Ahlner, Carl Adam, 23606
Bergman, Fredrik, 23567

MANAGING BOTH ASSETS AND CHANGE

AN EXAMINATION OF ORGANIZATIONAL DEVELOPMENT IN PRIVATE EQUITY OWNED PORTFOLIO COMPANIES

AHLNER, CARL ADAM

BERGMAN, FREDRIK

Bachelor Thesis, part of the examination for the Bachelor degree at the Stockholm School of Economics
Presentation: May 2019

Managing Both Assets and Change: An Examination Of Organizational Development In Private Equity Owned Portfolio Companies

Abstract:

Deep studies of Organizational Development in Private Equity are very rare. But Private Equity firms can be regarded as experts in Organizational Change, by continuously transforming different portfolio companies over the course of ownership. By analysing how an amalgam of theories, centred on Lewin's idea of Planned Change, are evident in an empirical study of Private Equity firms' change processes of portfolio companies, this thesis contributes to interpreting Lewin's theories, as well as offering insights for applications in Private Equity and other businesses. Taking a constructionist position and using interpretative analysis in an abductive approach, a collection of interviews is analysed to showcase how Private Equity ownership manifests the Three Step model of Planned Change. It is concluded that the theoretical framework is clearly visible in Private Equity firms' change efforts, and that these efforts reinforce one another in a virtuous cycle, making holistic coordination of the efforts important.

Keywords:

Organizational Change, Organizational Development, Planned Change, Private Equity, Three-Step Model

Authors:

Carl Adam Ahlner (23606)
Fredrik Bergman (23567)

Supervisors:

John Söderström, PhD, Department of Management and Organization
Anna Söderblom, PhD, Department of Management and Organization

Examiner:

Laurence Romani, PhD, Department of Management and Organization

Presentation:

May, 2019

Bachelor Thesis in Management, Course 619
Bachelor Program in Business & Economics
Stockholm School of Economics

Acknowledgements

Thank you, interview participants. We would like to express our deepest gratitude to the subjects, for having taken time away from busy schedules to help us on the way with our studies.

Thank you, John Söderström and Anna Söderblom. Over the course of our work on this essay, our tutors have given profound guidance.

Thank you, coaching group, for challenging and progressing our ideas.

Contents

Definitions

Closing refers to when the buyout of a portfolio company is complete and the PE firm is the new owner.

Corporate Buyout or simply **buyout** refers to the acquisition of a majority or controlling stake of a company that is engaged in business and has an organization. Thus, this term excludes investments in other investment vehicles or real estate holding companies.

Organizational Change is an umbrella term for all types of change activities in organizations.

Organizational Development (OD) involves moving an organization from its current state to a future desired state, using a planned effort. OD is used interchangeably with Planned Change in this study.

Planned Change is often considered to be a synonym or subset of Organizational Development. The term is used interchangeably with Organizational Development in this study.

Portfolio Company refers to a company owned and controlled by a Private Equity firm.

Private Equity, abbreviated as **PE**, is a collective term for asset managers' investment activities in non-listed environments, often conducted as buyouts of entire businesses.

Strategic Investor refers to a company or business owner outside the realm of Private Equity, for instance a conglomerate or an industry corporation.

1. INTRODUCTION

1.1. Background

As an industry and as a source of capital, Private Equity has become central in the modern business world and indeed society - not least in Sweden, where 7.5% of all private sector employees are employed by Private Equity portfolio companies, and Private Equity portfolio companies account for upwards of 5.5% of GDP in Sweden (Copenhagen Economics, 2017).

Private Equity firms typically operate funds with equity investments from investors, labelled Limited Partners, and from the firm itself and its partners, called General Partners, typically with a lifetime set over the course of around 5 years (Copenhagen Economics, 2017). Via such funds, the PE firm typically adds on a debt structure to buy out, or invest in, companies outside the realm of the public stock markets (Copenhagen Economics, 2017). Typically, after the PE firm has originated a deal, on their own or been presented the opportunity via an investment bank, there is an extensive investment analysis phase where the firm decides on a course of action (Copenhagen Economics, 2017). If the deal is closed, the financial and commercial details are verified in a due diligence process (Copenhagen Economics, 2017). The PE firm then controls the business and holds the investment over the life of the fund and then exits it either via another private sale or an IPO (Copenhagen Economics, 2017).

It is particularly interesting to consider how PE firms attempt to integrate extensive and ambitious operations efforts with transitory fund investment structure. PE firms continually take control of different businesses and implement their own agenda in a new setting (Copenhagen Economics, 2017). Also defining the Private Equity industry, aside from investing in non-listed companies, is the cyclical ownership with portfolios organized under temporary funds (Copenhagen Economics, 2017). As such, the leadership and ownership of the PE firms are under pressure from both the restraints of the limited time frame and the often ambitious plans.

Over the past few years, the Private Equity industry globally has seen increasing competition both in terms of finding investment opportunities and in terms of attracting investor capital (Caldbeck, 2015). As a result of this, PE-firms need to work harder for their returns and cannot rely on financial leverage to remain competitive, thus shifting focus from financial engineering to operational improvement (Caldbeck, 2015). This theme, in combination with the transient investment frame, implies a large significance of business improvements or structured changes as part of a PE firm's work. As such, Private Equity is a concentration of experience and examples in Organizational Change.

Yet, as expanded below, relatively little has been written on the operational side of Private Equity from the perspective of Management and Organizational Studies, while there is potentially valuable insight that can be found in this field. Considering that the industry, on a high level, works by taking control of portfolio companies for a limited time while implementing an, often, ambitious agenda for business improvement, one can perhaps assume the view of PE firms as experts in Planned Change. Even if such an idea is an exaggeration, the intricate work of PE firms in developing portfolio companies may well prove to be an interesting lesson in Organizational Change.

1.2. Purpose and Research Question

The purpose of this bachelor thesis is to further understand Organizational Change in the context of companies owned by Private Equity firms. Specifically, this study aspires to explore the central themes of a synthesis of theories centred on Lewin's idea of Planned Change. Interpreting the different angles of the theories and applying these on the empirical material should yield a discussion around, and answer, the central research question:

How is Lewin's theoretical framework of Organizational Development evident in the change processes of businesses in the context of Private Equity ownership?

As the genesis of this study presupposes the notion that Private Equity most often transforms businesses, or at the very least successfully implement changes (World Economic Forum, 2009; Boselie & Koene, 2010), the purpose is to yield further insights on the process of Planned Change to the research community, the PE industry, and to other business leaders.

1.3. Limitations

It should be made clear that this bachelor thesis' topic of Organizational Development and change across an entire organization implies a focus on Corporate Buyouts, as opposed to simply any type of Private Equity investments – as it is only then that the PE firm can, and does, exercise control of the organization that it invests in. As such, PE firms executing only minority investments, or solely investing in real estate, are outside the scope of this study.

Furthermore, the focus of this study is limited to the empirical context of PE firms with a presence in Sweden, meaning that the scope of the study is limited to such firms. Thus, it may not necessarily be relevant or transferable across other geographical regions (Spliid, 2013).

On a final note, it can be emphasised that this thesis is limited to a focus on change processes from the perspective of organizational and management theory, thus disregarding any financial measures, or explicit considerations of the quality of decisions. To clarify, this study is limited to how changes are made, and their organizational implications, ignoring why they are made from a business standpoint.

1.4. Expected Contribution

Given the scarcity of research in this specific area of Management and Organizational studies, this study aims to enhance the understanding of the complete synthesis of Lewin's Planned Organizational Change theory in the new context of Private Equity. By doing so it can be hoped to reveal a more detailed view of how PE firms manage the change process in their portfolio firms. From a pre-study with a consultant from a top large consulting company in Stockholm specialized in Private Equity, it was confirmed that this type of approach to PE is increasingly important. Thus, this study aspires to have some practical applications to business as well.

