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STRATEGIC REPOSITIONING OF A SMALL AND MEDIUM-SIZED ENTERPRISE AFTER A MANAGEMENT BUYOUT

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ABSTRACT (GERMAN)

Management-Buyouts (MBOs) stellen eine bedeutende Form organisatorischer Transformation dar, insbesondere wenn Tochtergesellschaften von ihrem Mutterkonzern getrennt werden und als eigenständige kleine und mittlere Unternehmen (KMU) weitergeführt werden. Während sich die bisherige Forschung zu MBOs vor allem auf finanzielle und leistungsbezogene Ergebnisse konzentriert hat, wurde den Prozessen, durch die sich Unternehmen nach dem Eigentumsübergang an neue Rahmenbedingungen anpassen, bislang nur begrenzte Aufmerksamkeit gewidmet. Diese Studie untersucht, wie ein Tochtergesellschafts-Management-Buyout den Einsatz dynamischer Fähigkeiten (Dynamic Capabilities) in einem neu unabhängigen KMU beeinflusst. Aufbauend auf dem Dynamic-Capabilities-Ansatz von Teece analysiert die Studie, wie Sensing-, Seizing- und Transforming-Aktivitäten während der Phase nach dem Buyout umgesetzt werden.

Zur Beantwortung der Forschungsfrage wurde eine qualitative Einzelfallstudie in einem Stahlbauunternehmen durchgeführt, das einen Tochtergesellschafts-Management-Buyout durchlaufen hat. Die Datenerhebung erfolgte mittels leitfadengestützter Interviews mit zentralen Akteuren des Transformationsprozesses und wurde mit Hilfe eines Temporal-Bracketing-Ansatzes analysiert. Die Ergebnisse zeigen, dass der Management-Buyout dem Managementteam größere strategische Autonomie ermöglichte, während das Unternehmen gleichzeitig bestehende Unterstützungsstrukturen des Mutterkonzerns ersetzen musste. Der Buyout veränderte die Art und Weise, wie Führungskräfte Chancen identifizierten, strategische Entscheidungen trafen und Unternehmensressourcen organisierten. Durch die Analyse dieser Entwicklungen zeigt die Studie, wie der Übergang von konzerngebundenem Eigentum zu Managementeigentum den Einsatz dynamischer Fähigkeiten während des Prozesses organisatorischer Verselbstständigung beeinflusste.

Schlüsselwörter: *Management-Buyout (MBO), Tochtergesellschafts-Management-Buyout, dynamische Fähigkeiten (Dynamic Capabilities), strategische Neuausrichtung, Eigentumsübergang, organisationale Transformation, kleines und mittleres Unternehmen (KMU)*

ABSTRACT

Management buyouts (MBOs) represent a significant form of organizational transformation, particularly when subsidiaries are separated from corporate parents and become independent small and medium-sized enterprises (SMEs). While previous research has primarily focused on the financial and performance outcomes of MBOs, limited attention has been given to the processes through which firms adapt following the ownership transition. This study investigates how a subsidiary management buyout shapes the deployment of dynamic capabilities in a newly independent SME. Drawing on Teece's dynamic capabilities framework, the research examines how sensing, seizing, and transforming activities are enacted during the post-buyout period.

A qualitative single-case study was conducted in a steel construction company that experienced a subsidiary management buyout. Data were collected through semi-structured interviews with key actors involved in the transition and analyzed using a temporal bracketing approach. The findings reveal that the buyout enabled the management team to exercise greater strategic autonomy while simultaneously requiring the firm to replace corporate support structures. The buyout changed how managers identified opportunities, made strategic decisions, and organized company resources. By examining these developments, the study demonstrates how the shift from corporate ownership to managerial ownership influenced the deployment of dynamic capabilities during the transition to organizational independence.

Keywords: *management buyout (MBO), subsidiary management buyout, dynamic capabilities, strategic repositioning, ownership transition, organizational transformation, SME*

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LIST OF ABBREVIATIONS

CEO	Chief Executive Officer
GDPR	General Data Protection Regulation
HQ	Headquarters
IB	International Business
IBO	Investor-Led Buyout
MBI	Management Buy-In
MBO	Management Buyout
PE	Private Equity
RBV	Resource-Base View
SME	Small and Medium-sized Enterprise
VRIN	Valuable, Rare, Inimitable, Non-substitutable

1. INTRODUCTION

Organizations frequently encounter periods of change that necessitate adaptation. As environments evolve, existing organizational arrangements may no longer be sufficient, requiring firms to modify established structures, routines, and resources and develop new ways of operating (Augier & Teece, 2008; Helfat et al., 2007; Teece, 2007). Consequently, organizational adaptation has become an important area of research concerned with understanding how firms respond to changing circumstances and maintain competitive advantage over time (Helfat et al., 2007; Teece, 2007; Teece, 2014).

One important source of organizational change arises from ownership transitions. Changes in ownership can reshape governance structures, managerial incentives, decision-making processes, and strategic priorities, thereby creating opportunities for strategic renewal and organizational development (Bruining et al., 2004; Goossens et al., 2008; Meuleman et al., 2009; Wright et al., 2001). Thus, ownership transitions may initiate broader processes of organizational adjustment and renewal that extend beyond the transaction itself (Goossens et al., 2008; Wright et al., 2001).

Ownership transitions can occur through a variety of forms, including investor-led buyouts (IBOs), management buy-ins (MBIs), and management buyouts (MBOs) (Howorth et al., 2004; Goossens et al., 2008). Among these forms, management buyouts have attracted particular scholarly attention because ownership is transferred to the incumbent management team, thereby combining ownership and managerial control within the same group of actors (Bruining & Wright, 2002; Meuleman et al., 2009).

While early research primarily viewed buyouts as mechanisms for improving efficiency and aligning managerial interests with organizational performance, more recent studies increasingly recognize MBOs as contexts of organizational renewal, entrepreneurial activity, and strategic change (Bruining & Wright, 2002; Bruining et al., 2011; Zahra, 1995). However, management buyouts are a heterogeneous phenomenon encompassing different ownership structures (Bruining et al., 2013; Meuleman et al., 2009). Among the different forms identified in the literature, subsidiary management buyouts occupy a particularly distinctive position. In these cases, a business unit is separated from a larger corporate parent and transferred to the management team operating the subsidiary. As a result, the organization undergoes a transition from functioning as part of an established corporate structure to operating as an independent enterprise (Bruining et al., 2013; Meuleman et al., 2009).

This transition extends beyond a simple transfer of ownership. Prior to the buyout, subsidiaries are often embedded within broader corporate systems that provide access to resources, support functions, organizational routines, and established networks (Bruining et al., 2013; Meuleman et al., 2009; Wright et al., 2001). Following separation, many of these arrangements must be replaced or reconfigured. At the same time, managerial ownership may increase strategic autonomy by placing decision-making authority in the hands of managers (Bruining & Wright, 2002; Meuleman et al., 2009).

The simultaneous increase in managerial discretion and loss of corporate support creates a unique context of organizational transformation (Bruining et al., 2013; Meuleman et al., 2009). Managers gain greater freedom to shape strategic direction and pursue new opportunities, yet they must also assume responsibility for activities previously coordinated by the parent organization (Bruining & Wright, 2002; Meuleman et al., 2009). As a result, subsidiary management buyouts represent important periods of transition during which firms must establish themselves as independent enterprises (Bruining et al., 2013; Meuleman et al., 2009).

In navigating this transition, firms must balance continuity and change. Newly independent organizations often inherit resources, routines, and organizational knowledge from their previous corporate setting, while simultaneously needing to adapt these inherited resources to their new circumstances (Bruining et al., 2004; Bruining et al., 2013; Meuleman et al., 2009). Understanding how firms navigate this process requires attention to the mechanisms through which managers identify opportunities, make strategic decisions, and reconfigure organizational resources over time (Augier & Teece, 2008; Helfat et al., 2007; Teece, 2007).

The dynamic capabilities perspective provides a useful framework for understanding how firms navigate periods of organizational change. Dynamic capabilities refer to a firm's ability to purposefully create, extend, and reconfigure its resource base in response to changing conditions (Helfat et al., 2007; Teece, 2007). The perspective emphasizes the role of managers in identifying opportunities, making decisions regarding resource allocation, and guiding organizational transformation (Augier & Teece, 2008; Teece, 2007; Teece, 2014). As such, it is well suited to examining how firms respond to ownership transitions and adapt to changing organizational conditions.

Despite the extensive literature on management buyouts, research has focused predominantly on outcomes such as governance structures, managerial incentives, and organizational performance (Meuleman et al., 2009; Wright et al., 2001; Zahra, 1995). Consequently, less attention has been devoted to understanding how firms adapt following the transition from a corporate subsidiary to an independent enterprise (Meuleman et al., 2009; Bruining et al., 2013). While the dynamic capabilities literature has generated important insights into organizational adaptation and resource reconfiguration (Helfat et al., 2007; Teece, 2007), ownership transitions have received comparatively limited attention within this perspective. As a result, little is known about how dynamic capabilities are deployed during the transition from corporate subsidiary to independent small and medium-sized enterprise (SME).

To address this gap, this study investigates the following research question:

"How does a subsidiary management buyout (MBO) shape the deployment of dynamic capabilities in a small and medium-sized enterprise (SME)?"

By viewing ownership change as an organizational process rather than a purely transactional event, this study seeks to provide a richer understanding of how firms establish themselves as independent enterprises while adapting inherited resources, routines, and organizational structures.

To answer this question, the study employs a qualitative single-case study design focused on a company in the heavy steel construction industry that recently underwent a subsidiary management buyout. The case was selected because it provides access to key organizational actors and internal documentation relevant to the study. Data were collected through semi-structured interviews with five managers and complemented by documentary evidence. The empirical material was analyzed using a temporal bracketing approach to examine how organizational adaptation unfolded across different phases of the post-buyout transformation process.

1.1. Structure of the Study

The remainder of this thesis is organized into five chapters. Chapter 2 presents the theoretical background and reviews the literature on management buyouts, including the autonomy–constraint tension associated with subsidiary buyouts, before introducing dynamic capabilities as the theoretical lens guiding the study. Chapter 3 outlines the research methodology, including the research design, case selection, data collection procedures, and analytical approach. Chapter 4 presents the empirical findings, which are organized around the different phases of the subsidiary management buyout process. Chapter 5 discusses these findings in relation to the existing literature and interprets them through the dynamic capabilities perspective. Finally, Chapter 6 concludes the thesis by summarizing the main findings, discussing its theoretical and managerial contributions, acknowledging its limitations, and identifying opportunities for future research.

2. THEORETICAL BACKGROUND

2.1. Management Buyouts

2.1.1. Defining Management Buyouts

A management buyout is defined as a transaction in which the incumbent management team acquires ownership and control of the firm or business unit they currently manage (Bruining & Wright, 2002; Bruining et al., 2013; Howorth et al., 2004). This process involves managers purchasing a substantial proportion of the firm's equity financed through a combination of personal investment, private equity participation, and bank-provided debt (Bruining & Wright, 2002; Bruining et al., 2013; Howorth et al., 2004; Sannajust & Groh, 2023). Because the acquiring managers are already embedded in the organization, they possess firm-specific knowledge and established operational experience prior to the ownership transition (Bruining & Wright, 2002; Howorth et al., 2004; Thompson et al., 1990). Recent literature reviews indicate that the core definition of management buyouts has remained relatively stable in the literature, emphasizing the transfer of ownership to existing managers without immediate changes to the organizational structure (Bruining et al., 2013; Sannajust & Groh, 2023).

Contexts in Which MBOs Occur

Management buyouts frequently occur in the context of corporate divestments, particularly when parent companies decide to sell subsidiaries or divisions that are no longer considered part of their core strategic activities (Bruining et al., 2013; Sannajust & Groh, 2023; Thompson et al., 1990). Another prevalent context is the ownership succession of private family-owned firms, where MBOs offer an alternative to intergenerational transfer or liquidation (Howorth et al., 2004; Sannajust & Groh, 2023). In these cases, management buyouts allow family owners to realize their investment while ensuring continuity under independent ownership (Howorth et al., 2004). Beyond privately held firms, MBOs have also played a significant role in the privatization of state-owned enterprises, facilitating the transfer of assets from the public sector to private management teams (Sannajust & Groh, 2023; Thompson et al., 1990). Finally, management buyouts may arise in situations of financial distress, such as receiverships or bankruptcies, where incumbent managers seek to preserve the business as an alternative to closure (Sannajust & Groh, 2023; Thompson et al., 1990).

Continuity and Discontinuity in Management Buyouts

A defining characteristic of the management buyout is the tension between operational continuity and fundamental governance discontinuity (Howorth et al., 2004; Thompson et al., 1990). On an operational level, firms typically experience a high degree of continuity, as the majority of the management team remains intact following the transaction (Howorth et al., 2004). This continuity contributes to the preservation of organizational identity, as the new owners are already embedded in the firm's routines and retain firm-specific knowledge developed prior to the buyout (Howorth et al., 2004; Sannajust & Groh, 2023; Thompson et al., 1990). At the same time, the transaction introduces a sharp discontinuity in governance and ownership control as the former parent organization or family owner exits the capital structure (Howorth et al., 2004; Thompson et al., 1990). This shift reunites ownership and control within the firm, as former managers assume the role of owner-managers and gain greater discretion over strategic decision-making (Bruining & Wright, 2002; Thompson et al., 1990). Even though the composition of the leadership team often remains unchanged, managerial incentives and ways of thinking shift as managers take on ownership roles (Bruining & Wright, 2002; Bruining et al., 2013; Thompson et al., 1990). Prior research refers to this transition as a process of cognitive refocusing, in which managers begin to view the firm from an ownership perspective and become more actively engaged in opportunity-seeking behavior (Bruining et al., 2013; Meuleman et al., 2009).

Distinction from Related Buyout Forms

Management buyouts are distinguished from other buyout forms based on the identity of the acquiring actors (Sannajust & Groh, 2023). A management buy-in differs from an MBO in that the firm is purchased by external entrepreneurs rather than incumbent managers (Howorth et al., 2004). While MBIs similarly involve a transfer of ownership and control, the incoming management team lacks firm-specific knowledge and pre-existing internal relationships, which increases information asymmetries and may lead to greater post-transaction challenges (Bruining & Wright, 2002; Sannajust & Groh, 2023). In addition, some transactions are classified as investor-led buyouts, in which financial investors – most commonly private equity firms or venture capital providers – play a proactive role in deal origination and governance. In such cases, investors may retain the existing management team, replace it, or complement it with external executives (Bruining & Wright, 2002; Sannajust & Groh, 2023).

2.1.2. Types of Management Buyouts as a Heterogenous Phenomenon

Management buyouts are not a uniform category of transaction but represent a heterogeneous phenomenon (Bruining et al., 2013; Meuleman et al., 2009). MBOs vary across several dimensions, most notably the degree of financial leverage employed, the presence or absence of external investors such as private equity firms, and the extent of continued ties to a former parent organization (Bruining et al., 2013; Sannajust & Groh, 2023). This diversity is theoretically significant because the specific configuration shapes the strategic orientation in the post-buyout phase (Bruining et al., 2013; Meuleman et al., 2009).

Main Types of Management Buyouts

Building on the recognition of management buyouts as a heterogeneous phenomenon, the research distinguishes between three constellations based on their structural and ownership composition: independent, private equity (PE)-backed, and subsidiary management buyouts (Bruining & Wright, 2002; Meuleman et al., 2009; Sannajust & Groh, 2023).

Independent or management-led MBOs are characterized by the incumbent team acquiring a significant equity stake through personal investment and debt financing (Bruining & Wright, 2002; Goossens et al., 2008; Howorth et al., 2004). These transactions often involve lower levels of financial leverage, as managers generally have more limited borrowing capacity (Bruining & Wright, 2002; Meuleman et al., 2009). Therefore, management-led buyouts often grant the management team greater operational autonomy, while the absence of strong financial backing may constrain the firm's access to capital (Bruining & Wright, 2002; Meuleman et al., 2009; Goossens et al., 2008).

A second category includes private-equity-backed management buyouts, where external financial investors provide substantial capital and participate actively in governance through board representation or performance monitoring. While management remains operationally involved, strategic decision-making is shaped through contractual restrictions by the presence of external investors (Bruining et al., 2013; Meuleman et al., 2009).

Finally, subsidiary or divisional management buyouts occur when an operating unit is carved out from a corporate parent and transformed into an independent firm (Bruining et al., 2013; Meuleman et al., 2009). Because these firms were previously embedded within corporate systems and bureaucratic structures, the transition to independence often represents a significant organizational shift, despite the absence of immediate structural change at the point of the buyout. Although subsidiary MBOs inherit existing operating assets, separation from the parent organization typically results in the loss of corporate support functions and access to internal capital markets. Thus, management teams must maintain operational continuity while simultaneously establishing stand-alone governance structures, making subsidiary MBOs demanding forms of organizational restructuring (Bruining et al., 2013; Meuleman et al., 2009).

2.1.3. The Autonomy-Constraint Tension

2.1.3.1. Increased Managerial Autonomy

From employee to owner-manager

The fundamental change following a management buyout is the transformation of the manager's role from that of an employee to an owner-manager with direct responsibility for the firm's strategic direction (Bruining & Wright, 2002; Thompson et al., 1990). This shift provides managers with increased discretionary power that was previously constrained by corporate hierarchies, enabling them to exercise greater control over strategic and organizational decisions (Bruining & Wright, 2002; Meuleman et al., 2009). Prior research emphasizes that this transition entails more than a formal change in ownership status, as it also reshapes managerial identity and cognitive orientation toward the firm (Bruining et al., 2013; Sannajust & Groh, 2023).

Decision rights and managerial discretion

Beyond the role-transformation into owner-managers, management buyouts reallocate formal decision rights to the managerial team. Whereas managerial decision-making prior to the buyout was typically subject to restrictive approval processes and rigid procedures imposed by a corporate parent or external owners, post-MBO managers gain authority to initiate and implement key strategic decisions independently (Bruining & Wright, 2002; Meuleman et al., 2009). This increased managerial discretion extends to areas such as investment allocation, organizational restructuring, and market positioning, allowing managers to respond more flexibly to changing conditions (Bruining & Wright, 2002; Bruining et al., 2013; Meuleman et al., 2009). However, while decision-making authority increases, managers simultaneously become responsible for the consequences of these decisions, as the protective oversight of a parent organization is removed (Bruining & Wright, 2002; Meuleman et al., 2009; Thompson et al., 1990).

Incentive alignment and entrepreneurial orientation

Management buyouts alter managerial incentives by linking ownership, risk, and reward to the long-term value of the firm (Bruining & Wright, 2002; Meuleman et al., 2009; Thompson et al., 1990). Through equity participation, managers face the financial consequences of their strategic decisions, thereby aligning personal wealth outcomes with the sustained success of the firm (Attahiri et al., 2025; Bruining & Wright, 2002; Zahra, 1995). Prior research suggests that this incentive alignment fosters a stronger entrepreneurial orientation, as managers become more willing to pursue growth opportunities and innovation (Bruining & Wright, 2002; Bruining et al., 2013; Sannajust & Groh, 2023; Zahra, 1995).

This realignment of incentives is not merely financial but also behavioral, as ownership motivates managers to adopt a more proactive and opportunity-seeking approach (Bruining et al., 2013; Zahra, 1995). As a result, managers act not only as agents implementing strategies, but also as owners who are personally motivated to engage in entrepreneurial risk-taking and to identify and exploit new opportunities that were previously constrained by corporate bureaucracy (Meuleman et al., 2009; Thompson et al., 1990; Wright et al., 2001; Zahra, 1995).

2.1.3.2. Loss of Corporate Support and Emergence of New Constraints

Loss of corporate routines and systems

While management buyouts increase managerial autonomy, they simultaneously entail the loss of organizational systems and support structures previously provided by a corporate parent or former owner, such as finance, human resources, and strategic planning functions (Bruining et al., 2013; Meuleman et al., 2009; Wright et al., 2001). The removal of the corporate infrastructure can disrupt coordination and information flows, increasing operational complexity in the early phases following the transaction (Bruining et al., 2013; Meuleman et al., 2009; Thompson et al., 1990). As a result, managerial teams are required to either recreate these routines internally or source them externally, often under conditions of limited time and financial resources (Meuleman et al., 2009; Thompson et al., 1990).

Loss of legitimacy, networks, and scale

Beyond the internal structural changes, management buyouts also entail a reduction in external legitimacy and access to networks that were previously derived from association with a corporate parent or established owner (Bruining et al., 2013; Howorth et al., 2004; Sannajust & Groh, 2023). Subsidiaries and business units often benefit from the reputation and credibility of the parent organization when interacting with customers, suppliers, or financial institutions (Meuleman et al., 2009; Sannajust & Groh, 2023). Following the buyout, this reputational endorsement is withdrawn, requiring post-MBO firms to re-establish legitimacy in their own right (Sannajust & Groh, 2023; Thompson et al., 1990). In addition, the transition to independence typically reduces organizational scale, increasing exposure to pressure from more powerful trading partners relative to the pre-buyout position (Attahiri et al., 2025; Bruining et al., 2013; Meuleman et al., 2009; Thompson et al., 1990; Wright et al., 1990). Consequently, post-MBO firms face the challenge of rebuilding external legitimacy and networks while operating with reduced organizational scale (Meuleman et al., 2009; Sannajust & Groh, 2023).

Resource scarcity and small scale

The transition to organizational independence through a management buyout is often constrained by the management's personal wealth and debt capacity (Goossens et al., 2008; Meuleman et al., 2009). Financial resource availability becomes constrained as post-MBO firms operate without access to internal capital markets, limiting their capacity to absorb shocks and to finance strategic investments (Bruining et al., 2013; Meuleman et al., 2009; Wright et al., 2001). Under these conditions, firms depend largely on their borrowing capacity and internally generated cash flows, which makes them more sensitive to short-term performance fluctuations (Attahiri et al., 2025; Bruining et al., 2013; Goossens et al., 2008; Singh, 1990). In addition, reduced organizational scale heightens exposure to market volatility, as post-MBO firms no longer benefit from the protection provided by a corporate parent (Attahiri et al., 2025; Meuleman et al., 2009). Thus, business continuity becomes more closely tied to the firm's ability to sustain adequate cash-flow generation, particularly during periods of economic uncertainty (Attahiri et al., 2025; Hammer et al., 2023; Zahra, 1995).

2.1.3.3. Implications of the Autonomy-Constraint Tension

The transition to organizational independence through buyout provides managers with expanded discretionary authority that was often constrained prior to the transaction, yet autonomy alone is insufficient to ensure favorable post-buyout outcomes (Bruining et al., 2013; Meuleman et al., 2009). Rather, increased discretion is accompanied by a transfer of responsibility and risk to the managerial team, as the protective oversight of a corporate parent or former owner is removed (Bruining & Wright, 2002; Meuleman et al., 2009; Thompson et al., 1990; Zahra, 1995). Consequently, the post-MBO environment highlights the limits of autonomy, as greater managerial freedom simultaneously increases responsibility and places stronger demands on strategic judgment under structural constraints (Bruining et al., 2013; Meuleman et al., 2009; Thompson et al., 1990).

2.2. Dynamic Capabilities

The concept of dynamic capabilities has been defined in multiple ways within the literature, with scholars emphasizing different aspects of the construct. The following section outlines the main definitions and explains the key elements of the theory.

2.2.1. Definition

Since the publication of Teece, Pisano, and Shuen's (1997) article, the dynamic capabilities have received increasing attention in management literature, leading to a proliferation of definitions and conceptualizations (Barreto, 2010). While this expansion reflects the development and the ongoing refinement of the dynamic capabilities, it has also contributed to a lack of conceptual clarity (Arend & Bromiley, 2009; Barreto, 2010).

The origins of the dynamic capabilities perspective build on the Resource-Based View (RBV) (Teece et al., 1997). The RBV explains competitive advantage through firm-specific bundles of existing resources and capabilities (Barney, 1991; Helfat & Peteraf, 2003). Resources are understood as *"stocks of available factors that are owned or controlled by the firm"*, whereas capabilities *"refer to the firm's capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end"* (Amit & Schoemaker, 1993, p. 35). According to Barney (1991), such resource–capability bundles generate sustained competitive advantage when they have so-called VRIN-attributes, meaning they are valuable, rare, difficult to imitate, and non-substitutable.

However, the RBV has been criticized for its static orientation and its limited ability to explain how firms maintain competitive advantage in changing environments (Priem & Butler, 2001). This limitation motivated Teece et al. (1997) to introduce the concept of dynamic capabilities (Barreto, 2010) defined *"as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments"* (Teece et al., 1997, p. 516). Dynamic capabilities were thus proposed to address the RBV's limitations in dynamic contexts.

In addition, this perspective helps clarify the relationship between dynamic capabilities, resources, and competitive advantage (Priem & Butler, 2001). Eisenhardt and Martin (2000) challenge the view that dynamic capabilities themselves constitute VRIN resources and thus do not directly generate sustained competitive advantage. Although firms with more effective dynamic capabilities may outperform others, long-term advantage arises from the resource configurations managers build through the deployment of these capabilities rather than from the capabilities themselves. Dynamic capabilities are therefore necessary, but not sufficient, conditions for long-term competitive advantage (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003).

Subsequent research has introduced alternative definitions and interpretations of dynamic capabilities. While these different perspectives overlap, they capture distinct elements of the phenomenon (Ambrosini & Bowman, 2009; Eisenhardt & Martin, 2000; Helfat et al., 2007; Katkalo et al., 2010; Winter, 2003; Zahra, Spienza, & Davidsson, 2006; Zollo & Winter, 2002). Eisenhardt & Martin (2002) extended the original definition by defining dynamic capabilities as organizational processes that use resources to respond to or even create market change. Moreover, Zollo and Winter (2002) emphasize organizational learning as a key source of dynamic capabilities and distinguish them from operational capabilities which will be elaborated later in this chapter. Although this diversity has enriched the field, it has also contributed to some confusion (Barreto, 2010). He thus emphasizes the need for greater conceptual consolidation to support more effective theoretical progress.

Table 1 below summarizes the key definitions of dynamic capabilities within the field.

Scholar/s	Definition
Teece and Pisano (1994, p. 542)	"Dynamic capabilities are the subset of the competences/capabilities which allow the firm to create new products and processes, and respond to changing market circumstances."
Teece et al. (1997, p. 516)	"The firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments."
Eisenhardt and Martin (2000, p. 1107)	"The firm's processes that use resources—specifically the processes to integrate, reconfigure, gain, and release resources—to match and even create market change; Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die." "The firm's processes that use resources…to match and even create market change."
Zollo and Winter (2002, p. 340)	"A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness."
Winter (2003, p. 991, 992)	"…those (dynamic capabilities) that operate to extend, modify, or create ordinary capabilities." "…high-order dynamic capabilities do not necessarily exist."
Zahra, Spienza, and Davidsson (2006, p. 924)	"The abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision maker(s)."
Helfat et al. (2007, p. 4)	"The capacity of an organization to purposefully create, extend, or modify its resource base."
Augier and Teece (2008, p. 1190)	"Dynamic capabilities' refers to the particular (non-imitable) capacity business enterprises possess to shape, reshape, configure, and reconfigure assets so as to respond to changing technologies and markets and escape the zero profit condition."
Ambrosini and Bowman (2009, p. 33)	"…dynamic capabilities are organizational processes in the most general sense and that their role is to change the firm's resource base."
Augier and Teece (2009, p. 412)	"The ability to sense and then seize new opportunities, and to reconfigure and protect knowledge assets, competencies, and complementary assets with the aim of achieving a sustained competitive advantage."
Katkalo et al. (2010, p. 1179)	"Reflect the capacity a firm has to orchestrate activities and resources/assets within the system of global specialization and co-specialization. They also reflect the firm's efforts to create/shape the market in ways that enable value to be created and captured."
Teece (2012, p. 1395)	"Dynamic capabilities are higher-level competences that determine the firm's ability to integrate, build, and reconfigure internal and external resources/competences to address, and possibly shape, rapidly changing business environments."

Table 1. Definitions of Dynamic Capabilities in Literature.

Although the definitions of dynamic capabilities differ, they share the view that such capabilities form part of the organization's resource base (Helfat et al., 2007). The resource base *"includes tangible, intangible, and human assets (or resources) as well as capabilities which the organization owns, controls, or has access to on a preferential basis"* (Helfat et al., 2007, p. 4). At the same time, dynamic capabilities are characterized by their function of shaping this resource base (Helfat et al., 2007). That implies that they can influence and reshape other capabilities within the firm, including both operational and dynamic capabilities (Helfat & Peteraf, 2003).

In this context, it is important to distinguish between operational (ordinary) and dynamic capabilities (Teece, 2012; 2014). Operational capabilities are easily replicable (Teece, 2014) and allow a firm to carry out its existing activities (Teece, 2012), generate income and provide order and stability (Katkalo et al., 2010; Winter, 2003; Zollo & Winter, 2002). Dynamic capabilities, by contrast, are hard to replicate (Teece, 2014) and oriented toward change (Helfat et al., 2007). Eisenhardt and Martin (2000) argue that dynamic capabilities nevertheless take the form of identifiable and specific routines – *"behavior that is learned, highly patterned"* (Winter, 2003, p. 991). They enable firms to renew their activities by entering new business areas, revitalizing existing ones through internal development, acquisitions, or alliances, and developing new products and processes (Helfat et al., 2007). In addition, Zollo and Winter (2002) describe dynamic capabilities as structured and persistent patterns aimed at modifying operating routines in order to improve them. From this perspective, dynamic capabilities can be understood as higher-order capabilities or meta-routines since they act upon operational (zero-level) capabilities (Winter, 2003; Zollo & Winter, 2002).

However, Winter (2003) questions whether such higher-order capabilities exist in the same patterned and routinized way as lower-level capabilities. Although they can be conceptualized, for example in the management of acquisitions or alliances, their practical existence as stable and repeatable processes is less certain. Winter (2003) therefore argues that such higher-level capabilities are not necessarily superior to well-developed lower-level capabilities combined with ad hoc problem solving. At the same time, other scholars emphasize that dynamic capabilities should not be reduced solely to routines or meta-routines (Katkalo et al., 2010). Rather, dynamic capabilities extend beyond the modification of operating routines and involve purposeful managerial action that enables the transformation, or even disruption, of existing structures (Katkalo et al., 2010).

Certain dynamic capabilities are directed toward interpreting environmental developments. In particular, information-processing capabilities allow firms to detect market shifts and to respond to emerging opportunities (Pierce, Boerner, & Teece, 2002). The ability to sense such opportunities can represent an ongoing source of competitive advantage (Denrell et al., 2003). This emphasis on sensing and adaptation highlights the role of management (Augier & Teece, 2009). Adner and Helfat (2003) therefore introduced the concept of dynamic managerial capabilities, referring to managers' ability to create, extend, or reconfigure the firm's resource base. Similar to organizational dynamic capabilities, these managerial capacities are shaped by accumulated learning and experience.

Taken together, the value of dynamic capabilities rests on their ability to reconfigure the resource base (Eisenhardt & Martin, 2000). This involves recognizing the need for change, formulating appropriate responses, and implementing them within the organization (Helfat et al., 2007). However, distinct dynamic capabilities may contribute to only some of these tasks rather than all of them at once. Moreover, their effectiveness depends on the context in which they are deployed (Helfat et al., 2007; Helfat & Winter, 2011). Although dynamic capabilities share general characteristics, their development and impact vary across industries, technologies, and organizational settings (Helfat et al., 2007). They must therefore be understood as capabilities that depend on the specific context in which firms compete and operate (Eisenhardt & Martin, 2000; Helfat et al., 2007).

2.2.2. Dynamic Capabilities-Based Theory

This chapter draws on Teece's dynamic capabilities framework. It first introduces the core buildings blocks of the theory – processes, positions, and paths – and subsequently outlines the three categories of managerial orchestration – sensing, seizing, and transforming.

2.2.2.1. Core Building Blocks

According to Teece et al. (1997, p. 518) *"the competitive advantage of firms lies with managerial and organizational processes, shaped by its (specific) asset position, and the paths available to it".*

Thus, the framework distinguishes between three categories of processes, positions, and paths. Teece et al (1997, p. 518) explains the categories as follows:

“By managerial and organizational processes, we refer to the way things are done in the firm, or what might be referred to as its routines, or patterns of current practice and learning. By position we refer to its current specific endowments of technology, intellectual property, complementary assets, customer base, and its external relations with suppliers and complementors. By paths we refer to the strategic alternatives available to the firm, and the presence or absence of increasing returns and attendant path dependencies.”

Particular attention is given to those assets for which no functioning market exists, as these represent strategically relevant resources. An important question in this context is whether competitors can replicate or imitate a given capability. This influences how unique a capability is and how long it can sustain a firm’s competitive advantage.

From the dynamic capabilities perspective, processes and positions together form the basis of a firm’s competences and capabilities. These are not limited to a single part of the organization but are spread across different organizational levels. Some are embedded in operational routines, others in research and development activities, while some reside at the managerial level. Since competences are difficult to imitate, a key characteristic of such competences is that they cannot simply be acquired or bought, instead, they need to be developed over time (Teece et al., 1997).

