shared leadership model was observed in LOCKS, where the Chair was a family owner and the MD was appointed externally years prior to MBO.

Variation in management control processes pre-MBO/Is ranged from non-existent to sophisticated use: *“We’ve got very good financial management controls in place (which we’ve built up over many years....There weren’t a lot of additional things (i.e. changes post MBO)”* (LOCKS MD 2001), compared with: *“What used to happen, because [family owners] had loads of money... [family owner] would just wander round the warehouse, if the bin was empty he’d just go away and order a pallet load of those fittings and then he could forget about it for six months”* (PIPES ACC 2001). Fewer management control processes were associated with the most owner-centric family firms.

Introduction of management control processes occurred incrementally over many years, suggesting professionalization was not a single action event. Cross-case analysis indicated the validity of a contingency-based explanation of why some firms were slower to professionalize. For example, PIPES had ‘plenty of cash’; BOXES’ ‘sales were good’; and PLANTS was well-placed as the leading supplier in their industry. Firms with fewer management control processes (PIPES) tended to have less uncertainty and complexity, particularly in their sales environment and were in slow-changing, low-technology industries. Firms with more management controls and processes pre-MBO/I (LOCKS) were in more complex industries, facing greater sales uncertainty. Stewardship relationships might increase internal certainty within private family firms, and thus be associated with fewer formal management controls and less likelihood to seek managers externally.

### **Professionalization in preparation for exit and succession**

The MBO/I boosted the professionalization process, forming part of exit preparations in some firms. External advisers were employed in all cases. Firms preparing for MBI were more likely to implement new processes than those preparing for MBO. Also, firms targeting PE funding were more likely to put new processes and structures in place pre-MBO/I. For

example: “*He [vendor] dressed it up a little bit, for example, did he have a business development manager? Yes he did but only just, he’d just appointed him, probably after he’d started speaking to me*” (DUMPS, MD 2001). LOCKS and BOXES, not funded by PE, placed greater emphasis on knowledge transfer pre- and post-MBO. Both paid less attention to management control processes, and ‘window dressing’. Private family firms preparing for MBO/I appear more likely to boost the professionalization process when it is anticipated that buying teams will include members external to the family firm (e.g. PE investor, MBI team), in line with agency theoretic notions of signalling.

### **Professionalization post-MBO/I**

Without prompting, interviewees used the word ‘professional’ in discussing changes post-MBO/I. BOXES thought they were “*more professional in what they do*”. Three cases introduced ‘external’ MDs. In each, the MDs talked about professionalizing as making improvements reflecting their experience in larger companies (i.e. decentralizing control). The MD and lead member of the MBI team in DUMPS stated they intended to “*get this team and manage it professionally...give people more authority...more freedom*”. An employee in PLANTS, mentioned earlier, stated that the company was “*run more professionally now*”. To confirm her view, the former family owner’s attitude is exemplified in describing the incoming MBO team as follows: “*They did... business planning, all this sort of rubbish*”. The new MD of PLANTS stated the importance of bringing in “*professional management*”, but explained that employees placed a low value on his management experience compared to knowing the names of all the plants.

Within-case analysis showed the MBO/I led to increased professionalization across every firm. Where not already in place, the MBO/I triggered an increased focus on profitability, more control processes, performance-related rewards, formal governance structure, participative leadership, changes in organization structures, and more strategic planning. There was considerable consistency of mechanisms adopted immediately post-MBO/I. All firms without monthly management accounts introduced them post-MBO/I, irrespective of type of MBO/I funding. LOCKS had formal structures and systems pre-MBO, but post-MBO, there was increased decentralization, changes in management structure, and formalization of governance roles.

The professionalization process was implemented through personnel changes: “*so the team was changed*” [PLANTS MD 2006 discussing 1999]; and structure changes

*“engineering business is [now] split into three [with] their own operating budgets and financial targets and controls”* (LOCKS MD 2001). Training and staff development were emphasized to enable professionalization processes: *“We’ve trained all the sales staff, trained the admin staff, a bit more discipline in terms of administration, rules and regulations, health and safety, to try and help develop the people”* (TROLLEYS MD 2001). All firms, except TROLLEYS, had an external board representative. In some (PIPES and PLANTS), PE investors appointed external MDs. PLANTS and PIPES suffered difficulties due to poor management skills of second-generation family members who wished to be involved post-MBO/I. These firms brought in external MDs within two years post-MBO/I. In both, this was the major trigger for increased professionalization. For PIPES, this included replacing ‘stock control by wandering’ with management and stock control processes plus computerized invoicing.