2. Theoretical Framework

2.1. Organizational Development

Organizational Development involves moving an organization from its current state to a future desired state (Hussain et al., 2018), more specifically, Beckhard (1969) defined OD as a planned effort steered to intervene in the organization's processes. OD can be contrasted with the term Change Management, which refers to an emergent and ongoing process, dependent on external and internal factors (Brightman & Moran, 2001). Likewise, it must be made clear that Organizational Development can be seen as is often considered to include, or be a synonym of, Planned Change (Odor, 2018).

The best methods for pushing Planned Change comprise a widely researched area within Organizational Change studies using a variety of frameworks and models (Rosenbaum, More & Steane 2018). In line with Fernandez and Rainey (2006), Rosenbaum et al. (2018) identifies the most common Planned Organizational Change Models (POCM) (e.g. Kotter, 1995;) and suggest that they all share characteristics with Lewin's original contributions from the 1940s. Moreover, the authors put Lewin's seminal work in the center of POCM and argue that developments in the field should rather be considered fine tunings of Lewin's framework. This development makes it interesting to further examine Lewin's model. While Planned Change studies have been conducted on several internal and external layers of organizations, the most common approach (Woiceshyn, Huq, Blades & Pandharkar, 2019) is to study leaders and middle managers (e.g. Bamford & Forrester, 2003). Westley (1990) cited in Bryant and Stensaker (2011), explore middle managers reactions and involvement in Planned Change. She finds that excluding middle managers from strategy discussion creates problems for senior management when implementing the strategy. Rouleau (2005) discuss how middle-managers sell strategic changes to external stakeholders. Other layers within the organization has also been covered such as frontline employees' responses to Planned Change. These studies, in general, explores the relation between leadership and commitment (e.g. Voet, Kuipers & Groeneveld, 2016; Kim, Hornung & Rousseau, 2011). There are also studies on the role of external influencers on change. Lessard et al. (2016) identify two types of change facilitators and divide them into support- and implementation-orientated facilitators. More Lewin-centric studies include the work of Endrejat, Baumgarten and Kauffeld (2017). They use Lewin's framework for change with motivational interviewing to reduce the energy consumption at a German university. They reach the conclusion that Lewin's ideas are still an effective method to push change. Studies testing the usefulness and validity of Lewin's three step model is relatively rare in comparison to other change approaches (e.g. Kotter, 1995), but Ford and Greer (2006) conducted a quantitative cross-sectional empirical study on in-house managers in a wide range of organisations and confirmed the progression through Lewin's model.

2.2. Lewin's Work

In Organizational studies, Lewin is probably most known for his development of the Three-Step Model: *Unfreeze, Movement, Freeze* which traditionally has been viewed in isolation from his other work (Rosenbaum et. al. 2018; Burnes, 2004). Thus, three other central themes of Lewin's work (Field Theory, Group Dynamics and Action Research) have been incorporated into the Three-Step Model to create a new model, referred to as "Lewin's model", "Three-step model" or "the theoretical framework" (see Model 1). Rosenbaum et al. (2018) and Burnes (2004) argue these four 'pillars' are intended to be viewed as an integrated whole. Together they compose a robust scheme for "*analysing, understanding and bringing about planned change at the group, organizational and societal levels*" (Sarayreh, Khudair & Barakat, 2013, p. 627). Thus, the following framework is based on Lewin's original papers, interpretations of Lewin's work, and generally accepted definitions.

2.2.1. Field Theory

Lewin (1943a, p. 45) characterizes Field Theory as a method of analysing causal relations and of building scientific constructs while noting that the method can only be mastered from practice. Field Theory proceeds on the basis that the outcome of any event or activity depends on a constellation of different variables or forces. Additionally, Lewin (1943b, p. 172) stated that group life never stands still. There are always forces pushing for or against the present situation and the present situation is maintained by a certain condition of forces, also referred to as the *status quo* or *quasi-equilibrium*. Regarding Planned Change, Lewin concluded: "*This question of planned change or of any 'social engineering' is identical with the question: What 'conditions' have to be changed to bring about a given result and how can one change these conditions with the means at hand?*"(Lewin,1943b, p. 172). Thus, by identifying and mapping what forces maintain a certain state or quasi-equilibrium, one can not only understand why organisations and groups acts as they do but also, more importantly, know the exact conditions that has to be weakened or reinforced to push change (Burnes, 2004, p. 981).

2.2.2. Group Dynamics

Group Dynamics are used to illustrate the negative and positive forces within groups of people and the implications they have on the group (Lewin 1939, p. 73). This leads to the underlying premise in studying Group Dynamics, namely, the whole is greater than the sum of its parts. It is well established that the behaviour and aspirations of individuals can be derived from their group affiliation. Lewin argues that the group setting plays the biggest role in shaping its members as the individuals in the group are pressured by group norms and expectations. For instance, goal setting by individuals is highly dependent on the group's standards (Lewin 1942 p. 114). Thus, a person immersed in a group with high goals is also likely develop high ambitions. Moreover, Lewin (Lewin 1942 pp. 113-114) identifies the prerequisites for creating high morale and concludes that the next action towards a goal must be realistic and within a sensible time frame. Therefore, managing change should emphasize on changing the group culture to achieve lasting change. Burnes (2004, p. 983) remarks that individuals are not to be in the center of change, but instead focus should be directed towards group behavior. Lewin's work on Group Dynamics and Field Theory led to the development of Action Research and the Three-Step Model.

2.2.3. Action Research

The Action Research model was established by Lewin after witnessing a need for more applied research in the social sciences. The concept enables members of various organizations to take action to certain problems by applying scientific models. Action Research is built upon an iterative process of democracy and participation to assess both internal and external circumstances (Reason & Bradbury, 2013). It addresses any unpredicted obstacle that might occur in the change process and develops practical solutions. Lewin (1946, p. 201) realised that there exists a readiness and willingness to face problems within groups and organisations. However, these people did not understand the present situation nor the dangers involved, but most importantly, they did not know the appropriate actions to take to bring about change. To better understand the present situation, Lewin's work on Field Theory and group behaviour are especially useful. Action Research could then be used to learn what to do or what actions to take. Establishing the first action of change is not enough as recurring uncertainty regarding what to do and how to get there leads to a lack of standards in what should be measured (Lewin, 1946, p. 202). This in turns deprives peoples' willingness to change and no learning can be made since there is no standard to which results should be compared with. Lewin (1946, p. 206) recognizes that too often organisations fail to take actions dependent on an objective criterion and thus, fail, to recognize what direction it is going whether it is *right* or *wrong*.

2.2.4. Three-Step Model

The three stages of the model consist of Unfreeze, Movement, and Freeze. The phasing between these stages is characterised by navigating the Force Field and adhering to Group Dynamics through Action Research (see Model 1).