Processes

Teece et al. (1997) group processes into three classes – coordination and integration, learning, and reconfiguration/transformation. Together, these activities ensure that a firm’s strategy and business model are reflected in its everyday organizational practices and routines. The development and effective execution of such processes depend on managerial capabilities. In particular, entrepreneurial judgment, leadership, and the ability to design, implement, and continuously adjust organizational routines are critical. Firms that possess strong dynamic capabilities are therefore not only able to respond to environmental change but also to influence and shape their business environment (Teece, 2014).

Coordination/integration

Competitive advantage depends largely on how activities are coordinated and integrated within a firm (Aoki, 1990, as cited in Teece, 1997). Empirical research further indicates that sustained performance differences cannot be explained solely by investment levels or technological sophistication (Clark & Fujimoto, 1991; Garvin, 1988, as cited in Teece 1997). Instead, scholars point to firm-specific routines that structure how activities are organized and carried out. These routines include mechanisms for processing information or coordinating production across plants and suppliers.

Because such routines are embedded within the organizational system, they tend to persist over time and are not easily transferred between firms. Replication would therefore require systemic changes across interconnected processes rather than partial adjustments. This also clarifies why established firms often struggle to adopt new technologies. Existing routines may not align with the requirements of the new system, making broader organizational redesign necessary (Teece et al., 1997).

Learning

Learning plays an important role in the development of dynamic capabilities. Through repetition and experimentation, organizations improve task performance and enhance their ability to recognize new opportunities. In addition, learning depends on both organizational and individual skills. While individual skills are important, their effectiveness is shaped by the broader organizational setting in which they are applied. Over time, what firms learn becomes part of their everyday routines. These routines reflect solutions to problems the firm has faced repeatedly (Teece et al., 1997).

Reconfiguration and transformation

In dynamic environments, firms must be able to continuously modify their asset structure (Amit & Schoemaker, 1993). These abilities represent learned organizational skills that improve through experience and repeated application. They require ongoing observation of market developments and technological shifts, environmental scanning, as well as assessment of competition. The ability to implement reconfiguration and transformation ahead of competitors can provide a decisive advantage. Organizational arrangements such as decentralization and local autonomy may support faster and more effective adaptation since they allow for greater flexibility (Teece at al., 1997).

Positions

A firm's strategic position is shaped by its specific assets. These assets extend beyond plant and equipment recorded in the financial statements to also include human capital and knowledge-based resources (Teece, 2014). Teece et al. (1997) distinguish eight categories: technological assets, complementary assets, financial assets, reputational assets, structural assets, institutional assets, market (structure) assets, as well as organizational boundaries. Together, these assets define the competitive position of a firm at a given point in time.

From a resource-based perspective, sustained competitive advantage is rooted in the characteristics of Barney's (1991) VRIN criteria. In particular, intellectual capital such as technology and know-how is more likely to meet these criteria, as such assets tend to be tacit and difficult to replicate. However, resources do not create value in isolation. Their strategic relevance depends on how they are combined and coordinated to meet customer expectations while it remains difficult for competitors to replicate these resource combinations (Teece, 2014).

Both neoclassical economics and transaction cost theory assume that markets already exist. In the neoclassical perspective, markets are expected to function under conditions of perfect competition and full access to information about competitors and consumers. In reality, however, such information is often tacit and difficult to access. Hence, capabilities such as sensing opportunities or anticipating customer responses are not considered essential within the neoclassical approach. Transaction cost theory presumes the existence of exchange partners and focuses primarily on how transactions between actors are organized rather than on the creation of new activities or markets (Teece, 2014).

The capabilities perspective moves beyond both views. It recognizes that markets may be incomplete or may first need to be created, rather than assuming that opportunities are readily available. In this context, firms may need to introduce new products and services and provide corresponding support in order to develop or expand markets. Because information is often uncertain, investment decisions rely on managerial judgment. Competitive advantage therefore depends not only on efficient allocation, but also on the firm's ability to sense emerging opportunities and purposefully create, extend, and modify its resource base. This includes managing competitive threats and enabling necessary transformations. From this perspective, asset orchestration becomes central as firms do not merely operate within markets but may actively shape or (co)-create them (Pitelis & Teece, 2010; Teece, 2014).

Paths (strategy)

In the dynamic capabilities framework, strategy must be aligned with processes and resources (positions). Successful strategy involves deploying the firm’s scarce assets in ways that address market needs, gain competitive advantage, respond to technological opportunities, and account for constraints shaped by the firm’s path (Teece, 2014).

Teece et al. (1997) distinguish between *path dependencies* and *technological opportunities*. Path dependency implies that a firm’s future strategic options are shaped not only by its current position but also by investments and routines developed over time. Because learning builds on prior activities, earlier decisions and established routines constrain future choices and influence how firms adapt and evolve. At the same time, technological opportunities influence the development and direction of industries. These opportunities emerge from scientific progress and may also be shaped by firms themselves, for example through investments in research and development (Teece et al., 1997).

Managerial orchestration therefore operates in two directions: strategy guides how processes are enhanced and how positions are leveraged, while existing capabilities simultaneously shape strategic choices. A strong strategy requires consistency and must support innovation. It involves clearly defining product choices, target customers, resource allocation, and competitive positioning (Teece, 2014).

Dynamic capabilities and business strategy jointly determine firm performance. The strategic options available to a firm depend on the strength of its capabilities, meaning that firms with weaker capabilities must pursue different strategies than those with stronger ones. At the same time, dynamic capabilities are effective only when aligned with a coherent strategy, as sensing, seizing, and transforming depend on a clear strategic direction (Teece, 2014).

2.2.2.2. Clusters of Dynamic Capabilities

The interaction between processes, positions, and paths provides the foundation of dynamic capabilities. Building on this, Teece (2007; 2014, p. 18) further specifies three core clusters of processes and entrepreneurial/managerial orchestration activities:

1. Sensing: “identification and assessment of opportunities at home and abroad”
2. Seizing: “mobilization of resources globally to address opportunities, and to capture value from doing so”
3. Transforming: “continued renewal”

These activities are required of the firm’s management if the firm is to remain competitive in dynamic environments (Teece, 2014).

Sensing

Sensing refers to the firm’s ability to identify and shape new opportunities in dynamic environments. Because emerging technological and market trajectories are often difficult to recognize at an early stage, firms must actively engage in scanning, searching, learning, and interpreting activities. Investment in research and related exploration activities frequently complements these processes (Teece, 2007). Such exploration involves probing customer needs and technological possibilities, while also developing an understanding of latent demand and structural changes within industries and markets (Teece, 2007).

Opportunity discovery and creation may originate from individual cognitive and creative capacities. Individuals with relevant prior knowledge and experience may recognize patterns and interpret information that others might overlook. However, sensing cannot be understood solely as an individual act. The ability to identify and evaluate opportunities is shaped by the organizational context in which individuals are embedded. It depends on the firm’s knowledge base, its learning processes, and the way information is accessed and interpreted within the organization (Teece, 2007).

At the same time, sensing extends beyond the boundaries of the firm. It requires monitoring developments across the broader business ecosystem, including customers, suppliers, and complementors engaged in innovation. Moreover, sensing is not limited to searching for entirely new inventions. Often, it involves combining complementary innovations to address customer needs. Because many innovations are systemic in nature (Teece, 2000, cited in Teece 2007), firms must understand how different elements fit together. Analytical frameworks can support this process by guiding managerial attention and helping interpret technological and market developments (Teece, 2007). As noted by Teece et al. (1997), decentralization and increased local autonomy help firms remain responsive to market and technological changes by reducing information blind spots and limiting the loss of information within hierarchical structures (Teece, 1997).

Seizing

Seizing refers to the firm's ability to commit resources and make strategic investment decisions once an opportunity has been recognized. Such investments often require allocating financial and organizational resources under uncertainty regarding future technological and market developments. Because several growth paths may be possible, managers must evaluate alternatives and anticipate future demand, competitive responses, and the returns from related investments (Teece, 2007).

In established organizations, internal decision-making processes often contain formal procedures and hierarchical controls that may constrain innovation. Because capital budgeting practices tend to prioritize projects with predictable cash flows, new initiatives characterized by greater uncertainty are disadvantaged. Similarly, committee-based approval structures encourage compromise, which slows decision-making and reinforces the status quo. These structural characteristics are further compounded by the presence of established assets and routines, which can intensify risk aversion and reduce the willingness to pursue more radical innovations. Moreover, past success often leads to the institutionalization of "valid" processes designed to manage the existing business, which may unintentionally hinder development of new business activities. As a result, emerging opportunities may struggle to secure funding unless management is able to override rigid investment rules and resource allocation processes. The ability to mitigate such biases depends on the strength of leadership, the quality of decision routines, and the strategic approach used in assessing new investment opportunities (Teece, 2007).

Beyond investment evaluation, seizing also relates to business model design. Business models reflect management's expectation about customer needs and define how value is created.

They represent *"a plan for the organizational and financial "architecture" of a business"* (Teece, 2007, p. 1329). Designing and adjusting business models is not a mechanical task but requires creativity, insight, and a deep understanding of customers, competitors, and suppliers. Established enterprises may develop blind spots toward alternative models, even when technologies are managed in distinct units (Chesbrough & Rosenbloom, 2002). Because business model choices are tied to investment decisions, they are particularly vulnerable to organizational biases. Overcoming such biases requires disciplined evaluation, awareness of incentive distortions and information asymmetries, and leadership capable of guiding objective decision-making processes (Teece, 2007).

In sum, seizing involves more than committing resources to promising opportunities. It requires making investment decisions under uncertainty, designing and refining business models, and establishing decision-making processes that mitigate organizational biases. The effectiveness of seizing therefore depends on the quality of leadership and routines governing resource allocation.

Transforming

Transforming refers to the firm's ability to recombine and reconfigure its assets and organizational structures as markets and technologies evolve. Sustained profitable growth therefore depends on the enterprise's capacity to continually adjust its asset base in response to change. However, as firms grow and succeed, routines gradually emerge to ensure operational efficiency and continuity. Because modifying such patterns is costly and disruptive, organizational change tends to occur gradually rather than instantaneously (Teece, 2007).

Organizational structure plays a central role in enabling or constraining transformation. Highly centralized and multi-layered hierarchies may reinforce structural rigidities, particularly when strategic decisions are concentrated at the top and information must pass through several organizational layers. Such arrangements can distance top management from technological developments and changing customer needs, limiting the firm's capacity to adjust its asset base accordingly (Teece, 2007). To mitigate these rigidities, a certain degree of decentralization becomes necessary. Teece (2007) argues that distributing decision rights across organizational units allows managers to act directly on available information without routing all decisions through a central authority. As firms grow, maintaining such distributed structures becomes increasingly important to preserve flexibility (Teece, 2007). At the same time, decentralization cannot imply complete fragmentation. Organizational units must retain autonomy while remaining connected to coordinate interdependent activities. Achieving this balance corresponds to what Simon (2002) described as “near decomposability.” Designing and maintaining such structures is therefore central to sustaining the firm’s ability to adapt its assets and routines over time (Teece, 2007).

Transforming also requires the ability to manage specialized and cospecialized assets (Teece, 2007). Because value is often created through their effective recombination (Teece, 2007), this process depends on the firm’s capacity to integrate and coordinate such assets (Kogut & Zander, 1992; Grant, 1996). This involves combining knowledge within the enterprise as well as across organizational boundaries (Teece, 2007).

Effective knowledge integration, however, does not occur automatically. It relies on appropriate governance and incentive structures that foster learning and knowledge sharing while also safeguarding intellectual property from misuse or leakage. Poorly designed incentives may create misalignment between individual behavior and firm-level objectives, thereby undermining efforts to recombine assets successfully (Teece, 2007).

In this context, Teece (2007) refers to agency theory to highlight potential governance challenges that arise when ownership and managerial control are separated. Such separation may result in misaligned interests, particularly in areas such as executive compensation and the use of corporate resources. In the absence of appropriate accountability and oversight, managerial discretion may be abused. These challenges tend to become more pronounced as firms expand and the separation between ownership and management increases (Teece, 2007). The ongoing reassessment and adjustment of governance and incentive systems therefore contributes to sustaining dynamic capabilities over time (Teece, 2007).

2.3. Dynamic Capabilities as a Lens on Post-MBO Transformation

2.3.1. MBOs as Processes

From Financial Events to Process Perspectives

Research on management buyouts has largely treated these transactions as financial and governance events, leading to a strong emphasis on performance metrics and post-buyout outcomes that prioritize short-term efficiency and financial results (Attahiri et al., 2025; Bruining et al., 2013;

Meuleman et al., 2009). While this approach has generated valuable insights, it remains limited in explaining how firms evolve over time, as it neglects the internal organizational transformation processes that shape long-term survival (Attahiri et al., 2025; Bruining et al., 2013; Meuleman et al., 2009; Verbouw et al., 2025; Wright et al., 2001). In response, scholars argue that management buyouts should be understood as ongoing processes rather than singular events (Meuleman et al., 2009; Verbouw et al., 2025).

Why a Process Understanding Matters

A process-oriented perspective highlights how transformation unfolds over time following a management buyout (Attahiri et al., 2025; Bruining et al., 2013; Verbouw et al., 2025; Wright et al., 2001; Zahra, 1995). Rather than focusing solely on performance outcomes at a single point in time, it emphasizes gradual adaptation and managerial interpretation (Bruining et al., 2013; Verbouw et al., 2025). This perspective allows closer attention to the managerial actions and cognitive shifts that shape post-buyout transformation (Bruining et al., 2013; Wright et al., 2001; Zahra, 1995).

2.3.2. Implications for a Capability-Based Perspective

The process of transformation following a management buyout represents more than a one-time adjustment of financial indicators; it constitutes an ongoing process of organizational reconfiguration and strategic adaptation (Meuleman et al., 2009; Verbouw et al., 2025). Firms entering the post-MBO phase must operate under conditions of constraint, as managerial teams are required to balance efficiency pressures with the need to respond to new strategic demands (Bruining et al., 2013; Zahra, 1995). These challenges are dynamic rather than static, as post-MBO depends on the ability of managerial teams to interpret changing internal and external conditions and adapt organizational practices (Meuleman et al., 2009; Verbouw et al., 2025). Consequently, managers must actively reassess and reconfigure existing assets and routines as part of an ongoing adjustment process (Bruining et al., 2013; Meuleman et al., 2009; Verbouw et al., 2025). In this sense, post-MBO transformation can be understood as a process of capability rebuilding, in which managerial action plays a central role in shaping how firms learn, adapt, and reposition themselves over time (Meuleman et al., 2009; Verbouw et al., 2025; Zahra, 1995).

The challenges outlined above suggest that static assessment of ownership structures and financial performance outcomes are insufficient to explain the complexity of the post-MBO transformation

(Meuleman et al., 2009; Verbouw et al., 2025; Zahra, 1995). In this context, the management buyout can be understood as a triggering event that disrupts existing organizational arrangements and initiates a period of strategic reorientation and capability rebuilding (Bruining et al., 2013; Meuleman et al., 2009; Zahra, 1995). Post-MBO survival and growth depend not solely on the initial transaction, but on the ongoing ability of managerial teams to recognize changes in competitive environments, adjust internal routines, and reconfigure assets (Bruining et al., 2013; Meuleman et al., 2009; Zahra, 1995). To understand how managers transform organizations in this context, a theoretical lens that focuses on the firm's capacity to evolve, learn, and renew its strategic foundations over time is required (Bruining & Wright, 2002; Meuleman et al., 2009; Zahra, 1995).

While the process perspective convincingly demonstrates that post-MBO transformation unfolds gradually over time, it remains less explicit about the mechanisms through which such organizational reconfiguration is enacted at the level of capabilities. In this regard, the dynamic capabilities framework offers a theoretically grounded perspective for analyzing how managerial teams reconfigure organizational resources and strategic orientations over time (Teece, 2007; Teece et al., 1997; Zahra et al., 2006). In the context of management buyouts, this perspective is particularly relevant because the transfer of ownership and decision rights places responsibility for sensing opportunities, allocating resources, and transforming organizational routines directly in the hands of the management team.

2.3.3. Governance Shift and the Deployment of Dynamic Capabilities

A subsidiary management buyout alters the governance structure of the firm, as decision rights shift from the corporate parent to the incumbent management team (Bruining & Wright, 2002; Bruining et al., 2013; Meuleman et al., 2009). This shift expands managerial discretion and gives management greater autonomy in setting strategic priorities and allocating resources (Bruining & Wright, 2002; Bruining et al., 2013; Meuleman et al., 2009). From a dynamic capabilities perspective, this matters because dynamic capabilities are enacted through managerial judgment and decision-making (Helfat & Martin, 2015; Zahra et al., 2006).

As strategic decisions are no longer subject to centralized corporate approval (Bruining & Wright, 2002), management gains greater freedom to identify opportunities, pursue initiatives, and recombine inherited assets over time (Teece, 2007; Zahra et al., 2006). The buyout does not create new dynamic capabilities, as such capabilities are historically developed and embedded in the firm's existing processes and asset positions (Teece et al., 1997). However, the shift in governance may alter how these capabilities are directed and exercised by managerial decision makers in the post-MBO phase.

2.3.4. Dynamic Capabilities in Contexts of Internal Organizational Change

Dynamic capabilities are often associated with rapidly changing or turbulent external environments, in which firms must continuously adapt to shifting market conditions (Teece, 2007; Teece et al., 1997). However, research has clarified that environmental turbulence is not a necessary precondition for the relevance of dynamic capabilities, as they may also operate in relatively stable contexts (Helfat & Winter, 2011; Zollo & Winter, 2002). The relevance of dynamic capabilities therefore lies not exclusively in external instability, but in situations that require the purposeful reconfiguration of organizational resources and routines.

Such conditions may arise not only from external shocks, but also from internally induced organizational transformations, including changes in governance structures (Helfat & Winter, 2011). Subsidiary management buyouts represent such internally generated transformations, as the shift in governance and managerial discretion creates new requirements for capability adaptation and strategic realignment. Therefore, the dynamic capabilities framework provides a theoretically appropriate lens for analyzing post-MBO transformation because of the internally induced need for capability reconfiguration.

2.3.5. Dimensions of Capability Adaptation After Subsidiary MBO

In Teece et al's (1997) framework, capability development is shaped by the firm's existing processes, asset positions, and strategic paths. In the context of a subsidiary MBO, these elements are not replaced but reinterpreted under new governance conditions. To examine how subsidiary MBOs reshape dynamic capabilities, it is analytically useful to distinguish between variations in scope, intensity, and qualitative configuration of their deployment.

Changes in the Scope of Capability Deployment

Within the dynamic capabilities framework, sensing refers to the identification and assessment of opportunities (Teece, 2014). The range of these opportunities may be expanded or shifted as decision rights are transferred to the management team. Therefore markets, customer segments, or strategic initiatives may be reassessed.

However, such shifts in scope unfold within the constraints of the firm’s inherited asset position and established path dependencies (Teece et al., 1997). The resource base and historical investment patterns shape which opportunities can realistically be pursued. Changes in scope therefore do not necessarily involve the creation of entirely new capabilities, but rather a redirection of existing capabilities toward a broader or differently defined strategic focus. Over time, this reorientation of sensing activities may gradually redirect the firm’s strategic focus as it operates independently from its former corporate parent.

Changes in the Intensity of Capability Enactment

Beyond scope, post-MBO transformation may also affect the intensity with which dynamic capabilities are exercised. Seizing activities require managerial commitment and resource allocation (Helfat & Martin, 2015; Teece, 2007). Since decisions are no longer subject to multiple layers of corporate approval following a subsidiary MBO, management may have greater freedom to commit resources and initiate strategic actions. As a result, dynamic capabilities may be exercised more actively, for example through more frequent initiatives or quicker resource adjustments. In this sense, intensity refers to how consistently managerial actions translate identified opportunities into concrete commitments.

Qualitative Shifts in Capability Configuration

Finally, post-MBO capability adaptation may involve qualitative changes in how resources and routines are coordinated. Within the dynamic capabilities framework, transforming activities refer to the recombination and renewal of the firm’s asset base over time (Teece, 2007). In the context of a subsidiary MBO, the governance discontinuity may influence how inherited assets are prioritized and coordinated as managerial teams redefine the firm’s strategic direction. Because the firm enters the post-buyout phase with an established asset base and historically shaped routines (Teece et al., 1997), such adaptation occurs through the reconfiguration of existing capabilities rather than starting from scratch.

From Capability Adaptation to Strategic Repositioning

Variations in scope, intensity, and qualitative configuration describe how dynamic capabilities are redeployed following a subsidiary management buyout. These dimensions do not represent strategic repositioning in themselves but describe how dynamic capabilities are exercised in the post-MBO phase. As managerial teams redirect priorities, adjust the pace of initiatives, and recombine inherited resources, the firm's competitive orientation may gradually change.

Strategic repositioning may not be understood as an immediate consequence of ownership change, but as a result of gradual capability adaptation. It develops as management repeatedly engages in sensing, seizing, and transforming activities within an inherited resource structure (Teece et al., 1997; Teece, 2007). In this sense, the subsidiary MBO acts as a trigger that alters the conditions under which capabilities are exercised, thereby enabling shifts in the firm's market position over time.

3. METHODOLOGY

This study examines how a subsidiary management buyout shapes the deployment of dynamic capabilities within a newly independent SME, focusing on how they are enacted during the post-buyout phase. Given that such transformation is complex, context-dependent, and processual, an appropriate methodological approach is required to capture these dynamics (Gephart & Rynes, 2004). To address this aim, a qualitative research approach is adopted. Qualitative research is particularly suited to exploring organizational processes in depth, as it seeks to understand them in real-life organizational settings (Doz, 2011; Gephart & Rynes, 2004).

In the field of international business (IB), there has been growing concern about the tendency to prioritize generalizability at the expense of context-sensitive understanding (Bamberger, 2008). As Welch et al. (2011) argue, dominant approaches in IB have often favored decontextualized theorizing, thereby overlooking the importance of the specific conditions under which organizational phenomena occur and threatening the quality of produced theories (Welch et al., 2022).

Corbin and Strauss (2015, p. 165) define context as *"…events, the set of circumstances or conditions that make up part of any situation, the meanings given to these (a problem, goal, etc.), the action and interaction persons take to manage or achieve desired outcomes, and the actual consequences that result from their action."*

Organizational phenomena cannot be understood independently of the conditions and interactions in which they are embedded. Therefore, qualitative research has been increasingly recognized as a valuable approach (Welch et al., 2011), as it enables researchers to provide contextually grounded insights (Gephart & Rynes, 2004; Welch et al., 2011). An approach that accounts for context may facilitate the communication of key elements and relationships within theory and support a clearer theoretical understanding (Doz, 2011) of how dynamic capabilities are enacted, reconfigured, and adapted in the post-MBO phase. Moreover, given that dynamic capabilities are inherently processual, a qualitative approach is well suited to capturing temporal dynamics, as it enables the analysis of sequences of actions, decisions, and organizational changes (Gephart & Rynes, 2004; Welch et al., 2022).

In addition, qualitative research places emphasis on the perspectives of participants, enabling researchers to engage closely with organizational actors (Corbin & Strauss, 2015). This makes it appropriate for studying post-MBO transformation, which involves shifts in strategic direction, organizational identity, and managerial roles (Bruining et al., 2013; Meuleman et al., 2009). In this context, managerial interpretations and decisions play a key role in shaping strategic outcomes, making close engagement with organizational actors essential for understanding how they experience organizational change.

3.1. Research Paradigm

In IB research, dominant methodological approaches have largely been shaped by positivist assumptions, which prioritize generalizable and decontextualized explanations (Aguzzoli et al., 2024; Piekkari & Welch, 2017, in Aguzzoli et al., 2024; Welch et al., 2011; Welch et al., 2022). While these approaches have contributed to knowledge development, they have been associated with a more limited ability to capture the complexity of international business phenomena (Aguzzoli et al., 2024). In particular, such approaches often overlook the contextual and relational nature of organizational processes (Aguzzoli et al., 2024; Welch et al., 2011).

Recent methodological discussions emphasize the importance of adopting alternative paradigms that enable a more comprehensive understanding of complex IB phenomena (Aguzzoli et al., 2024; Welch et al., 2022). In this regard, this study is grounded in an interpretivist research paradigm. It seeks to understand organizational realities such as strategic decision-making and organizational change as socially constructed through interaction (Creswell, 2013; Gephart & Rynes, 2004). Understanding emerges through engagement with participants who hold different meanings and interpretations, which are shaped by their experiences and roles in the organizational setting (Creswell, 2013; Gephart & Rynes, 2004; Saunders et al., 2023; Welch et al., 2011). Therefore, within this interpretivist perspective, the researcher is not considered a neutral observer but is actively involved in the process of knowledge construction (Welch et al., 2011). As a result, the research reflects both participants' meanings and the researcher's analytical interpretations (Creswell, 2013).

This perspective enables an actor-centered approach that shifts the focus from organizations to individuals (Aguzzoli et al., 2024). Aguzzoli et al. (2024) argue that organizational outcomes should be understood through the actions of individuals who interpret situations and enact organizational practices. Building on this, the thesis places managers at the core of analysis, enabling an in-depth understanding of how their interpretations influence strategic choices and organizational change in a newly independent SME following a management buyout. This is relevant for the study of dynamic capabilities, which are enacted through managerial practices and evolve over time in this context.

This paradigmatic position guides all methodological choices in the study, including the use of qualitative methods, the focus on participant perspectives, and the application of interpretivist quality criteria. Ensuring consistency between research paradigm, design, and methods is a key aspect of methodological rigor in qualitative international business research (Welch et al., 2011).

3.2. Research Design

This study adopts qualitative case study research, which allows researchers to explore complex phenomena as they develop within their specific context over time (Creswell, 2013; Stake, 1995). Case studies enable an in-depth understanding of processes and meanings within real-life organizational settings (Creswell, 2013; Gephart & Rynes, 2004; Stake, 1995) and are especially appropriate for addressing "how" and "why" questions, as they enable an explanatory understanding of social phenomena (Welch et al., 2022). This makes the approach suitable for studying organizational transformation following major ownership changes, where strategic action is embedded in organizational structures, practices, and interactions. It allows for the examination of how strategic change emerges in the post-MBO phase and why certain strategic actions are taken by organizational actors.

In IB research, case studies are valuable for linking general theory to context (Buck and Boussebaa, 2024). As Doz (2011, p. 584) argues, *"creating theories that recognize context, rather than abstract general theories that ignore its significance is important in IB…, and qualitative case-based research can contribute to the contextualization of general theories"*. This is especially relevant for the present case study, which seeks to understand how organizational transformation unfolds in a specific organizational setting following a management buyout, and how dynamic capabilities are enacted and shaped within this context.

Poulis et al. (2013) emphasizes that context in IB research is complex, dynamic, and multi-dimensional, and further highlights the importance of incorporating contextual factors into case study selection. This aligns with an interpretive perspective, where understanding organizational phenomena requires close engagement with the context in which they occur (Welch et al., 2022). From an interpretive paradigm perspective, the aim is to provide a rich understanding of the social setting and to describe the conditions under which events occur, thereby revealing deeper organizational dynamics (Dyer & Wilkins, 1991). As Dyer & Wilkins (1991) further argues, interpretive research seeks to get close to the managers and to interpret their unique experiences. In the context of this study, this involves examining how organizational change following a management buyout is interpreted and enacted by managers within the firm.

3.2.1. Single-Case

A single-case design is appropriate when the research aim is to develop a deep and contextualized understanding of complex processes (Dyer & Wilkins, 1991). Within an interpretivist framework, single cases are suitable when the objective is to develop a rich understanding of a specific phenomenon rather than to achieve statistical generalization (Welch et al., 2022).

Focusing on one case allows for the exploration of multiple perspectives in depth, which is valuable for research that seeks to understand strategic change as a process shaped by actors' interpretations and interactions. Furthermore, interpretive research values cases for their uniqueness rather than their representativeness (Stake, 1995; Welch et al., 2011; Welch et al., 2022). As Dyer and Wilkins (1991) argue, such cases can contribute to theory development by revealing new relationships and challenging existing assumptions.

The case examined in this study is characterized by a management carve-out from a parent company undergoing strategic reorientation. Such conditions create a complex and dynamic organizational setting, providing access to processes that are not easily observable in other contexts and making the case particularly suitable for in-depth investigation. These processes are difficult to capture through broader comparative designs, which further supports the use of a single-case approach.

3.2.2. Case as a Bounded System

In qualitative research, cases are conceptualized as bounded systems, defined through specific temporal, organizational, and analytical boundaries (Creswell, 2013; Stake, 1995). Establishing such boundaries is essential for situating the case within its relevant context.

First, the case is bounded temporally, focusing on the period following the management buyout. This phase represents a critical stage of organizational transition, during which strategic direction, structures, and practices are redefined. Second, the case is bounded organizationally, as the study examines a single SME that has become independent following separation from a corporate parent. This organizational boundary allows for a focused analysis of internal processes within a clearly defined entity. Third, the case is bounded in terms of the processes under investigation, focusing on the development and enactment of strategic change within the organization. This boundary directs attention to specific aspects of the transformation within the defined context.

Finally, defining the case as a bounded system ensures that the case is not treated as isolated, but as embedded within a broader set of contextual influences. This allows for a detailed study of how strategic processes are shaped by inherited organizational structures and managerial interpretations and actions in the post-MBO phase (Bruining et al., 2013; Meuleman et al., 2009).

3.2.3. Case Description

The case examined in this study represents a small and medium-sized enterprise in the heavy steel construction sector that became independent following a management buyout from a multinational parent company in May 2024. Prior to the buyout, the firm operated as a subsidiary within a larger corporate structure.

The buyout was led by the firm's Chief Executive Officer (CEO) in collaboration with an incoming partner, both of whom are actively involved in the management of the company following the transition. While the CEO retained his leadership position as CEO following the management buyout, the new ownership structure introduced changes in governance and decision-making responsibilities.

3.3. Process Perspective

This study is grounded in an interpretivist approach while incorporating elements of contextualized explanation through the adoption of a process perspective (Welch et al., 2022). Process research focuses on sequences of events, activities, choices, and actions that unfold over time as actors adapt to changing conditions (Corbin & Strauss, 2015; Langley, 1999). As such, process research emphasizes the temporal dimension of organizational change and focuses on how and why change unfolds within a particular context (Langley et al., 2013; Welch et al., 2022).

Processes do not necessarily proceed in a linear or progressive manner. Instead, they may advance, stall, or shift direction over time as organizational actors respond to evolving circumstances (Corbin & Strauss, 2015). Langley (1999) further notes that organizational change does not always follow a straightforward sequence of stages, as multiple developments may occur simultaneously and influence one another over time. Therefore, attention is directed toward identifying patterns in events and understanding how their temporal ordering contributes to the outcomes.

This perspective is relevant for the present study because the management buyout represents an organizational transition through which managers assume new responsibilities and strategic autonomy. Organizational actors are required to continuously adapt their actions and decisions in response to changing governance structures and conditions following the management buyout. A process perspective therefore enables the study to examine how these adjustments unfold over time, how new ways of operating emerge, and how strategic change is enacted in the absence of a corporate parent. In doing so, attention is directed toward the phases through which the post-MBO transformation unfolds.

In line with Langley's (1999) process perspective, particular attention is paid to the temporal ordering of events and actions. The study treats the management buyout as an ongoing process extending beyond the formal ownership transition. The post-MBO transformation is therefore examined as a sequence of interconnected phases through which dynamic capabilities are deployed, adapted, and reconfigured. This enables a more nuanced understanding of how strategic repositioning emerges through ongoing organizational processes rather than as an immediate consequence of ownership change.

3.4. Data Collection

Data Sources:

Qualitative case study research relies on the combination of multiple sources of data to develop an in-depth understanding of how complex organizational processes change over time (Creswell, 2013; Flick, 2009; Gephart & Rynes, 2004). This strategy is commonly referred to as data triangulation and is considered an important approach for enhancing the quality of qualitative research (Flick, 2009), as relying on a single data source may be insufficient (Creswell, 2013). In this study, data are collected through a combination of semi-structured interviews and one internal company document. This combination enables the integration of subjective perspectives from organizational actors with documentary evidence.

Semi-structured Interviews:

Within an interpretivist research paradigm, interviews represent a primary method of data collection. As this perspective places individuals at the center of analysis, interviews are suitable for an in-depth exploration of how organizational actors make sense of their experiences and how they interpret change (Aguzzoli et al., 2024; de Villiers et al., 2022; Gephart & Rynes, 2004).

Semi-structured interviews are used in this study, as they allow for guided yet flexible data collection (Flick, 2009). An interview guide ensures that key topics are covered, while open-ended questions enable participants to express their perspectives in their own terms. In addition, particular attention is given to the development of the interview guides to ensure alignment with the research aim and to avoid leading questions (Gioia et al., 2013). The interview guides were structured in line with the study's process perspective and the dynamic capabilities framework, capturing sensing, seizing, and transforming activities. Separate interview guides were developed for different organizational actors.