In several firms, where professionalization led to tightening up of slack, there was some employee resistance, notably when firms attempted to link bonuses to performance (DUMPS and PIPES). Clearly, there is potential for self-interest in private family firms and non-family firms.

MBO/Is introduced an additional layer of complexity due to the financial risk of debt in the deal structure. Contingency-based research has associated such factors with an increase in management control systems (Jones, 1992). PE investors especially bring the firm into a new agency relationship. There can be strict requirements for control systems and higher leverage requires closer monitoring of cash flow. MBI teams, as outsiders, are more likely to experience uncertainty due to asymmetric information challenges and associated agency relationships within the firm. To address these issues they, therefore, introduce agency controls.

In sum, the MBO/I acts like a ‘funnelling mechanism’ shaping the professionalization process post-MBO/I. Despite divergence in former private family firms pre-MBO/I, there is considerable convergence of professionalization post-MBO/I. Irrespective of background, post-MBO/I firms exhibited considerable consistency in governance structures, control systems and processes introduced. Personnel changes were important in driving professionalization.

### **Later years: post-family exit**

To examine patterns in changes in professionalization beyond the MBO/I transition period we analysed the period 8 to 16 years post-MBO/I. By 2006, consistent with PE time horizons (Gilligan and Wright, 2014), PE firms had exited most firms. Vendor families varied in their involvement post-MBO/I. By 2006, only TROLLEYS and LOCKS still had vendor family involvement. Further ownership changes were common-place, often in a move towards ownership consolidation. There was no discernible pattern concerning the vendor family concluding exit, and the introduction of further professionalization. By 2014, LOCKS had no family involvement, and formal management structures were more relaxed. *“It’s disintegrated...until 2013...very formal systems...we don’t meet as often as we used to”* (LOCKS, MD, 2014). In contrast, other firms introduced more formal systems when family involvement ended (PLANTS and BOXES). Introduction of formal control processes led to exit of the remaining family member in PIPES.

Eight years post-MBO/I, and after PE investor exit, data show further waves and ripples of professionalization, but with a shift in emphasis, and considerable variation among firms. The professionalization process over this time period emphasized more strategic planning, financial planning, training and development, innovation and culture changes. Control systems and processes were now discussed in terms of ‘how’ they were used rather than ‘what’ they consisted of as highlighted in earlier interviews. For example, the commercial director of BOXES had previously discussed budget minutiae, but now emphasized how the tools were used, and how they helped him understand what was going on. Interviewees illustrated increased taken-for-granted mastery over controls and systems. The professionalization process was enhanced by interviewees’ stronger views about what worked. Interviewees were also more open about when they got something wrong. Interestingly, by this stage there was divergence because some firms no longer used external directors. *“We had one guy who was a non-executive director, we got to a point that we felt we didn’t need him... After we talked to the bank they felt comfortable that we were as a team, perhaps experienced enough not to need that”* (BOXES MD 2006); *“[PE] think they’ve got their man in and actually, you know, he’s 90% on your side... When he first came in we’d have a pre-board meeting so he didn’t effectively manage the board ...By the time he left it was a 2 hour board meeting looking at strategy and real issues”* (PLANTS MD 2006); and *“[Non-executive directors] No never have done. I think there was lots of pressure from the VC back.... but we just dug our heels in and said no... We do have an external guy we*

*work with... we have a formal meeting with him every two months, off-site, fixed agenda, minutes, ...and it works very well” (TROLLEYS MD 2006).*

In 2006, there was more evidence of elements associated with stewardship relationships than observed immediately post-MBO/I. Interviewees reported high identification with the organization, involvement oriented, low power distance cultures, and a tendency to put the business’ objectives above personal ones. Centralization of management highlighted in surviving firms appeared associated with strong firm attachment and longer-term goals. For example, *“For me, it’s a long-term thing you know. I’ve worked here pretty much since I left college... it’s my life... I love it... I’m here for the long haul” (BOXES, internal MD, 2006).* Interviewees brought in as ‘external’ MDs, however, showed less attachment and shorter-term goals: *“Actually I’m doing a job, it’s not an extension of my personality” (PLANTS, external MD, 2006).*