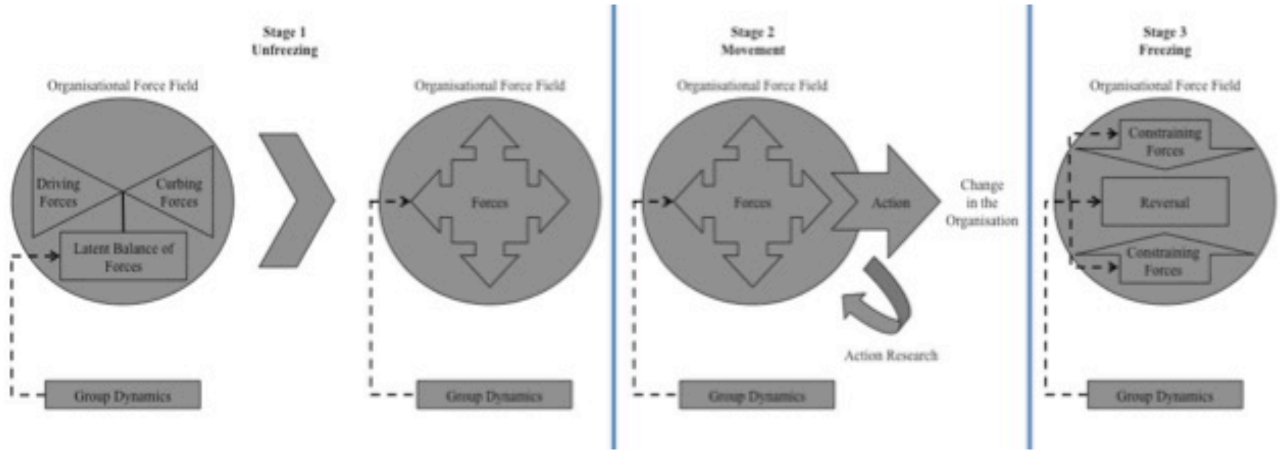
Unfreeze: The Unfreezing stage involves destabilising the *quasi-equilibrium,* which is regarded as a necessity to unlearn old behaviour. The Unfreezing stage enables the organization and individual to adopt new behaviour. By examining the Force Field, managers may evaluate the possible routes to get from the present stage to the future desired stage. And by doing so, they also reveal the best way to get there. This process might include listening to others' views and adapting their own. The process of Unfreezing can come in a various amount of shapes and can vary significantly between different cases. Since the future is uncertain, people will not participate if they are not convinced against the status quo (Cummings & Worley 2003, p. 165).

Movement: Realizing Planned Change is difficult, mostly because of the complexity of the forces involved thus the difficulties in predicting the outcome. Now Action Research comes of crucial importance. The iterative process, of trial and error, guides the organization in the *right* direction. Nonetheless, without proper reinforcement of the new organization structure and behaviour the reformation might be short lived (Lewin 1947, p. 228).

Freeze: The Freezing stage emphasises on stabilising the force field, previously purposely destabilised, to maintain the progress and prevent regression. Drawing from Group Dynamics, it is obvious the new stage must be coherent with the present group behaviour for it to be regarded as stable. However, maintaining a new quasi-equilibrium can be difficult and as soon as the effects initial boost fades, and the previous level of performance is resumed. Therefore, in order to permanently freeze the desired performance level, solely defining the objective for Planned Change does not suffice; one must also include the desire for permanency (Burnes, 2004).

2.2.5. Theoretical Model

The theoretical framework laid out above can be summarized as a dynamic map of Organizational Development, which those who manage change in an organization must navigate.



Model 1: A Visualization of Lewin's Three Steps of Planned Change

2.3. Private Equity: an Overview

Following the Private Equity boom in the 1980s, Jensen (1989) predicted that the Leverage Buyout (LBO) model would become the dominant corporate organizational structure (Kaplan & Stromberg, 2009). Consequently, Private Equity has been researched across a multitude of areas and theoretical lenses to unveil the mysterious new organizational form. Therefore, it has been well documented what actions PE managers take. Kaplan and Stromberg (2009) categorized three types of value creation methods employed Private Equity firms: financial, operational, and governmental engineering. These types of engineering include bringing in operational expertise, leveraging debt, incentivising management, a tight governance structure, and rigorous follow-up procedures (Gompers, Kaplan & Mukharlyamov, 2016). And Klier, Welge and Harrigan (2009) put forward five success factors in monitoring investment portfolios: act as an active shareholder, create an alignment of interests, exploit advantages of portfolio relatedness, avoiding costs of corporate infrastructure and invest to sell. A popular area of research in Private Equity is measuring the impact of Private

Equity activities (e.g. buyout) in terms of financial and operational performance (Gompers et al., 2016, p. 38). Thus, differences and criticism within Private Equity research is often concerning the quality of datasets (Harris, Jenkinson & Kaplan, 2015) especially since Private Equity firms tend to keep transaction details undisclosed (Lanier, 2012). Another popular theoretical lens is agency theory in which Private Equity is considered a 'poster child' for solving agency problems (Lanier 2012 p. 11). And, Landau (2014) calls for a broader theoretical discussion exploring more areas of Private Equity than those related to agency theory. Private Equity studies within the scope of management theory are typically concentrated around value creation in relation to corporate governance, stewardship, and strategic resources. For instance, Wright, Amess, Weir and Girma (2009) conclude that PE's corporate governance and structure is associated with performance gains, and Lahmann (2017) find similar results for German SME buyouts. Achleitner and Figge (2014) focus on value creation profile in secondary buyouts. Kend and Katselas (2013) explore the motivations behind PE activities in Australia and finds implications with agency theory. Boselie and Koene (2010) explore the impact and importance of a target firm's HR department leading up to a Private Equity buyout. The process of evaluating turnaround opportunities has been studied by Cuny and Talmor (2007) covering information asymmetry and agency issues. As such, some studies grasp Private Equity from a management or organizational perspective, but retain a focus on the financial implications.

2.4. Research Gap

Gompers et al. (2016) remark that Private Equity research lack studies on PE fund managers' actions and specific analysis. A topic that fits well into this segment, but to our knowledge has not previously been explored, is how PE-fund managers *manage the change process* to achieve set goals and targets in portfolio companies.

To further illustrate the scarcity of relevant literature in this particular field, by using the Scopus database and entering "Private Equity" ~2600 results appear. Adding 'AND "Change"' to the search and selecting the filter "Business, Management & Accounting" yield 124 results. Of these 124 results, only a handful can be deemed relevant. Adding any constellations of "Planned Change", "Active Ownership", or "Lewin" brings the results down to 0 results. To the authors' understanding, there is no study exploring how Private Equity firms employ Kurt Lewin's method of Planned Change. Hence, this study bridges a gap between Organisational Development and Private Equity studies.

This study is therefore significantly more detailed in regard to how Private Equity firms actually push and manage change than presented in prior literature. Sarayreh et al. (2013), in line with Ford and Greer (2006), remark that it important to establish if the model is useful or not while emphasizing on the fact that a model, like Lewin's, is a simplification of reality and thus inaccurate to some degree. The controversies surrounding Lewin's work makes it interesting to test its validity by employing the Three-step model in a new area that also sparks controversy but whose work is increasingly centralised around managing change.

3. Method

3.1. Research Design and Strategy

3.1.1. Initial Thoughts

As the previous chapter makes clear, many studies of Private Equity take a quantitative approach. But this stands out as short of the purpose of this thesis, to contribute to research by offering a deep perception of the theoretical framework in the context of PE. It would be strikingly difficult to quantify theories on change or restrict measurements to metrics. In short, the very purpose of this study rejects positivism by asserting the research topic is beyond externally created, objective concepts (Bell, Bryman and Harley, 2019, p. 35).

As there is no underlying belief of transferability, which there would be in assuming theory could be quantified and thus interpreted unanimously, a study of how the PE industry works to change portfolio companies lends itself to a qualitative study of several PE firms. In addition, nuance and depth in the empirical material is needed to answer the research question, thus leading to qualitative interviewing as the fundamental research method. Given the study's limitation to PE firms present in Sweden, interviews were indeed possible practically. Besides this, the background of a PE firm's typical investment cycle provides a triangulation of data that enriches the study.

3.1.2. Further Ontology and Epistemology

Given the purpose of this study, the choice of a qualitative study can be further motivated in light of constructionism, defined as the notion that organizations and management are the products of human understandings, actions and interactions (Bell et al., 2019, pp. 27-28). Likewise, an ontological and epistemological commentary can explain how the analysis was conducted, and why.

In line with a constructionist position, this thesis falls under the interpretative paradigm, defined as explaining social and organizational phenomena by formulating an understanding of human behaviour - in this case by analysing a qualitative study of the interactions between PE firms and portfolio companies (Bell et al., 2019, pp. 30-32). Casting doubt on this notion, is the theoretical framework's focus on Field Theory, which may be viewed as a radical structuralist idea (Bell et al., 2019, p. 34). However, the interpretative paradigm can be reaffirmed, as the analysis and empirical material both center on the experiences of people involved in the organization, and refrain from challenging the form of the organization (Bell et al., 2019, p. 34).