Interviews are conducted with key organizational actors involved in the management buyout, including the current owner/CEO, the incoming owner, a member of the management team, and two former headquarters (HQ) members of the parent company. These participants are selected because they are directly involved in, or have previously contributed to, strategic decision-making and offer different perspectives on the transformation process before and after the management buyout. This purposive selection enables the study to capture a range of viewpoints relevant to the research question (Flick, 2009).

Language can represent a potential challenge when researchers work with interviewees with different native languages or limited proficiency in the researcher's language (Weiss, 1994, in Flick 2014). Given the international context of the case, interviews are conducted in either German or English, depending on participants' preferences, to ensure clarity of expression and to reduce the risk of losing meaning. Furthermore, as interpretive researchers focus on the unique characteristics of the case, collecting contextual data through direct interaction with participants is considered important (de Villiers et al., 2022). Although face-to-face interviews provide this opportunity (de Villiers et al., 2022), most participants are in different countries, making in-person interviews difficult. Therefore, interviews are primarily conducted via video calls, while two interviews – with the owner/CEO and a member of the management team – are conducted face-to-face during the on-site visit.

All interviews are audio-recorded and transcribed verbatim. Transcription represents a crucial step in qualitative research, as it forms the basis for subsequent analysis and interpretation (Flick, 2009). Where necessary, follow-up interviews were conducted to clarify interpretations and ensure the accuracy of the researcher's understanding.

Document:

In addition to interviews, one internal company document was used as a complementary data source (Flick, 2009). The document provided organizational information that supported the interpretation of interview data and enabled the triangulation of findings. More specifically, the document contained information regarding company activities which helped to contextualize the transformation process and provided insight into the post-MBO transition.

Following Flick (2009), documents are understood as "networks of action" and are embedded within social contexts, requiring careful interpretation. To assess their quality, this study applies the criteria proposed by Scott (1990), including authenticity, credibility, representativeness, and meaning. These criteria guided the selection and use of the document to ensure its relevance and reliability for the analysis.

3.5. Data Analysis

3.5.1. Temporal Bracketing Strategy

To analyze the transformation process, the study adopted a temporal bracketing strategy (Langley, 1999). Temporal bracketing enables researchers to divide organizational developments into analytically meaningful periods while preserving the temporal sequence of events. This approach is useful for examining organizational change processes, as it allows researchers to trace how developments within one period influence subsequent developments over time.

The analysis began with a detailed review of the interview transcripts and the internal strategy program. Relevant interview statements were then organized chronologically to reconstruct the sequence of developments surrounding the transformation process. Attention was paid to strategic decisions, changes in organizational structures, shifts in responsibilities, and references to important turning points in the company's development. This chronological reconstruction provided the foundation for identifying recurring patterns and shared interpretations of significant developments across the interviews. Based on this, the identification of temporal brackets was an iterative process involving movement between the empirical data and the emerging process structure.

During the analysis, actors, activities, and events were identified. Key actors were defined as individuals who played an influential role in the transformation process, including members of the management team, owners, and representatives of the corporate parent. Activities referred to managerial and organizational actions, including decision-making processes, restructuring initiatives, customer-related activities, and operational improvement efforts. Critical events were understood as developments that substantially altered the context in which the company operated and triggered changes in organizational priorities.

The boundaries between temporal brackets were determined when critical events or notable shifts occurred in organizational conditions, resulting in changes in the actors involved, the activities being performed, and the challenges faced by the company. Consequently, the transition between phases was not determined by specific dates alone but by changes that redirected managerial attention and shaped subsequent action.

The first bracket, *Pre-MBO Embeddedness*, captured the period during which the subsidiary operated within the structures of the corporate parent. During this period, headquarters actors played a central role, while managerial activities were largely shaped by group-level structures.

The transition to the second bracket, *Organizational Transition*, was identified through the transfer of responsibilities and decision-making from the corporate parent to local management. This period was characterized by efforts to establish organizational independence and adapt structures to the new ownership context.

The transition to the third bracket, *Post-MBO Development*, emerged once the primary activities associated with organizational separation and restructuring had been established. At this stage, managerial attention shifted toward developing the company as an independent SME. Activities became less focused on organizational separation and more concerned with supporting future growth and long-term development.

Following Langley (1999), these brackets were treated as analytical periods rather than predetermined stages. This approach provided a structured means of examining how the transformation process unfolded over time and identifying the key actors, activities, and outcomes associated with each phase. The findings are synthesized into a process model, which is presented in the *Findings* chapter.

3.5.2. Linking Data to Theory

While the empirical analysis is organized through temporal bracketing, the dynamic capabilities framework serves as a theoretical lens through which the findings are interpreted. The concepts of sensing, seizing, and transforming are therefore applied during the discussion of the findings rather than used as predefined analytical categories.

Building on the process perspective, the study examines how managerial actions and organizational developments identified across the three temporal brackets relate to processes associated with dynamic capabilities. This involves tracing how opportunities were identified, how decisions were made and implemented, and how organizational structures, routines, and resources were adapted over time. This approach allows the study to remain grounded in the empirical data while providing a theoretical framework for understanding organizational transformation.

3.6. Research Quality

Qualitative research has relied on a set of universal quality criteria aimed at ensuring aspects such as representativeness, researcher neutrality, and replicability (Amin et al., 2020, as discussed in Mäntymäki & Plakoyiannaki, 2025; Lincoln & Guba, 1985). However, such criteria are difficult to apply, as qualitative research acknowledges that researchers actively influence the research process through their interpretations, and that findings are shaped by context-specific, socially constructed, and temporally bound interactions (Mäntymäki & Plakoyiannaki, 2025).

As qualitative research focuses on understanding complex social realities and multiple perspectives, it has often been criticized for its perceived subjectivity and limited consistency (Mäntymäki & Plakoyiannaki, 2025). In response to these concerns, alternative approaches to research quality have been developed (Creswell, 2013). Focusing on trustworthiness, Lincoln & Guba (1985) propose four key criteria: credibility, transferability, dependability, and confirmability.

These criteria are applied in the present study to ensure the rigor and transparency of the research process.

Credibility is enhanced through in-depth engagement with the case and the use of data triangulation, combining semi-structured interviews with the internal organizational document. This enables the comparison of insights across different data sources (Flick, 2009). In addition, interviews are conducted with multiple organizational actors occupying different roles, allowing for the inclusion of diverse perspectives on the post-MBO transformation. Where necessary, follow-up interviews are conducted to clarify interpretations and strengthen the depth of understanding. Transferability is supported through the detailed description of the case context, enabling readers to assess the extent to which the findings may be relevant to other contexts with similar characteristics. Dependability and confirmability are ensured through transparent documentation of research decisions, data collection procedures, and analytical steps, allowing the research process to be traced and evaluated.

Building on this, Mäntymäki & Plakoyiannaki (2025) argue that trustworthiness criteria should be complemented by additional aspects of research quality, such as authenticity (Amin et al., 2020). In this context, reflexivity plays a central role, as the researcher’s subjectivity and positionality influence the co-construction of meaning (Creswell, 2013; Flick, 2009; Mäntymäki & Plakoyiannaki, 2025). Acknowledging this influence is essential for producing context-sensitive and in-depth insights that reflect the complexity and uniqueness of the research setting (Mäntymäki & Plakoyiannaki, 2025).

3.7. Ethical Considerations

Ethical considerations play an important role in qualitative research, particularly when working with participants and context-sensitive data (Flick, 2009). This study follows established ethical principles to ensure that participants are treated with respect and that their rights are protected throughout the research process.

Participation in the study is voluntary and based on informed consent. Participants are provided with sufficient information about the research objectives prior to their involvement, including information about the use and handling of data (Creswell, 2013; Flick, 2009). In addition, explicit consent is obtained for the audio and video recording of interviews for the purpose of subsequent analysis.

Confidentiality and anonymity are ensured throughout the research process. Interview transcripts and the document are anonymized by removing identifying information, including names and references to specific locations or organizations, and by assigning pseudonyms to participants (Creswell, 2013; Flick, 2009).

Furthermore, I remain aware of my role in the co-construction of meaning and take care to represent participants' perspectives accurately and respectfully. This includes avoiding misinterpretation and ensuring that participants' views are not taken out of context.

All data management procedures comply with the General Data Protection Regulation (GDPR) as well as the ethical guidelines of the University of Vienna.

4. FINDINGS

This chapter presents the empirical findings of the study based on five semi-structured interviews conducted with representatives from the former headquarters, the new owner-managers, and the operations manager of the company *(see Appendix I.–V. for the interview transcriptions)*. In addition, the analysis draws on the internal strategy program as a supplementary document source.

In line with the process perspective adopted in this study, the findings are organized using a temporal bracketing approach (Langley, 1999). The following section presents an overview of the process model derived from the interview and document data before each phase is discussed in detail.

4.1. Process Model

Figure 1 presents the process model derived from the interview and document data. The model illustrates how different actors engaged in specific activities across three phases and how these activities contributed to the outcomes that shaped the subsequent phase.

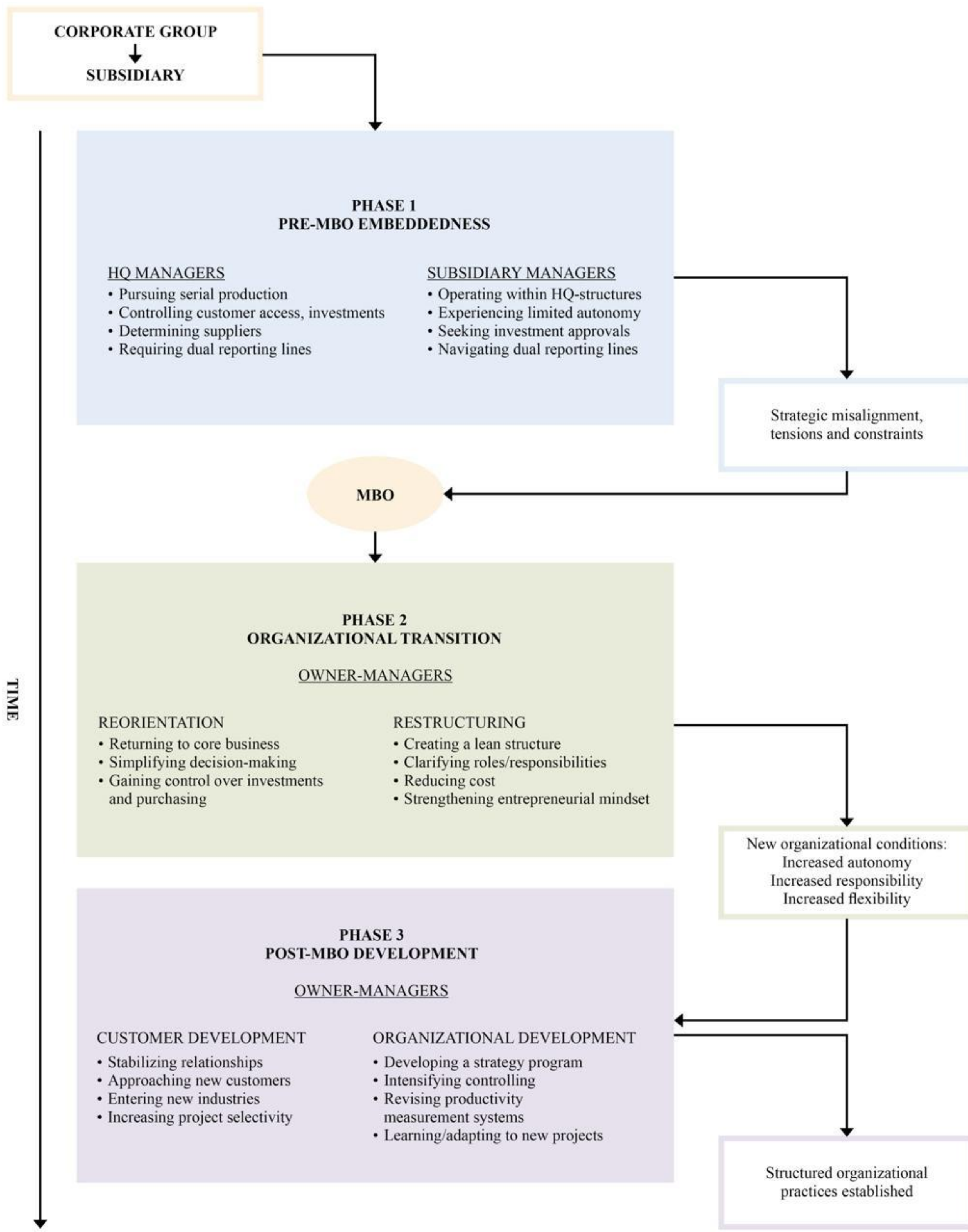

Figure 1. Subsidiary MBO Transformation Process Model.

The process begins with the company operating as a subsidiary within a larger corporate group. During the pre-MBO phase, headquarters managers pursued a serial production strategy, controlled customer access, retained authority over sourcing and investment decisions, and required dual reporting structures. At the same time, subsidiary managers operated within these group-level structures while seeking investment approvals, navigating reporting requirements, and experiencing limited strategic autonomy. Together, these activities contributed to strategic misalignment, tensions, and organizational constraints.

These conditions formed the context within which the management buyout emerged as the turning point in the process. Following the ownership transition, owner-managers initiated a series of strategic reorientation and organizational restructuring activities. These activities included returning to the company's core project business, simplifying decision-making processes, increasing local autonomy, clarifying roles and responsibilities, reducing costs, and creating a leaner organizational structure. As a result, new organizational conditions characterized by increased autonomy, responsibility, and flexibility emerged.

These new organizational conditions enabled owner-managers to focus on customer and market development as well as operational development activities. These included stabilizing customer relationships, approaching new customers, entering new industries, increasing customer and project selectivity, developing the "Focus 5" strategy program, strengthening controlling routines, and introducing productivity measurement systems. Together, these activities contributed to the establishment of structured organizational practices that supported the company's continued development following the management buyout.

The following sections describe each phase in detail and present the empirical evidence underlying the process model.

4.2. Phase 1: Pre-MBO Embeddedness

Prior to the management buyout, the subsidiary operated as part of a larger corporate group. During this period, the headquarters influenced strategic priorities and decision-making within the subsidiary. One of the key strategic initiatives pursued by the parent group was the transition of the subsidiary toward a serial production logic, despite its historical focus on project-based heavy steel construction.

As the HQ sales manager explained: *"There was a plan to remake the factory into a more of a serial production factory… [because] with big components and very low volumes you struggle to get consistent profitability" (HQ.S).*

In contrast, the owner/CEO described the business differently: *"We as a [name/place former subsidiary/now independent company]… were focused on the project business. That means we have only single part production or when we produce four pieces a year that's already a big series for us" (OW.CEO).*

The differing perspectives of the subsidiary's business model created tensions between headquarters actors and subsidiary managers during the pre-MBO period. As the owner/CEO explained, *"they're [the group] thinking serial and I talk about one piece" (OW.CEO).* This created *"the basic disconnection between our [the unit's] business model and the business model of the [group name]" (OW.CEO).* As a result, *"there was no successful communication on this" (OW.CEO).*

The headquarters continued to pursue the strategic transition through several initiatives aimed at increasing the subsidiary's alignment with the group's production logic. However, as the HQ sales manager explained, these efforts eventually *"fell apart due to the sheer investment that was needed" (HQ.S).* In addition, *"the culture was [not] suitable for serial production" (HQ.S).*

According to the HQ sales manager, the owner/CEO himself increasingly questioned the feasibility of this transition. As he explained: *"... in these strategic questions... the transition to serial production, I think [name owner/CEO] realized deep inside that this will never work… And I think he gave all the indication that it was a futile business to do this change. But I think the group pushed on too long and too hard. And basically, pushed him to do something that he didn't really believe was possible" (HQ.S).*

Beyond the disagreement regarding the appropriate business model, the incoming owner argued that headquarters actors had not developed a clear strategy regarding the future positioning of the business.

"[Group name] had ZERO strategy. Zero. Neither markets analyzed nor competitors analyzed…" (OW.AM). "In [group name], there were never any clear goals set... I don't think the objectives

were ever truly committed to; they were just dictated or simply thrown around… this means no operational goals for the employees to start with" (OW.AM).

In addition to the strategic misalignment, interviewees described several ways in which the headquarters structures influenced how opportunities could be identified and pursued within the subsidiary. First, managers explained that headquarters retained substantial control over customer access. As the owner/CEO described: *"I was not allowed to make business with them [a specific customer]… because it was not a serial business" (OW.CEO).* Similarly, the former HQ CEO explained: *"I would say probably 80% we tried to use [group name] portfolio customers" (HQ.CEO),* because the group functions were intended *"to help the different business sites to get more business and the right business" (HQ.CEO).*

Moreover, headquarters centralized strategic sourcing decisions at the group level. According to the owner/CEO, *"the strategic decisions which will be the supplier structure, where will we buy our main component steel, was made in the group" (OW.CEO).* At the same time, interviewees described that the subsidiary had limited influence over these decisions because it was often perceived as *"too small factory to make a difference" (HQ.S).* As the HQ sales manager and operations manager from the former subsidiary/current independent company explained, *"there was not enough focus on the small sites" (HQ.S),* because the subsidiary represented only *"a small portion in his [HQ manager's] portfolio" (O.M).*

The headquarters also retained authority over many investment decisions before the management buyout, requiring subsidiary managers to obtain approval through multiple management levels within the group. According to the operations manager of the former subsidiary/current independent company, even relatively small investment decisions required approval from higher management levels: *"Previously, we must send the approval to our chief financial officer and vice president… even [name owner/CEO] could not decide that you can buy it or not… I sent to him [current owner/CEO], he sent forward to the group, he received the answer, he forwarded to me" (O.M).*

Similarly, the former HQ CEO explained that investment authority within the subsidiary was limited to a certain level: *"If he [owner/CEO] needed investments more than this, he has to come to the group with a business case" (HQ.CEO).*

Interviewees noted growing tensions around investment decisions. According to the management team, headquarters often delayed and sometimes rejected investments intended to support operational improvements. The operations manager described his experience: *"Previously, in [group name] time… I sent a proposal... to change out metal halogen light to LED… they [the group] searched for a reason to send it back" (O.M).*

The owner/CEO described this situation as increasingly problematic, arguing that headquarters linked investment decisions to short-term financial performance, while the subsidiary viewed investment as necessary for improving performance. As the owner/CEO explained, investments from the group were not possible, *"because the company [the business unit] was not writing positive numbers and the head [the group] was saying 'no positive numbers, no investment' and I say 'no investment, no positive numbers' " (OW.CEO).*

From the perspective of the former HQ CEO, headquarters limited investments because of uncertainty regarding the future outlook of the subsidiary: *"When we [the group] saw that the outlook for [name/place former subsidiary/now independent company] from a market point of view was not the very best, of course, you don't invest so much in a company because you are unsure" (HQ.CEO).* He further noted that *"they [managers in the subsidiary] were having some issues perhaps to get their voice heard when it came to investments" (HQ.CEO).*

However, the former HQ CEO acknowledged that the investments provided by headquarters were often insufficient: *"The problem was that some of the equipment were so old and they requested investment of [amount] or something. So, we did invest, just to make clear, but not good enough, obviously..." (HQ.CEO).*

Finally, interviewees described organizational structures that connected subsidiary functions to both local management and higher management levels within the parent group. From the perspective of the former HQ CEO, these structures were intended to *"coordinate and to find synergies between different business sites. And here we talk about… finance..." (HQ.CEO).*

However, interviewees at the subsidiary level described extensive reporting routines during the pre-MBO period. These reporting activities connected subsidiary employees with headquarters representatives across different functional areas. As the owner/CEO explained, *"... all different functions in the factory… have also a responsible guy in the group area" (OW.CEO).*

The operations manager likewise described that *"everybody had two bosses"* and added that *"it was not a good idea to be honest. So, it was not effective" (O.M).*

Furthermore, the incoming owner described the organizational situation as disorganized and characterized by weak operational control systems: *"The disorganization… the place was… a dance club. Everyone just danced however they wanted, and everyone also believed they were an artist" (OW.AM).* In addition, the interviewee mentioned that *"[the] controlling [HQ manager] just compiled numbers. That's not controlling. That's just the baseline, if even that" (OW.AM).*

Overall, the pre-MBO period was characterized by strong dependence on group-level structures. Subsidiary managers operated within these structures while facing limited strategic autonomy, slow decision-making processes, extensive dual reporting routines, and weak control systems. Together, these conditions formed the starting point for the subsequent organizational transition.

4.3. Phase 2: Organizational Transition

The ownership transition disrupted many of the conditions and constraints described in the first phase. Interviewees emphasized that group-level structures, strategic restrictions, and reporting disappeared immediately after the separation from the parent group.

One of the first strategic actions undertaken during the transition was the reorientation toward the company's historical core business. Interviewees explained that the idea of going "back to the roots" was positively received within the factory and was closely connected to the company's historical identity within project-based heavy steel construction.

As the owner/CEO explained: *"We can… concentrate on our core business, the project business… we [the unit] don't like serial business… and they [the employees] also cannot do it" (OW.CEO).*

This understanding was also supported by the former HQ CEO, who described the company's traditional strengths as *"very large components… very high skill on welding capabilities" (HQ.CEO).*

Similarly, the HQ sales manager explained: *"If you look at this company and this factory… the key core competence was always welding in very difficult and demanding situation, and the people there built their pride around being very good craftsman in the welding area…" (HQ.S).*

Alongside this strategic reorientation, local owner-managers replaced multi-layer approval structures with faster and more locally driven decision-making processes. During the early transition phase, many of the approval routines previously connected to the parent group disappeared. The operations manager compared the previously rejected LED lighting proposal with the situation during the transition and explained that *"the decisions… are better… like [snapping fingers] this is coming" (O.M).* He illustrated this change with a later investment decision, explaining that *"within 24 hours, I received an answer 'OK'" (O.M).*

The owner/CEO described the same pattern: *"You can make quick decisions and when I want to make now decisions, I call my partner and we decide it" (OW.CEO).*

Interviewees further described that owner-managers simplified decision-making processes during the organizational transition by reducing formal procedures and limiting the number of meetings. As the owner/CEO explained: *"I stopped the quantity of meetings and the quantity of participants of the meetings that we do. We have short, quick and small decision areas... it's a decision place where we take decisions. That is one form to use a little bit more of the time productively" (OW.CEO).*

Moreover, interviewees described how faster decision-making was closely connected to greater local autonomy. Managers explained that decisions could now be made directly within the company.

As one respondent described: *"Now we can define our own way what is really fit for us… when it is not fit, that we say no. Previously, we could not" (O.M).*

Across interviews, these changes were also described as visible to customers. *"They [customers] know that when a company has a smaller structure and more, because of the reaction time, they know that we don't have the obligation anymore from the group. We can make logical decisions" (O.M).*

Interviewees further noted that managers received greater responsibility and flexibility: *"Now, [these decisions] I can do by myself… [name owner/CEO] said: 'It's your responsibility you must do it'" (O.M). "But the good thing was, when we had this change, in the company I had let's say so free hand, okay, within a frame…" (O.M).*

Furthermore, interviewees described that managers assumed greater control over investments and purchasing activities. During the pre-MBO period, purchasing activities were strongly connected to framework agreements defined at group level. After the management buyout, purchasing and supplier decisions were handled directly within the company.

As the owner/CEO explained: *"We can go now [after the MBO] to the market and need not to buy all of the frame contracts from the group which has always some certain problems…" (OW.CEO).*

The respondents further noted that owner-managers increasingly linked investment decisions to how financial resources should be allocated within the company. As an example, the owner/CEO explained that assets were sold in order to finance machinery needed within the factory: *"We even sell the holiday destination… but they [the employees] know, they understand it. We need the money in the company and not there because we have to buy machines..." (OW.CEO).*

Additionally, interviewees emphasized that local knowledge increasingly shaped investment and purchasing decisions. According to the operations manager: *"… the decisions... are better. Because... when we have an owner like [name owner/CEO] who spent here nine years… he knows this factory… and he really sees the reality" (O.M).*

Furthermore, interviewees described that owner-managers gained greater flexibility in selecting systems that matched the company's operational requirements following the separation from the parent group. As the owner/CEO explained: *"We are free with our IT system. What was before SAP. And SAP is really a bad thing for a non-serial production company" (OW.CEO).*

The transition period was also characterized by substantial organizational changes. Interviewees consistently emphasized the relatively rapid reorganization. According to the incoming owner, the restructuring process focused on defining clear responsibilities and simplifying the organizational structure.

As the incoming owner explained: *"We organized the roles completely different… very lean organization" (OW.AM).* The focus from the beginning was to clarify: *"Why are you participating and in what role or function?" (OW.AM).*

The operations manager similarly described how managers established clearer lines of responsibility: *"They [the group leaders of the departments] are taking care of their small team,* *but of course the direction they receive from the operations manager… I believe that… it is more effective when these departments [are] under one hand...” (O.M).*

Interviewees further described how the owners implemented organizational restructuring measures aimed at reducing costs. According to the HQ sales manager, a significant focus was *“on taking out a lot of indirect costs because that is the burden that you have being a part of a group, that you have to do reporting back and forth. So, a lot of the indirect cost was taken out” (HQ.S).*

The operations manager further described how management reduced positions within the company as part of the restructuring process: *"During the changes we must do some optimization regarding the indirect blue-collars and white-collar people… to reduce this headcount” (O.M).* The reorganization was initially challenging because the departments had to operate with fewer employees than expected. However, the interviewee explained that the company gradually adapted to the reduced organizational structure.

Looking back on the transition process, the incoming owner additionally reflected that he *“would clarify roles more precisely at the beginning. And perhaps even set up scenarios for how we [the owners] handle conflicts. We [the owners] didn't do that” (OW.AM).*

The HQ CEO stated that *“the company made a very good restructuring… they really tried to run it now in a very lean small family-owned or entrepreneurial-owned structure...” (HQ.CEO).*

At the same time, interviewees highlighted that the owners sought to change employee mindsets during the transition, which they described as particularly challenging. As the incoming owner explained: *“Everyone had to change their behavior. Which is also completely clear, the behavior is always shaped by the organization” (OW.AM).*

To support this transition, the owners held two or three staff meetings right away and *“always created clarity about the situation, while also clearly communicating” (OW.AM)* the future direction of the company.

The importance of communication during the transition process was also emphasized by the HQ sales manager, who stated that “*the enabler [of the firm's ability to adapt after the buyout] is communication. ‘Now we are on our own, the group will not send money anymore. We have to shape up and manage our own destiny.’ I think that is the key change” (HQ.S).*

At the operational level, the cultural shifts became visible in everyday work behavior. As the owner/CEO observed, *"the mood is much better… they [employees] are quite happy that we are standing alone and concentrate on our DNA..." (OW.CEO).* The same interviewee also highlighted increased employee engagement and commitment: *"I see people at 6 o'clock, what I've never seen before, or I see it when I send mails that I get answers, even on the weekend… They are living more the company" (OW.CEO).*

Similarly, the operations manager put it plainly: *"Previously… [the employees thought]… 'if we don't have money, [group name] will send the money.' So, now it's changed that we are alone. We are a freestanding company" (O.M).*

The HQ CEO likewise characterized the transition as marked by *"an even stronger entrepreneurial spirit" (HQ.CEO),* arguing that employees understood that *"they don't have a mother company surviving or help them to… I can imagine that there is a stronger, say, commitment now to show that 'we will make it happen'" (HQ.CEO).*

At the same time, the HQ sales manager commented that some aspects of the organizational culture were more difficult to change than others. Nevertheless, interviewees emphasized that the new ownership team succeeded in changing employee mindsets. *"[Name of the owners] have been able to turn that into a consistent change, not only in the beginning" (HQ.S).*

Together, these developments reflected a clear break from the structures described in the pre-MBO phase. During the organizational transition, owner-managers reoriented the company toward its historical core business, simplified decision-making processes, increased local autonomy, reorganized internal structures, and communicated a new direction for the company. These activities established the new organizational conditions that enabled the developments described in the post-MBO phase.

4.4. Phase 3: Post-MBO Development

Following the organizational transition, interviewees described how owner-managers used the company's newly gained autonomy to strengthen customer relationships and develop internal systems that supported future growth. While the transition phase focused on establishing new organizational foundations, the post-MBO phase was characterized by customer development activities, the introduction of new routines, and operational improvement initiatives.

One of the first priorities after the transition was the stabilization and maintenance of customer relationships. Interviewees explained that owner-managers initially focused on reassuring existing customers about continuity. The owner/CEO described that his initial focus was to *"convince the customers that we [the company] are still the same company" (OW.CEO).* According to the owner/CEO and the operations manager, the company did not lose customers during this period. The owner/CEO described making presentations and explaining the situation to customers transparently.

As customer relationships stabilized, owner-managers became much more directly involved in customer development activities. The owner/CEO explained that he now has much more time to *"care about the customers and visit them… listen to their problems" (OW.CEO).*

According to the owner/CEO and the operations manager, customers responded positively to the company's new autonomy. As the owner/CEO recalled: *"We are happy that you are now free of the decisions from the group, that you can act with us, because we need you as a supplier" (OW.CEO).* The operations manager explained that *"some of the customers were welcoming this change. I would say most of them" (O.M).* Moreover, interviewees described that relationships with previously constrained customers could also be reactivated.

Building on these customer relationships, owner-managers further focused on approaching new customers and expanding market access. To support this effort, the incoming owner developed a "100 company list" containing firms that *"have the need for heavy metal structures" (OW.CEO).* The initial search for customer contacts was outsourced to another company: *"We give them this list of 100 people [customers] and their… job is done when they give us a contact that I meet one responsible person from this company [a customer], that is mainly a first Teams meeting where I have the chance to explain our company and to find a basic of cooperation…" (OW.CEO).*

Alongside efforts to acquire new customers, owner-managers also pursued entry into several new industries after the management buyout. As the owner/CEO explained, the company moved into areas including the power industry, crane industry, and ship engine industry. The owner/CEO described this diversification as an attempt to reduce dependence on individual industries and create a more balanced customer portfolio.

“[The] energy industry and crane industry are totally different kinds of industries, and our hope is if one is down the other goes up and the other way around” (OW.CEO).

The operations manager described that the company subsequently experienced *“a lot of new customers, new orders” (O.M).* From the perspective of the former HQ CEO the company’s *“order outlook is in a favorable situation now” (HQ.CEO).*

As the number of opportunities increased, owner-managers became more selective regarding which projects and customers should be pursued. The respondents described that the company focused on projects that matched the factory’s production processes and welding activities. Some inquiries were rejected relatively early when the technical requirements did not fit the company’s production possibilities. This increased selectivity was reflected in the greater involvement of owner-managers in deciding which customers and projects should be accepted and which should not be pursued.

As the owner/CEO explained: *“First of all we take the different customers inside what was not allowed before. I throw customers out, what was also not allowed before” (OW.CEO).*

Alongside this increased selectivity, interviewees described a growing focus on pricing decisions. However, pricing adjustments did not occur immediately after the management buyout. The incoming owner explained that pricing discipline was initially weaker than expected: *"Those were big mistakes on my part. I should have pushed harder for the right prices, instead of celebrating the fact that we were getting orders" (OW.AM).*

In the opinion of the HQ sales manager, *“to make such a business profitable is to… charge higher prices because you have a unique capability” (HQ.S).*

The incoming owner further commented that increasing prices became a stronger focus at a later stage: *“That was [to] raise prices… that is now our next topic” (OW.AM).*

As customer acquisition activities expanded, owner-managers developed internal routines and control systems intended to support future growth. According to the owners, these new systems and routines were introduced stepwise. As the owner/CEO explained: *“That is what we always do [after the MBO], we make a very detailed analysis of the situation. We have started of course with the balance sheet and the P&L [profit and loss]” (OW.CEO).*

Based on this analysis, the managers developed the so-called "Focus 5" program that listed goals *"which… were very clearly defined where I [incoming owner] saw real potential for change… I defined the objectives, the timeframe, and the people responsible for the key areas" (OW.AM).*

Additionally, interviewees described that owner-managers intensified follow-up and control processes during this period. As the incoming owner explained: *"Then I implemented really strict controlling… basically did nothing other than calling people every day… and sanctioning" (OW.AM).*

The owner/CEO further described that performance measurement systems were also revised. The company discontinued the previous bonus system because the *"measurements were not clear"* and employees perceived the bonuses *"as a regular part of their salaries" (OW.CEO).*

Interviewees further described that the increasing number of customer orders and projects created new operational challenges. According to the incoming owner: *"We reached a situation where we [the company] have experienced an order increase, but we are unable to handle it in production. This means that we are putting both existing customers and new customers at risk" (OW.AM).*

The operations manager explained that new projects initially required additional learning, supplier coordination, and technological adjustments within the company. As the interviewee described: *"That was difficult for us in the beginning when it was... within a quite short time that we had a lot of new projects..." (O.M).* According to the interviewees, these operational pressures increased the focus on productivity improvements. In response, owner-managers introduced a new system for measuring productivity.

"A productivity improvement program with a lot of actions, responsible people in different areas to increase the productivity [was developed]… we have an analysis… a goal and we have measurements in place to measure whether we reach the goal or not..." (OW.CEO).