The professionalization process was linked to changes in organizational culture. For example, *“the big challenge was changing it from a family culture to a... professional culture... we were able to instil in people that they were part of the team. Their job wasn’t to do what [family owner] said, their job was to offer their skills, their intelligence to do the best job they could” (PLANTS MD 2006).* However, the same interviewee went onto highlight a reversion to a ‘family culture’: *“over the last seven years, we’ve removed [PE] as a shareholder... and it’s almost come full circle back to being almost like the family business again... but with a different culture”.* The interviewee indicated the firm had achieved a balance between the best aspects of professional and family cultures, but *“the one thing I’ve got to be aware of is that I don’t just start slowly dripping in what’s wrong about a family business back into it” (PLANTS MD 2006).*

In line with contingency-based approaches, analysis suggests once standard control processes associated with professionalization were in place, firms adapted and developed in diverse directions, depending on individual circumstances. Firm goals also shaped the professionalization process. For example, LOCKS’ MD in 2014 took a long-term view: *“Constantly thinking about succession planning...always had this cycle, this up and down cycle...we’ve persevered...we’ve spent 10 years developing new products for different markets and these are sustainable” (LOCKS, MD, 2014).* The emphasis was on introducing management processes concerning product quality control and product development. In contrast, PIPES had a clear goal to sell the firm. Here, management control processes remained tight in order to maintain firm saleability.

“INSERT TABLE 2 ABOUT HERE”

## **DISCUSSION AND CONCLUSIONS**

### **Findings**

Our analysis shows that ‘threshold’ conceptualisations of a once-for-all shift from entrepreneurialism to professionalization are an oversimplification. Table 2 summarizes our main findings, highlighting that professionalization is a process rather than an event, occurring in waves of varying sizes and foci. Despite variations in level and focus pre-MBO/I, professionalization increased post-MBO/I, characterized by convergence, with firms reporting comparable levels of formalization and introduction of similar controls. Figure 1 represents this funnelling effect on the professionalization process that generally resulted in adoption of standardized management control processes post-MBO/I. Figure 1 and Table 2 also demonstrate the continuation of the professionalization process post-MBO/I over many years. Figure 1 illustrates that pre-MBO/I there was considerable variation in levels and foci of professionalization, contingent on the specific context of each firm. Stewardship relationships moderated the contingency imperative: where stewardship relationships were strong, fewer formal controls and therefore less professionalization was evident. In preparing for MBO/I, Figure 1 shows that professionalization through formalization increases. Where sale is to external parties (MBI), signalling is more relevant; furthermore professionalization at this stage is moderated by the type of funding as PE investors might have greater information asymmetry, and signalling becomes more important than with debt funding. Thus, agency theory dominates explanations of professionalization at this stage. During and immediately after MBO/I, analysis showed standardization and increasing of professionalization. This funnelling effect is driven by increased involvement of external, non-family managers and investors and is moderated by levels of uncertainty and risk faced by individual firms; greater uncertainty and risk strengthens the effect of external managers and investors on professionalization. In later stages post-MBO/I, Figure 1 illustrates the greater divergence observed as firms continued to professionalize in directions contingent on their own individual circumstances, internally and externally.

“INSERT FIGURE 1 ABOUT HERE”

Changes in ownership and management triggered ‘waves of professionalization’. Notably, in later years, specific variations in ownership or management could lead to a focus on operational controls, or agency control mechanisms. We detect that agency theory alone does not fully explain changes in management control systems and processes. Stewardship relationships were associated with emphasis on operational control processes to manage the business, rather than agency controls to align motivations. Longer-term stewardship relationships re-emerged once agency relationships had been reduced, for example, following exit of financial investors.

Figure 2 highlights the drivers and moderators of different professionalization waves, illustrating most powerfully that drivers and moderators differ across waves. Figures 1 and 2 emphasize the value of employing complementary theories to understand changes in professionalization over time. By utilizing a longitudinal approach, we extend insights from relatively narrow cross-sectional contingency-based approaches that explain the introduction of control processes to help understand the professionalization process. We suggest that cross-sectional quantitative studies may have severe limitations in assessing the level of professionalization achieved. Future longitudinal quantitative studies will provide additional insights relating to the scale and nature of the adoption of particular types of controls, structures and systems.