Moreover, having converged upon the observation of rapid organizational changes within the portfolio companies of PE firms, and applying a theoretical framework to an empirical study of the phenomena, in order to explore the strength of theory, the approach of this research project can best be described as abductive (Bell et al., 2019, p.

24). Further distinguishing this study from inductive research is the interpretive position, where the analysis of the empirical material is compared with the theory, yielding comprehension rather than explanatory models (Bell et al., 2019, p. 24). Thus, this thesis also avoids the risk of reflexivity, which may be apparent from the research question as well.

3.2. Data Collection

3.2.1. Empirical Context

Copenhagen Economics estimated that PE investors in Sweden had invested more than SEK 150 billion since 2007 by 2017 (Copenhagen Economics, 2017). A dissertation at SSE from 2012 found around 160 active actors in the Private Equity space in Sweden, with 47 of these engaged in buyouts (Laskowski, 2012).

3.2.2. Subject Selection

As the empirical setting for qualitative research can be deemed wide, the limitation to actors with a history of multiple corporate buyouts aided in subject selection. Beginning in February, a total of 17 different Private Equity firms with offices in Stockholm were contacted, both companies founded in Sweden and companies founded abroad. These firms were selected from the members of the Swedish Private Capital Association and the PEI 300, respectively, with the selection criteria being that the firm has an office in Stockholm and is engaged in corporate buyouts. The subjects thus exercise control in the portfolio companies in line with the study's purpose and limitations. Contacting these firms and booking in interviews per the time of responses, the recorded interviews are simply the first 7 firms to reply, due to early saturation in the empirical material - even the first interviews offered strong commonalities and reappearing elements.

Considering why the respondents agreed to participate in the study, three possible motivations stand out as particularly reasonable. The first one is simply benevolence, and the respondents' sympathy with business students, in many cases perhaps piqued by sharing SSE as alma mater. The second motivation could be an understanding of the study's topic and a wish to participate in contributing to research and business applications of this insight. The third motivation could well be that an opportunity to articulate an inside perspective of Private Equity, in light of media coverage that often takes a critical approach to the industry. Thus, the possibility that the respondents' responses are favourable to the PE industry exists, but it is not considered to have a substantial effect on the interview outcome.

3.2.3. Overview of Subjects

Using Private Equity International's global ranking of the biggest Private Equity firms, PEI 300, the interview subjects' respective firms can be segmented into three distinct categories, depending on capital raised in the past five years (numbered 1,2,3, in descending order of capital raised). The size of the respective committed funds is not revealed to preserve the anonymity of the firms, but the categorization can aid in expounding the reliability of the empirical material and showcase consistencies within the PE industry as a whole. It should also be noted that the size of committed funds can correlate to the size of the PE firm's organization and the size of investments made, thereby opening up for additional analysis.

In total, there were 8 interview participants, who all have had their names and gender identities changed, and their respective firms have been concealed. The empirical material was collected over the course of four weeks in February and March, 2019. Of these 8 respondents, five held Principal level positions, two held Associate level positions, and one was a Chairman/Founder (see Appendix 1 for a total overview).

3.2.4. Interview Protocol

The interviews can best be described as semi-structured, where the questions, which were shared with the subjects ahead of the interviews, were used more as topics of discussion, rather than a script (Bell et al., 2019, p. 436). The respective discussions were conducted with an open-ended approach, using flexibility for better exploration of key issues (Bell et al., 2019, p. 437). It should also be noted that the subjects only were made aware of the purpose of this study, but not given a thorough briefing of the theory, to avoid biased answers. Likewise, the interview questions were formulated around PE firms' ownership of portfolio companies, rather than *Planned Change*. In terms of enactment, the interviews lasted between 30 and 70 minutes each, and almost every interview was conducted face-to-face, with only one interview conducted over the phone.

The interview responses have been transcribed and individually analysed by the two authors before further discussion of the findings. The interviews were conducted in Swedish, so the presented material has been translated by the two authors. While this could have resulted in variations between the Swedish and English quotes, the possible variations are considered to be of minor influence.

3.3. Ethical Considerations

It should be noted that all interview subjects are anonymous throughout this study and that all interview subjects were guaranteed anonymity from the onset. In short, this precautionary measure should have allowed the interview subjects to be sincere in their views, and avoids potential issues pertaining to sensitive issues or privacy concerns of the respective PE firms. Also, it was only with permission that the interviews were recorded.

The respondents were also offered the opportunity to review and comment on the quotes and material collected from the interviews to ensure that there was no breach of confidentiality or privacy concerns. In like manner, all respondents were assured that the empirical material would not be used outside of this study.

3.4. Reliability

Defining reliability as the issue of the results' repeatability, and consistency both in the generation and in interpretations of the empirical material, the selection of interview subjects yields initial assurance (Bell et al., 2019, p. 46-48). The interview subjects represent a wide variety of PE firms, as such, consistencies in the collective experience of transactions and ownership should indicate a reliable analysis. Additionally, the interview protocol, leaving theoretical interpretations for the analysis, means that the responses should be reliable. However, considering the constructionist nature of the study, the empirical material does comprise subjective accounts. Likewise, the interpretation of the empirical material from the theoretical framework can be debated.

Mitigating these concerns, a comparison with other studies has been conducted in Chapter 5. Analysis and Discussion, which may reinforce the reliability (Bell et al., 2019, pp. 266). Likewise, the analysis of empirical material has been made by the two authors using several prominent sources, and reading other interpretations of these, leaving little room for inconsistencies in the theoretical interpretations. Thus, the empirical study should be reliable for its purpose.

3.5. Validity

As this thesis does not offer any direct causal relationships, but explores theory in a specific context, there is only a question of external validity (Bell et al., 2019, pp. 46-48). Defining this concept, as the issue of how the results can be generalized beyond a certain setting, opens for critical commentary on the subject selection (Bell et al., 2019, pp. 46-48).

As outlined above, the interview subjects were selected rather arbitrarily, while still extending across different sized actors. It should also be noted that the individuals interviewed differ in their experience, both in PE and in their backgrounds. As such, the broad group of firms can be considered as representative of the PE industry in Sweden, and the subjects should have generated representative empirical material, ensuring validity. However, the similar seniority levels of most individuals, being Principal level, can be problematized, but this should not interfere with the results. Likewise, more interviews could have further ensured validity, but the early saturation of recurring themes mitigates this issue.

On a final note, the remaining two risks to validity can be addressed. There is always a possibility of interviews being tainted by the interviewers unknowingly asking leading questions, but the semi-structured approach of allowing the respondent to talk freely should mitigate this by covering the topic at hand with greater nuance. Equally important, there is no indication of misrepresentation from interview subjects, nor does the confidentiality leave motives for such behavior.

4. Empirical Material

4.1. Introduction

As the introduction to this thesis states, the complexity of organizational improvements has become increasingly important for the PE industry, and in fact, PE firms perhaps view a great part of their role as experts in navigating precisely this complexity. Felix, an associate level employee at Company F, a category 2 firm, comments:

> "Today, the competition has become so fierce and multiples so high [...] you cannot only rely on [financial engineering] anymore. There is sort of something else you have to do." (Felix)

Indeed, this self-awareness is a recurring among the respondents, and yields an understanding of the work that a PE firm conducts. George, the founder of Company G, category 3, likens PE firms with general practitioners:

> "PE firms can perhaps well be likened to a general practitioner [a medical doctor], whereas a strategic investor is more of a brain surgeon, in terms of in-field expertise. What does distinguish the PE firm, however, is the ability to connect different parts in originating and executing a buyout […]" (George)

In short, there is a recurring theme (George, Caesar and Felix) of viewing the PE firm as an expert coordinator, but the interviews can also reveal what this coordination entails, and what other elements determine how a portfolio company can be changed. In the following sections, the empirical material has been structured close to the chronological order of a PE firm's work in an investment cycle.