These efforts to formalize organizational processes were also reflected in the internal strategy program. In addition to the interview data, the internal "Focus 5" program was analyzed as a supplementary document source. The document indicates that the post-MBO activities were organized through a structured project-based program consisting of defined targets, deadlines, and responsible persons. The "Focus 5" program listed multiple projects related to cost reduction, organizational restructuring, machinery, software, customer development, and bonus systems.

As stated in the document, each responsible manager had to develop a detailed action plan containing specific steps and quantified intermediate goals. As the incoming owner explained, owner-managers were also assigned individual targets *"and that was a shock for the employees, because I didn't say that… [name incoming owner] would get 25 and [name owner/CEO] 25. Instead, [name owner/CEO] got two targets, I [incoming owner] got two targets, and all managers — for me, that includes everyone earning above the average — also received two targets. That caused quite a stir…" (OW.AM).*

In addition, managers reported progress every second Monday to the owner/CEO or incoming owner, while continuous coaching support was offered throughout the implementation process. The document also tracked the status of the individual projects, with most of the projects already marked as completed.

The document reflects several developments described throughout the interviews. Firstly, multiple projects focused on cost reduction and restructuring activities, including reductions of indirect blue-collar and white-collar positions. The document additionally listed the planned sale of assets such as the holiday destination alongside machinery. Secondly, the document indicates a strong focus on production processes and productivity improvements. In this context, projects related to welding certifications and new machinery were listed. Lastly, the document contained targets related to customer expansion. These observations support the interview findings regarding restructuring activities, customer development, and productivity improvements following the ownership transition.

Managers reported that these initiatives became an ongoing part of the company's development following the management buyout. Together, these developments illustrate how owner-managers transformed the organizational foundations established during the organizational transition into structured practices that supported future growth.

5. DISCUSSION

This chapter discusses the findings in relation to the dynamic capabilities framework and the management buyout literature. The discussion is structured around the three dimensions of dynamic capabilities proposed by Teece (2007) – seizing, sensing, and transforming – and examines how these activities were deployed throughout the transition from corporate subsidiary to independent SME. The chapter concludes by integrating these dimensions into a conceptual model that illustrates the strategic repositioning following the management buyout.

5.1. Seizing Through Increased Autonomy and Responsibility

In the pre-MBO phase, important decisions were partially embedded within the structures of the corporate parent. During the organizational transition, strategic decision-making became concentrated within the independent company as owner-managers assumed greater responsibility for strategic priorities, investments, and organizational adaptation. As a result, strategic priorities became increasingly aligned with the needs and objectives of the independent SME. The strategic reorientation towards the firm's core business and the emphasis on local decision-making illustrate how priorities were progressively redirected towards the long-term development of the company. Management buyout research suggests that such transitions may alter managerial perspectives as managers assume ownership roles in addition to managerial responsibilities (Bruining & Wright, 2002; Bruining et al., 2013; Thompson et al., 1990). From a dynamic capabilities perspective, this shift is significant because the deployment of dynamic capabilities depends heavily on managerial interpretation and judgment (Helfat & Martin, 2015; Teece, 2007; Zahra et al., 2006).

The management buyout therefore altered not only who made strategic decisions, but also how those decisions affected the organization. By linking ownership, risk, and reward more directly to the same decision-making group (Bruining & Wright, 2002; Meuleman et al., 2009; Thompson et al., 1990), the buyout increased the strategic significance of managerial decisions within the firm. Greater autonomy was simultaneously accompanied by increased responsibility (Bruining et al., 2013; Meuleman et al., 2009; Thompson et al., 1990). Whereas certain risks had previously been absorbed within the broader corporate structure, the independent SME became increasingly dependent on the effectiveness of its own strategic decisions. This placed greater pressure on the owner-managers to commit resources and respond to changing conditions.

The growing role of managerial initiative appears to have strengthened entrepreneurial orientation within the firm. However, rather than emerging immediately after the buyout, entrepreneurial behavior developed progressively as the company adapted to its new position as an independent SME. This finding is consistent with management buyout literature, which suggests that the transition from manager to owner-manager can foster more proactive and opportunity-seeking behavior (Bruining & Wright, 2002; Bruining et al., 2013; Meuleman et al., 2009; Zahra, 1995). At the same time, the findings indicate that this entrepreneurial orientation was not unrestricted. As the firm moved from the ownership transition into the post-MBO development phase, strategic initiatives became increasingly shaped by the operational and financial realities of independence. Entrepreneurial initiatives had to be balanced against the loss of support functions and access to internal capital markets following separation from the parent organization (Bruining et al., 2013; Meuleman et al., 2009). Consequently, the transition to independence required greater prioritization, resource discipline, and careful organizational adaptation.

Taken together, these findings highlight the central role of seizing activities during the transition to organizational independence. Teece (2007) argues that seizing involves committing resources and making investment decisions. In the present case, the management buyout increased the importance of such activities because strategic decisions could no longer be deferred to, or supported by, the corporate parent. Instead, owner-managers became directly responsible for the consequences of their decisions. The findings therefore suggest that the transition to independence made seizing activities more central to organizational adaptation by concentrating responsibility for strategic commitments within the independent SME.

5.2. Sensing Through Increased Customer Proximity and Market Engagement

The management buyout altered not only how strategic decisions were made, but also how opportunities were identified and interpreted within the firm. Following the organizational transition, opportunity identification became increasingly shaped by direct customer contact and ongoing market engagement. Customer visits emerged as important sources for identifying opportunities and assessing future developments, embedding opportunity recognition more closely in day-to-day market interaction.

Existing literature suggests that management buyouts may result in a loss of external legitimacy and network access following separation from the corporate parent, as firms can no longer rely on the reputation and credibility associated with the parent organization (Bruining et al., 2013; Howorth et al., 2004; Meuleman et al., 2009; Sannajust & Groh, 2023). However, the findings provide limited evidence of such difficulties in the present case. Rather than encountering customer resistance, the firm experienced largely positive reactions to its independence. Existing customer relationships were preserved, while previously constrained relationships could be reactivated. As customer relationships stabilized, management gradually expanded its interactions with a broader range of customers and industries throughout the post-MBO development phase. Consequently, the firm's ability to identify and evaluate opportunities was not weakened by separation from the corporate parent. The anticipated reduction in legitimacy and network access described in the literature therefore appears to have been mitigated by the firm's expertise, established market position, existing customer relationships, and the active involvement of management.

The firm's sensing activities further benefited from knowledge and relationships that had been developed prior to the management buyout. The owner-manager's familiarity with customers, industry conditions, and potential market opportunities appears to have facilitated opportunity identification following the transition to independence. This is consistent with Teece's (2007) argument that sensing depends not only on individual judgment but also on the knowledge and experience through which market information is interpreted. Building on this existing knowledge base, strategic priorities became increasingly connected to the firm's core activities throughout the transition. Although the company expanded its interactions across a wider range of customers and industries, opportunity evaluation remained focused on opportunities that aligned with the firm's existing competences and market position. Increased market exposure therefore did not broaden the firm's strategic focus but improved its ability to distinguish between opportunities that were relevant to its existing capabilities and strategic objectives.

Taken together, these findings highlight the role of customer proximity and active market search in the deployment of sensing activities following the management buyout. Teece (2007) argues that sensing involves identifying and evaluating opportunities through processes of learning, scanning, and information gathering. In the present case, the transition to independence enabled existing relationships, expertise, and market knowledge to be leveraged more directly, while also encouraging more systematic search activities, such as the development of a list of potential customers. The findings therefore suggest that the transition to independence enabled sensing activities to be pursued more directly through customer and market engagement.

5.3. Transformation Through Reconfiguration and Organizational Learning

Post-MBO transformation did not require the development of entirely new capabilities. Although the transition introduced new strategic priorities and challenges, the company continued to rely on technical expertise, industry knowledge, customer relationships, and project business experience developed during its time as a subsidiary. Transformation was therefore achieved through changes in how these capabilities were prioritized and coordinated following the ownership transition. This is consistent with the view that historically shaped routines and resources continue to influence subsequent adaptation (Teece et al., 1997).

A central aspect of this transformation involved the reorientation of strategic priorities. Management focused on the core business while simultaneously implementing cost-reduction measures and organizational streamlining initiatives. These restructuring efforts included a leaner organizational structure and a reduction in headcount, reflecting attempts to concentrate organizational attention and resources on activities that supported the firm's strategic objectives. In this regard, the ownership transition influenced not what capabilities the company possessed, but how these capabilities were organized and utilized.

As the company moved into the post-MBO development phase, transformation was further supported by changes in organizational routines and practices. New reporting mechanisms, control practices, and productivity measurement systems were introduced to coordinate growing activity more effectively. At the same time, expansion into new projects and industries required employees to apply existing knowledge in unfamiliar contexts and adapt to new customer requirements. Consequently, transformation became increasingly embedded in organizational learning and day-to-day adaptation rather than being confined to the initial restructuring phase. These developments reflect the challenges associated with subsidiary management buyouts, where firms must maintain operational continuity while simultaneously adapting to changes in governance structures (Bruining et al., 2013; Meuleman et al., 2009).

Taken together, these findings highlight the role of reconfiguration and organizational learning in the deployment of transforming activities following the management buyout. Teece (2007) argues that transforming involves the continuous renewal and reconfiguration of organizational assets and structures in response to changing circumstances. Consistent with this perspective, the transition to independence was accompanied by changes in strategic priorities, organizational routines, and performance expectations. The findings indicate that these changes were achieved primarily through the adaptation and reorganization of existing capabilities. Transforming was therefore enacted through the adaptation of established resources and the learning processes associated with new organizational demands and customer requirements.

5.4. Dynamic Capabilities as a Process of Gradual Strategic Repositioning

The discussion of seizing, sensing, and transforming suggests that the transition to independence reshaped how existing capabilities were redeployed within the firm. As illustrated in *Figure 2*, the transition did not involve the replacement of the firm's inherited capability base. Instead, technical expertise, industry knowledge, and customer relationships continued to provide the foundation for organizational adaptation throughout the transition to independence. This interpretation is consistent with the understanding of dynamic capabilities as historically embedded within the firm’s existing processes, positions, and paths (Teece et al., 1997).

The ownership transition created a new set of organizational conditions characterized by increased autonomy, increased responsibility, and new organizational constraints. These conditions altered how existing capabilities were coordinated within the firm. As a result, capability redeployment was reflected in strategic reorientation, restructuring initiatives, shifts in managerial priorities, direct customer and market engagement, cautious resource allocation, the introduction of new organizational routines and control systems, and organizational learning.

From a dynamic capabilities perspective, the management buyout influenced not the possession of capabilities, but the conditions under which they were exercised. Therefore, in the context of a subsidiary management buyout, capability redeployment was shaped by the interaction between inherited capabilities and the new organizational conditions created by independence. Seizing, sensing, and transforming activities evolved as management adapted to the opportunities and challenges associated with organizational independence, thereby supporting the firm's strategic repositioning.

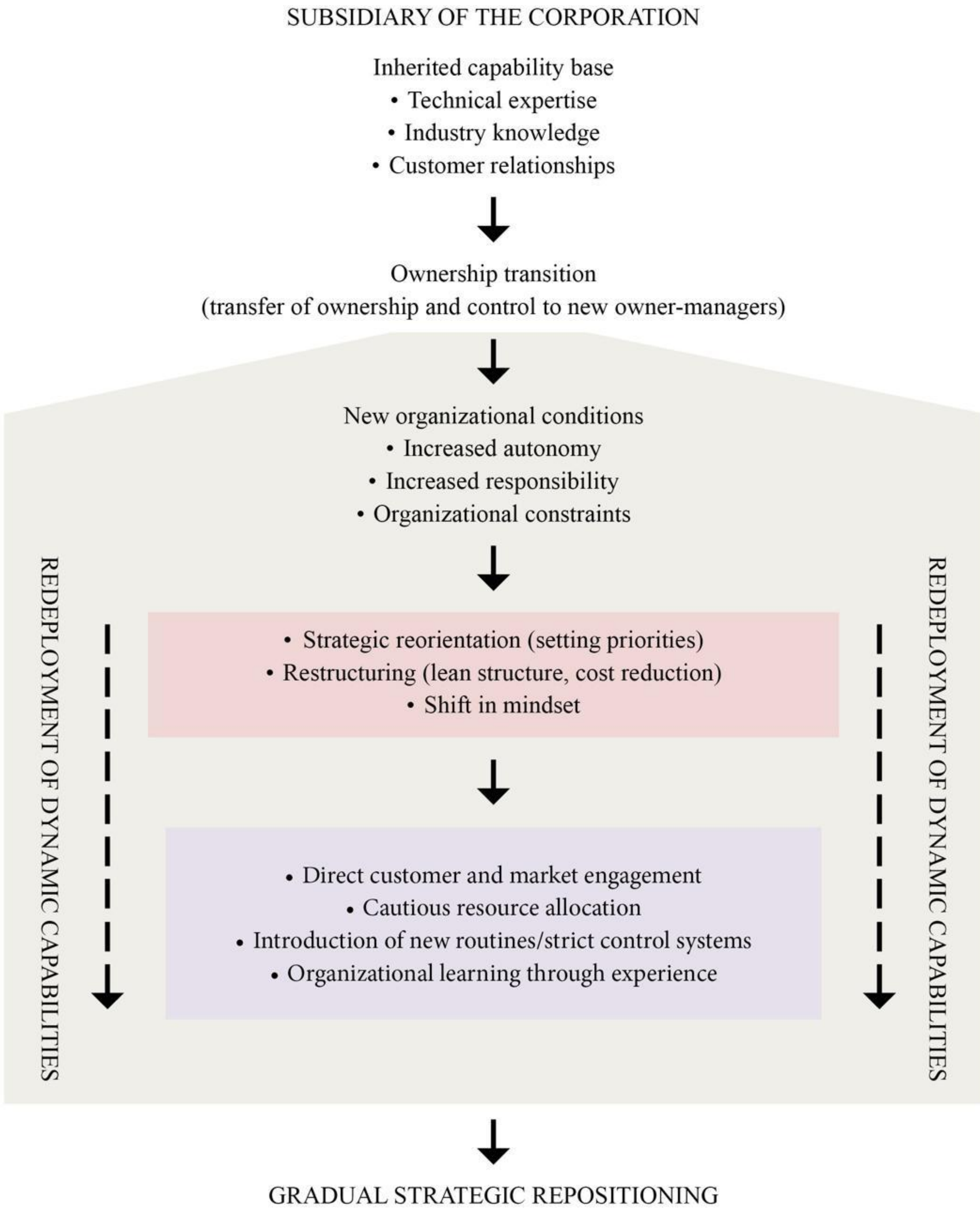

Figure 2. Dynamic Capability Redeployment After a Subsidiary Management Buyout.

6. CONCLUSION

This thesis sets out to examine how a subsidiary management buyout shapes the deployment of dynamic capabilities in a small and medium-sized enterprise. Drawing on a qualitative case study of a subsidiary management buyout in the heavy steel construction industry, the study explored how dynamic capabilities were deployed throughout the transition from corporate subsidiary to independent SME.

The findings suggest that the management buyout shaped dynamic capability deployment by altering the organizational conditions under which existing capabilities were exercised. The ownership transition increased managerial autonomy while simultaneously introducing greater responsibility and organizational constraints, thereby changing how strategic decisions were made and how organizational adaptation was pursued within the firm. As a result, dynamic capabilities became shaped by managerial judgment and the demands of operating as an independent SME.

The study further demonstrates that post-MBO transformation is best understood as a process rather than a single event. The management buyout acted as a trigger for a gradual process of capability redeployment and strategic repositioning, through which inherited capabilities were adapted to the organizational conditions of an independent SME.

6.1. Theoretical Contributions

This thesis advances the literature on management buyouts and dynamic capabilities in three main ways.

First, the study repositions buyouts – and subsidiary management buyouts in particular – from changes in ownership structure to processes of capability redeployment. Prior research has predominantly focused on buyouts as financial events, emphasizing performance outcomes, profitability and efficiency gains (Goossens et al., 2008; Meuleman et al., 2009). Adopting a process perspective (Langley, 1999), this thesis reconstructs how post-MBO transformation unfolds over time. By tracing sequences of managerial actions, decisions, and organizational changes, it shows that the management buyout operates as a triggering event that initiates a process through which inherited capabilities are redeployed and reconfigured. The study therefore reconceptualizes subsidiary management buyouts as capability-shaping events rather than merely ownership transitions. At the same time, it responds to calls for greater attention to subsidiary management buyouts, a comparatively underexplored form of buyout that has often been overlooked in previous research (Meuleman et al., 2009).

Second, the thesis enriches and contextualizes dynamic capabilities theory in the specific context of an ownership transition. Dynamic capabilities research has clarified what firms must do to sustain competitive advantage in changing environments – *sense* opportunities, *seize* them, and *transform* or *reconfigure* their asset base (Teece et al., 1997). At the same time, literature has been criticized for remaining conceptually abstract and insufficiently explicit about how these processes are enacted in concrete organizational settings (Arend & Bromiley, 2009; Barreto, 2010; Peteraf et al., 2013). By drawing on rich case evidence from a subsidiary management buyout, this thesis contributes to this discussion by showing how sensing, seizing, and transforming are exercised under new organizational conditions following an ownership transition. The study therefore links abstract dynamic capability constructs to managerial actions and organizational changes.

A third contribution concerns the boundary conditions of dynamic capabilities theory. The literature has primarily associated dynamic capabilities with external environmental changes (Teece, 2007; Teece et al., 1997). This study demonstrates that major internal ownership transformations can also activate dynamic capability deployment (Helfat & Winter, 2011; Zollo & Winter, 2002). In the present case, the management buyout operated as a triggering event that disrupted existing organizational arrangements and created new requirements for managerial adaptation and resource reconfiguration (Bruining et al., 2013; Meuleman et al., 2009). The findings therefore extend the contextual applicability of dynamic capabilities theory beyond responses to market and technological change and highlight ownership transitions as an important trigger of strategic adaptation.

Taken together, this study enriches and bridges the management buyout and dynamic capabilities literature by demonstrating that subsidiary management buyouts can reshape the deployment of inherited capabilities. It contributes a process-oriented explanation of post-MBO transformation and highlights ownership transitions as an important trigger of capability redeployment and organizational adaptation.

6.2. Managerial Contributions

Beyond its theoretical implications, this study provides practical insights for managers involved in subsidiary management buyouts and post-MBO transformation processes.

First, the findings suggest that managers should view a subsidiary management buyout not merely as a change in ownership but as the beginning of a broader organizational transformation process. The case demonstrates that long-term success depends on redeploying existing capabilities while establishing a clear strategic direction. Managers should therefore anticipate that post-MBO transformation extends beyond the closing of the deal and requires continuous adaptation over time.

Second, the study highlights the importance of capability redeployment throughout the post-MBO period. The findings show that successful strategic repositioning was supported by the firm's ability to identify and evaluate opportunities, make cautious resource commitments, and adapt organizational routines and structures to new conditions. Managers should therefore focus not only on short-term operational efficiency, but also on strengthening customer engagement, fostering learning mechanisms, and developing processes that support opportunity recognition and strategic adaptation.

Finally, the findings have implications for investors and other stakeholders involved in management buyouts. The results suggest that post-MBO success depends on more than financial resources. When evaluating buyout opportunities, investors should assess the management team's ability to lead organizational changes, redeploy capabilities, and guide strategic repositioning.

6.3. Limitations and Future Research

This study is subject to several limitations that provide opportunities for future research.

First, the study is based on a single subsidiary management buyout within the steel construction industry. While the case provides rich insights into how post-MBO transformation unfolds over time, the findings reflect the experiences of one organization operating in a specific industrial and organizational context and should therefore be interpreted as contextually grounded insights (Welch et al., 2011). The capability redeployment processes identified in this study may therefore vary across firms operating under different industry conditions. Future research could examine multiple subsidiary management buyouts across different industries to explore whether similar capability redeployment processes emerge in other settings.

Second, the study focuses exclusively on a subsidiary management buyout. Although subsidiary management buyouts represent a relevant context for examining post-buyout transformation, previous research has highlighted the heterogeneity of buyout forms and the importance of examining different buyout contexts (Bruining et al., 2013; Meuleman et al., 2009; Wright et al., 2001). Future research could compare different buyout types to investigate whether the capability deployment processes identified in this study are specific to subsidiary management buyouts or applicable across a broader range of ownership transitions.

Finally, the analysis was conducted through the lens of dynamic capabilities theory. While this perspective proved valuable for explaining capability deployment (Teece, 2007; Teece et al., 1997) and strategic repositioning, alternative theoretical approaches may highlight different aspects of the post-buyout transformation process. Future studies could therefore examine management buyouts through complementary theoretical lenses, such as agency theory, which has traditionally played a central role in the buyout literature (Meuleman et al., 2009), to develop a more comprehensive understanding of post-buyout change.

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8. APPENDIX

I. Interview with owner/CEO

Interviewer: So, could you briefly describe your role in the company and your involvement in the management buyout? And also, could you provide examples of what involves your role now or in the management buyout process?

OW.CEO: Okay, so I'm the CEO, the managing director of the company [name] in [country], and I have this position since nine years. Seven years I was a CEO as… an employed one from the international group called [group name] and then in the year 24 I make a management buyout with a business partner that I be 50% owner and the business partner is 50% owner. I move on in the position as a CEO after the buyout and continue with my work. My role in the buyout was, I was together with the business partner… the main negotiation part with the former owner [group name].

Interviewer: So, you were from the beginning till the end the main person in the management buyout process with your partner.

OW.CEO: Yes. Yes…

Interviewer: Okay, you already answered how long you've been in the role. Could you maybe explain, how did your role evolve through the buyout?

OW.CEO: Before, in the [group name] time, my function was as well as CEO, managing director, but it was a little bit more, more concentrated on the plant itself. So, I would call it in other circumstances more as a plant manager. So, I was for the operation responsible, but I was not responsible for the financing, for the payments, and I was also not responsible for the sales itself… because sales structure and the sales direction was given by the group and I have only to conduct it. After the buyout, we organized the roles completely different, we make a very lean organization, we have in the heart more or less the plant manager or we call it operations manager is a [nationality] colleague. My partner, [name incoming owner], takes over the finance, HR and compliance area and I take over the sales, shipment and customer engineering area. So that I'm more or less after the buyout completely focused on sales, even though I'm formally the managing director and have responsibility for the whole company.

Interviewer: Could you provide an exact situation of the company before the buyout or describe the situation?

OW.CEO: Not the financial situation, the market situation.

Interviewer: Yes, and also the relationships with the parent company.

OW.CEO: As I say already, all functions in the time when we belong to the group, all different functions in the factory what means purchasing, engineering, production, finance, HR, have also a responsible guy in the group area. So that means the whole organization was reporting to me as a CEO, but it's so-called dotted lines to the responsible senior vice presidents of the group. That means practically, example, the purchasing manager of course reports to me we make the base, the daily business, but the strategic decisions which will be the supplier structure where will we buy our main component steel was made in the group.

Interviewer: So, why did you decide to do the management buyout? What was the situation? I think with this question I want to ask what was the situation before, so why did it come to the management buyout?

OW.CEO: Okay, I will explain that. I must explain a little bit about the [group name], where we were working for. The [group name] was founded in the year 2013 and was owned by a [nationality/origin] private equity group called [name of the private equity group]. At that time they put some factories in Europe together under the name [group name] because there was [name of a third company] and this company was a [nationality/origin] company who has engineering companies like our [name/place former subsidiary/now independent company] and they were taken over by [name of a third company] steel and one of the obligations within the European community gave to this deal is that they must get rid of their engineering companies. So that means we and several others… and then another company what's called [name of a third company] came together and made this [group name]. And [group name]'s idea of business was that they will want to be the main supplier for the off-road industry. And the off-road industry is, let me say, machines which are moving but not moving on the street - no cars or trucks, so let me say excavators and machines like that. That was the focused area. Secondly, the focus area was serial business. That means [group name] was much more interested in serial business that made thousands of the same pieces mainly produced in robots and special jigs and whatever. And we as a [name/place former subsidiary/now independent company] company together with two other companies in the group were focused on the project business. That means we have only single part production or when we produce four pieces a year that's already a big series for us. So that means, the understanding in the headquarters so to say for our kind of business was not very, very, deep and therefore they guided also us into a, as I would say, into a wrong direction. There are several parts, we were forced to take business from [customer name], what we basically don't want, but we have to do it, of course, of the structure. And this ended up in a disaster, in a financial disaster, in a technical disaster and so on.

Interviewer: So, you as a CEO didn't want to do that?

OW.CEO: No, but I have no chance… because I was instructed to do that. That, of course, we stopped and now we came to the part what has changed from the time of the group and what is now. First of all, when we see in the organization, the organization is much more lean because we need not to follow the instruction of the group. Secondly, this double reporting to me and to people in the group, of course, is completely stopped. It's totally focused on us. That means we get quicker information. Secondly, we can make more quick decisions. And that came out that we can make more quick business. The next thing is we are not focused only on the off-road industry as it was before. Our strategy so to say everything what the factory can produce we will produce, so we have after the buyout developed several new customers in new areas we are now in the power industry main customers are [customer name] and [customer name], we are in the crane industry with [customer name] and [customer name] in [country]. We are in an exciting new project for a ship engine industry that is called [customer name], that's a completely a new field where we are working and we have several other companies now in the pipeline what we want to bring in. That has the advantage that we are not dependent on one industry and that is also the risk spread more because energy industry and crane industry are totally different kinds of industries and our hope is if one is down the other goes up and the other way around. Unfortunately, at the moment they are all up so that we have some capacity problems but that's a nice problem. So very clear, the changes, we are not focused on one market segment, what was [group name] before. We are focused more on what we can do and what we can develop in this company.

Interviewer: Would you say you are now more risk averse than before?

OW.CEO: Yes.

Interviewer: Because you were covered or you had the parent company in the back that would cover for you if something went down.

OW.CEO: Yes. If we run out of money we call in [name HQ city] and ask for money and they send it.

Interviewer: Oh, okay. But have you tried to explain to the parent company that the path or that the way is wrong? Or how did they react?

OW.CEO: I have not counted whether it was 100 or 1000 times. And there was no successful communication on this.

Interviewer: Okay. Can you walk me through what happened when the company became independent? So, what were the first steps, first moves that you had to change, adapt?

OW.CEO: So, after we get ownership?

Interviewer: Yes.

OW.CEO: That is easy. We started, of course, in a structured way. We started with the so-called "Focus 5" program for cost reduction. "Focus 5" is the name because it is the fifth factory that [name incoming owner] and I do together. So, we call it "Focus 5". The goal was to reduce the fixed cost by [amount] and there were [number] project lines what we follow up during this process. It has been nearly two years now that we have been working on that. Most of them are finished and have a positive result effect. Some are not finished yet and some new will come now. So, the first step, what we do, we do a structured program for cost reduction. Second thing is we make a reorganization of the factory. As I said before, we have these three areas: operation, finance and HR and sales. So, we are much more focused on the different areas and reduce it to some people who can make quick decisions. Third, we make investments in needed machinery, also the modern machinery like a [name of a machine] center or a rubber for beveling or a new cutting system with oxygen was also invested by us. Investing was not possible before because the company was not writing positive numbers and the head was saying no positive numbers, no investment and I say no investment, no positive numbers. The discussion ended always like this, it's like the chicken and the egg… That is the main thing.

Interviewer: So, did the parent company approach you first regarding the management buyout?

OW.CEO: No. The story was that the owner of the [group name], of the parent company, changed. The [name of the private equity firm] sell it to another one equity partners to another private equity group. This private equity group is a [name] company who collected these companies. After an analysis of the market, they decided that they want to move with [group name] in another direction than it was before. They want to go more in the cabin business, what was before one part, and they want to invest strategically with technical investment, also with merger and acquisition. They were successful, they are now the biggest cabin producer in Europe, but they don't want this classical business, what we do, this steel construction single business. Therefore, they decided that three companies, one in [country], one in [country] and one in [country], has to be de-invested. In this de-invested process, they gave me a special contract that I'd be on board and help them to put this in new ownership situation. They started, unfortunately, in my view, to discuss with some competitors, but very quickly I found out that the competitors are very much interested in our customers because we have the who is who of the industry, but they are not interested in the facility here. That would mean [number] people at that time would go home with their families and with the suppliers and I don't want to end my career to close a factory and send [number] people home. And then we have some emotional discussion, and at the end of such a discussion I say, I will buy it myself if you are not able to sell it. And then they were laughing, and after two weeks they came back and asked me, is it serious? And I had at that time already made a plan with my business partner, and then they decided to start the negotiation with us. And okay, at the end the negotiation was successful and we took it over.

Interviewer: What were the main challenges you experienced during the transition? Could you please provide examples?

OW.CEO: There are several areas. The first area is of course the customers. We must make sure that the customer, as I say, international companies will remain with us. Because before we were part of an international group with high-finance support and everything, and we must convince the customers that we are still the same company, that we still serve in the same way and that they are safe with us. That was number one and I think it was successful because we didn't lose a customer in the period. Up to now we haven't lost customers. They're all still with us. Some were even happy because they felt already before that we were handicapped by the group. That was clear, some say it very clear to me that they are open to this. The second thing is the own people, that our staff in all areas believe in the new owners, believe in the new concept and believe that it is a safe company. And I would say that was also very challenging. To be honest, some people we lose because they were afraid that two owners without a group background could not make it happen and so they leave us. Okay, that happens but that was only a handful, not more. The main people remain and also be happy that we are independent now and that we can get can concentrate on our core business, the project business… What is the DNA of our company? We don't like serial business as I said before, the people don't like it, and they also cannot do it. So that was the second is the own people. And the third point is of course the commercial background and the commercial surroundings. So, from one day on the other we don't have any bank lines, we are own financed, our rating in insurance goes up, that means our suppliers have the problem that the insurance issues were reduced because we were with a new name, we were formerly a new company. That was quite challenging to manage it, but that happens also in a positive way. And after two years now I can say that is not an issue anymore. And those were the three areas: customer, own people, financial background, what are challenges in the part.

Interviewer: But what did it look like in practice with the customers?

OW.CEO: That means I jump into the car and drive to the customers and talk to them, make my presentations and explain them very open and transparent what is the situation and what was also the alternative because the alternative was calculated by the owners at that time that they also want to shut down the factory, yeah, if they don't find a way to sell it, yeah.

Interviewer: And why were some of them happy? How did it influence them, the customers? What did they say?

OW.CEO: Yeah, I can, I will give an example that is maybe the best… that is… the company [customer name], I have already good contact with them before, but from the group I was not allowed to make business with them because it was not a serial business, they cannot give you a confirmation for the next year, they don't know exactly which quantities and which product they produce in a year. Absolutely normal things in our kind of business, but I was not allowed to deal with them. And then they say to me, we are happy that you are now free of the decisions from the group, that you can act with us, because we need you as a supplier, because we can supply very good quality. And not so many people are able to do what we are doing.

Interviewer: But why did you kept a relationship with them before, if you knew… Because you were not aware five years ago that you will do a management buyout, so why did you…

OW.CEO: Because one principle of mine is never close a door where you need not to knock later. And that was right again.

Interviewer: Okay. So, you already described your role in the transition, you did all the negotiations, basically you did everything.

OW.CEO: Yes… Together with [name incoming owner].

Interviewer: Yes. So how did your day-to-day work change after the buyout?

OW.CEO: My day?

Interviewer: Day-to-day work, yeah.

OW.CEO: Oh, that is wonderful. I have 50% more time because I need not to be to unnecessary meeting with the group… No, that is not a joke. That is unfortunately true. Because the group, of course, tried to bring the factories together, what is in general a good idea. So best practice sharing, there were conferences every month, there was a general result meeting, a purchasing meeting, a production meeting, a quality meeting… whatever meetings. As I said earlier, first of all, because we are not in the focus of the [group name] because we produce different. My takeaway from this was very limited because when someone explained to me a system for serial production, I can listen and personally it's very interesting, but it doesn't help me because I don't have that. So, it is serious. I have calculated I have 50% more time to take care about customers, to take care about problems, about projects than before… because I was forced to do all this also the reporting… you cannot imagine what the reporting was to the group as we reported how many rolls of toilet paper we buy and we use… and that we don't do anymore because it brings no value back.

Interviewer: So, what do you spend more time on now, exactly, and why?

OW.CEO: We must go a little bit back. There was a time when we had Corona and all the people think that teams meeting is the new system and it is fancy. But a lot of people, especially the little bit older people, still believe in personal contacts. And due to my more time, I take much more care about the customers and visit them, take care of their facility, listen to their problems, listen to what we can contribute, and I gain from this business. And some say really words to me, I can simply give you a [customer name] as an example, they say, we are very happy that you approach us now. You are not a supplier who wait that we send an order, you take care to get an order and come here and so on. So, I think one of the most important things in this kind of business is trust. Because we don't produce things that you can get on every corner. When someone starts with us, he is fixed to us a period of one and a half and two years before he cannot change again because the investment in the preparation of a product is too big. That means all the technical discussions, all the preparations, what takes one year is too long to make a quick change or stop something. So, a personal relation to the decision maker, that's very important. And that I do and that I have not done before because I was at these group meetings.