“INSERT FIGURE 2 ABOUT HERE”

### **Implications for private family firms post-MBO/I**

Our rich longitudinal analysis highlights there was no simple consistent pattern of association between family exit and the professionalization process. Where family members had a long-term continuing role post-MBO/I, exit was associated with relaxation of management control processes. For some family members, increased management control processes post-MBO/I constrained ability to act in pursuit of their own goals, leading to exit.

Notably, buyouts can provide a dynamic mechanism to reconcile notions of professionalization and stewardship within former private family firms. This suggests family owners not wishing to effect succession may trigger the professionalization process by, say, introducing external management. External managers can have a key role in triggering a professionalization wave concerning the introduction of management controls and processes. Family firms seeking to retain some family ethos following exit might consider MBOs rather

than MBIs. To realize this choice, family firms may need to build a credible tier of non-family management before MBO for it to be feasible. Successful firms post-MBO/I can also remove negative aspects associated with being a family firm (i.e. free-riding, shirking and inequitable treatment). However, post-MBO/I they need to build on positive aspects associated with being a family firm (i.e. loyalty, long-term commitment and trust). MBO/I succession provides a juncture when the status quo regarding family, management and ownership interaction can be reconfigured. This may be more difficult to achieve in a linear progression to family ownership succession. Post-MBO/I, there may be resistance to being perceived as a family firm because it is 'less professional', not helped by some conceptualizations distinguishing between family and 'professional' management suggesting family managers are inherently not professional (Hall and Nordqvist, 2008).

Our findings may assist family firm owners, potential MBO/I teams, and their advisors and financiers. Sustainability of elements of stewardship can underpin long-term strategy. Failure to acknowledge this, and over-emphasis on agency issues, may lead to misunderstanding of the motivations of firms, and potentially lead to provision of inappropriate advice. An MBO/I may provide an important transitory form that facilitates professionalization. Advisors and PE financiers may need to structure MBO/Is to incorporate longer-term independent ownership rather than exit as a trade sale, such as by promoting the extended application of secondary MBOs (CMBOR, 2014). Family firms should carefully consider the nature of PE firms because they differ in terms of their investment exit time horizons.

### **Limitations and further research**

Limitations provide avenues for further research. First, research is needed using a wider representative sample of former private family firms selecting a MBO/I succession route to establish the empirical generalizability of our insights. Second, studies are needed to examine the issues considered here in other institutional contexts where notions of agency, stewardship and family firm succession may be different, but where MBO/Is play a role in succession. This may add to the development of the contingency perspective presented here. Third, our selection of extreme cases focuses only on different types of MBO/Is; a further interesting extension would be to compare MBO/Is with the development of professionalization in family firms that undertake succession to subsequent generations, or external management. Future research might also compare how the professionalization

process evolves in other succession contexts. For example, some family firms effect exit through being acquired by corporations, but may subsequently buy the firm back. Similarly, some MBO/Is of family firms are subsequently rebought by the family. Fourth, we did not explore the relationship between firm professionalization and buyout performance. A different research design may be required to explore links with firm performance.

Notwithstanding these limitations, our analysis highlights that the process of family firm development is not linear. Presented longitudinal case evidence illustrates that it is more complex, and is associated with waves of professionalization. This finding opens the way for more general studies of professionalization in family firms guided by insights from stewardship and agency perspectives.