4.2. Originating a Buyout and Investment Thesis

In fact, a decisive factor in a PE firm's work in a portfolio company is found before the start of the investment cycle, before a portfolio company is potentially acquired. All respondents identify the meticulous work ahead of any acquisition as a key element in the investment process of PE firms, and fundamental to the course of the investment. It is in this process that the foundation for any organizational changes is laid and the interviewees unanimously highlight the importance of this analysis.

According to Caesar, principal at Company C, category 1, this work is stringent and unique for every case, but always vital:

> "[...] When we did [redacted] in [redacted] we plunged into every single one of their 19 factories to understand [...] What can we improve? In another company you come up with completely different things. This lays the foundation of what we will do after investing." (Caesar)

In fact, all interviews indicate that the respective PE firms always have a strong hypothesis, called Investment Thesis, of the where any potential portfolio company should be organizationally, ahead of an acquisition. As such, the investment thesis is the foundation for the agenda of organizational, structural and operational goals and changes, which the PE firm sets to achieve in the portfolio company.

In formulating the vision or goals for portfolio companies, all interviewed PE firms utilise industry experts and in-house knowledge, and it can perhaps be said that part of the role of the PE firm as a generalist coordinator is to find and supply this competence and insight, but the result is vital.

Caesar explained how portfolio companies can lack the knowledge of what 'good looks like':

> "A problem with companies is that they do not understand what good looks like [...] it is difficult to create real change if you lack competence regarding what good looks like [...] right competence has a very big catalyst effect on the firms." (Caesar)

Amanda, an associate level employee at a Company A, a category 1 firm, also highlights how the rigorous analysis work allows the PE firm to create an agenda that is optimized after the PE firm's competencies and how these complement the weaknesses of the portfolio company - meaning that the changes are more likely to succeed in implementation.

> "One unique feature of the work we do is that we apply our key strengths and focus areas [...] in all our investments, in short improving these aspects of the business […] Often, we have identified flaws within the target company beforehand and view this as part of the investment opportunity." (Amanda)

It should also be noted that Company A is in Category 1, and can thus be expected to have large resources available for their work in portfolio companies as well as allowing for a detailed analysis.

Similarly, Felix identified this as one of the most important aspects of his work, saying: ”*there has to be strong guidelines for what we would do from day 1.”* Considering this in light of Felix's notion that PE is extremely competitive, the idea, that several respondents share (Caesar, Amanda, John, Ebba, Daniel and Denise), of the need to put a specific program for Organisational Change in place for any potential new acquisitions, is explained. Thus, there is a clear continuation of the work a PE firm conducts, as it always centres on how it works to change the portfolio company by filling in gaps and removing flaws, in a large scale exercise of coordination.

4.3. Internalizing a Change Agenda in the Portfolio Company

Moreover, all interviews make it clear that a detailed agenda allows for a plausible, yet ambitious plan that can better be communicated to, and understood by, the portfolio company's employees. While creating and communicating a bigger picture is key for driving change in the portfolio company, it is also a very difficult task, as Felix elaborates on:

> "The biggest challenge is to find a level where the ambition level is high but not impossible to achieve. We always want to push the ambitions [...] But people get demotivated if you have too

> high targets with budgets that never will be held [...] Finding a common ambition level is important." (Felix)

Despite all the work that goes into the initial analysis and plans, the portfolio company is still a dynamic organization, and all respondents recognized this issue in the nature of their work. As Caesar states, the original plan is likely to change and is continually developed in iterative process. Still, even with this flexibility, several interviews suggest that the initial agenda is often appropriate and it is the internalisation and beginning of the implementation that can decide the outcome of change initiatives (John, Amanda and Felix).

John, a principal level employee at Company B, a category 1 firm, described the internalisation of a change agenda as a critical first moment in the new ownership:

> "Often you have a pedagogical uphill when you enter, when trying to explain who we are and what we are going to do [...] There are several stages to this work, with educating managers who then educate their departments and so on. All employees must understand what the new vision is, what is expected, and why this is good [...] We try to create a positive spirit from start. By telling every employee, often through management, that we are going to come in with a lot of money, we want to invest in this firm, and make sure you grow, and we have chosen to invest in you because you are so good [...]" (John)

The PE firm must be accepted as an active owner by the portfolio company, and strive to make the specific goals clear, by communicating the new vision in detail across all levels of the organization.

4.4. Keeping Momentum

Even if the initial change agenda is accepted in the portfolio company, finding and maintaining momentum in initiatives was identified as a key challenge by several interviewees (Felix, George, John, Amanda). Therefore, almost all interviewed PE firms focus on implementing changes within the first 100 days from the acquisition, while the employees of the portfolio company are motivated to change, as the new ownership signals a new beginning (Amanda, Caesar, Daniel, Denise, Ebba and Felix).

While Felix, of Company F, acknowledges that they are setting the bar higher than expectations to motivate the people involved, maintaining the momentum is difficult.

> "[...] the difficult part is not coming up with ideas but instead following up on ideas and actually doing them. People often lose interest, and momentum [...], that requires [...] the right people that can motivate and it also requires that there is the right motivation system in place." (Felix)

4.5. Executing Change

A prominent theme comprised the effective routines PE firms offer, which several respondents underlined as decisive for transforming a portfolio company (Amanda, Caesar, Felix, Daniel and Denise). Caesar summarised his view on just how a PE firm can change the routines and structures in place in a portfolio company:

> "If you compare [a PE portfolio company] with a public company, the public company is steered [...] a little bit farther from the factory floor. Decisions taken on a higher level where people are not as involved. But, we are very close to the companies all the time, we understand what is happening. We visit them and spend a lot of time with them. And of course, we notice things that do not work." (Caesar)

By closely monitoring their investments, PE firms can quickly take action and steer them into the right direction, serving as a pair of vigilant second eyes that critically evaluate the decisions made in the portfolio company, enforcing discipline towards an overbearing agenda.

Daniel and Denise, principal level employees at Company D, a category 2 firm, highlight the importance of temporary ownership and fast decision routines with a PE firm as a key factor for change:

> "The time horizon of PE investments […] can be an advantage and apply pressure and structure so as to realize a better value trajectory […] Overall, this is just one aspect that differentiates PE from other owners, the greater differences in comparison with a strategic investor lie in the fact that PE is an institutional model for active ownership […] PE firms give capacity to work very quickly through a short decision process where the owners, the board and the executive management of the portfolio company can implement initiatives quickly […]" (Daniel & Denise)

They also raise the point that PE ownership is private, and thus has an understanding for certain failures or slow development in the portfolio company, whereas a public market or other owner may be more short-sighted and inappropriately focused on financial targets. It can thus be understood that PE firms, having formulated an agenda for change, may also understand better the portfolio company's progress in terms of this agenda.

Denise and Daniel highlight these points with the example of corporate carve-outs, where a PE firm buys out a division of a larger company:

> "Corporate carve-outs are interesting […] The PE firm will be a dedicated owner, dedicate experts to the board of directors and allow the former division to realize a fuller potential without any obstacles […] not least in terms of giving the management free reigns [...]" (Denise & Daniel)

Daniel and Denise emphasise how the investment analysis, the plan for the portfolio company and the PE firm's resources integrate into a fast working ownership model, that along with a private setting stand out as particularly important factors in a PE firm's control of the portfolio company. The multitude of advantages that PE ownership offers, compared to strategic buyers, is also supported by several other respondents (Caesar, George, Amanda, John and Ebba).

4.6. Motivating Personnel and Driving Action

Another significant element in what distinguishes PE ownership, is the consistent use of equity incentive programs in portfolio companies. All interviews emphasize that it is an integral part in managing change and the use of them appears to be very similar across all respondent firms.