Interviewer: How would you describe, how did your role change from being a manager to being an owner manager?

OW.CEO: … First of all, in the daily business, no one sees that. Because I was the CEO, I am the CEO, I will be the CEO [laughing]. That is, you have not a different appearance to the people who are still the same, because in daily business it's not so important who the owner is. The only thing is you can make your decisions alone. And you can make quick decisions and when I want to make now decisions, I call my partner and we decide it. Otherwise, we make a presentation, we send it to people, then we make a meeting up with it and then we make a reorganization of this and then we come back in two weeks and then in three months it's gone and the business opportunity is away, for example. So, I mean the role as an owner in the daily business is not very big because you do the business and it is more for the backup of the business of the regarding investment structures and so on.

Interviewer: Can you give a concrete example of a decision you made differently after the buyout?

OW.CEO: Yeah, first of all we take the different customers inside what was not allowed before. I throw customers out, what was also not allowed before. That is on the… customer side, on the reporting side. We stopped useless reporting which will not help to steer the business anymore and that is totally different like before, especially the purchasing because we can go now to the market and need not to buy all of the frame contracts from the group which has always some certain problems…

Interviewer: So, when you wanted to acquire a new customer, you had to ask before and everything…

OW.CEO: Yes and it was called, you must present a business case that means you must say I want to have this order and I want to calculate this price and this will be my result but then the problem starts because they're thinking serial and I talk about one piece and they say what will you do after that I say I don't know and then the whole discussion was ended – "we cannot start with only one product". And that is what I say, the basic disconnection between our business model and the business model of [group name], so to say.

Interviewer: Did you acquire some customers before? Was it successful when you were presenting them to the parent company… or how long did the process took if you acquired one?

OW.CEO: Personally, I don't acquire no one. The group put some… some is wrong, one customer, one big customer [customer name] inside but with different factories [factory name] in [country] and [factory name] in [country]. But we don't start with new customers at that time, before… No, there was another from the group, [customer name], but that ended in a disaster…

Interviewer: I would now move to how you identify and respond to opportunities and changes… Can you tell me about a recent situation where you noticed a new opportunity or change in the market… and maybe how this changed compared before the buyout and why?

OW.CEO: You think the market situation has changed and how we react on this or what is the background?

Interviewer: Yeah, or how did you find new opportunities… that changed the structure in the company, the processes… or also the market?

OW.CEO: Ah, now I have it. We do the following… because… the basic of the factory that it is successful is we need a certain amount of turnover. You can more or less say the Break-Even is [amount] turnover or something like this, plus minus, it depends a little bit on the structure. So, let's say we have in the past the problem that we did not have enough turnover. Last year we made [amount], this year we will come to the [amount]. So that means we need to start heavy sales activities to find the right customers. The right customers, we always approach the situation strategically, we don't start a run out like headless chicken, we make a strategic analysis and we analyze it with our knowledge, with some people, what potential customers would be available for us. And we make a list of that; it is the very famous "100 company list". So, we identified 100 companies who have the need for heavy metal structures, in our view. Then it is very complicated to get in contact with them. Even if you have a name and you have an address, but you don't have a meeting. So, the first way we go is that we hired an additional sales guy who should make the door opener. We call it door opener to the companies and that was a guy who was also working for [group name] in that time but after a certain time, we find out that he is not very successful because he goes with the old fashioned way, write a mail, is friendly, and then wait again four months and we don't get really do results. So, we research what we can do and we find a consultant's company, it is called [name of the company] in [city], and their job is to create contacts to customers. And the goal is to get an appointment with the customer. So, when we start a first round last year with three months, then we give them this list of 100 people and their job is done when they give us a contact that I meet one responsible person from this company, that is mainly a first Teams meeting where I have the chance to explain our company and to find a basic of cooperation, what is not in every case so, because when you then talk deeply then you find out sometimes, oh, your needs are different than what we can produce but mostly it works. And out of these activities came really new customers, also [customer name] and [customer name] came out of these activities from this company. And then we close it because we have a lot of RFQs at that time. And so, we started then this January… or February again and we have already, I think I have already 15 contacts which want to speak with me and where I travel and go then. So, we have a very...

[Pause – a phone call]

OW.CEO: So, wir machen weiter. Wenn du den Ansatz findest wieder. Ja?

Interviewer: Opportunities…

OW.CEO: Yeah, the opportunities have changed so far that before we were more concentrated on the group to make, so to say, to make the group happy. And now we are on the way to concentrating more on the market. That is, I think, the main difference. We have these stones get away now… And we can also install other concepts, like we say procedures or so, into the factory. [Name incoming owner] is installing the so-called factory in the factory. And before we have a production system which was… what was instructed by the group so to say. Yeah? So, we can also think free here… We are free with our IT system. What was before SAP. And SAP is really a bad thing for a non-serial production company. Yeah? So, we are planning to change that. It was not possible before because it was instructed by the group, we have to use, um, SAP.

Interviewer: How do you understand the term opportunity?

OW.CEO: … Oh, das ist aber schwierig. How do I understand the word opportunity? Opportunity is… I would say, new possibilities, I would say, new ways of thinking, new actions that I see in opportunities…

Interviewer: So, can you walk me through how you decided to pursue a new opportunity after the buyout, with concrete examples?

OW.CEO: Was heisst "pursue"?

Interviewer: Ehm… "verfolgt" or...

OW.CEO: Yes, a new strategy… I'm thinking about what I should take…

Interviewer: So many?

OW.CEO: Ehm… Wie soll ich das sagen?

Interviewer: A situation where you pursued a new opportunity. Also zum Beispiel, wie du gesagt hast mit den SAP, das kommt erst… Wie fängst du damit an? SAP ist jetzt nicht ein gutes Beispiel, aber wie geht man das an?

OW.CEO: That is what we always do, we make a very detailed analysis of the situation. We have started of course with the balance sheet and the P&L, where the problems in the company are and where, what we can solve. One part was, as I say always, the turnover. I tell a lot about what we can do about the turnover. The second point was the fixed cost was quite high. I tell you about the "Focus 5" program, what we're doing. And so, we do every project, what we started, and where we develop opportunities on a really fact-based decision. One thing, at the moment, to say something more, is productivity. We have the opinion that productivity is too low. But the productivity too low is only a feeling and it is not numbers. We do not have a system which can automatically calculate this. So, [name incoming owner] created a system for half year that we can really measure with data, real data, what is our productivity. And our productivity is now after a long discussion [number] %... so and that is of course not enough for a company so we give the goal we want to have [number] % productivity because that is when you compare it with the industry, that's an industry standard… so and now we developed a program, productivity improvement program, with a lot of actions, responsible people in different areas to increase the productivity and it's clear we have an analysis where we are standing, we have a goal and we have measurements in place to measure whether we reach the goal or not.

Interviewer: What feels most different in the company today compared to before the buyout?

OW.CEO: The mood is much better, [laughing]… Not mine, but the mood of the people. As I said before, they are quite happy that we are standing alone and concentrate on our DNA and our… skills, what we can do.

Interviewer: So, do they feel more motivated?

OW.CEO:

Yes, much more. You can see it in the daily thing. So, before that was really at a certain time at three o'clock everyone stopped and left the factory because the normal working time is over. I mean white-collar. And nowadays… I see people at 6 o'clock, what I've never seen before, or I see it when I send mails that I get answers, even on the weekend, when sometimes on the weekend I make my new planning for the week and I get confirmation from dates from the people what was not before. They are living more the company.

Interviewer: Did the remuneration, the bonuses, change? Is it why they are so motivated maybe?

OW.CEO: No, no, no, no, we don't do that… We give a normal increase… the opposite is right; we stopped the bonus system. Because the bonus system was not good working in the past because the measurements were not clear and, in the end, they take the bonus system as a regular part of their salaries. They don't all work. No, no, that we stopped... We even sell the holiday destination. We have had before a holiday destination on the [place] where they can go in the summer for vacation. And we were at first afraid that this would have a negative impact on motivation.

Interviewer: When you sell it.

OW.CEO: Yes, but they know, they understand it. We need the money in the company and not there because we have to buy machines and so on. That was not an issue.

Interviewer: What concrete changes did you personally implement following the buyout?

OW.CEO: We stopped nonsense meetings and nonsense reporting… That is the main thing, that the people created a data symmetry for whatever reason and we cannot use it. That was very important also for the motivation of the people, because no one was thinking that we could use some of these data collections, what we have before. And I stopped the quantity of meetings and the quantity of participants of the meetings that we do. We have short, quick and small decision areas and that is now. And it's not a talking issue; it's a decision place where we take decisions. That is one form to use a little bit more of the time productively.

Interviewer: What was particularly difficult when implementing these changes? Was there something difficult to change something after the buyout?

OW.CEO: I think the people expected changes. That was clear. I cannot say that everyone is happy with everything, that is maybe too much. But… I don't see really critical things. Yeah, critically we can say maybe because we release some people. We release about [amount] or [amount] people, something like that. But as we think, it was basically in the white-collar, it was in the indirect blue-collar areas, where we have too much FTE. I would say. Yeah. And I think there was the danger that the people take that in a wrong way, that they think the company goes down, they start to fire everyone, and that maybe people which we need leave. But that luckily didn't happen. They have understanding and most people support the idea that we are a little bit more straightened in the organization.

Interviewer: So, if I go back to the question what changes were implemented… there were changes in how things are decided... But there were no difficulties in changing these decision processes…

OW.CEO: No, I would say no.

Interviewer: After the buyout, did you feel you had more freedom in making decisions?

OW.CEO: Oh, yes. I say it several times.

Interviewer: We discussed it already… What became easier after you were no longer part of the parent company? What was easier?

OW.CEO: Entscheidungen sind schneller gewesen, mehr Zeit, die man anders bringen kann, der Fokus ist geändert worden, das Portfolio der Kunden ist geändert worden…

Interviewer: Looking back, how has the company strategy evolved since the buyout?

OW.CEO: Also, our financial performance is much, much better than before. That is number one. The main strategy is to, again… the turnover with new customers, new business areas. That is true. The second is to keep the right people, motivate the people. That is the response, yeah.

Interviewer: What were the key turning points in the transformation? Could you provide examples? What were critical phases or highlights?

OW.CEO: The critical phase was to keep the customers with us. That is number one. To keep the people with us, to keep the suppliers with us, to keep the structure alive, the vital structure of the company. That was what we take care of first before every other thing.

Interviewer: So, would you say that the company adapted successfully after the management bio-tour?

OW.CEO: Absolutely.

Interviewer: What would you say enabled the company to adapt successfully?

OW.CEO: It is again the focus on what we can do. That is the problem. Which service, which production we can provide. And there is a history in this company. This history is different than it was formed out in the [group name] time, so to say. History is single production, high skilled welding and machining things and that was forgotten in this period before the management buyout. And then we reactivated again and then came one to the other. There was the market, the people were happy about this and then the success came… You have seen today when we walked to the factory, you have seen the big machines, what we have. That is our core skills. And then you have seen the very small arm, what we want for [customer name]. Just for you. Does it fix together? You want such a small arm put on such a big machine? No. You want big parts. What we do now. You have seen the new parts. You have seen the cranes. You have seen [customer name]. You have seen the other thing. That is stuff what we need. And not these “Lego” parts there.

Interviewer: Is there anything important about the post-buyout phase that we have not discussed?

OW.CEO: It's hard to [confidential], yes...

Interviewer: Okay. Thank you very much.

OW.CEO: Very welcome.

II. Interview with incoming owner

Interviewer: Okay, also erste Frage, kannst du kurz deine Rolle im Unternehmen und deine Beteiligung am Management Buyout beschreiben oder vielleicht ein kurzes Beispiel dazu geben?

OW.AM: … Also die Geschichte ist, dass ich als Dozent tätig war und durch meine Freundschaft zu [name owner/CEO] immer schon gehört hatte, dass [group name] schwierig ist… Dann hat [name owner/CEO] mich 2023 informiert, dass [group name] [name/place former subsidiary/now independent company] schließen will. Und hat mich gefragt, ob ich ihm helfen würde zu sanieren. Dann habe ich gesagt: „Ja, wenn die Bedingungen stimmen." Und ich glaube, das ist mein erster Unterschied zu vielen anderen Managern, dass ich sehr klar definiere und ich halte das für äußerst wichtig, ‚Wie ist die Situation? Und was sind die Risiken? Was sind die Chancen? Und was ist das Ziel?'… Weil ich glaube, die Tools für eine Sanierung, die beherrsche ich sehr gut, weil ich immer mich seit 1970 weitergebildet habe, sehr viel lese und ich ja die Erfahrung schon von 5 Turn-Rounds hatte, die immer erfolgreich waren. Das heißt, der [name owner/CEO] musste erst mal mir eine genaue und ehrliche Analyse liefern. Und da war er dann selbst geschockt. Weil das hast du oft, das hängt mehr mit Psychologie zusammen, dass die unangenehmen Dinge verdrängt werden. Und man sucht dann oft einen Schuldigen und der Schuldige war [group name] in [name HQ country]. Und das ist natürlich falsch. Der Ansatz ist völlig falsch. Bei [group name] in [name/place former subsidiary/now independent company] waren [number] Leute beschäftigt und wenn das Unternehmen nur Verluste macht, dann liegt das an den [number] Leuten. Das ist eine wichtige Erkenntnis. Weil Betriebswirtschaft hin, Betriebswirtschaft her, es vermischt sich eben immer mit dem Verhalten von Menschen, also Psychologie. Ja, so, deshalb haben wir eine sehr genaue Bestandsaufnahme gemacht und ich habe dann gesagt, ich steige mit ein, wenn die und die Bedingungen erfüllt werden. Und das war eine Entschuldung. Zweiter Punkt war Übergangskapital… Dass man gestalten kann, ich sag mal, das ist immer entscheidend, das kannst du wie wir, ein Teil in neue Maschinen, ein Teil in Raten, aber es gibt betriebswirtschaftlich eine Summe, die du brauchst, um die Sanierungszeit zu überstehen. Also insofern reden wir beide weniger über Management Buyout. Das ist eine theoretische Diskussion. Sondern wir reden über Management Buyout, warum und was passiert da? Also letztendlich ein Turnaround. Das heißt, ich hatte eine Zeitschiene oder ich habe mir erst mal die Daten angeguckt. Daraus habe ich eine Zeitschiene abgeleitet und ich sage mal die Ausgangsbasis, die betriebswirtschaftliche und finanzielle, also mal vereinfacht gesagt auf Null bringen. Und was benötige ich als Kapital für den Zeitraum, den ich angesetzt habe für einen Turnaround. Und wenn das nicht erfüllt ist, brauchst du gar nicht mit dem Turnaround anfangen. Das ist dann der nächste Fehler, den viele machen, weil sie hören Management Buyout, glauben sie werden Besitzer von der Firma und was weiß ich alles, das sind alles uninteressante Fakten. Ich brauche die Basics, die Fakten, wo stehen wir jetzt? wo will ich hin? oder wo muss ich hin? wie lange brauche ich und was brauche ich dazu? Und das ist dann in die Verhandlungen mit [group name] eingeflossen. Unser erstes Gespräch war mit dem [name HQ.S], den Namen hast du ja sicher schon gehört. Der ist erst mal vom Hocker hier in [city] gefallen, als ich dem gesagt habe, gern, ich eröffne auch immer so, wir übernehmen das gerne, aber das sind die Bedingungen. Gut, wir haben uns dann aber relativ schnell darauf geeinigt, dass ein Großteil meiner Forderungen erfüllt wurde… Ich würde aber, das ist individuell, ich würde nie pokern. Ich sage auch immer in jedem Gespräch, das habe ich auch dem [name HQ.S] gesagt, fang bitte mit mir keinen Bazar an. Das sind die Konditionen. Jetzt würde jemand wieder sagen, ja das ist einfach, du bist ja schon Rentner und reich und was weiß ich alles. Das ist Unfug. Ich habe mein ganzes Leben immer klar gesagt, was ich brauche oder was das Unternehmen braucht, wie die

Chancen sind und wie das Ziel ist. Und da brauche ich keinen Bazar dazu. Wenn ich ausrechne, ich brauche [amount], dann brauche ich [amount]. Und dann fange ich nicht mit [amount] an und der andere sagt [amount] und ist alles verlorene Zeit. Deshalb sind die meisten Manager auch immer in Stress und Bewegung. Ich mache noch nie Stress mein ganzes Leben nicht. Weil die Dinge, das wirst du mit deinen betriebswirtschaftlichen Kenntnissen verstehen, die Fakten sind eigentlich klar. Also muss ich nur Fakten sammeln und muss gucken, kriege ich die erfüllt oder kann ich sie erfüllen. Also ich hätte natürlich auch selbst [amount] einbringen können und dann hätte ich dir gesagt, sag mal, bist du noch ganz dicht, geh mal in die Klinik [laughing]. Also insofern, um wieder zurückzukommen aufs Management Buyout, muss ich erstmal die Frage stellen: Warum machen die Manager das Projekt oder gehen das Projekt rein Management Buyout? Wenn du da jetzt eine repräsentative Befragung machen würdest, wärst du sicher sehr erstaunt über die diffusen Antworten [laughing]. Der zweite Punkt ist, wenn ich definiert habe, warum ich etwas mache, zu welchen Konditionen? Der dritte Punkt ist, da sind Verhandlungen umsetzen und dann erst beginnt das Management Buyout. Also die Vorarbeit, zumindest die geistige und auch die, ich lege immer Wert auf Psychologie, und auch die Psychologie, also es beginnt ja neuer Lebensabschnitt. Ob du jetzt ein Management Buyout machen würdest oder ich, es ist für uns beide eine neue Reise. Und wenn ich einfach da rein stolpere, ist die Chance, das klappt sehr gering. Wenn ich mich aber selbst definiert habe, dann ist das der eine Punkt und der zweite Punkt ist dann die Rahmenbedingungen zu klären, unter denen ich es mag. Das sind für mich die wichtigsten Schritte. Und wenn jemand nicht die Tools hat, um dann eine Firma zu sanieren, dann soll er auf jeden Fall die Finger weglassen von dem Management Buyout. Wäre damit eine, wenn ich frag jetzt konkreter nach, wie du es gern hättest. Also das wäre jetzt überhaupt der Rahmen zu dem Thema Management Buyout. Wenn diese Dinge nicht gegeben sind und ich kenne einige Management Buyout, positive wie auch negative, und ich würde immer, wenn man es genau untersuchen würde, dass einer dieser Faktoren nicht gestimmt hat bzw. berücksichtigt wurde. Und das hat dann die derivativen Folgen, die später kommen. Da ist aber das Thema Qualität als Beispiel. Das ist nur eine Folge aus dem, was vorher nicht erfolgt ist, indem man es analysiert hat und gesagt hat, ich kann die Qualität verbessern. Wenn ich mir diese Frage, bevor ich einen Vertrag unterschreibe, nicht stelle, dann ist irgendwann hinten beginnt die Rolle, die Lawine.

Interviewer: Okay. Nur ganz kurz, du warst bei jeder Verhandlung immer dabei, von Anfang an bis zu Ende. [Name owner/CEO] hat nichts ohne dich gestartet.

OW.AM: Nein, das ist eine wichtige Grundlage, wenn man das zu zweit, zu dritt oder viert macht. Sehr gute Frage. Das würde ich unter Rollenklärung definieren. Kann der [name owner/CEO] dir viel dazu erzählen, weil er das von mir gelernt hat und am Anfang verrückt geworden ist… Ich muss immer klären, in welcher Rolle bin ich, in welcher Rolle ist der [name owner/CEO]. Also wir hatten schon mal unterschiedliche Rollen, dass ich Rentner war und nicht mehr arbeiten musste und der [name owner/CEO] musste noch arbeiten. Das sind völlig verschiedene Rollen und Ausgangslagen. Ja. Also das ist wieder der Ist-Zustand. Und dann muss ich klären, wie wollen wir beide, oder wenn es drei sind oder vier sind, ich habe einige Start-ups ja auch gehabt, da war immer die Rollenklärung am Anfang. Also warum machst du mit und in welcher Rolle oder Funktion? Sind wir auf einer Ebene oder bin ich Mehrheit oder bin ich und so weiter. Ja und wir haben uns ja entschieden von Anfang an auf Gleichheit und dann haben wir aber auch Gespräche geführt und ich glaube da hat uns unsere Freundschaft weder geschadet noch geholfen, sondern sehr professionelle Gespräche geführt. Was bedeutet, wenn wir zwei jetzt in den Zug steigen und auf eine Reise gehen? Rauchen wir im Abteil oder rauchen wir nicht? Saufen wir im Abteil oder saufen wir nicht? Also um das zu visualisieren. Das ist nur, wir sind in einen Zug eingestiegen. Und insofern haben wir diese ganze Gründungs- und Findungsphase gleichberechtigt zusammen gemacht, aber auch sehr genau definiert, wer in diesem Prozess, wo wir gleichberechtigt sind, welche Rolle übernimmt? Also ich war der Bad Guy und der [name owner/CEO] war der Good Guy.

Interviewer: Was bedeutet das? Also könntest du mir das an einem Beispiel erklären?

OW.AM: Das könnte ich dir an dem Beispiel, als wir unsere Forderung, wie viel Geld wir, nicht wir, sondern wie viel Geld [group name] in [name/place former subsidiary/now independent company] stecken muss. Das hätte [name owner/CEO] nie über die Lippen gebracht. Weil er, weiß ich nicht, ich kenne seine Vorgeschichte nicht genug. Aber der [name owner/CEO] ist ein Typ, der immer auf Harmonie aus ist und also der hätte das nie genannt, der hätte gesagt wir brauchen Geld und der andere der [name HQ Sales] der passt genau dazu, er hätte gesagt „Ja ja ihr kriegt Geld.“ und dann wären sie erst mal essen gegangen. Und dann hätten sie gesagt wir treffen uns wieder und dann hätte der [name owner/CEO] gesagt also ich mach das jetzt mal bildlich damit das versteht… also das ist so es ist mehr als [amount] und dann hätte der Ander gesagt, [name HQ Sales] hätte gesagt „Das ist aber viel, also da müssen wir nochmal drüber reden.“ Und wir haben den Prozess ja, also bis definiert war, wie die Konditionen sind, das waren zwei Treffen. Ein treffen hier mit [name HQ Sales] und dann ein treffen mit dem sehr professionellen [name HQ member] und [name HQ Sales] in [city]… Dass es dann so lange gedauert hat, das lag dann an [group name]. Das lag, hatten wir gar nichts mit zu tun.

Interviewer: Ja, die hatten diese Fristen, oder?

OW.AM: Ah, und jeder Pups, kennst du Pups?

Interviewer: Ja [laughing].

OW.AM: Jeder Pups wurde diskutiert und diskutiert und es ist völlig unwichtig. Und das hat mich schon gewundert, aber das hat mich mein Leben lang gewundert, wie unprofessionell große Firmen und Manager sind. Wenn ich keine Lust mehr habe, dann steige ich aus. Da können wir 300 Seiten Vertrag haben… Und das haben sie nicht kapiert. Zum Beispiel, die haben Haftung, Haftung, Haftung, Haftung, Haftung... So. Also. Das war das und ich habe gesagt, wir brauchen [amount]. Dabei ist mir noch ein Missgeschick passiert, dass ich dem [name HQ.S] eine Rechnung auf den Tisch legen wollte, wie sich die [amount] zusammensetzen. Und so ein bisschen Bazar, da habe ich natürlich [other amount] eigentlich gehabt. Ich hatte zwei Exemplare. [laughing] Und Sigmund Freud lässt grüßen, ich habe natürlich das richtige, das [amount] Exemplar… [laughing] Ja, Psychologie ist was hochinteressantes. Auf jeden Fall, es war sofort klar [amount]. Auch als wären das dann wirklich entscheidende Gespräch mit dem Finanzchef, mit dem [name HQ member] gestartet sind. Und natürlich muss man dann… um Auslegungen ringen und natürlich muss man dann auch noch mal um [amount] plus oder minus ringen. Aber wenn beide Parteien denken, der Rahmen ist irgendwo [amount], aber das Faktum ist [other amount], das wird nichts.

Interviewer: Hast du das in dem Moment gemerkt, wenn du das auf den Tisch gelegt hast, oder wann hast du gemerkt, dass du…

OW.AM: Der [name owner/CEO] hat das gemerkt. [laughing]

Interviewer: Also du hast über [amount] geredet, und auf Papier waren [other amount].

OW.AM: Also, ich war da auch gar nicht aufgeregt. Ich habe dann auch zu [name HQ.S] gesagt: "Du, jetzt hab ich das falsche Papier hingelegt, aber was du jetzt hast, das ist die Basic." Also haben wir jetzt noch weniger Bazar als vielleicht vorher. Und da war natürlich auch Schwellen, wobei wenig, wo ich wahrscheinlich über das Ziel hinaus bin in meiner Art. Also gar nicht vom Quantitativen, sondern von meiner Art. Und da war es wieder gut, dass der [name owner/CEO] da war und mit seiner Art das dann geglättet hat. Und dazu komme ich zum anderen wichtigen Punkt, wie du das in deine Arbeit einbaust, musst du wissen… Ich glaube ich bin wirklich ein Profi, aber ich würde ein Management Buyout nie allein macht. Nie. Also wieder aus den beiden Gründen mal ganz vereinfacht gesagt: Dieses Spiel Good Guy, Bad Guy ist ungeheuer dienlich, also wichtig. Und die psychologische Seite ist, du stehst nie allein da. Und das kann ich gut nachvollziehen beim [name owner/CEO], der war immer allein mit der Situation bei [group name]. Also auch einer wie ich, das erträgst du nicht. Und das hat wieder Folgen, dir fehlt der Antrieb, dir fehlt die Energie, dir fehlt die Entscheidungsfreudigkeit und all die Dinge. Ja, und wenn du zu zweit bist und deine Rollen gut geklärt hast, dann ist das wie eine Art, also mindestens wie eine Art Coaching. Der andere gibt dir immer ein Feedback und hat andere Ideen und du musst kompromissbereit sein, also so kommt was Gutes raus. Wenn du allein bist, entweder rennst du wie ein … nach vorne oder wenn du frustriert bist, bist du ängstlich wie ein Häschen. Also da wäre auch immer, das könnte man sicher auch durch Studien nachweisen, dass das so ist. Aber das habe ich jetzt nicht. Ich habe ja immer mit, ich weiß nicht, ob du den [name of a friend] kennst? Wahrscheinlich nicht, da warst du noch Baby. Ich hatte ja immer einen Partner… Und wenn ich noch immer was mache, auch wieder nur mit einem Partner. Es ist einfach ein Vorteil, ein Advantage von 30 Prozent.

Interviewer: Da seid ihr eine gute Kombination mit [name owner/CEO].

OW.AM: Also das war jetzt ein Beispiel, ich könnte dir aus unseren fast zwei Jahren mehrere solcher Beispiele nennen und insofern, ich meine, wir geben uns ja gegenseitig auch immer wieder und also das halte ich also erster punkt genaue Analyse, kein Bazar und so weiter zweiter Punkt nie allein.

Interviewer: Was waren die größten Herausforderungen, denen du beim einstieg ins Unternehmen begegnet bist?

OW.AM: Also, auf deine Frage könnte ich natürlich sagen: alles. Das auch irgendwie stimmt… Also die Liquidität war ja gesichert. Das war auch als ich [name of a third company] übernommen habe, die Bedingung, dass ich [name of a third company] übernehme, dass die Liquidität für einen gewissen Zeitraum gesichert ist. Also die Liquidität war gesichert... Aber ich habe sehr schnell... Die Liquidität war gesichert und die Betriebswirtschaft war schlecht. Er hat ja seit Jahren Minus gemacht. Und dieses Minus hat sich eigentlich immer noch gesteigert. Also ich hatte eine rein… Ich habe ans erste Mal auch richtig in die Zahlen gucken können. Also [name owner/CEO] hatte mir gesagt, dass es immer Minus war, aber er hatte mir auch nicht richtig gesagt, wie tief das Minus war. Good Guy, Bad Guy. Und wenn du dann die Bilanzen auf dem Tisch hast… du weißt ja, ich liebe Bilanzen. Also wenn ich irgendwo was habe, versuche ich mir immer erst die Bilanzen zu ziehen. So, also ich habe gesehen, dass die Betriebswirtschaft schlecht ist… Und daraus kannst du als Profi natürlich wieder ableiten, das ist ja nur das Ergebnis, was alles schlecht sein muss, das heißt, die Produktivität, die Qualität, die Krankenquote, all diese Dinge. Und dann siehst du, welche Aufgabe du vor dir hast. Die Desorganisation. Also der Laden war… ich habe immer gesagt, das ist ein Tanzclub. Jeder tanzt wie er will und jeder hat auch noch geglaubt, er wäre ein Künstler. Das heißt, mir war sehr schnell klar, du musst die Mitarbeiter in ihrem Verhalten, vornehm gesagt ändern, brutal gesagt brechen. Also diese Ergebnisse waren ja ein Resultat der Mitarbeiter. Das heißt, wenn du die Ergebnisse verändern willst, musst du die Mitarbeiter ändern. Was wiederum ist Psychologie.

Interviewer: Warum denkst du, dass es so unorganisiert war? Ich kann mir nicht vorstellen, dass unter [name owner/CEO] etwas unorganisiert ist. Hat das etwas mit [group name] zu tun? Oder wieso denkst du, dass das so chaotisch war?