## REFERENCES

- Astrachan, J. H., Klein, S. B., & Smyrnios, K. X. (2002). The F-PEC scale of family influence: A proposal for solving the family business definition problem. *Family Business Review*, 15(1), 45-58, doi:10.1111/j.1741-6248.2002.00045.x.
- Bruining, H., Verwaal, E., & Wright, M. (2013). Private equity and entrepreneurial management in management buy-outs. *Small Business Economics*, 40(3), 591-605, doi:10.1007/s11187-011-9386-8.
- Bruton, G. D., Keels, J. K., & Scifres, E. L. (2002). Corporate restructuring and performance: An agency perspective on the complete buyout cycle. *Journal of Business Research*, 55(9), 709-724, doi:http://dx.doi.org/10.1016/S0148-2963(00)00212-5.
- Chittoor, R., & Das, R. (2007). Professionalization of management and succession performance—A vital linkage. *Family Business Review*, 20(1), 65-79, doi:10.1111/j.1741-6248.2007.00084.x.
- Chrisman, J. J., Chua, J. H., & Litz, R. A. (2004). Comparing the agency costs of family and non-family firms: Conceptual issues and exploratory evidence. *Entrepreneurship Theory and Practice*, 28(4), 335-354, doi:10.1111/j.1540-6520.2004.00049.x.
- Chrisman, J. J., Chua, J. H., Steier, L. P., Wright, M., & McKee, D. L. N. (2012). An agency theoretic analysis of value creation through management buy-outs of family firms. *Journal of family business strategy*, 3(4), 197-206, doi:http://dx.doi.org/10.1016/j.jfbs.2012.10.003.
- Chrisman, J. J., Sharma, P., Steier, L. P., & Chua, J. H. (2013). The influence of family goals, governance, and resources on firm outcomes. *Entrepreneurship Theory and Practice*, 37(6), 1249-1261, doi:10.1111/etap.12064.
- CMBOR (2014). Trends in UK management buy-outs. Management Buy-outs: Quarterly Review from CMBOR, London, Centre for Management Buy-outs Research, Imperial College, Autumn.

- Colombo, M. G., De Massis, A., Piva, E., Rossi-Lamastra, C., & Wright, M. (2014). Sales and employment changes in entrepreneurial ventures with family ownership: Empirical evidence from high-tech industries. *Journal of Small Business Management*, 52(2), 226-245, doi:10.1111/jsbm.12100.
- Daily, C. M., & Dalton, D. R. (1992). Financial performance of founder-managed versus professionally managed small corporations. *Journal of Small Business Management*, 30(2), 25-34.
- De Massis, A., Chirico, F., Kotlar, J., & Naldi, L. (2014). The temporal evolution of proactiveness in family firms: The horizontal S-curve hypothesis. *Family Business Review*, 27(1), 35-50, doi:10.1177/0894486513506114.
- De Massis, A., & Kotlar, J. (2014). The case study method in family business research: Guidelines for qualitative scholarship. *Journal of family business strategy*, 5(1), 15-29, doi:http://dx.doi.org/10.1016/j.jfbs.2014.01.007.
- Dekker, J., Lybaert, N., Steijvers, T., & Depaire, B. (2015). The effect of family business professionalization as a multidimensional construct on firm performance. *Journal of Small Business Management*, 53(2), 516-538, doi:10.1111/jsbm.12082.
- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: Opportunities and challenges. *Academy of Management Journal*, 50(1), 25-32, doi:10.5465/amj.2007.24160888.
- Fletcher, D., Massis, A. D., & Nordqvist, M. (2015). Qualitative research practices and family business scholarship: A review and future research agenda. *Journal of family business strategy*, doi:http://dx.doi.org/10.1016/j.jfbs.2015.08.001.
- Gedajlovic, E., Lubatkin, M. H., & Schulze, W. S. (2004). Crossing the threshold from founder management to professional management: A governance perspective. *Journal of Management Studies*, 41(5), 899-912, doi:10.1111/j.1467-6486.2004.00459.x.
- Gilligan, J., & Wright, M. (2014). *Private equity demystified* (3ed.). London: ICAEW.
- Hall, A., & Nordqvist, M. (2008). Professional management in family businesses: Toward an extended understanding. *Family Business Review*, 21(1), 51-69, doi:10.1111/j.1741-6248.2007.00109.x.
- Howorth, C., Westhead, P., & Wright, M. (2004). Buyouts, information asymmetry and the family management dyad. *Journal of Business Venturing*, 19(4), 509-534, doi:http://dx.doi.org/10.1016/j.jbusvent.2003.04.002.
- Ibrahim, A. B., Soufani, K., & Lam, J. (2001). A study of succession in a family firm. *Family Business Review*, 14(3), 245-258, doi:10.1111/j.1741-6248.2001.00245.x.
- Jones, C. S. (1992). The attitudes of owner-managers towards accounting control systems following management buyout. *Accounting, Organizations and Society*, 17(2), 151-168, doi:http://dx.doi.org/10.1016/0361-3682(92)90008-G.