Amanda explained how these equity incentives for employees work and how far they typically extend:

> "Like most PE firms, we always put programmes for co-investment for portfolio company employees in place […] Top-level management and the board of directors are included with one rate of return on their sweep-stake options or other set-up […], and these incentives often extend to Vice President level employees, who get another rate of return." (Amanda)

John elaborated by explaining the value of aligning and motivating personnel from the onset:

> "[...] compared to strategic buyers, that often carry a synergetic integration agenda, continued empowerment of the top management in the target tends to be a key pillar in a PE firm's strategy [...] by motivating people in the right way and continuously applying a clear, ambitious vision of where things should be going over the time span of the investment [...] We always work with equity incentives for multiple levels of employees in the portfolio companies [...] If we take an example [...] we had several meetings with [employees] and they were all sitting in a room and we presented the plan [...] people were sceptical, and this is the pedagogical up-hill, you have to explain the economic rationale [...] so they put up a TV-screen in every office so they could see their earnings [...] And they started comparing [between offices]. The correlation between value creation and value of their stocks is very important." (John)

It appears that equity incentive programmes motivate the portfolio company's employees to understand and accept the change agenda the PE firm implements, whereby the PE firm's steps in implementing change reinforce one another.

However, it is important to note that PE firms employ several factors or tactics to drive change, and that equity incentives are not the solution to all problems, as explained by George: *"We always work with equity incentives for management, but there is no fool proof way to ensure successful leadership and implementation of initiatives."*.
What George suggests is also a recurring theme; that Group Dynamics, teamwork and interactions in the leadership of the portfolio company are very important factors in driving an agenda in a portfolio company (Amanda, John, Caesar and Felix).

4.7. PE Ownership and the Corporate Governance Structure

The interviews suggest the structure of continued leadership and corporate governance signify the final distinguishing element of PE ownership. As any change agenda is ultimately formalized, and to an extent formed, through the hierarchical leadership processes of the portfolio company, the theme stands out as particularly important.

When implementing change programs, all firms mention that they work through the board of directors and the executive management, and, in general, it appears PE firms do not interfere with activities below senior management positions, but all interviews still suggest detailed control under a PE firm, in terms of involvement with short-, mid- and long-term issues. All respondents unanimously identify the symbiosis between the PE firm, the board of directors and executive management, as unique to PE, because of both the close relationships between them and the role the PE firm has in appointing Directors or key management officers.

In terms of how decisions are made or implemented, George explains that the directions from the PE firms or the board of directors are top-down, but once the portfolio company receives feedback, it is the managers' responsibility to take action, often leading to a bottom-up approach. Thus, the view that the PE firm on its own, or independently, is driving change in the portfolio company is muddled, and the idea of the PE firm as an expert coordinator, finding competence to fill in gaps in the portfolio company, becomes a bit clearer.

Felix, acknowledges that he sometimes can be very close to front-line employees and become aware of the general feeling and motivation of front-line employees:

> "In the most recent [case], we were so close to the organization [...] I already recognize many of the salespeople there, I mean, I've been to the plant so many times that I recognize the workers performance [...] not only the management team, but others as well." (Felix)

It should be noted that Felix represents one of the smaller interviewed PE firms, but the notion of active ownership and a thorough clear view of the portfolio company, from the PE firm's side, is recurring (Amanda, John, George). If not close to the whole company, the PE firm is still identified as typically having closer relationships with the portfolio company's managers or board of directors than a strategic investor often would have (Caesar, Felix, Daniel and Denise).

When asked more specifically about why these relationships stand out as important for organisational or operational changes, Felix explained that this closeness both creates legitimacy and allows for better change implementation, by showing the portfolio company's employee's perspective.

On a similar note, George makes it clear that an apparent acceptance of a change agenda and incentives for change to happen cannot fabricate this closeness, and that the reciprocal understanding of the goals with management can break change initiatives:

> "The most common source of major problems lies in misunderstanding the management that either is in place at the portfolio company or that we bring in […] Either we overestimate their ability, they misunderstand what we mean or we simply miscommunicate and fail to understand what we are doing. […]" (George)

To the same point, all interviews identify the alignment and communication between the three different parts of the leadership in a portfolio company, the PE firm, the Board of Directors and the Executive Management, as crucial in both communicating and implementing any change agenda. While issues in this area may be resolved by other means, all interviewed PE firms may at times change the individuals in any of these three parts of the leadership, either before or during ownership.

In spite of this issue, Felix underscored that changing management often is not the way to execute change, as an entire organization cannot be forced to change, but must, on all levels, understand why the changes are good, and this preferably from the very onset of ownership.

5. Analysis & Discussion

5.1. About the Analysis

The interviews have revealed several themes of high relevance for answering the research question, but no firm explicitly admits to applying a Planned Change approach as developed in the theoretical framework. Thus, the analysis is structured to answer the research question by elucidating parallels between the empirical material and Lewin's Planned Change approach.

5.2. Analysis Part One: Before Investment

5.2.1. Planned Change Approach

From the onset, Planned Change is evident in the work of PE firms, as the investment analysis yields a change agenda ahead of any work. To the same theme, also Action Research stands out as particularly well realised, in the view of PE firms as expert coordinators and considering how the steps in the change process can be iterations of the agenda.

5.2.2. Mapping the Portfolio Company and Formulating a Desired State

At the core of the Planned Change and underlying the subsequent work, is rigorous analysis undertaken by the PE firms. A clear vision of where the portfolio company is, and should be going, is constructed by the PE firm's drawing expertise from extensive networks, which can be viewed as the construction of a Desired State for the organization. This view is consistent with Lewin's Field Theory, where three central questions are answered, "*Why* is the situation like this?", "*What* has to be changed?", and "*How* can we change given the means at hand to achieve a given result?" (Lewin 1943b, p.171).

While the business objectives of the change agenda lie outside the limitations of this thesis, a deep understanding of the portfolio company's initial Frozen State, in combination with a Desired State, appear to allow for effective change procedures, in terms of motivating employees and driving transformation. Standing out, strengths of heavy analysis and pre-formulating an agenda for the portfolio company include:

1. Giving the PE firm an understanding of the portfolio company's Force Fields.
2. Yielding a Desired State that the portfolio company can internalize, one that employees can understand, appreciate and feel is within reach.

Thus, the investment analysis, leading up to the closing of the deal, can be said to extend to just before beginning of the Unfreezing of the organization.

5.3. Analysis Part Two: Unfreezing

5.3.1. Internalizing the Change Agenda

Once it is the owner, the PE firm acts to communicate, internalize and implement the Desired State in the portfolio company, marking the beginning of the true Unfreezing of the portfolio company's state: "*a destabilisation of the quasi-equilibrium*" in the portfolio company, across one or more Force Fields. Thus, there is interdependency between the work ahead of ownership and the beginning of Unfreezing - the formulation of a Desired State is a prerequisite and an aid for Unfreezing.

From the interviews, it can be concluded that the portfolio company's employees' understanding of the new ownership's merits challenges, and indeed breaks the status quo. It is clear that the portfolio company's employees must understand, appreciate and trust the new ownership and the new agenda, the Desired State, to Unfreeze. In line with the notion of Cummings and Worley (2003), failing to convince people will not break the status quo. Viewing the communication of changes across the organisation as *Unfreezing*, or the reduction of Dominant Forces opposing change, the weight of the "pedagogical up-hill" and potential issues in communication is explained.

Another interesting theoretical parallel are the potentially ambitious goals for the portfolio company, which apparently can increase motivation, perhaps in line with the pressures outlined as conducive for action in Group Dynamics. Setting high targets may perhaps enable greater change as Lewin predicted (1942, p.114).

5.4. Analysis Part Three: Movement

Despite the already emergent close links between the steps of Planned Change in PE, analysis of change execution in a portfolio company reveal an even clearer pattern of reinforcement.