OW.AM: Es hat zu 50 Prozent oder noch mehr. Ja, es hat zu 50 Prozent mit [group name] und 50% mit [name owner/CEO] zu tun. Das ist noch mal so abstrakt. Und beide Dinge hängen wieder sehr stark mit Psychologie zusammen. [Group name] war und ist nicht geführt. Der [name HQ.CEO] ist sicher ein ganz lieber Kerl und der [name HQ member] ist ein Chaot, aber das sind keine Spitzenkräfte. Also die einzige Spitzenkraft, die ich kennengelernt habe, ist der Markus. Der ist ja jetzt auch, glaube ich, ziemlich weit oben. Das bedeutet, von [group name] aus, es waren nie klare Ziele vorgegeben. Da war es sicher formuliert, wir dürfen keinen Verlust mehr machen. Das ist kein Ziel. Sondern wenn ich [number] Prozent Verlust mache, dann ist das Ziel im ersten Jahr halbieren, im zweiten Jahr EBITDA Null und was weiß ich. Und die Wagenziele und vor allen die Ziele waren glaub ich nie committed, sondern angeordnet oder einfach reingeworfen. Also ich muss Ziele immer committen, sonst ist es kein Ziel. Und da hast du mit der Psychologie die andere Seite kann sich sofort zurückziehen und kann dann sagen: "Ja, ich habe ja nicht zugestimmt." So, und aus diesem ersten Verhalten der nicht klaren Definition der Situation und der Ziele resultierte dann, dass man natürlich auch im Endeffekt kein bescheides Controlling machen kann. Und Controlling bedeutet ja in der Konsequenz zu sanktionieren. Oder Prämien zu zahlen. Lassen wir mal beides offen. Controlling war bei oder ist bei [group name] dieser komische Typ da, wo der Rufe immer Schaum vor den Mund gekriegt hat. Und der hat Zahlen zusammengestellt. Das ist kein Controlling. Das ist die Grundlage, wenn überhaupt. So, also insofern ist das der Anteil von [group name]. Und der Anteil vom [name owner/CEO] ist, dass er ein Good Guy war. Es geht auch anders. Als ich [name other company] übernommen hatte, das war ein riesen Aufstand, bis ich das Geld gekriegt habe. Aber ich habe gesagt, ich weiche keinen Millimeter. Ich kriege damals um [amount] Entschuldung und [amount] Startkapital. Und das Startkapital sollte dann nach drei Monaten gezahlt werden. Und dann war das an dem Tag nicht da. Und dann habe ich an dem Tag angerufen und habe gesagt, übermorgen ist das Geld bei [name other company] auf dem Konto. Ja, ja. Übermorgen war das Geld wieder nicht da. Dann habe ich wieder angerufen und habe gesagt, ihr habt jetzt bis Ende der Woche Zeit. Wenn dann das Geld nicht da ist, melde ich Insolvenz an. Und das wäre für die [name other company] eine Katastrophe geworden, also für die Gesellschafter. „Ja, da müssen wir reden“. Ich so, ja, wir können gerne reden, aber ich brauche das Geld. Wenn das Geld nicht da ist, melde ich Insolvenz an. Und ich glaube, dass mit der Psychologie, wenn du so auftrittst, dann weiß die andere Seite schon, es wird eng. Wenn du sagst, „ja, wir reden mal drüber“, dann gehen die gut schlafen auf der anderen Seite. Und ja, dann bin ich hingewahren und dann saßen in einem Berliner Hochhaus im vornehmsten von Berlin saßen 15 Leute, nämlich alle Gesellschafter. Das muss ja wenn ihr ganzen Knallköpfe nach Berlin gefahren kommt aus ganz Deutschland, um mit mir zu reden. Lange Rede, kurzer Sinn: Nach zwei Tagen waren die [amount] am Konten. Punkt. Und wenn nicht, hätte ich Insolvenz angemeldet und nicht noch drei Wochen gewartet. Punkt. So. Und ich glaube, aber ich möchte auch nicht, dass du mit [name owner/CEO] da tief reingehst. Ich glaube, er war in der Zeit mit seinen Problemen sehr einsam... Und hat sich nicht genügend gegen [group name] gewehrt. Und das wiederum führt zu einem Prozess, der sich immer mehr verstärkt. Weil dir fehlt dann die Energie, das kriegen die Mitarbeiter mit, das heißt die machen sich auch einen schlanken Fuß. Das ist der Kreislauf, warum etwas immer schlechter wird. Deshalb, wenn du diesen Kreislauf beenden willst, musst du ihn beenden und darauf achten, dass er nicht wieder einsetzt. Das ist uns beim [group name] noch, oder jetzt sage ich mir, noch nicht gelungen. Das ist schon eine zähe Masse… Good Guy, Bad Guy, warum ist [group name] oder [name/place former subsidiary/now independent company] überhaupt so tief gekommen? Also beide haben, wenn du das Wort benutzen willst, ihren Anteil oder Schuld. Die einen, weil sie überhaupt nicht klar definiert waren und der andere, weil er sich nicht gewehrt hat und gesagt hat, Leute, konkret. Also der [name owner/CEO] hat zum Beispiel immer für neue Maschinen Geld gefordert, weil da waren zwei oder drei Maschinen… wenn du ein Kleid nähen sollst und deine Nähmaschine ist kaputt, das geht nicht. Da hätte er sagen müssen, entweder ich kriege das Geld oder wir machen den Laden dicht, dann wären die wach geworden. Also das ist, es wird sich, wir können jetzt noch drei Stunden reden, es wird sich immer wieder durchziehen. Klare Definition, keine Spielchen, Verhandlung fair und auf Augenhöhe, aber auf Daten- und Faktenbasis müssen dann auch Entscheidungen kommen. Alles andere läuft schief. Wenn du die Entwicklung von beispielsweise Siemens verfolgst und die Entwicklung von VW, mal repräsentativ, das ist bei allen Unternehmen, ja, ich habe sehr viel Literatur darüber. Bei VW, die sind immer gehüpft in ihren Strategien und in ihrer Durchsetzung. Und bei Siemens, die hatten einmal, hatten beide dieselbe Ausgangslage, dass es schlecht war. Bei Siemens ist ein Mann an die Macht gekommen, also Führung, da springe ich gleich nochmal zurück. Bei Siemens ist ein Mann an die Macht gekommen und der Laden, der hat den Laden auf den Kopf gestellt, hat den Mut gehabt, diese Abspaltung zu machen in Siemens Energy, in Siemens Healthcare und so weiter. Das Unternehmen ist satt und fett. Und VW macht eine Einsparungsrunde nach der anderen. Das heißt, die Chinesen überholen links und rechts. Da käme ich dann zum Thema Strategie. Also wenn das zu dir gehört. Das Thema Macht nochmal, das hat wieder, was wir ganz am Anfang hatten, mit dem Thema Rollen zu tun. Ich muss mir bewusst werden, wenn ich ein Angestellter bin und machen Management Buyout und mir gehört die Firma, dann wechsle ich vom Angestellten, selbst wenn ich Geschäftsführer war, zum Gesellschafter. Und wenn ich dann auch noch Geschäftsführer bleib, dann muss ich mich mindestens drei Tage hinsetzen und überlegen, was hat das bedeutet, was bedeutet das in Zukunft? Frag mal, wenn du eine Befragung machen würdest, 10%, „Ich bin jetzt Gesellschaftler. Ich kaufe mir jetzt ein Audi A6." Geht schief? Das geht schief. Also das und ich muss wissen, dass ich mehr, also der Sprung zum Geschäftsführer ist schon mal die Macht. Und der Sprung zum Gesellschafter ist dann noch mehr Macht. Ich entscheide als Gesellschafter letztendlich über [number] Arbeitsplätze… Investiere ich? Investiere ich nicht? Mache ich zu? Das hängt ganz allein von den Gesellschaftern ab… Und ich denke, das ist... Also ich rede jetzt nur von den negativen Dingen, aber diese negativen Dinge sollen ja nur das Beispiel sein, was du nicht machen darfst, damit es gelingt. Und ich glaube, das sind immer wieder dieselben Punkte, warum etwas gelingt und warum etwas nicht gelingt. Und das habe ich fünfmal erlebt. Und das ist alles, was die Literatur, die ich kenne, hergibt. Aber es ist wissenschaftliche Literatur. Du bist wieder dran.

Interviewer: Ich würde wahrscheinlich jetzt zu den Chancen oder Geschäftsmöglichkeiten, neue Kunden rüber gehen…

OW.AM: Ja. Also das gehörte auch zu den, wo wir noch nach Fehlern suchen, [group name] hatte NULL Strategie. Null. Weder Märkte analysiert und Folgerungen draus gezogen, Wettbewerber analysiert. Also die haben mal geguckt, was kostet die Lohnstunde in [country]. Das ist keine Wettbewerbsanalyse. Du weißt, was eine Marktanalyse ist. Du weißt, was eine Wettbewerbsanalyse ist. Also war nicht vorhanden. Punkt. Strategietagung, jedes Werk hat für sich selbst irgendwas gemacht, dass mal alle Manager dann zusammenkamen. Zumindest hat der [name owner/CEO] nie davon erzählt. Also wenn, haben sie sicher Kaffee getrunken. Also ich habe null Strategie entdeckt. Das bedeutet natürlich für die Mitarbeiter schon mal keine operativen Ziele. Denn ich weiß nicht, ob der Hinterhuber was sagt. Hinterhuber ist ein Österreicher, ist einer der berühmtesten oder Pümplin. Das sind die berühmtesten Leute, die sich mit dem Thema Strategie wissenschaftlich befasst haben. Und auch da ist die Wissenschaft unumstritten. Es gibt die Vision oder das große Ziel, wenn man Vision als Wort nicht will. Daraus leitet sich die Strategie ab und daraus leitet sich das operative Geschäft ab. Das heißt, wenn ich mit dem operativen Geschäft anfange, mache ich zwangsläufig Fehler. So, also das war null vorhanden und damit natürlich auch keine Konzeption, wie halte ich den Untergang auf. Also wenn ich kein Gegenmittel kenne, habe ich keine Chance. Und das Ergebnis war, dass die Umsätze jedes Jahr gesunken sind… Dann habe ich angefangen mit, sagen wir mal, Marktbeobachtung. Ja. Aber da ich mit dem Sanieren sehr stark beschäftigt war, das mache ich mir zum Vorwurf, war ich da nicht stark genug. Und der [name owner/CEO], also mein Partner, [name owner/CEO] ist jetzt immer Partner, neutral. Ob Freund oder nicht Freund, [name owner/CEO] ist 50% Geschäftspartner und nicht mein Freund, wenn es um [group name] geht. Das ist auch wichtig. Und [name owner/CEO], warum auch immer, hält nicht viel von Wirtschaftswissenschaften. Also er weiß natürlich, ist der intelligent genug und stolz auf seine Tochter, dass die das macht. Aber wenn ich dann angefangen habe mit Marktsegmenten und solchen Dingen, dann sind wir zu klein... Und dann haben wir uns doch entschieden. Ja, und dann waren halt immer die üblichen Argumente: der Markt ist schlecht, die Konjunktur ist schlechter. Die Chinesen sind stark. Ja, also machen wir zu oder machen wir was dagegen? Andere Möglichkeiten gibt es nicht. Dann haben wir gesagt, wir müssen, wir brauchen mehr Umsatz. Dann haben wir Gott sei Dank dieses Institut in [city] gefunden. Ich weiß nicht, ob er dir davon erzählt hat. Es war Glück. Was heißt Glück? Ich habe mich fünf Tage hingesetzt und mit allen möglichen Leuten gesprochen. Und dann habe ich zum [name owner/CEO] gesagt: "Ich glaube, die sind es. Mit denen probieren wir es.“ Wir setzen ja Kapital ein… Zufall aber auch Fleiß. Und die war natürlich ein Glückstreffer. Jetzt haben sowohl [name owner/CEO] als ich wunderbar, wir kriegen Kunden. Jetzt wissen wir im Nachhinein, dass wir einen Fehler gemacht haben. Wir hätten doch erstmal richtig Strategie machen müssen, was wir jetzt Anfang des Jahres dann gemacht haben, indem wir sagen, wir müssen unser Unternehmen in Geschäftsbereiche segmentieren, dann gucken, wer sind für diese Geschäftsbereiche die potenziell größten Kunden und dann Maßnahmen finden, wie kommen wir an die Kunden ran. Wir haben alle Adressen, die uns der Worm gegeben hat, abgeklappert, hatten auch Erfolge, hatten große Fehler von mir, da hätte ich drücken müssen, nicht die erforderlichen Preise durchgesetzt, sondern haben gefeiert, dass wir Aufträge kriegen… Da muss ich dann nochmal einen Abstecher machen gleich. Und sind jetzt in eine Situation gekommen, dass wir zwar einen Auftragszuwachs von [number] % haben, aber wir kriegen es nicht gewuckt in der Produktion. Das heißt wir gefährden Altkunden und Neukunden.

Interviewer: Also zeitlich in der Produktion oder?

OW.AM: Auch vom Know-how. Also in allem. Wir haben zu wenig Leute, wir haben nicht genügend ausgebildete Leute und wir haben die Kosten und die Qualität nicht im Griff. Ein typisches Problem hätte mir nicht passieren dürfen, steht in jedem Lehrbuch: Wenn du zu schnell wächst, gibt es die berühmten Kurven [laughing]. Also da gibt es zwei Probleme. Das soll nicht als Entschuldigung gelten. Ich sage dir nur, woran es gelegen hat. Wir steuern jetzt dagegen, aber das ist sehr schwer. Es hat darin gelegen, dass ich zu tief ins Operative eingestiegen bin. Also ich habe mich um alles vom [name O.M] gekümmert. Das ist nicht meine Rolle. Und das zweite war im

Zusammenhang mit Vertrieb die Freundschaft zwischen [name owner/CEO] und mir. Also wenn der [name owner/CEO] mein Angestellter gewesen wäre, hätte ich anders agiert. Und das ist zwischen Freunden natürlich dann schwieriger. Andererseits hat es diese vielen anderen Vorteile, dass ein Freund ehrlich ist meist und so weiter und so weiter. Also ich erkläre dir nur, was passiert ist und worauf man wieder, damit es nicht passiert, achten sollte. Das heißt, noch genauer die Rollen klären am Anfang. Und eventuell schon Szenarien aufbauen, wie gehen wir mit Konflikten um. Das haben wir nicht gemacht. Und ich denke, das hat dazu beigetragen, dass wir jetzt in einer ziemlich mieslichen Situation sind. Denn wir waren bei dem Turnaround auf dem absolut richtigen Weg. Wirst du wissen wollen, warum. Und wir haben uns dann überraschen lassen durch diesen Anstieg der Kunden. Der Turnaround selbst war sehr einfach. Das Tool ist zu gucken, was müssen wir sparen. Im zweiten Schritt zu gucken, was ist realistisch. Aber das hatte ich ja eigentlich schon berechnet, bevor wir die Verhandlungen geführt haben. Und der dritte Schritt ist ganz einfach, dann muss man es umsetzen. Das ist, wo ich jetzt wieder bei [group name] bin. Warum die furchtbar versagt haben. Also ich habe sofort ein und jetzt das fünfte oder sechste Mal ein Programm gemacht. Ich habe die immer „Focus 5“, „Focus 1“, „Focus 2“ gemacht. Das war jetzt „Focus 5“, in dem sehr klar die 40, 45 Punkte definiert waren, wo ich Potenzial, wirklich Potenzial gesehen habe, dass wir uns ändern. Ich habe aus dieser Potenzialanalyse das Ziel festgelegt, den Zeitraum festgelegt und der entscheidenden Punkten Verantwortlichen. Und das war ein Schock für die Mitarbeiter, weil ich nicht gesagt habe, der [name owner/CEO] macht jetzt 45 Punkte oder der [own name] macht 25 und der [name owner/CEO] 25, sondern weil der [name owner/CEO] zwei gekriegt hat, ich zwei gekriegt habe und alle Leitenden, für mich sind alle Leitenden, die über dem Schnitt verdienen, haben auch zwei Punkte gekriegt... Das war Aufregung. Und dann habe ich ein wirklich brutales Controlling gemacht und nichts anderes als jeden Tag abzutelefonieren. Warum ist das nicht gemacht? Brauchst du Hilfe? Ich biete immer Hilfe an. Aber zu sagen, es geht nicht. Das gibt es in meiner Organisation nicht.

Interviewer: Was waren zum Beispiel die Veränderungen oder die Hauptveränderungen, die du machen wolltest und gemacht hast? Und wie vielleicht?

OW.AM: Ich kann dir das gerne nachher schicken.

Interviewer: Okay. Wurden alle dann umgesetzt?

OW.AM: Das siehst du auch darauf. Aber das ist vertraulich.

Interviewer: Okay.

OW.AM: Wir haben einen wichtigen Punkt, und da bin ich jetzt mit [name owner/CEO] dran, nicht erfüllt. Das war die Preise zu erhören. Und da sprechen alle Fakten im Moment dagegen. Ich habe die jetzt gesandt, das ist aber jetzt unser nächstes Thema. Wir haben auch einige andere Sachen nicht erfüllt, aber wir haben Pareto 70-80% erfüllt und wir haben dadurch signifikant die Kosten bei einem Umsatz von [amount] die Kosten um [amount] gesenkt. Punkt. Also ich bin mit dem Programm sehr zufrieden. Wir haben glaube ich [number] Leute freigesetzt. Und wirklich die Faulenzer, also die richtigen Leute. Ist klar, in einer schlechten Organisation. Ich glaube, unser „Focus 5“ ist sehr gelungen. Die Frage, die ich mir heute stelle, ist, ob ich zu fordernd war, weil so seit drei Monaten, ich kann es aber nicht erklären, ich habe keine Fakten, aber fallen unsere Leute in Lethargie? Das kann natürlich aus einer davor hergehenden Überforderung resultieren. Kann ich nicht beantworten, habe ich nur mehrere Hypothesen, warum das sein kann. Was ist die Lösung? Die Lösung ist der Versuch oder die Lösung ist ganz klar selbst zu reflektieren. Mit dem Ziel wieder

Ruhe reinzubringen. Wir sind am Anfang, ob das gelingen wird kann ich nicht sagen. Ich glaube ja…

Interviewer: Also was war besonders schwierig bei der Umsetzung?

OW.AM: Die Leute, den Change bei den Leuten hinzukriegen. Alle Leute mussten ihr Verhalten ändern. Was auch völlig klar ist, das Verhalten wird immer geprägt durch die Organisation. Ja und wenn eine Organisation nicht klar gegliedert ist, keine klaren Hierarchien hat, kein Controlling hat, also ich habe immer gesagt, das ist ein Tanzpalast. [name/place former subsidiary/now independent company] ist ein Tanzpalast. Da gehe ich hin und nehme mir die Sara und dann drehe ich ein Tänzchen und dann gehe ich wieder. Ja wirklich. Und dann hat die Sara sich gut gedreht und dann sagt sie, ich kann jetzt prima Tango tanzen. Und keiner sagt, du hast die Füße krumm gehabt oder sonst was. Aber das war immer. Also es hängt… Betriebswirtschaftlich schlechte Ergebnisse hängen immer mit der Organisation und mit den Menschen zusammen. Das heißt, wenn du das Betriebsergebnis ändern willst, musst du die Organisation ändern und dann die Leute. Die Organisation, das haben wir innerhalb zwei Wochen geändert. Das ist ein Tool, den ziehst du aus der Tasche. Aber die Leute ändern, das ist mit der Psychologie. Wie haben wir das gemacht? Klare Vorgabe von Zielen. Klar das bisherige oder angefangen klar das Defizit zu benennen. B. Klar das Ziel zu benennen. C. Klares Controlling. D. Sanktionierung…

Interviewer: Ich würde noch vielleicht zu den Entscheidungsprozessen zurückkommen. Was hat sich da geändert bei Entscheidungsprozessen? Weil es war ja, oder was ich gehört habe, war es ja sehr gesteuert von [group name]. Ist es jetzt einfacher, Entscheidungen zu treffen? Und wie sind die getroffen?

OW.AM: Also ich habe und ich, weil der [name owner/CEO] verbrannt war, in dieser Organisation, habe ich, da konnte ich noch reisen. Ich stelle mir auch die Frage, ob vielleicht diese Lethargie, der Abfall damit zusammenhängt. Ich kann mit meinen Führungskräften, mache ich jeden Tag eine Besprechung. Aber die ersten Male, als ich noch reisen konnte, bin ich jeden Tag drei, vier Stunden durch die Produktion. Und wir haben gleich zwei oder drei Betriebsversammlungen gemacht. Und in dieser Betriebsversammlung habe ich gesagt, „Das ist ein … Laden. Und dieser Laden ist …, weil er ebenso schlechte Ergebnisse hat. Wir brauchen nicht diskutieren. Die Ergebnisse geht hoch ins Büro, guckt zur [name of an employee]“, hieß die, „Ich kann euch, guckt euch die Bilanzen an, fertig. Und es geht um euch, es geht nicht um mich. Es sind eure Arbeitsplätze.“ Also das ist wie der Psychologie. Das ist ganz wichtig. Ich bespreche das immer mit [name O.M], weil ich sage immer, du musst gucken, wo der Affe gerade sitzt. Auf welcher Schulter. Und Leute haben es gern an sich, dass der Affe immer auf der anderen Schulter sitzt. Das heißt, ja, ich will diese Firma sanieren, aber das ist mehr persönliche, sportliche Leistung. Ich habe den Arbeitsplatz nicht nötig. Die wollen ihre Familien, ihre Kinder versorgen. Das hat ihn niemand gesagt? Nie. So, also das war die erste Betriebsversammlung, da ging richtig Post ab. Die haben auch nie gewusst, welche Verluste gemacht werden. Das muss ich dazu sagen. Das kann nicht funktionieren. So, also wir haben gleich zwei oder drei Betriebsversammlungen gemacht und immer Klarheit geschafft, wie die Situation ist und auch klar gesagt, wo wir hin müssen... Alles. Und dann wieder mit dem Controlling angefangen und mit Sanktionierungen. Und jetzt sind wir an einem, und das hat insgesamt sehr gut geklappt. Außer, aber das habe ich auch schon mal vor 40 Jahren erlebt, bei einer Gruppe Arbeitnehmer, die genau weiß, da besteht Mangel am Arbeitsmarkt. Also bei uns sind das die Schweißer… Und ich verstehe die Leute. Wenn, ich weiß, du hast ja mal die Firma gesehen. Also acht Stunden zu schweißen ist schlecht. Also haben diese

Leute immer das Interesse möglichst wenig zu schweißen. Und ich habe das Interesse, dass möglichst viel schweißen. Also haben wir einfach einen Konflikt. Das müssen wir mal anerkennen. Good Guy, Bad Guy. Und dann müssen wir gucken, wo ist die gemeinsame Schnittmenge. Ich will nicht, dass die Leute krank werden, aber ich will auch nicht, dass sie drei Stunden am Tag rauchen. Und ich habe natürlich jetzt Studien machen lassen, wie die Zeit der Produktivität ist und wie die Zeit des Tanzens ist. Da haben wir noch ein Problem, um es klar zu sagen, aber das ist für mich auch viel schwieriger, weil Schweißer sind auch in [country former subsidiary/now independent company] gesucht bis zum geht nicht mehr. Also da hilft dir dann auch das Lehrbuch nicht, außer es steht im Lehrbuch wie löst du dieses Dilemma. Du bist in einem Dilemma. Aber die andere Organisation würde ich sagen ist gestartet bei [number] % in 2024. Die ist jetzt bei [number] %. Das kann man sagen... Das passt jetzt nicht zu deiner Diplomarbeit… [personal information]… Also ich habe mich mit … und allen möglichen beschäftigt, aber nicht mit der Firma. Ich habe zwar jeden Tag telefoniert, aber ich glaube, dadurch haben wir ein halbes Jahr verloren. Aber das ist jetzt naja gut, man könnte es sogar reinbringen, also es ist ein Unterschied beim Management Buyout, ob zwei oder drei Leute letztendlich verantwortlich sind oder ob es [group name] ist. Das ist wieder was im Kopf abspielt. Wenn ich bei [group name] mit eingestiegen wäre, dann hätte der [name owner/CEO] zum [name HQ.CEO] gesagt, „Ja der [own name] ist krank.“ Das geht dann nicht mehr und der [name owner/CEO] konnte jetzt nicht alles übernehmen von mir. Aber dann hast du eine Lücke. Dann hast du ein Defizit. Also diese ganze Welt ist überhaupt nicht kompliziert. Die wird nur von den Menschen immer kompliziert gemacht. Die Fakten sind alle klar. die stehen auch in jedem Lehrbuch. Die Problematik ist immer: Kannst du es umsetzen? Und wie reagierst du auf die Dinge, die du nicht umsetzen kannst? Wo kannst du nachbessern? Wo findest du andere Lösungen und und und…

Interviewer: Also, wenn du dieses Controlling gemacht hast, um… also was waren deine genauen Steps, um es besser zu organisieren?

OW.AM: Ganz einfach, wenn du das „Focus 5“… ich weiß nicht, äh, ob wir jetzt fertig werden. Ich habe um 14 Uhr [name owner/CEO] und das kann ich nicht ändern. Werden wir heute fertig? Wenn nicht, machen wir gerne noch einen Termin, wo wir noch eine Stunde nacharbeiten.

Interviewer: Ich würde mir vielleicht das Dokument anschauen, wenn du mir das schicken würdest, bitte. Und wenn ich vielleicht irgendwas nicht verstehe oder noch Rückfragen hätte, dann würde ich mich bei dir melden...

OW.AM: Dann eine kurze Antwort auf deine Frage. Dieses System, ich nenne das, oder das habe ich gelernt, ich habe ja mal auch in einem Konzern gearbeitet. V und T. V heißt Verantwortlicher und T heißt Termin. Das heißt es gibt in meiner Welt nichts, also in meiner beruflichen, [laughing], ohne V und ohne T. Und ich habe die nicht mehr, weil ich dachte ich bin in Rente, Ich hatte früher eine Datei, also Programm. Wenn ich früh ins Büro kam, da erschienen alle Termine von dem Tag mit den Leuten. Und was ich nicht um den Tisch hatte, habe ich dann höchstpersönlich die Leute angerufen. Und wenn du das drei Monate durchhältst, [laughing], dann ist die Lieferquote sehr hoch. Und natürlich auch sagst, also was weiß ich, heute ist Termin, du lieferst nicht, dann sage ich, „Gut, Frau Sträter, Sie haben Zeit bis Donnerstag, aber wenn das Donnerstag nicht da ist, kriegen wir Ärger.“ Funktioniert.

Interviewer: Ja, das glaube ich. Ich würde das noch an dem Abend schicken.

OW.AM: Nein, aber du siehst, es ist… simpel. Und wenn du die Erfolgsgeschichten von Unternehmen liest, es ist vornehmer ausgedrückt, es ist dieses System. Deshalb sind auch die mittelständischen Unternehmen, also die Familienunternehmen, da gibt es ja auch zig Untersuchungen, alle erfolgreicher als die Kapitalgesellschaften. Weil da ist oben einer, der sagt so. Und bei VW ist halt einer, der guckt nur, dass er jedes Jahr seine 10 Millionen kriegt. Und wenn er geht, kriegt er nochmal eine Abfindung von 10 Millionen. Wunderbar. Hat kein Risiko, nichts. Die spielen Monopoly. Aber das ist Kapitalismus. Und sind alle im Eigenkapital, das ist ja lächerlich, während ein Familienunternehmen meist sehr gut Eigenkapital hat. Also daran siehst du… aber das ist jetzt glaube ich nicht unser Thema. Du fragst ja im bestehenden Fall und da ist es immer wieder Defizite erkennen, gar nicht Schuld, Defizite erkannt, Ziel benannt, Coaching, also Unterstützung anbieten, aber wer nicht liefert wird sanktioniert.

Interviewer: Ziemlich klar, ja. Okay. Na, ich werde dich nicht mehr aufhalten. Ich danke dir sehr, [name OW.AM]. Das hat mir sehr geholfen.

OW.AM: Gut, du kannst das verarbeiten. Ich schicke dir heute Nachmittag noch dieses „Focus 5“. Und wenn du Fragen hast, machen wir gerne auch mal einen Termin, wo wir eine halbe Stunde noch mal reden, oder muss das jetzt erst mal verarbeiten, dann machen wir einen Termin, können wir noch mal eine halbe Stunde reden.

Interviewer: Okay, machen wir es so. Danke sehr.

OW.AM: Prima, dann machs gut. Es war schön mit dir. Tschüss.

Interviewer: Danke, machs gut!

III. Interview with operations manager

Interviewer: Could you briefly describe your role in the company and your involvement in management buyout? Could you provide some examples also?

O.M: Okay, so I'm the operations manager and of course in every company the operations can contain different departments and here in [name/place former subsidiary/now independent company] the operations in this company means, I would say, I would prefer to say what is not included because it will be easier. It's not included the sales, not included the finance and not included the HR. But all other departments belong to the operations and I'm leading this team. Previously when the management buyout happened that was like, that one of our suppliers said it was like dual managing, that is nowadays as typical as I heard, that one manager is responsible for administrative things like HR, like finance, and one manager is responsible for the operations that the company is running. So, the material must be here on time, the engineering team must prepare the work instruction, people must be here for the production, and production is organized to do it. So, that is the logic behind that. And what I can say, so yeah, I started my career in 2011 as a purchaser and I was step by step, learning several departments. Like the purchasing was more than five years and after I received this project or I joined the project team that we built a complete production line. I was there the purchaser and who was first responsible for the investment and after the material and so on so… But after that I left the for one year, but I had a temporary contract to come and teach my followers. My follower who was taking over the job from me and I came back in the evening and teaching what the process is and so on. But after I received a call to come back as a facility manager and at that time, I was responsible for maintenance, facility investment, so a bigger area. After I gave back the facility and I took over the production, after I took back the production but take over the supply chain, after I gave back the supply chain and took over the production and after when this changes, I mean this management buyout happened, that was a restructuring in the management also. And from that time that the operations department became, let's say, so the current one, the big one, the biggest one.

Interviewer: Okay, so the changes that you described were all before the management buyout?

O.M: Yes, yes. Yes, that was before the management buyout because previously there was a model what we had from the [group name]. Most of the factories, most of the [group name] factories, we had separated supply chain manager, production manager, and all departments had the manager because that time we had a lot of group tasks and everybody had two bosses. Two leaders that one was here, the managing director and one as a matrix organization from the group who was giving the direction and at that time the departments were more split. I believe it was not good to be honest. So, it was not effective. It's because we were not like [name of a third company] who is employing I don't know how many thousand people. So, I believe that here it is more effective when these departments under one hand, I'm not talking about mine or a different manager, under one hand, it's better, I believe it's more effective.

Interviewer: So, through the management buyout the departments were merged, if I understood correctly.

O.M: Yes, all of the departments have a group leader or a leader, but they are middle managers, they are taking care of their small team and leading their small team, but of course the direction and these things that they received from the operations manager.

Interviewer: Why do you believe exactly that it's better now?

O.M: Because of the faster decision. Because I believe that the fast decision is very important, quick decision is very important. Previously, when we had one manager who was really deep, for example, in the HR or in the engineering department, let’s say in the engineering department, they were... This kind of split version, how can I say, did not let the people think that, "Oh, okay, I understand, we must do our job, but at the end of the day, we must produce the product and we must be production oriented." So, our managing director said that, he is exactly right, that we like die in the beauty. So, in the engineering department they made really good and beautiful and nice ideas, but from these nice ideas we spent a lot of money through the window, but we didn't get so to say any result. For example, I'll tell you an example that here we had a manager for example who was working for [name of a third company] in [country], he was very smart, very good engineer, he found really good ideas what is good in automotive industry what is good in the university but not good here… so, so, and I would say it's generally that it's made time and effort until the two managers had a deal how they can cooperate together. It can be good in [name of a third company] or in the [name of a third company], but we were previously also small. I'm not talking about 200 or 300 people, but I'm talking that we were not so big company and there the decisions, I believe, must be quick and production oriented. Now the situation is changed after the management buyout that when we have a problem, a technical problem for example, something happened in the production, then the engineering leader goes down, immediately says: "Okay, we must..." and now they already changed the mindset because now they said, they feel it, they know it, that we must sell the product. The question is: how can we sell the product. What can we do?... Quality. I believe that our quality is good, so to say. Of course we must improve it. But previously, there was a TPI for the quality manager that reduced the claim. How can they reduce the claim? That overcheck the product. I understand we should reduce the claim, but when we do over quality this is an extra cost and a lot. So, if you must produce this and the quality you want to produce but the quality is coming and cuddling… “Here is something, weld it a little bit, after grind it, oh it's a little bit too much grind, weld again…” The product will be perfect, the customer will be happy. But we will not earn money from this. But so, and that's why that time when we had separated managers, they were not so, they were not so, how can I say, interested, some of them, that how we produce the product and sell it as fast as we can in a good quality, what is acceptable for the customer. So, after the management buyout, the quality team really changed, for example. So, we changed some people, of course, also, but they changed a lot and they are more pragmatic thinking, not only in the box, but that also how we can sell the product in a good quality.

Interviewer: So, also the mindset of the people changed.

O.M: Still need to do it, to be honest, because previously they thought “Oh we have [group name] and if we don't have money [group name] will send the money.” So, now it's changed that we are alone. We are a freestanding company. We are alone.

Interviewer: Can you walk me through what happened from your perspective when the company became independent? What changed immediately, the structure, processes or anything?

O.M: First, we had a new organization, not only at the management level, in the lower level also. And what we made, what we had with the customers, we are more free and immediately when some of the customers were informed that, "Hello, we are the same company, but we are free." So, some of the companies, some of the customers were welcoming this change. I would say most of them. Only one customer said: "Okay, okay, no, I will not order." We didn't have big contact with him, to be honest. But only one customer said: "Okay, I understand, but we will not continue." But I can tell you that our second biggest customer, who was previously a customer, but during [group name] times [group name] said that we don't need this customer, that they were really happy. And they are coming here and the second biggest customer and one of the best customers they are. And very good connection with them.

Interviewer: So, you lost one customer, if I understood correctly, after the buyout?

O.M: Yes.

Interviewer: Okay. And why do you think that the customers were happy that you were independent?

O.M: Because the customers who said that they are happy, because our customers of course are bigger than us. And they know how the bigger structure organization works. And they know what the disadvantage is. And they know that when a company has a smaller structure and more, because of the reaction time, they know that we don't have the obligation anymore from the group. We can make logical decisions and so on. And previously we had good contact with them, and they really regret that we cut the relationship, so they are happy to come back. Because previously they were satisfied with us and they were happy to open again this relationship.

Interviewer: So, thanks to the management buyout you got customers that left you before the buyout?

O.M: Yes, yes, yes. We left them but yes.

Interviewer: Okay, you had to leave them.

O.M: Yes, yes, yes.

Interviewer: What were the main challenges you experienced during the transition? Could you please provide examples?

O.M: The main challenges? Of course. I can tell you that in my life, personally, what was my biggest challenge? You mean?

Interviewer: You can take it from both perspectives, like personally, but also the challenges for the company. But let's start with your personal challenge.

O.M: Okay, my personal challenge was that previously I was leading, for example, the production and some other small departments. Before that, I was leading the supply chain and some other smaller departments, maintenance, warehouse and so on. But when everything came together, it was a big change for me. Okay, separately I was leading most of them, so I have an overview of how they are working. But for me, when everything came together, I said: "Oh, okay, when we have a material problem, I must support that team also, but I support the production also to have the right capacity to make the decision there and so on." That was, this change was a little bit, I would not say difficult, but I must use to have it. But the good thing was, when we had this change, in the company I had let's say so free hand, okay, within a frame, how I can structure my department. Of course, I discussed with the owners, and they said the proposal, okay, that, but for example, they asked “Okay, [name O.M], what is your proposal?” For example, who should lead the purchasing department. And I said: “She should be because I'm sure that she can do it.” Previously, she was not a leader here, but I, but she was working with me. So, I knew that she could do it. So that was good, so I could make a proposal, and they accepted and we promoted the right people to lead the people. For the company, the mindset changed, I believe, what was and I believe is still a challenge for people that when we have a deadline for anything, I'm talking about material, working instruction from engineers, I don't know, for production, that the deadline is very important. And previously that is, “Oh, we will be late.” Yes. And my colleague said, like a “penguin effort” [laughing]. Yeah, so, and this is tough to change in people. When it is the deadline, it must be. And we must do everything to reach the deadline. And this is what our owners expect from us, what I can fully understand, that they must change in the heads that we must have more respect for the deadlines. And that the other change, what was challenging… Yeah, during the changes we must do some optimization regarding the indirect blue-collars and white-collar people… to reduce it, to reduce this headcount. I was sure, and I already had some ideas how we can reduce some people from these departments, but of course, I had to reorganize the department with less people than I thought. So, that was in the beginning a little bit challenging, but I can say it was necessary to do that. The people whom we sent home, that time I regret as a human, of course, but as a… in my role, no. So, their job is not missing. It's not missing for us. And we can run without them. So, that's clear.