- Kotlar, J., & De Massis, A. (2013). Goal setting in family firms: Goal diversity, social interactions, and collective commitment to family-centered goals. *Entrepreneurship Theory and Practice*, 37(6), 1263-1288, doi:10.1111/etap.12065.
- Lien, Y.-C., & Li, S. (2014). Professionalization of family business and performance effect. *Family Business Review*, 27(4), 346-364, doi:10.1177/0894486513482971.
- Miller, D., Steier, L., & Le Breton-Miller, I. (2003). Lost in time: intergenerational succession, change, and failure in family business. *Journal of Business Venturing*, 18(4), 513-531, doi:http://dx.doi.org/10.1016/S0883-9026(03)00058-2.
- Minichilli, A., Corbetta, G., & MacMillan, I. C. (2010). Top management teams in family-controlled companies: 'Familiness', 'Faultlines', and their impact on financial performance. *Journal of Management Studies*, 47(2), 205-222, doi:10.1111/j.1467-6486.2009.00888.x.
- Otley, D. (1988). Contingency theory. In S. Thompson, & M. Wright (Eds.), *Internal Organization, Efficiency and Profit*. Deddington: Philip Allan.
- Pieper, T. M., Klein, S. B., & Jaskiewicz, P. (2008). The Impact of goal alignment on board existence and top management team composition: Evidence from family-influenced businesses. *Journal of Small Business Management*, 46(3), 372-394, doi:10.1111/j.1540-627X.2008.00249.x.
- Reay, T. (2014). Publishing qualitative research. *Family Business Review*, 27(2), 95-102, doi:10.1177/0894486514529209.
- Schulze, W. S., Lubatkin, M. H., & Dino, R. N. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, 18(4), 473-490, doi:http://dx.doi.org/10.1016/S0883-9026(03)00054-5.
- Siggelkow, N. (2007). Persuasion with case studies. *Academy of Management Journal*, 50(1), 20-24, doi:10.5465/amj.2007.24160882.
- Stewart, A., & Hitt, M. A. (2012). Why can't a family business be more like a nonfamily business?: Modes of professionalization in family firms. *Family Business Review*, 25(1), 58-86, doi:10.1177/0894486511421665.
- Westhead, P., & Cowling, M. (1998). Family firm research: the need for a methodological rethink. *Entrepreneurship & Regional Development*, 23(1), 31-56.
- Westhead, P., & Howorth, C. (2007). 'Types' of private family firms: an exploratory conceptual and empirical analysis. *Entrepreneurship & Regional Development*, 19(5), 405-431, doi:10.1080/08985620701552405.
- Yildirim-Öktem, Ö., & Üsdiken, B. (2010). Contingencies versus external pressure: Professionalization in boards of firms affiliated to family business groups in late-industrializing countries. *British Journal of Management*, 21(1), 115-130, doi:10.1111/j.1467-8551.2009.00663.x.
- Yin, R. (2014). *Case study research: Design and methods*. Los Angeles, California: Sage.

Zahra, S. A., Filatotchev, I., & Wright, M. (2009). How do threshold firms sustain corporate entrepreneurship? The role of boards and absorptive capacity. *Journal of Business Venturing*, 24(3), 248-260, doi:<http://dx.doi.org/10.1016/j.jbusvent.2008.09.001>.