5.4.1. Gaining and Keeping Momentum for Change Initiatives

One possible theoretical interpretation of the common use of 100 day plans, is that PE firms aim to reduce time between the Unfreeze and Movement stages. The crucial moment of implementing change comes immediately once the status quo is broken, shortly after the change in ownership - just as Lewin recognises, there exists a readiness to develop and by initiating the change program and establishing measurable goals in close proximity to the Unfreezing a Private Equity firm can create a positive momentum (Lewin 1946, p. 201). However, change tends to be unsuccessful if the new form of an organization is not reinforced (Lewin 1947, p. 228).

But this conclusion may be incomplete, as the empirical material reveals that PE firms' concerns do not lie in the portfolio company's regressing to the former state, but in Movement and the change initiatives' requiring more effort. Thus, the 100 day plans may simply be a way of structuring change initiatives, but depend on the portfolio company being susceptible to change - meaning that the momentum several interviews refer to is the Unfrozen state of one or more Force Fields in the portfolio company and that immediate, short term action takes advantage of this condition, not least through Group Dynamics (Lewin 1942).

As mentioned, the Unfreezing and Movement stages, like the processes within each step, reinforce one another, which perhaps clarifies the obsession with immediate action or 100 day plans. As changes are made, and accepted by the portfolio company, other changes can more easily be made. Expounding this theoretically, it appears that no Force Field is independent, but part of a holistic Force Field across the organization, where the Forces resisting change are closely related.

5.4.2. Navigating Force Fields

Regardless of what perspective, it is apparent that Force Fields are active and not latent as the PE firm controls the portfolio company, thus signifying Movement. Navigating the open conflict of different interests that is a Force Field ultimately determines how effectively change can be implemented. In light of this, the empirical material on corporate governance and fast decision-making stands out as relevant.

The close relationships between the PE firm, the Board of Directors and the Executive Management appear to be vital to implement a change agenda which illustrates the participative approach in Action Research (Reason and Bradbury, 2001). In terms of theory, this can perhaps be viewed as superior Group Dynamics or as the consolidation of several Forces. Perhaps the PE firm should simply be seen as a dominating Force, but that would lack nuance and disregard the reciprocity the PE firm has with the portfolio company. Considering that the special relationship is related to the PE firm's close understanding of the portfolio company's organization, a truer understanding could be that the PE firm manages to use the perspectives of different parts of the portfolio company's organization to convince actors to align Forces.

To the same point, the relative strength of Forces working in the organization prioritises how the change agenda is disseminated, as the PE firm primarily interacts with senior management and the board of directors. This can involve removing Forces or adding new ones, by changing key executive officers or directors, but this creates complexity in understanding how the different actors in the leadership are distinguished, implying that the PE firm is the single dominant Force.

While there can be total change of the organisation's state at the top of the corporate governance hierarchy, the interviews clarify that this is not an effective way to enact change - simply removing one strong actor representing an obstacle does not always aid Movement. Thus, the complexity decreases, and PE firms' navigation of Force Fields can be interpreted as a delicate balancing between Forces, where other actors cannot be run over due to the potential loss of other initiatives, and the negative effect on Group Dynamics.

Regardless of this issue, it appears that the Movement stage is effectivized by:

1. Dividing goals for different departments and creating shared responsibility of driving change across the organization, thus aligning Forces.

2. Iterating on the agenda for a better fit, where more objective leadership that disregards personal agendas leads to fewer conflicts in alignment in the Force Field.
3. Expressing the agenda from the perspectives portfolio company employees hold, thereby taking the value of other Forces, and Group Dynamics, into account for a balanced approach.

Confirming this interpretation, respondents suggest rigidity or inertia often exist within the leadership of a company under non-PE ownership, whereas PE owners have the ability to overcome obstacles and make decisions quicker. What the respondents convey is that mutual alignment towards one collective Desired State creates a virtuous cycle of effective change.

5.4.3. Equity Incentives – Movement and Initial Freezing

The most explicit way PE firms align forces or motivate people is through equity incentives. It is very clear that by co-investment, all parties in the change processes, i.e. management and the board of directors, are aware of their co-dependence towards collective objectives, thus facilitating change.

Still, it can be debated whether these incentives change the direction of individual forces or ensure effective execution of change by motivation and Group Dynamics. Equity incentives can perhaps have different roles, either as encouraging execution of change initiatives by motivating action, or as driving acceptance of the new agenda and the new ownership, aligning forces.

Regardless of what functions are filled, the empirical material makes clear that the end result, in terms of change, is what matters. Thus, the interconnectedness of the steps in a portfolio company's changes under PE ownership is reaffirmed. As the steps of the change process reinforce one another, Movement follows Unfreezing.

5.5. Final Part of the Analysis: Freezing

5.5.1. View of the Firm as a Coordinator

Similarly to how the former steps of the PE firm's work reinforce one another, appearing collectively similar to the steps of Lewin's Planned Change, it appears Freezing is a multitude of efforts and their end results.

The empirical material does not suggest that any implemented Movement fails to be embedded and continues to be challenged. Thus, Freezing may either depend on a normal state of latency and inactivity in the portfolio company's organization, or be the result of the highly proactive steps the PE-firm takes to implement change.

Despite this complexity, the most accurate perception of how the interconnected steps work to *freeze* the portfolio company in a new state is perhaps obvious. The length of efforts in the change process, and the length of the effects of these efforts, imply that they extend between the different steps of Planned Change. For instance, equity incentives continue during the PE ownership, and as such both creates Movement and Freezes former changes. As another example, it would be naive to understand the corporate governance structure as allowing changes to be reversed.

As the interdependency of the change efforts recurs, it is perhaps valuable to interpret the PE firm's role as a coordinator from the theoretical framework. The PE firm ensures that, for any specific change initiative, the multitude of efforts reinforce one another and complete in the right order, in accordance with the Planned Change steps (see Model 2).

5.6. Analysis Summary

5.6.1. Recurring Themes Across the Categories

There are evidently recurring themes in the empirical material, with strong similarities across several areas. Most strikingly, is that these similarities are strong between all firms, across all categories. The only apparent difference between the categories is that larger firms may have a greater tendency to apply or add external competence to the portfolio company.

Given that these recurring themes yielded strong parallels to the theoretical framework, there is evidence suggesting that PE firms to a high degree follow the Planned Change process as theorised by Lewin.

5.7. Discussion

5.7.1. Problematizations and a Critical Review

While the analysis concludes that PE firms manage change through the scope of Lewin's model for Planned Change, the answer to the research question is not undoubtable.

A primary objection to the analysis is that of perspective. It can be argued that changing *what* the portfolio company is, rather than *how* it is, by removing or adding leadership positions does not constitute true Planned Change. Likewise, how larger PE firms tend to integrate external competence may be seen as the creation of a new organization, implying that the change process is not endogenous in the portfolio company. However, it must be noted that the theoretical framework does not limit its applications and supports the view of Organizational Change as a complex group of processes. If anything, change should imply that a new organization emerges from the former one.

On another note, the difficulty in defining Freezing in portfolio companies is a weakness in terms of fit with theory. Perhaps, the rapid changes depend on the lack of Freezing, but this is still not conforming to theory. It can then be assumed that focus should be on specific change programmes, not on an entire agenda, as Freezing is evident for specific change initiatives, while the organization can remain Unfrozen.