Interviewer: So, if I understood correctly, the main challenge for you was to coordinate everything because it merged everything together.

O.M: Yes.

Interviewer: So, how did you deal with the coordination? What were your steps to make it work?

O.M: The tools that I have were regular meetings with them, I mean the leaders. Let's say so like a one-to-one meeting or a jour fix, it depends which company call it, but it's a one-to-one meeting and we have some actions what we agree that we will do. And we follow up with these actions, what we agree. And yeah, and after that, I would say, it started to work. It still needs to be improved because of this deadline. And I guess personally, I don't like to shout, to be honest. So, I believe that I'm a supportive leader. “That is a problem. Okay, let's sit down and find together a solution and so on.” But sometimes I must hit the table, and I must shout a little bit. And after that, it changed. Okay, that is, I learned from our managing director that managing by shoe “Spitze” - when they kick somebody's back with their shoes. So, yeah, so sometimes it's necessary. So, yeah, I must use it. But with these tools, we use Microsoft Teams for example, where we write the actions and the deadlines and the dedicated people decide if this is a good tool and they send a reminder. It's a very good tool for following up the things.

Interviewer: You mentioned that the deadline is now more important than it was before.

O.M: The previous was also important, but in the people's mind that there was a… now it's, how can I say, previously it was “Okay, that's the delay, when the customer was not shouting so much, that it's okay, that is some delay,” but now of course we push them more to perform until the deadline, but how can I say, now they are a little bit changed, so to say.

Interviewer: Why do you think it's like that? Do you think it was because of the backup of the parent company that the deadline wasn't that important? I know it was important, but not that much as now.

O.M: Yes, because previously there was “Oh, we don't deliver in time”… “Okay, if you don't have money, [group name] send the money” and that's all. And we received the salary, so they were in a comfortable way. Like, okay, we say in [country] respect for the exceptions, but like in [country], in the government office, “When it's late, it's late. No worries, tomorrow I will also receive the salary, so it's late. But my time, my working time is finished.” And we say in [country] that at 4 o'clock the pen falls out of the hand. And that's all. And tomorrow is another day. So, now it's a little bit different.

Interviewer: So, would you say that people are now more motivated?

O.M: Yes, I would say yes.

Interviewer: What was your role in driving this transition?

O.M: During the management buyout, I had some only small roles. I would say some tasks I had, so like, I don't know, there were some documents where I must manage the translation with the [nationality/origin] international translation office and so on. So, we had a contract with a lawyer, with a law firm, who was doing the contract and so on. Of course, I was joining these calls, what was quite interesting for me as a lawyer, of course. But during the buyout I didn't have so much role because at that time the finance manager and our managing director made it. Most small yes, but I had more role to reorganize the people and organize for example the restructuring of the departments and the people and the company, the operations so to say.

Interviewer: Restructuring, you mean what you explained before merging the departments?

O.M: Yes, yes. The merging, yes, yes, yes.

Interviewer: Are there any other examples?

O.M: No, I'm thinking… but I think that's all. Because when it was really in the air, so to say, or it was almost agreed, we visited our other owner in [city] and there we set up… no that no that was the plan but something happened and we had a long teams call… but it's not important… so, we had a long meeting, the full day meetings, where we define the actions, how we go forward, what we will do, how we will do and so on.

Interviewer: If some questions…

O.M: I just send a short message.

Interviewer: We can also have a break if you want to.

O.M: No, this is two, two, three words…

[Pause]

O.M: Okay.

Interviewer: So, next question would be how did your day-to-day work change after the buyout? Could you provide examples?

O.M: Yeah, yes. And now this question helps me to answer the previous questions better than what was my biggest challenge.

Interviewer: Okay.

O.M: Also, previously there was... previously when I was leading a department that I was really deeply involved I really go into the details and checking everything and go down to production and check the product and come in the night shift in the middle of the night I arrived and the machine operator said: “You cannot sleep?” I said: “No I cannot.” “You are lucky, I can sleep but I must be here so.”… And the situation was that I was really deeply, deeply in the department, in the maintenance, for example, when I was responsible only for the maintenance, that I was not working less. I was working the same, I don't know, 10-12 hours, but I was really deeply in, for example, in the maintenance, that I was, I had also contacts with the service providers to support the team, to order the things and discuss with the suppliers, I mean the service providers. And my daily work, and that was the biggest challenge, so to change for me that I should not work instead of my people, of course I should support them, but I should manage them. Previously, there was, I don't know, that was my role and from this role, that was the managing role, I mean, to delegate the task, ask back how is the deadline, why it's not ready and so on. And at that time, and this part was working, working for the department, so to say. Now it must be, this managing must be like this, and maximum a small part must be like this. This I must change, I'm still in the process to be honest, to change it completely that when I must prepare material or something for the customer, for our owners, that is, it's not my job to create and work on that. We have, as [name owner/CEO] said, that we have [number] people and my role is to define the task in a good way and ask it and check it and after sending it to owners, to customers and so on. So that's why it's changed a lot and for me this was and I would say still is the biggest, biggest challenge sometimes. But yeah, I'm on the way.

Interviewer: But is it also because of the trust in your colleagues?

O.M: Yes, to be honest, yes. I feel when I'm not deeply... They are good, I would say. They are good. So, they do their best and they are quite okay. But, you know, when I want something that I have an imagination about how I want it, I tell it. But, you know, that it must, how can I say it… we are different people and even I explain it, there is a chance that they are doing it in a different way. And yeah.

Interviewer: You want it your way.

O.M: Yes, I want my way. This is what I must learn, how I can delegate the task for the people to do the task on my way. Yeah, so...

Interviewer: That's the tricky part.

O.M: Yes, it's the trickiest part I can tell you, yes.

Interviewer: So, the question, what do you spend more time on now and why, it is this bigger part on managing people, if I understood it correctly?

O.M: Yes.

Interviewer: If you compare it to the pre-buyout phase, you are now spending more time managing people.

O.M: Yes.

Interviewer: And why? That's because of merging the departments.

O.M: Yes. Yes. Because if I did the same, like previously, I don't know, spend, okay, not 10, 12 hours, just calculate six hours. If I put six hours for the maintenance every day, and six hours for the purchasing and six hours for the production and six hours for engineering and six hours for quality and six hours, okay, three hours for warehouse. That, 24 hours is not enough. Yeah. So that's why I must... I must... manage people.

Interviewer: Yes. How did decision making in your area of responsibility change after the buyout? Could you please provide examples?

O.M: That was one of the biggest and positive changes because now we have quick decisions. What I can tell you that, a concrete exact example I can tell you. Previously, in [group name] time that maybe you remember there was the energy crisis. Everybody was crazy, "Oh, we will not have energy, what will be the price, increasing…" and so on and so on. So, before this crisis, I sent a proposal, an investment proposal for the group, agreed with our managing director, to change our metal halogen light to LED light in the production area. We are talking about 60,000 euro so it's not a huge amount. Okay it's a huge amount when it is in my pocket or not, yes, but for this company that let's say so must be doable… and I sent a proposal, it was very clear the metallurgy light was 400 watt the LED light is 200 watt so it's quite easy to calculate what is the saving and the light is the same… and I sent it and they searched for a reason to send it back "Oh it's too fast, what is this to turn back the money, is too fast." and so on so. Okay, I revert on that, I said, okay. And the energy crisis came. And, no, after I revert and I sent it back. And they said: "Okay, yes, we understand, put it on hold." Okay. Okay. Energy crisis coming. And we received the emails that, "Oh, please provide ideas how we should reuse the energy consumption." Not the cost, the consumption. Okay. I said to our managing director "[name owner/CEO], I'm ready because I have the presentation what they refused two times so now I send again if it's okay for you." "Yes, it's absolutely fine." So, I send it… as I mentioned previously it's a very simple fact like that this table has four legs that is 400 watts, 200 watts, clear. And they said: "Ah, okay, we will consider it." So, they were extending the time. And I can tell you, the decision ended, that was one part. But there was one other part. Every month around [amount] euros, we could receive an approval for smaller investments, what was the unit price was higher than [amount] euro but less than I don't know [amount] euro something like that and we must ask for example a small grinder machine what was [amount] euro for this company. I must send this to the group chief finance officers and vice president to approve it. I respect everybody of course, it's not a question, but how he can make decisions from [name HQ country], from the office, as a financial expert, I really respect, don't get me wrong, but how he can make the decision, we need it really or not. And it was only a formal thing. Sometimes he forget to answer, "Okay, how long can I send a reminder or [name owner/CEO] send a reminder that, "Oh hello, sorry for bothering you, but can you check it? Can we order our grinding machine?" And of course, I wanted that this factory is running, so sometimes I said: "Okay, I take the responsibility, let's order it and after the approver will come." And it came of course because he could not make the judgment, you know, do we need it or not? So, the decision was very slow, I can tell you. And, for example, if we wanted to increase, for example, an engineer's headcount or the purchaser's headcount, the white-collars, that it must be approved by the president and CEO, [name HQ CEO], you know him, I guess, so he must approve it. Do we need it or not? So, okay, he was making decisions faster, to be honest. But the situation was, that was very, very slow decisions, decision making. And after the management buyout, that the decisions like [snapping fingers] this is coming. And I can tell you an example, that with our quality leader, we set up a concept. We wanted to release some people who were not performing, and we wanted to hire also people, but totally it's a less amount of people, but we wanted to buy a new measurement tool. It's a new measurement tool; we call it 3D arm. It's like an arm and you can move it and there is a head and you touch the points and it's registered on the computer or scan it; there was a laser scanner and within one second the two million points it can scan. So, you put your phone, your key, you just do the scanning, and you see immediately the 3D model on the computer. So, it's a really good part, product, thing and we need it of course because the previous one was quite old and there were no refurbishment options and so on and so on. So, we prepared a concept. I sent it to our owners. This is the concept, this is the paper, this is the “tch-tch-tch” and so on. And within 24 hours, within 24 hours, I received an answer “OK”. That was so fast, I didn't believe it. So, I called him “Sorry to bother you, but I received an OK. Does it mean that it's OK and I can order it?” But we are talking about 110,000 euro. Okay, I reduced it because I could negotiate to 85, but the official price was 108,000 euros, that was the package. And within 24 hours I received approval, wow. I called them. I don't know. I guess I called [name incoming owner]. I said “Hello [name incoming owner]. Sorry for this. It means that I can order?” “Yes, I wrote to you.” “Sorry, that’s so fast. I didn't used to have it.” So, I'm so happy. So, of course I ordered it and I called the quality team and said: "[name of a member in the quality team], we received an approval." And he said, "Now?" "Now, yes." So, and the product is here and we are using it and we are happy about it. So, I would say that this is, and I believe in the life of the company, based on my experience, quick decisions are very important. Of course, it happens sometimes… “Okay this is the topic we talk about this in two weeks.” but I can be sure that this in two weeks that I will have an answer and a clear decision. And what I really like is that when they have a decision and I don't agree on that it happened last Friday that [name incoming owner] said you cannot do it. I said: “Okay, I don't agree on that, but okay, I considered it.” I considered it on the weekend. I collected my points, my arguments, and we discussed them in a really fair way. And I said: “Okay, sorry, you said Friday this. I collected some points that I would like to share with you. I tell you honestly, I would like to do this because of this and this and this.” Finally, he approved it. So, what I feel that in the cases that we can discuss in a very fair and open way and like we are equal, so to say. And this is good, I believe. So, this is important.

Interviewer: Okay, nice to hear… Okay, so a concrete example of a decision you made differently after the buyout. I think you provided that example now… Now I would move to how you identify and respond to opportunities and changes... So, can you tell me about the recent situation where you notice a new opportunity, either in the market or to make a better process or anything, where you notice a new opportunity and could you provide examples?

O.M: Yes. Previously our hands were tied because the [group name] group had a policy. I don't say it was bad or something. It was a fact. They had a policy. They said this and this and this and this and this and this and this direction we can go. I mean into the customer side. They said we want serial production. Why? I can understand them because most of their factories produce serial in a serial business and, of course, they want that all business units to be matched together. But we are different. And the situation was that they said okay, that you must produce for example, can I call customer name also?

Interviewer: Yeah.

O.M: So, for example [customer name]. They said: "Oh, this is very good, and serial business and so on, and we produce other things for [customer name]." So, for example, [group name] group said that we have a business with [customer name], we would like to make it stronger. So, I don't know, it's an example that [name of a third production facility] or whatever production facility produced cabin for [customer name] and our company will produce the frames for them. But these frames are not fit for here. Of course, it's hard to explain that it's a steel structure and it's not fit here, because our company has [number] years history in the unique steel structures. So that is, of course, we changed that, changed the product portfolio, but that was quiet, how can I say, that's painful for the company, of course. So, if today we would say that now we stop the steel structure production and we want to produce, I don't know, bikinis for the ladies, of course everything is doable. It's a question of money and time. So, and now what was different, that we can define our own way what is really fit for us. And our owner says that, look, they check the drawings and check whether it's fit here or not. And when it is not fit, that we say, we can say no. Previously, we could not. And this is a big change, where it is okay to be free, it's more flexibility, but of course more responsibility, because now we cannot call [group name] to send me money. So, we can call, we will not receive. So, to find and define our own way, it's easier because there are not any other resistant people or group or anybody. So, our owners say that, okay, this is the direction, we give our input for them and then we make a decision and we go in the direction. And the good thing is they are listening to us, I believe. So, it's much, much better to do it…

[interruption]

Interviewer: So, regarding the new opportunities in the market, is it also your job to notice them or capture the new opportunities?

O.M: I believe the biggest part is in sales, the biggest freedom, so to say, in the sales. Previously I also had, I would not say completely free hand, but let's say so, but no… for example, no, no, no, in the purchasing, in the purchasing department, I have much more free hands. Because previously in [group name] group, the operations excellence director was a really good guy, I really liked him, and he was supportive. So, he didn't push me in the direction what I said, so it will not be good. But the other one, so in the production, I had freehand that time also. The sourcing was different because I was a sourcing manager also. So that was different because at that time we had category managers, for example. And as I said, we were quite unique from the group and in the category managers that like these are like we call category managers but they are like commodity buyers and the commodity buyers main role is that collect the complete group for example still play demand and go to the supplier and say I need not 100 tons I need 500 because I come here with five units demand. What is good? Principle is good. The problem was at that time that we were quite unique, and our category managers were not taking care of us so much because we were a small portion in his portfolio. And of course that is, but for us it was painful when he made the wrong decision. And the problem was that he was not so flexible. He said: "I heard that still raw material price will go down." Yeah. We heard it will go up. The opposite. And it really started to go higher. And I must put really high effort to call him and say: "Hello, come here, we have a problem, that the price is increasing, we are losing money, please send the order…" but okay, he was not, I didn't like him, I can tell you, because he was not, he was not really supporting. He thought, "Okay, I believe this is good, and this is good for…" he was a [nationality] guy, and he was collecting, I don't know, two business units from [country] and he was taking care of them, not taking care of us. It's okay, but if I'm not taking care of somebody, then I say: "Okay, do your own." but not blocking me. And that time in the sourcing, there was a lot of blocking points, and we were losing money and sometimes I must go to the senior vice president, the sourcing and IT, his boss, that, "Okay, that we want this and send the order. If you do not send it, I will go to your boss and so on." This is not good because you know that we must do business. We needed the material.

Interviewer: Exhausting.

O.M: So, yes, it's very much exhausting. And so, in the sourcing department I'm so happy that I should not work with them because of the group things. So, I can say that there we have much, much more free hands to do it because now we have the purchasing team calling the proposal, purchasing leader come to me, we discuss it, and if it is a higher demand or something, or if we see that the prices are increasing, that we say to [names of the owners], "Look, the prices are increasing", we send the report, but we are free and we can do the thing. So, yeah. It's also painful, I can tell you… When [name owner/CEO] said: "Do you want to go back to the production?" I said: "Yes, immediately." [laughing].

Interviewer: Can you describe a situation where you were involved in pursuing a new project after the buyout?

O.M: Pursuing the new project?

Interviewer: You were involved in transforming a project in the company.

O.M: Transforming a project, there were several. We had a "Focus 5", what [name incoming owner] set up. And there we defined points, what we should do. There was a smaller or bigger project also, for example I had a smaller project to sell our non-used welding robot for example, or I had a project to… reorganize things and select the blue-collars who are not performing well, so that was a project to optimize the headcount. So, there was, what else?... Oh yes, that I was managing to buy the new machines because when [names of the owners] arrived that we could buy two plus the additional, so approximately this measuring product what I said, told to you, the total it was [amount] euro what we put for an investment, the [name of a robot] robot, the [name of a machine], this is a machining center for smaller product. So, I was leading these projects, so I was negotiating the price, sent the order, organizing the installation with a supplier who is coming to make the foundation and installation and so on. There is a, I think [name owner/CEO] showed to you the new [name of a machine] that was in a small production hall there was a brand-new big machine. That was [amount] euro machine, and it was so big [laughing] that the door, the gate was not enough for it. And I thought when we buy a machine that it's arriving in component phase. No.

Interviewer: That was one piece.

O.M: Yes. And, okay, the seller guy said it because he came and checked, then he said: "Okay, what is the gate" and so on, so I must ask the company to cut the wall, to cut the wall in a section and organize a crane and everything to lift it. And I came home in the morning; I never forget the truck was there with a wide big cover tarpaulin… I wanted to make a photo and okay I'm not a big Instagram fan, okay I'm scrolling but I'm not uploading something… I said: "Oh that would be funny if I take the photo from that and I upload to the Instagram and write under that 'when you receive an SMS from GLS that your parcel arrived' [laughing] but it was so big, so it was really arriving in one or two pieces. So that was funny… We cut the wall and moved it to the area and installation and programming and so on. So, these new machines were my responsibility… Now it's still my project to operate the machine… so when [name of the owner] is going around and see the machine, he say: "[Name O.M], anytime I come here the machine is not running" I said: "Yes, but it's running, I can tell you, I can prove that it's running."

Interviewer: So, it's not used that often?

O.M: In the beginning the programming was slower. So, you know we must cut our white-collar headcount, so engineers also. So here I needed in the beginning a full-time programmer because this is a lot of small products, but previously we were using what we were machining with a manual machine and we must program it for the new machine and these are small products like this this phone [showing phone] or something… so that is and this is million small product and we must do… so now, now that the machines are running, that's good, so that was challenging but yeah we solved this.

Interviewer: So, any changes in the way the company operates in your area after the buyout, I think that we covered also.

O.M: Yes, this is more flexibility, quick decisions and yeah…

Interviewer: Okay. What was particularly difficult when adapting to the changes?

O.M: For me, as I said, to change from work to managing. For the company we had a lot of new customers, new orders, a million, not million, but a lot of new customers and new orders, a new kind of product. And after that, after the changes, as I said, we cut our white-collar people, engineers, purchasers and so on. But parallel we received a lot of new projects and of course the new project is not as much fast than the existing one because we must learn it, we must serve the supplier, we must make technology, "Oh this is not good, we must change it", and so on and so on. That was difficult for us in the beginning when it was, so to say, not suddenly but within a quite short time that we had a lot of new projects, what is good of course. So, for example, yesterday I received the news that [name of a third company] in [city – same city as the MBO-company] with [number] people, they close the factory end of the year. So, how can I say that is because I don't know why, but it's very good when the company has orders of course. But we must, how can I say, we must manage these orders to show the customers we are good in quality, in delivery date, how we can produce them and so on. So that was within a short time, that was a lot of tasks and that time period was a little bit, how can I say, difficult.

Interviewer: So many new customers?

O.M: Yes, in the same time. Parallel, the existing one is also running and that's why it was difficult.

Interviewer: How would you describe your level of freedom in your work after the buyout?

I guess you answered it a bit that you can make more decisions, right?

O.M: Yes, yes, yes, yes, yes. I'm much more free. Of course, more responsibility, of course, but much more free what I like. So, I prefer to take the responsibility than say: “Oh, it wasn't my responsibility.” So, I like to work, make the decision, go up for it. If it is not good, I say: “Okay, I admit that was not good, that we change.” and so on. For example, I can tell you an example. Previously, we must send the approval to our chief financial officer and vice president to [name HQ country] about the grinding machine. Because even [name owner/CEO] could not decide that you can buy it or not so I sent to him he sent forward to the group and he received the answer he forwarded to me. Now, these decisions I can do by myself.

Interviewer: So, you even don't have to ask…

O.M: No, no, no, [name owner/CEO] said: “It's your responsibility you must do it.” So, when I see that we need grinding machines, okay, that is, that I say: "Okay, we don't have money for 10 pieces, we can buy 5 pieces this month and 5 pieces the next month." But, that we do. And, yeah, we agreed in this way, for example, what is necessary to do the daily things. For example, the non-destructive tester guys who are doing ultrasonic and magnetic tests, we must buy now around [amount and currency], what is a little bit less than [amount] euro, to buy the heads. Because when you use the heads and, so to say, cuddling the steel, at the end it will be worn out. And it's a spare part, but it's an expensive one. Then the quality leader says: “Oh, [name O.M] we must buy it.” We need it for our daily operation, we don't buy it for stock, so you can order it. So, I should not go to [names of the owners] and please approve it and wait for the decision and so and so and so and so. Of course, if I spend too much, that is my responsibility to explain why I did it. So yeah. So, this is, I believe it's much more better.

Interviewer: So, what became easier is this decision making, I guess, more flexibility?

O.M: Yes.

Interviewer: Okay.

O.M: And the decisions I can tell you are better. Because you know, when we have an owner, like [name owner/CEO], who spent here nine years aprox, that he knows this factory. And when I say to him something, he understands it. So, and he really sees the reality. So, he sees the factory, he knows the processes. So, it's much easier to discuss with him than with somebody who is coming from the, I don't know, from the [name of a third company] and they were just doing the assembly. Yeah.

Interviewer: Okay. Looking back, how has your work or area of responsibility evolved since the buyout? Could you provide examples?

O.M: Sorry, how was it?

Interviewer: How has your work or area of responsibility evolved since the buyout?

O.M: Evolved?

Interviewer: Yeah, evolved, changed, but I guess we covered it already… because you are having more responsibility now. I think I am repeating myself.

O.M: No, it's okay.

Interviewer: We don't need much more time, I guess. I think we can finalize this. I think I have maybe three more questions... Is it okay?

O.M: Yeah, yeah.

Interviewer: So, what would you say were the key turning points in this transformation from your perspective?... So, any highlights or, I don't know, not really good phases in the transformation.

O.M: It was definitely not negative things. No, no, no, no negative things. So, when we wanted to acquire a company or a customer or do something. No, no, no.

Interviewer: So, would you say the company adapted successfully?

O.M: Yes, definitely.

Interviewer: Okay. What do you think helped the company to adapt successfully?

O.M: What helped?

Interviewer: Yeah.

O.M: For us?

Interviewer: Like what helped to the successful transformation, to be independent?

O.M: Engagement from our owners and I believe from myself also because we were really working on that on the projects and so on. I would say especially with uh with… even the finance manager is not here anymore who was that time a finance manager, but she was also very engaged and working hard on that, so I believe the company is working well and the team is good and wanted. So that was the main point. Customers also liked that or the existing customers also said: "Okay that's very good I'm so happy." or they said: "Something changed for us only I must change your name in my computer, the email address." One customer said that, "Okay you change the name on the ring bell.", but not more. So that was, yes, that everybody was open… The investment was really important, what we made for the power production department and the quality also.

Interviewer: Okay. So, is there anything important about your experience after the buyout that we have not discussed that you would like to mention?

O.M: Shortly I would say my personal feeling about this, that was that now if you ask me that I can make a decision that previous time I want to go back and work in that setup or now, I would say now, definitely. Not because I am a bigger responsibility or something like that, but because I see how the company is working and it's much more better, I believe.

Interviewer: Okay, thank you very much. That was very helpful.

O.M: Oh, I hope that there's some... I read this quickly and I'll sign it…

IV. Interview with HQ CEO

Interviewer: Could you briefly describe your role in relation to the business unit before the buyout? Could you maybe provide some examples?

HQ.CEO: Yeah, my responsibility two years ago, I was the president and the CEO of [group name]. And [group name] was then the owner of this operation in [country former subsidiary/now independent company], the [name/place former subsidiary/now independent company] Operations. And I had been in that position then since 2013. And that was the moment when [group name] was established as a new company, to say. So, I was from the beginning, and then I was, let's say, the founder and the builder of the whole structure. And one of the important, say, structural decision we made in 2013 was to have a very decentralized organization. And you might know the company of Atlas Copco in Sweden, which is a kind of a leading star when it comes to decentralized organizations. We follow very much that approach. And thereby [name/place former subsidiary/now independent company] was named then a business site, [name/place former subsidiary/now independent company]. And it was managed by a managing director. And in the beginning, it was not [name owner/CEO], he came on board 2016, I think, due to non… we have some performance issues. And we had also some code of conduct issues that even with a former managing director. So, the whole structure of [group name] was a decentralized structure. It meant that each managing director had their full responsibility of profit and loss and balance sheet and to run the daily operations. Then in conjunction to this, we have group functions, and that was to coordinate and to find synergies between the different business sites. And here we talk about for sure finance because we need to consolidate the results from each business site into a group result and their finance was an important role. But we had also then group functions like sourcing, and that was to use different suppliers, not only for one business site, but if they are performing, they could then deliver for several of a whole group, and thereby we could find synergies and better price position and so forth. We had also a function for sales, which means that when we had customers not only buying from one business site, but from two or more, we'd be calling key account management. And that was a group function to help the different business sites to get more business and the right business. We had also for people a HR and that was to make sure that we work very much with the engagement of people. We gave them a toolbox of different ways of improving, but also, we are very keen to build a common DNA of a company and culture and so forth. Then we had also a function called technology, and that was for making sure that we tried to use the knowledge of manufacturing technologies and so across the different business sites and finding synergies. So, if you summarize, we have group functions for synergies very much and to market [group name] as a brand for the customers and so forth. And then we had the business sites and we had up to [amount] business sites during the time. And then [name/place former subsidiary/now independent company] was one of those.

Interviewer: When you mentioned the decentralized structure, what would you say to what extent did [name/place former subsidiary/now independent company] or [name owner/CEO] have freehand to conduct the business?

HQ.CEO: We had certain rules, of course. We had a certain rule when it comes to investments, which is, of course, a very critical cash flow, which said that the managing director had the right to decide by investments up to a certain level by himself. I think it was [amount] euro. And if he needed investments more than this, he has them to come to a group with a business case or a “capex case”, let's say. And that was a template where we asked for, of course, the background and what the investment is all about, and then also some financial calculations here. And that was one of the things where there were certain limitations. There were of course limitations when it comes to fully free pricing for the customers. We had to make sure that the basic business case for each case had a certain fulfillment of not only finance and terms but also quality and delivery and so forth and the same with suppliers if we had supplier agreements we wanted to have more a [group name] agreement for the suppliers and making sure that we selected suppliers which are say professional suppliers because we do not want to work with this kind of small garage suppliers and say we want to work with professional. So certain limitations but the daily operations, the daily decisions, uh, when it comes to working with the customers, discussing with them, trying to find more business, other businesses was in the hands of the business sites and the same with suppliers if they see that the group portfolio suppliers are not good enough of course they can identify potential close by suppliers or and discuss with the group sourcing them to also introduce them as a new supply base. So, there is in my opinion I think it was reasonably good freedom but of course you had some restrictions. And then we had also a monthly or bimonthly review, we had a structure which means that I think it's a mid-month you can say we had a financial review of a profit and loss, one week into the month like the fifth the month we had a review of what was the previous month and net sales. That data was available at that time. And then at the end of the month, we had a little bit more review of the overall performance of the business sites, which also include safety, quality, delivery accuracy, and productivity and so forth. So, we tried to keep it in a limited way of group involvement but still some group development. I want to say also there is always when you have a centralized and a decentralized organization, there is normally a kind of mistrust from a decentralized unit that the cost for the group, the centralized unit is too high. And we decided already in 2013 when we measure the performance of a business site, we do it without the group cost. Because we don't want to have a discussion that why I'm not performing is because the group cost is too high. So, we always measured the business site with the decentralized unit without this cost. That was the cost we just used when we consolidated later on. Of course, we are forced from a legal and tax perspective to distribute. I might say too much…

Interviewer: No, no, no, that's perfect, really… How would you describe the role and importance of this business unit, [name/place former subsidiary/now independent company], within the group, [group name]?

HQ.CEO: In the beginning then, when we started [group name], [name/place former subsidiary/now independent company] was playing a very, very important role because in [name/place former subsidiary/now independent company] they were manufacturing components which we don't do in any other part of [group name]. It was very, very large components. It was very, very complex components. And there was a very, very high skill on welding capabilities. The unit then, which was acquired originally from a company called [name of the company]. When that company was acquired very much based upon a customer request and the customer name was [customer name]. And [customer name] was then ordering big components for marine engines and power plant engines. And [name of the company] is a [nationality/origin] company. [Name of the company] then were buying these kind of companies up in the north part of [name HQ country] but in like in 2008 the volume for [name of the company] was increasing significantly and [name of the company] then were moving more production into [country] and therefore it became complicated to deliver parts from north [name HQ country] into [country] and [name of the company] was the supplier in [name HQ country] for [name of the company] and were asked to open up an operation closer to [country]. So [name of the company] then find this company [name/place former subsidiary/now independent company] and acquired it, they made a very large investment by that time in a paint shop which we can all say was over-invested it was not needed that size but they did not invest so much in the rest of equipment. And in 2012-13 when [group name] was created [name of the company] was half of [group name] so when [name of the company] portfolio came in to [group name] and thereby [city of the former subsidiary] came into this. As said in the beginning, it was very good book order from [customer name]. It was very good book order from [customer name]. It had a good order book from [customer name], good order book from [customer name] and they were delivering [amount] euro business and profitable. Then in 2014-15, [customer name] decided to stop the operations in Europe for these big, big mining machines. They moved it into Asia. And it meant that the important part of the volume disappeared. Then we started to search for alternative customers by that time. But it was not so very easy to find these kinds of customers for these very, very large components. And then the business continued fairly, fairly okay. But then we went in 2016-17, the market for marine and power plant engines dropped very much in the whole world. And thereby the volumes from [customer name] and from [customer name] were significantly reduced. And also, the big mining segment, which was [customer name] to the largest extent, had also some issues in the market. So, we started to have low volumes by that time. And of course, when you run into a lower volume scenario, also profitability went down, of course, because you have a certain fixed cost in this company. And the team then under [name owner/CEO] made a significant work to restructure [name/place former subsidiary/now independent company]. But it was needed more investments also from an equipment point to view. And when we saw that the outlook for [name/place former subsidiary/now independent company] from a market point of view was not the very best, of course, you don't invest so much in a company because you are unsure. And afterwards, you can say you should have invested perhaps a little bit more, but it's easy to look in the mirror. And it means that [name/place former subsidiary/now independent company] started to have some issues then. Machine was getting older and the company had some issues to a little bit survive, so to say. Then we tried to get more business into [name/place former subsidiary/now independent company], we got [customer name] as a customer and we got a few other customers. But it started to be a bit critical, hard to get the right profitability out of a team and all the operations. The team was doing good, although, and I think [name owner/CEO] has probably mentioned that, we had a very strong union, which was not so easy to deal with. And I have to say that was one of my most union, say, connected unit I have worked with also previously. Because the union representatives, they already asked for meetings with me privately in 2014. That was also before [name owner/CEO]. And I was privately invited for different locations in [city], meet with them privately and so forth, where they try to explain what is good and what the leadership is doing good and not doing good and so forth. Mostly related to the previous leadership and not when [name owner/CEO] arrived. So, the whole situation became very difficult. The operations were in a need of more investments. The market was not really giving the right volumes. And we had a little bit issues there with people in the operation. [Name owner/CEO] came on board, firstly, as an interim manager to make a turnaround. And a certain turnaround took place. But if a market is not supporting you, you run into issues, of course. So, the role of [name/place former subsidiary/now independent company] was unique within [group name], we had similar smaller operations in [name HQ country] only supporting the marine customer virtually and when we then decided in 2023 that we would like to discontinue it was not specifically for [name/place former subsidiary/now independent company]. We decided to discontinue our operations related to marine power plants primarily. And that was [name/place former subsidiary/now independent company] and it was [name other subsidiary] and it was also [name other subsidiary]. Because they were marine connected. So [group name] made the decision to exit the marine segment. That was the reason say to… and once again [name/place former subsidiary/now independent company] was one of three operations to be exited… then we exited the [name other subsidiary] yeah, we first exited the [name/place former subsidiary/now independent company] and of course it was not easy to exit when you have operations which is delivering negative numbers… and then [names of the owners] came up quite early then and said we are prepared to make a management buyout… and we made I think a fair and good agreement we could secure that the operation continued. [Group name] also supported with cash to get the operations running and we invested [amount] in new equipments and we paid all the outstanding invoices to suppliers and so forth. So, we invested quite a lot of money by that time. But that was for us the best to make sure that we made a smooth exit out of [name/place former subsidiary/now independent company]. After that we exited [name other subsidiary] and we sold it and then we exited [name other subsidiary] after a while also and we sold it. So, [group name] prime target was to exit the marine market and so forth… due to very low volumes for many many years and so forth. So, we had negative issues in [name other subsidiary], we have negative issues in the [name other subsidiary] due to a market situation.