**Table 1 Case Descriptions**

	LOCKS	BOXES	DUMPS	PIPES	PLANTS	TROLLEYS
Industry	Engineering	Paper/print	Construction	Merchant	Horticulture	Engineering
Founded	1965	1963	1979	Pre-1928	1972	1979
Turnover £m 1998 : 2005	4.6 : 3.8	2.5 : not known	20 : n.a.	4 : 18.2**	24 : 30.4	6
Employees 1998 : 2005/6	120 : 99	45 : 25	114 : n.a.	30 : 75	300 : 221	65 : 60
Deal finance	Debt.	Debt.	Private equity (captive).	Private equity (independent).	Private equity (captive).	Private equity (captive).
Vendor succession style	Staged exit: Co-operative and participative.	Retirement, ambassador, co-operative.	Retirement, hedonist, antagonistic.	Illness, low knowledge transfer.	Retirement, co-operative.	Illness, un-co-operative.
Ownership changes since 1998	Former owner's minority shares bought in 2006.	2 <sup>nd</sup> MBO in 2006	Closed in 2003. Subsidiary sold out of receivership.	MBI team bought out in 2000. 2006 bought by competitor.	MBO team xc 1 sold in 2001. 2 VCs bought out in 2004/6. 76% owned by MD; 24% by FD.	MBO lead and VC bought out 2001. Other MBO member bought out 2003.
Control changes		MD retired in 2002. New board structure in 2006.	Changes in directors in 1999, 2002 and 2004. MD resigned in 2003.	New board structure in 2000, 2006. Changes in directors in 2005 and 2007.	MD replaced in 1999. Director resignations in 2000, 2001. 2003 and 2004.	New board structure 2004.
Family involvement	Family vendor on board until 2006. 12.5% in trust for family.	None in firm. Family own business' premises.	None since MBI.	Son of vendor employed until 2000.	Son of vendor employed as director until 2000.	Continuing. 50/50 owned by son and daughter of vendor and founder.
MBO team involvement	All original team still involved in similar roles.	1 of 4 first MBO team in 2 <sup>nd</sup> MBO.	MBI lead resigned in 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
Interviewed 2006?	MD	MD	No	Financial controller	MD and employee	MD

Notes: \*Last complete financial year pre-MBO/I. \*\*2006 data because 2005 not available. n.a. = not available. MD = Managing director; FD = Financial director; VC= private equity company.

**Table 2: Waves of Professionalization: Summary of Findings**

	<b>Family Firm Pre-MBO/I</b>	<b>Preparation for MBO/I</b>	<b>Immediately Post-MBO/I</b>	<b>Later years</b>
<b>Professionalization is characterized by:</b>	<ul style="list-style-type: none"> <li>• Variation</li> <li>• Low levels</li> </ul>	<ul style="list-style-type: none"> <li>• Increase</li> <li>• Window dressing</li> </ul>	<ul style="list-style-type: none"> <li>• Funnelling mechanism</li> <li>• Increase</li> <li>• Convergence</li> </ul>	<ul style="list-style-type: none"> <li>• Divergence</li> </ul>
<b>Common themes include:</b>	<ul style="list-style-type: none"> <li>• Owner-centric</li> <li>• Ad hoc control</li> <li>• Fire fighting</li> </ul>	<ul style="list-style-type: none"> <li>• Formalization</li> </ul>	<ul style="list-style-type: none"> <li>• Standardization</li> <li>• Agency controls</li> <li>• Talk about being 'professional'</li> </ul>	<ul style="list-style-type: none"> <li>• Mastery of management tools</li> <li>• Reflexive and proactive</li> <li>• External director exit</li> </ul>
<b>Professionalization process occurs through:</b>	<ul style="list-style-type: none"> <li>• Incremental adjustments</li> </ul>	<ul style="list-style-type: none"> <li>• Tightening operational controls</li> <li>• Formalizing roles</li> </ul>	<ul style="list-style-type: none"> <li>• Personnel changes</li> <li>• Structure changes</li> <li>• Incentivization</li> <li>• 'Tweaking'</li> <li>• Staff development</li> <li>• External representation</li> </ul>	<ul style="list-style-type: none"> <li>• Staff development</li> <li>• Culture change</li> <li>• Long-term planning</li> <li>• Simplification and extension</li> </ul>
<b>Changes in professionalization are associated with:</b>	<ul style="list-style-type: none"> <li>• Contingency-based explanations</li> <li>• Complexity and uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>• Recommendation of external advisors</li> <li>• Expectation of external sale</li> </ul>	<ul style="list-style-type: none"> <li>• External investors' requirements</li> <li>• External appointments</li> </ul>	<ul style="list-style-type: none"> <li>• Contingency-based adaptation to context</li> <li>• Goals of the owner manager</li> <li>• Investor exit (but not family exit)</li> </ul>
<b>Influences are moderated by:</b>	<ul style="list-style-type: none"> <li>• Stewardship relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Type of funding pre-MBO/I</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertainty</li> <li>• Financial risk</li> </ul>	<ul style="list-style-type: none"> <li>• Family involvement</li> </ul>
<b>Dominant explanatory theory</b>	<ul style="list-style-type: none"> <li>• Contingency</li> <li>• Stewardship</li> </ul>	<ul style="list-style-type: none"> <li>• Agency</li> </ul>	<ul style="list-style-type: none"> <li>• Agency</li> </ul>	<ul style="list-style-type: none"> <li>• Contingency</li> <li>• Stewardship</li> </ul>