Interviewer: So, that was the main reason to divest this business unit.

HQ.CEO: Yes, yeah, we were running four or five years with basically limited order intake from a marine power plant business and all three units were delivering negative profit and we decided to exit.

Interviewer: From your perspective, how did you experience the separation of the unit when you talked to [names of the owners]? What was your impression of these discussions?

HQ.CEO: I think it was very professional. Of course, I know [name owner/CEO] since many years, [name incoming owner] I got to know a little bit but I think we had a very common interest to find a solution and I think there was a very very impressing commitment from [names of the owners] also to find a solution. We also understood that [name incoming owner] had a very very good track record from the past to turnaround operational in a company. We also know that when you are an independent company, of course, you do not have this group cost, which is of course when you are in a group, you have a certain group fee. You can apply a little bit more entrepreneurial mindset. And I think that's exactly where [names of the owners] together as a team became very strong. So, I think we had a very professional and very committed target to find a solution quickly, which also made. And I remember I was down, was it half a year after or something, I met with the whole team members and we also had a meeting with all members, where I also, together with some colleagues, we thanked the whole team, all the operators and everyone, and we gave them a small gift also. And I think the spirit, and also, I remember the union guys, which is a little bit, and I think [name owner/CEO] has talked about him. He's still there, I understand. He was also there saying thanks. And why did they say thanks? Because the unit was not closed. And that meant a lot, of course, for the people. So, then I know that the market has not really returned, more than for some customers. I think the order outlook is in a favorable situation now. But, of course, there are two, three years more, and we need for cash and we need for further investments is there, we know it. And as you know there was a second partner coming in [name] more plus one year and invested [amount] into the operation and… [confidential information]. We are just in the discussion to see how we commercially could find because we invested [amount] from [group name] and of course we prefer not to give it away, we want to have something which is also in the contract to be honest. Let's see if we can find a solution. I know that they are in a [confidential information]… now so let's see. I believe very strongly that [name of the independent company] has a strong future, I believe because they have a unique competence. The world needs these kind of components. I think they could have a good position into a defense industry going forward. But they would need [amount] euro investments in new equipments. That's also clear… But your question was how it was talks with [names of the owners], professional.

Interviewer: Did you experience any challenges during the transition?

HQ.CEO: I would say from the customers, we expected some. We also had a discussion that some of customers we wanted to bring into [group name] units to a certain extent and it was specifically [customer name] and [name owner/CEO] I think was quite positive also because the components were a little bit too small for [name/place former subsidiary/now independent company] but then we had a little bit of a challenging discussion how we could find commercially the right agreements and just a limited volume was transferred and the rest remain and that business has no understood that [customer name] unit is now basically in chapter 11, so, unfortunately for [name/place former subsidiary/now independent company]. So that was more for the customer's point of view. I think for the rest, I think it went quite smoothly.

Interviewer: Okay. You mentioned that [name/place former subsidiary/now independent company] make these unique products. Would you say, of all the units of [group name], was this unit treated maybe differently when it was producing these unique products?

HQ.CEO: Yeah, I would say perhaps that was also one reason why we decided to exit the marine business because [name/place former subsidiary/now independent company] and the operations or business as well as [name other subsidiary] and [name other subsidiary] is dominantly project-oriented business. While if we take a business in the other [group name] units, it's more serial manufacturing. Even though our industry where [group name] is operating off-highway industry, we are not in automotive, we are not in the truck business. You know, in automotive, you manufacture 2,000 units per day. In off-highway industry, you might manufacture 200 per year. I mean, that's a little bit… But it's still a kind of series. It's the same type of products. While the marine is more project. It's more unique things and there [name/place former subsidiary/now independent company] had unique skills not only for welding but also to manage this kind of project business. But project business means also that how you calculate the pricing and the risks might be larger but the rewards could also be larger in project business. If you succeed you have a big benefit if you have some issues you have a risk that you don't get the full coverage… and that model we did not really cope with that to have both serial and project. I think looking in the mirror the finance team was more oriented to follow the serial business as well. So that was a discussion point we had for quite some time how to calculate the right but we had exactly the same discussion for [name other subsidiary] as well as [name other subsidiary]. So, I would say that was a little bit of a, not uniqueness, but a kind of difference within [group name]. But not only [name/place former subsidiary/now independent company] related.

Interviewer: How were the strategic decisions regarding this business unit made within the group? Could you maybe provide some examples?

HQ.CEO: I mean, we were always, from a marketing point of view, we were always informing them when we went to the customers, we said we have an operation in [country], they are doing this kind of high-strength steel components, that size and so forth. And then we always said we have fantastic operations in [name/place former subsidiary/now independent company]. They can do up to [number] tons and so forth. So, it was a very clear, strategic difference of [name/place former subsidiary/now independent company] versus the other units, and it fit very well into the full offering. And the problem was that the industry related to this unique offering of [name/place former subsidiary/now independent company] was very limited for many, many years. So, if the market would have been, I would say, normalized or today is booming, then probably this decision would not have been made. Then we would have been actually doing some more investments. So, I would say differentiation within [group name] is clear. The position was clear, but the combination of lack of investment from the past and a very low order intake for very many years, I think it goes for all companies that you have to evaluate each business and say, are we prepared to keep it moving or should we actually start to exit, which we did in this case… But this unique positioning and so forth, I think also makes the company possible for the company to continue to have a good operation… But they need a new owner just now with some more investments. And [names of the owners] do not have, of course, are not willing to spend a number of millions to invest in the company. I have full respect for that.

Interviewer: How were new market opportunities identified for this business unit before the buyout? Can you provide some examples maybe?

HQ.CEO: We said the company was very much related to big mining industry. This very big part and to marine power plant business. And we tried to introduce construction equipment customers. Construction equipment means then excavators. There we introduced [customer name], for example. That was a little bit more serial production because they were producing [number] per year in a fully robotized operation. So, in order to make these [number], I think the total manning in the factory was [number] people. The weight of the booms were a number of [unit of mass], while I would say it might be [unit of mass], while [name/place former subsidiary/now independent company] is normally doing [unit of mass] tons. So, from that perspective, the whole company has been working with big project business components. We introduced the construction equipment, smaller components little bit more serial-like and you have to do more repeatable components and you could clearly see that the skills in the company and the capabilities was more large project business while when I introduced this, they were a bit you know… what's this?... which is also the same if we would go to [group name] unit like in [country] and [country] and we would introduce project business they would be very… what's this?... History means that you have to transform also and that was a challenge when we introduced new type of business slightly different to get the team to understand what is this and also of course… but for that specific production we invested quite a lot in 2015 I think was in two robots and fixtures and so forth. I thought by that time that this would be a kind of you know turning point for where people in the factory also to understand that there are other alternatives of business also than this. Afterwards I think they were doing a very good job. [Customer name] was very satisfied but they isolated the operations a little bit. So, the rest of the team did not see that as a kind of future technology. They saw it more like this is a specific operation. And probably the union were not so very much in favor to be honest because only [number] people instead of [number] people. So, it was of course… So, I would say construction equipment was one of the areas where we tried to introduce… We also tried to introduce smaller mining components. We went to [customer name], we went to [customer name] and so forth, but we were never so successful to introduce that. Partly related to that people's knowledge, I would not say was there or is there, but some equipment would need to be invested. And you don't invest before you have a clear business case behind you.

Interviewer: When you were approaching new customers, for example, was it on the group level?

HQ.CEO: Yes. I would say probably 80% we tried to use [group name] portfolio customers. We went to them and said, hey, we have a fantastic operation here also. Then, there were some attempts with some local customers more. We had this head of sales, [name of former sales manager], I think his name was. He tried to find more local customers… but it was not enough successful, obviously.

Interviewer: But he was also on the group level.

HQ.CEO: No, no. He was, just to be clear, in [name owner/CEO]'s leadership team, he had a head of sales, a head of sourcing, the head of operation, head of people in HR, head of finance. So, he had a full set of capabilities and competence to run the company like his own company. So, the sales guy could go out and try to find business. But the group sales were also trying to find business for [name/place former subsidiary/now independent company] and he together with [name of former sales manager]. It was not like [name of former sales manager] was by himself and group was here; they were working together. When the group identified that now we have like [customer name], [name of former sales manager] has to calculate the price in [name/place former subsidiary/now independent company] and [name owner/CEO] had to decide what is the price level because [name owner/CEO] responsible for the profit and loss by the end of the day. So, to be understood, the business side responsibility, yes, full profit and loss and balance sheet, and they have a full set of capabilities, competencies to run that in a normal leadership structure.

Interviewer: Yeah, but still the site has to agree on the new customers with the group.

HQ.CEO: If they came to a new customer and said we want to introduce this, we asked what kind of customer, are they a solid, robust customer? Because we don't want to introduce a customer who is never going to pay. We needed to have an assessment that it was a solid. And then they have to explain what is… needs for investments related to that customer. And also, what is the profitability level.

Interviewer: So, kind of a proposal to make?

HQ.CEO: Yeah.

Interviewer: So, this is also connected to how decisions were made about pursuing new opportunities or investment for the unit? So, there was kind of proposal from the site with cooperation with the group?

HQ.CEO: Yeah.

Interviewer: Were there any major changes or restructuring efforts planned or initiated before the buyout?

HQ.CEO: Yes, I would say we made three, four different kinds of restructurings and efficiency improvement programs there. So, the number of people was adjusted from the beginning from quite high level down to where it was. And I know that [name incoming manager] took a further step there to reduce, especially the white-collar side there… I would say yes, it was. We had external consultants involved to make it happen also during time and so forth. So, I think you can always say was it enough or were right but there were definitely programs running.

Interviewer: Okay. How were resources or processes organized for this unit within the parent company?

HQ.CEO: I would say that we were not seeing any differentiation on a high level say between [name/place former subsidiary/now independent company] and other units. We had our certain processes for each functional area and [name/place former subsidiary/now independent company] was one of those. Then of course we try to understand where uniqueness like project business are and so forth where it could be some deviations, I would say more deviations but generally it was the same processes we had the same ERP system, SAP in place which is normally defining also some of the key processes.

Interviewer: And what would you say what were the limitations that the business unit face within the corporate structure?

HQ.CEO: I think they were having some issues perhaps to get their voice heard when it came to investments. They had a tendency depending on which time period. If you take for example this [name of the former sales manager], for a certain time he was trying more to run [name/place former subsidiary/now independent company] by himself from a sales point of view and actually utilizing the capabilities in the group. So, but I would say, is it unique for [name/place former subsidiary/now independent company]? I would say, if you compare to all the other units, you always find some units are stronger in cooperation, and some are more, and I think it's more depending on the history, and it's more depending on perhaps, is it the natural culture, or is it more the company culture from the past? There's no major difference compared to other units there.

Interviewer: Okay. And what kind of support did the business unit receive from the parent company?

HQ.CEO: I would say from the sales, I think there were several attempts from this group sales team to work with customers and convince them to make business. From a sourcing point of view, there were also strong support, tried to get, especially in the beginning, it was more a strong empathy to use local suppliers… which made sense when it came to certain components. But we had also a little bit, and I think we experienced that in the beginning to be very open also. I think it goes for all companies, for a certain time period. We also know, you know, that if you have had a certain local supplier for 20 years, you have a certain relationship. They had exactly the same problem with another operation in [name HQ country]. They were a supplier, they were not the cheapest, they were not always doing their best, but there were 20 years relation between the management teams and it was very hard to change. Of course, you could notice that also in [name/place former subsidiary/now independent company] but we have to remember also that [name owner/CEO] made many, many changes of his leadership team during the years. The leadership team which was when he arrived, I think no one remained there. Everyone actually was exchanged and one of the critical changes was also when actually the head of sourcing which was changed in 2016 but also the head of finance was the exchange I think in 2019 or something. And you figure out also that and here I have to say I think a challenge for over was actually that he did not speak [language of the former subsidiary/now independent company] and if you come to a new country and you don't speak very local language, you are not always in the old discussions You are not always understanding exactly the sense of what's going on. So, it's not related to [name owner/CEO], it's related to the fact that he is not a [nationality/origin]. So, yeah.

Interviewer: So, apart from the investments maybe, were there any other constraints that limited the unit's ability to act independently?

HQ.CEO: I have to say, just to be clear also, we did invest in [name/place former subsidiary/now independent company]. I mean, every year, I think on average, we invested plus [amount] euro or something. And normally what you say is that if you take the net sales of a company, it's healthy to invest [number] percentage points annually. And in [name/place former subsidiary/now independent company], in case, they were [amount]. If you take [number] % of, you know, [amount] is basically [amount]. So, from that perspective, we did invest. But, the problem was that some of the equipment were so old and they requested investment of [amount] or something. So, we did invest, just to make clear, but not good enough, obviously… What was your second part of it?

Interviewer: Were there any constraints that limited the unit's ability to act independently?

HQ.CEO: No, I don't think so. Of course, you always have members in the leadership team who wants to be more independent and so forth, but quite normal compared to be normal. So, I wouldn't say that was the constraint.

Interviewer: I have now some final questions. So, looking back, based on the information that you have now, how do you perceive the development of the company since the buyout?

HQ.CEO: I think the company made a very good restructuring number five or six and they took it down to an independent company situation. They really tried to run it now in a very lean small family-owned or entrepreneurial-owned structure and I think they have done what is absolutely minimum what you need now to run a company. [Name owner/CEO] I know specifically is out very much on the road and I think he's able to get new customers. And I know that he received a [customer name] as a customer and I think he's with [customer name] now and a few other customers. He has a fantastic ordering take from [customer name] today. So, I think he's out even more selling the capabilities of [name/place former subsidiary/now independent company]. I know that [name incoming owner] took very much the lead for operations. Unfortunately, I understand that [incoming owner] had some [personal information] also, so it's not able to be on site say so much now. And… but the key concern why they didn't make [confidential information]. I think that's... So, I think they have done what can be done. They are now in a position that [confidential information]. I do that… I think it's very positive also that they have received approval from [nationality/origin] government for defense business. I think that's very important. And I have to say also with the new potential, this new guy who went in a year ago, he also represents business where it might be the right business for a company like [name/place former subsidiary/now independent company] and that is related to steel structures for, for say network bridges and big houses and these kind of things which means a lot of steel and right or wrong in [group name] we were more in the off-highway industry and originally also in marine business but we didn't go into this real estate or these roads and bridges and so forth. And I understood that this guy [name of the person] has contacts into that business and that could be a good business in future for [name/place former subsidiary/now independent company].

Interviewer: And in your view what has changed the most in the company since it became independent?

HQ.CEO: I think there is, I can imagine there is from the shop floor up to the leadership team, it's an even stronger entrepreneurial spirit in the company now and they know that they don't have a mother company surviving or help them to… They have to deliver performance themselves now. So, I can imagine that there is a stronger, say, commitment now to show that "we will make it happen". From a people point of view, and you know people is the starting point. If you have engaged people and committed people, you can do miracles. I think that's something which is more strong today…

Interviewer: On the other hand, there is not the group company in the back.

HQ.CEO: No, exactly. There is not a group company. We were paying losses for five, six years. Every year we paid losses. We plugged in cash. You need to do that when you are in group, but it also means after a while, the unit like [name/place former subsidiary/now independent company] became used to it. So, if we don't perform, we don't perform. Not unique for [name/place former subsidiary/now independent company], I have to say. I don't want to say it's unique, but that's the problem.

Interviewer: Was [name/place former subsidiary/now independent company] the only unit that was divested through a management buyout?

HQ.CEO: Yes, it was. In [name other subsidiary], it was acquired by a local company in [name HQ country]. We were not overpaid, but we were paid, so it was okay. And in [name other subsidiary], it was acquired by one of our customers, a [nationality/origin] company. So, in [name/place former subsidiary/now independent company], unfortunately, we had two options: management buyout or we close it. By the end of the day, the cost is not so very different for us, but we also believe that the company has a future and the MBO gave us the opportunity to try to see if that possibility is there… If the market would not have been on this level, I think [name/place former subsidiary/now independent company] would have definitely been on a positive side. But volumes are coming but it needs more. With Trump and Putin and see what we can do.

Interviewer: Okay, is there anything important about the separation that you would like to mention that we have not discussed?

HQ.CEO: No, I don't think so. I hope my talking because sometimes you talk more than… But I hope it gave the right information to make.

Interviewer: Yeah, of course. That is really perfect.

HQ.CEO: You can listen to it once more and pick up some elements… I'm happy that you're doing this job, and I think it's good for the company that someone is reflecting on like this.

Interviewer: Yeah, it's very interesting.

HQ.CEO: I'm sure that [names of the owners] and the leadership team will probably very carefully listen to what your findings are.

Interviewer: I think so, yeah…

HQ.CEO: Learn from history. You cannot change history. You can learn from it, and you can try to make sure that you don't repeat potential issues.

Interviewer: That's true… Thank you very much, [name HQ.CEO].

HQ.CEO: Looking forward to seeing your report in the future…

V. Interview with HQ sales manager

Interviewer: Okay, so the first question would be, could you briefly describe your role in relation to the business unit before the buyout? And if you could maybe provide examples...

HQ.S: Yeah, my role I guess I tried to support [name owner/CEO] then as the managing director of the factory within [group name]. There was a plan to remake the factory into more of a serial producing factory and I think what even though it was maybe from [group name]'s perspective a good plan it had some flaws. If you look at [group name]'s perspective and if you look at this factory with big components and very low volumes and varying volumes, you do struggle to get consistent profitability. That was the first issue from [group name] perspective. Second issue was that volumes were too low to really make a difference in the [group name] result. I think the turnaround was around [amount]. And I would say to make sense in the [group name] structure, it needed to go to double that. And that was the plan. But this plan didn't consider two things in my mind. One thing is that you needed a lot of investment in order to make this transition into machinery, into the processes, into people. Although a lot of good things were done, I think leading up to the situation before the management buyout, there was a few years where there was progress on getting the shop floor in order, getting the machinery to work and not break down all the time, getting people to be more focused on their tasks. So, there were a lot of good things done. But at the end of the day, I think the whole strategy to move the factory into serial production fell apart due to the sheer investment that was needed and also that the people and the skills were very needed to be changed in a profound way. If you look at this company and this factory it was always the key core competence was always welding in very difficult and demanding situation and the people there built their pride around being very good craftsman in the welding area and now with high volume serial production you need to have more of automotive skill set with proactive management of robots and machinery and much more, let me say, deep management of the process itself. And I think it turned out that it was very difficult to change the culture in the factory. So, I think those were the two main issues. My role was to first to try to help and secondly when we finally decided that maybe this factory doesn't belong to [group name], I was involved very much in early discussions with [names of the owners]. I met [names of the owners] in [city]. I concluded immediately that [name incoming owner] would be a great addition to the team and to [name owner/CEO] and they proposed a management buyout and my role there was to basically make sure that the [group name] management put trust in [names of the owners] to change the situation in the factory. And that was not easy, I can tell you. And there was a lot of doubt from [group name] side but also it was very clear from [names of the owners], they were very persistent and very consistent in their message that we can turn this around, but we need some support in doing that. So, I think, so, that was my role. So, I was a guide and a coach between the two parties.

Interviewer: And what was your exact role in the group?

HQ.S: In the group at that point I was head of sales.

Interviewer: Okay. So, you were acquiring customers for all the units around Europe?

HQ.S: Yeah, exactly but in this specific case we struggled a bit and we had a customer portfolio that was unfortunately changing a lot. [Customer name] went away, [customer name] could not be dependent on and that contributed to the large amount of losses that the factory had. And that contributed in itself to the foundation for the buyout because of course as [group name] we couldn't live with these levels of losses.

Interviewer: You mentioned that [group name] had a lot of doubt in the management process that it maybe won't be successful. Why was there a lot of doubt? In what direction?

HQ.S: I think the doubt was that [group name] being a big player in this field that tried for many years to change and to do the turnaround of the factory haven't succeeded. How could [name incoming owner] from [city] succeed? [laughing]. And then I got to know [name incoming owner] and I obviously concluded that he has a lot of relevant experience if not I would say top-class experience. So, that was and that was the doubt. Then of course the doubt was that… as always is the case when you when you have a problem you start to throw a lot of money at the problem, you can't fix the problem, you spent a lot of money and then someone else comes in and say we can fix the problem but we need even more money. So, I think the buyout was… the terms of the buyout was very much determined from what is the cost for closing the factory all together because that cost you already had and then [names of the owners] were very skilled in arguing that or pushing their support package up against this closing cost which is typically what you do. And because if you want to take on a very difficult problem then you need to have the financial conditions to actually be successful. But the doubt comes when I mean it's grievance very much when you invest and invest and send money and then, you know, someone asks more money to fix the problem.

Interviewer: Maybe I would move on to the actual management buyout. How… so, from your perspective, how did the separation of the business unit unfold? Were there any challenges you observed during the transition?

HQ.S: No, I think it went very well. It was welcomed by the people in the factory to go back to the roots in a way. Because I don't think people believed in this transition from low volume, heavy welding to, you know, highly robotized serial production. So, it was well received by the people. I think once we got the deal it was sort of accepted by [group name] and [group name] did all of the things that they promised to do. There was some issues around keeping the IT platform for some time from [group name] and I think [group name] was very accommodating as to allow that to happen with the limited cost attached to it. So, I think it was a very good collaboration. I think it was well anchored at the top of the [group name] management and [name], one of the board members, he was instrumental in this to anchor it in the in the top. So, I think from that perspective from communication and anchoring, it went well. Also, I was a little bit of a bridge in the beginning between management of both sides so to speak to get the decisions in there. Of course, [name HQ.CEO] was instrumental in this because he was still the CEO of [group name] and he supported this change wholeheartedly. So, that was good. So I think at the end of the day it was a long and a little bit complicated negotiation but I think the learning is that you need to take the time to have a long and complicated negotiation to find a solid platform, a solid agreement, that creates the conditions for the factory to survive and to develop. So, I think that all of that was well handled. And it was clear, increasingly clear, from [group name] management that [names of the owners] made a lot of progress with the factory. They got rid of a lot of people, reduced the fixed cost level, they were able to stem the tide of losing customers and they started to build new customers [customer name] as one example and all of that of course was observed by [group name] and [group name] concluded that maybe the factory is actually in safe hands now. So, I think the performance by [names of the owners] and the team was very important in the beginning to create the solid sense that this is possible to fix.

Interviewer: And why did [group name] want to make a serial production of the company if the core business of the unit was actually the single part production?

HQ.S: Because it was a faulty thinking in my mind. It was a bit partially faulty thinking but… and partially that for example a company like [customer name] they liked the company very much. We did invest in a big program for manufacturing of booms in the factory and then also [customer name] suggested that the factory would make part for their… they made an acquisition into [name of the company]… and both these programs unfortunately fell apart. Because [customer name] made a decision to produce their big excavators in [country] and move that from Europe. And this business that they acquired was never integrated into [customer name] and now it is actually closed. So, that business was not solid. So, [customer name] was the foundation of this serial production idea but it went away. So, I think it was not… but mainly as you probably have already concluded which is one of my cornerstones in my thinking is that you will not be successful by working on fixing your weak sides you will be successful on focusing on your core competencies and core capabilities. That is how you run a successful business. So, it's better to focus on the things you are very good at and to become even better, than to try to fix things that you don't have a clue what to do. That was the faulty thinking part.

Interviewer: So, how were the strategic decisions regarding this business unit made within the group? If you could maybe provide some examples.

HQ.S: Yeah, no, the example is that was a little bit if I can be very open here, the group was created by one person I would say. And that is [name HQ.CEO]. He took something when he got on board many years ago, more than ten years ago. It was a mess, the company was a complete mess, and he created, he saved the company and created a fairly successful company out of nothing. And that meant that he was… let's say, he had a little bit, I think, too much room to, or maybe he didn't listen enough to people around him on key issues. I mean, he had his own idea, and he was pushing that idea very, very clearly. And I think that the faulty thinking part of this was a little bit… that he envisaged this transition to serial production to be possible and maybe push that and didn't listen to the issues. I mean, he finally did because we went into this management buyout, but it was going on for too long in this strategy. So, I think, and that is, it happens in many companies that the CEO becomes very strong based on past performance and then there is not enough dialogue in the management team on strategic issues. I felt that it was a little bit like that here.

Interviewer: Okay. And how would you then describe the level of autonomy the business unit had before the buyout, so under the group?

HQ.S: No, it had a lot of autonomy, but in these strategic questions, I think, and the transition to serial production, I think [name owner/CEO] realized deep inside that this will never work… And that is what I said. And I think he gave all the indication that it was a futile business to do this change. But I think the group pushed on too long and too hard. And basically, pushed him to do something that he didn't really believe was possible.

Interviewer: So, was it also maybe regarding the customers? Could he pick his own customers?

HQ.S: Yeah, he could, of course. And that was a little bit another issue. Now that when [name owner/CEO] is running the customer acquisition, I think he's doing a very good job. But in the [group name] context, he had a sales guy, [name of the former sales manager], and he was not performing. It went on for too long not before… he was not he was not senior enough to do that role and maybe [name owner/CEO] should have stepped in to sales much earlier to try to save the company by pushing sales and sales of these more suitable products as he has done now in the last couple of years and so on… It's a mixed picture but it became the dialogue with the group became a little bit toxic because there was this misconception that the transition to serial production would actually work. And if I would have been [name owner/CEO] and if I wanted really to show… I would earlier have stepped into sales and then pushed sales for suitable products. He's really, he has a lot of trust, he's German speaking at least and German descent and a lot of these companies are in Germany. So, I think he could have done more there to be honest.

Interviewer: So, he had the possibility to do that?

HQ.S: Yeah I think but it's very different because it's culturally different. I think… I mean he's German after all. You need to tell him what to do in some respect. When I, a Swedish person is more, you know, you do what you believe in and then you don't wait to be told what to do, you just do it [laughing]. So, it's a cultural thing there. If you understand what I mean…

Interviewer: Yeah, of course.

HQ.S: It's natural, it's always… we are all different and we come from different circumstances. So, I think [name owner/CEO] might have waited a little bit too long before he took grip of the situation but with the management buyout I think a lot of fantastic things have been done… So, the capabilities are clearly there.

Interviewer: So, how were new market opportunities identified for this business unit before the buyout? Maybe with concrete…

HQ.S: Before the buyout, I mean this is the point that I made initially that this factory was too small so when prioritizing market opportunities on the group level you obviously focus on the bigger ones, the more strategic ones and going into the biggest and more strategic business sites. And there was no not enough focus on the small sites and this was not only [name/place former subsidiary/now independent company], we also had as you might know a factory in [country] that didn't get the support either from the group because it was not important enough if you look at it from that perspective and that is why one of the core issues was that [name/place former subsidiary/now independent company] was just a too small factory to make a difference.

Interviewer: So, in finding new opportunities or recognizing such opportunities, the group was more responsible than [name/place former subsidiary/now independent company]?

HQ.S: No, it's a collaboration. But in my mind if you run a factory you have to find customers and you have to push and scream and kick and you have to contact customers, you have to kick the group to do more, so it's dynamic there and that's why you have a decentralized structure which I think is very good because you have a business owner and at the end of the day if there is not enough business you have to find the business. You have to go through group sales, you have to go directly to customers, you have to do whatever you can… what

I'm saying is that from a group sales perspective, we had maybe bigger fish to fry than to focus on [name/place former subsidiary/now independent company] and we didn't focus on that enough. And that was a size issue but also maybe we didn't really understand the business because it was not serial business.

Interviewer: Were there any major changes or restructuring efforts planned or initiated before the buyout?

HQ.S: It was this transition to serial, but it sort of fell apart because the customers that we had, like [customer name], was retreating from the factory. So, the whole plan fell apart in a way.

Interviewer: So, what did the group actually tried to do? Like really, maybe if you could name some examples.

HQ.S: I think what we tried to do was first to ask the factory to change the culture a little bit, to be more serial production culture, more proactive, have more control of the process, to invest in the skills around robots and automatic machinery and so on so that was one ask to the factory. And the second task was to find customers that were more serial production. I think that were the main restructuring efforts and then on top of that of course you have and that is when the whole idea broke was when you conclude that, you know, the roof is leaking and we don't have any ventilation equipment and the workers are suffering from that that the machinery are suffering from that, that we don't have any money to even fix the basics in the factory… then of course people in the factory starts to not believe it in this change because there is no money. Without money you can't do it.

Interviewer: Would you say that the business unit faced some limitations within the corporate structure and why?

HQ.S: Limitations was… too small to make a difference. [Name owner/CEO] was not, let me say, he was… let's call it far away from the group structure who were in [name HQ country]. And it's quite a long way and we have seen that in other business sites as well that it is a problem when you get too far away. You don't get the priority you need. So, I think those were the key limitations.

Interviewer: So, what kinds of support did the business unit receive from the parent company? We already mentioned finding customers. There was some cooperation with the group.

HQ.S: Yeah, yeah. And then investment in machinery. There was some machinery bought. It was a big investment for this [customer name] business in robotics and so on. So, there was a lot of support and as long as this [customer name] project developed in a good way then of course there was evidence that this might actually be the way forward.

Interviewer: But were you prepared really for the serial production? I mean, um, if the [customer name] project were successful I think you would have to change all the machinery, right, for the serial production?

HQ.S: I think the idea was to have a mix of serial production and some of the old customers, mining customers, for example. So, to have a mix… and as I said in the beginning, I don't think that the culture was suitable for serial production but there was some initial success, I would say, with the [customer name]. So, and that's why everyone were sort of starting to be convinced that this might be a way forward and then [customer name] closed the business in Europe and moved to Korea. So, that was I think the straw that broke the camel's back, as they say.

Interviewer: I'm now going to the final questions now. So, looking back, based on your information that you have till now, how do you perceive the development of the company since the buyout?

HQ.S: Very good. New customers, focus on taking out a lot of indirect costs because that is the burden that you have being a part of a group, that you have to do reporting back and forth. So, a lot of the indirect cost was taken out, which was very good, and it was the only way to save the company, I would say. And then customer acquisitions have gone well. To some extent, culture change has gone well, but not fully. I think still there is an issue with this culture, this craftsmanship culture. It's very difficult to manage such people. I mean, if you try to manage 10 doctors and to ask them to do things differently, you will always fail [laughing]. And it's the same with very, very skilled craftsmen. It's very difficult to change. And I think [names of the owners] have realized that. They have come a way forward, but not fully where they need to be.

Interviewer: And what do you think enabled or limited the company's ability? In this case, what enabled the company's ability to adapt after the buyout?

HQ.S: I think the enabler is communication. “Now we are on our own, the group will not send money anymore. We have to shape up and manage our own destiny.” I think that is the key change. It's like changing a coach in a football team. You always get good results in the beginning because it's a change. It's a new voice in the dressing room. It is a new plan. People get a little bit enthusiastic and so on. And I think, to be fair, I think [names of the owners] have been able to turn that into a consistent change, not only in the beginning. But I think the issue is, to take the next step, is still quite tough. And that is not, I think, a management issue so much as it is a business issue. Because… when you have these low volume products, you tend to have... I mean it's difficult to get the economies of scale out of such a business and you have a lot of volatility on the volume side, and it is a challenge in project business to, you know, adopt the workforce to the to the capacity you need. So, I think the business model is demanding. And it is the way to make such a business profitable is to conclude that it is demanding and then charge higher prices because you have a unique capability I think in [name/place former subsidiary/now independent company], you have a unique capability to handle these big pieces, you have unique machinery and I think I haven't spoken so much to [name owner/CEO] about that but I think that is that is a part of the next step in improving the company to work a little bit more on the pricing side. I know that some customers are very profitable like [customer name] for example and some less… So, it's always difficult but it is something that needs to be done in my mind.

Interviewer: Okay, thank you very much. Is there anything important about the separation or the company's development that we have not discussed maybe, and you want to mention?

HQ.S: No, not really. I think we went through, good questions you have prepared. So, I think we have covered the things that I was involved in. I think for the factory going forward one key issue is obviously generation change because [names of the owners] are not 24 anymore…

So, there needs to be other people that step up in the company. I think that is that is a key issue and on top of that I know that there is a minority owner [name of the person] into the company, I think. It's key to make him enthusiastic about the business because you need to have a more stable that wants to develop the company. So, I think there are still significant, uh, challenges in business. I think the only way to handle the challenges is to get as they have done now [confidential information]…

Interviewer: Yes. I'm very looking forward to hear about this further development of the company.

HQ.S: Absolutely.

Interviewer: Okay, [name HQ.S], thank you very much I know you have a cold and I really appreciate that you took the time to talk to me.

HQ.S: No worries at all, I wish you the best of luck with your thesis…