**Figure 1: Funnelling Effect of MBO/I on Professionalisation**

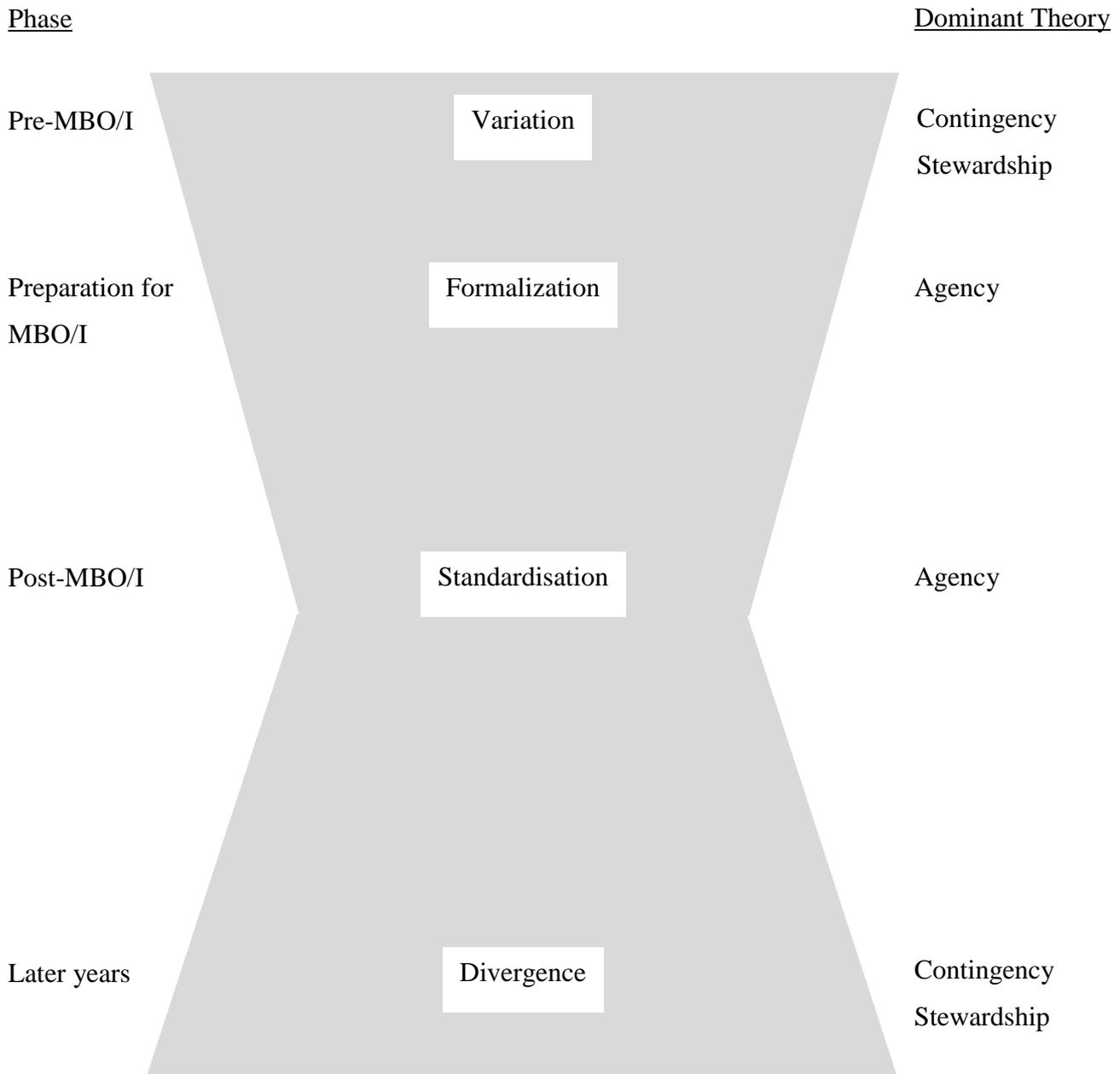


Figure 2: Waves of Professionalization: Drivers and Moderators