5.7.2. Comparison to Other Studies

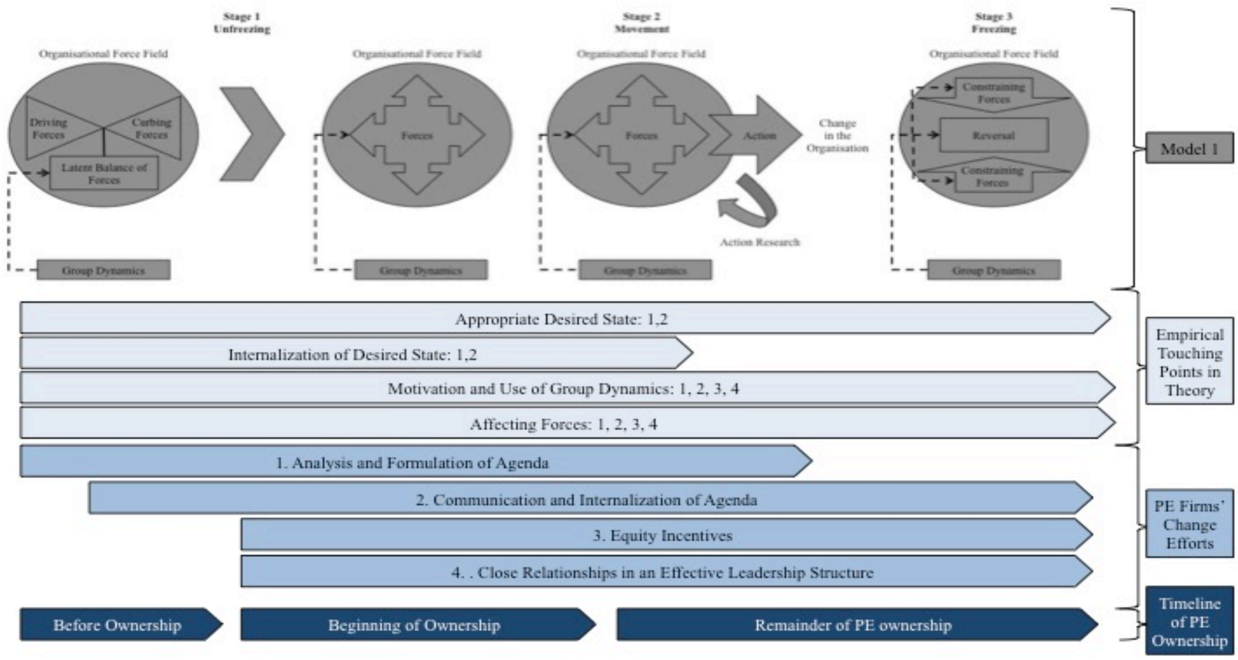
In accordance with Rosenbaum et al. (2018), stating that Lewin's framework is the fundamental building block for many Organizational Change processes, it is not unexpected that progression through the Three Step model is found in the changes executed by PE firms. Likewise, the analysis also falls in line with Ford and Greer's (2006) validity test of Lewin's framework.

Thus, despite the problematizations of the analysis, the understanding of the empirical material's elements as conforming to the theoretical framework is analogous to other studies of Planned Change (see Model 2).

5.7.3. Clarifying the Answer to the Research Question

However, there is not one dimensional conformity, but some differences between the empirical study and the theoretical framework, primarily as the steps of Planned Change appear more ambiguously in PE firm's work and there are several complex processes that interact as a virtuous cycle, rather than separate steps. But, accepting the role of PE firms as coordinating these efforts, implies that it is important to take a holistic view and see the theoretical parallels over the whole course of a PE firm's work.

Synthesising a simplification of the analysis' conclusion and the theoretical framework, yields a model that exhibits how Lewin's theoretical framework of Organisational Development is evident in the change processes of businesses in the context of Private Equity ownership. Still, the interconnectedness and virtuous cycles of specific elements are not clearly visualised.



Model 2: A Visualization of Lewin's Three Steps of Planned Change in the context of a PE owned portfolio company

To conclude, holistically, Lewin's model of Planned Change, especially considering the role of the PE firm as a coordinator, using Action Research to iterate on these multiple processes, is highly evident in how a PE firm implements change in a portfolio company.

6. Conclusion

6.1. The Outcome

With the purpose of further understanding organizational change in the context of Private Equity, this study has answered the research question *How is Lewin's theoretical framework of Organizational Development evident in the change processes of businesses in the context of Private Equity ownership?* by offering several strong parallels and touching points between the empirical material and the theoretical framework.

While the theoretical framework is well established, and the conclusions offered conform to other studies, this study brought both a new context to the application of Lewin's Planned Change and also elucidated the work of Private Equity firms Sweden from an unusual angle, namely Organizational Development.

6.2. Transferability

6.2.1. Value to the Private Equity Community

As the conclusion suggests PE firms unknowingly follow Lewin's model, this thesis may bring understanding to the significance of the standardised procedures, in terms of organizational and management theory, that PE firms active in corporate buyouts in Sweden use. As this offers apparent ways of emphasising the strengths of the change processes, Swedish PE firms may well gather insight. It should also be noted that the geographical limitations of this study can be discussed with regards to transferability, perhaps the conclusions are relevant internationally as well.

Additionally, as the frame of this study is particular in nature, by focusing on Change Management, the very collection of insight on issues and concerns by industry insiders could lend itself to use and study by the PE industry.

6.2.2. Value to the Greater Business Community

Aside from the opportunity to emulate PE firms in Organizational Change, other business leaders may benefit from observing the empirical material as it its centred on corporate buyouts. The interviewees addressed both PE firms' differences against other owners and apparent problems in the routines of non-PE owners.

Furthermore, while some elements such as external competence and a private setting, are specific to PE, the execution and the process in which other change efforts are mixed and reinforce one another can certainly be applied in other companies.

6.3. Contribution to Research

This thesis applies a holistic view of both the steps in the Planned Change and of Force Fields, while also elucidating the separation of the three steps, thereby offering further discourse to the interpretation of a wide theoretical framework. Correspondingly, the study of PE firms yielded depth to interpreting the theories, with the idea of reinforcement and virtuous cycles in Planned Change.

As identified in the research gap, this thesis aimed to contribute to research by finding a new setting for Lewin's theories and a new angle in studying the operations of PE. While, the answer to the research question showcased that the theoretical framework has a strong fit in the context of PE, the incomplete aspects and complexities also constitute a contribution to studies in the field.

6.4. Suggestions for Future Research

In tandem with the conclusion of this thesis, and the contributions it has yielded, further studies exploring Planned Change in a PE setting can be justified. The analysis has taken a broad perspective and found some incomplete gaps between empirical material and theoretical framework, making a few different topics stand out as potentially rewarding future research.

As the limitations only extended to the perspective of the PE firm, applying a closer level of detail, incorporating the viewpoint from the portfolio company could obviously augment the understanding of Planned Change in PE. Moreover, it would be constructive to conduct a deep comparison of a portfolio company that has formerly been owned by a non-PE firm, thereby scrutinizing an area the empirical material identified as relevant.

Lastly, building an applied model extracted from Lewin's ideas could allow for greater understanding of the theoretical framework and comparisons between different scenarios, to end ambiguity in the PE context.

7. References and Works Cited

7.1. Academic Research and Articles

Achleitner, A. and Figge, C. (2014). Private Equity Lemons? Evidence on Value Creation in Secondary Buyouts, *Eur Financial Managemen*t, 20: 406-433, doi:10.1111/j.1468-036X.2012.00644.x

Bamford, D.R,. Forrester, P.L. (2003). Managing planned and emergent change within an operations management environment, *International Journal of Operations & Production Management*, Vol. 23 Issue: 5, pp. 546-564, https://doi.org/10.1108/01443570310471857

Boselie, P. and Koene, B. (2010). Private Equity and human resource management: 'Barbarians at the gate!' HR's wake-up call?, *Human Relations*, 63(9), pp. 1297–1319. doi: 10.1177/0018726709349519

Brightman, B.K., Moran, J.W., (2001). Managing organizational priorities, *Career Development International*, Vol. 6 Issue: 5, pp. 244-288, https://doi.org/10.1108/EUM0000000005581

Bryant, M. and Stensaker, I. (2011). The Competing Roles of Middle Management: Negotiated Order In the Context of Change, *Journal of Change Management* Vol. 11, No. 3, 353–373, September 2011

Burnes, B. (2004). Kurt Lewin and the Planned Approach to Change: A Re□appraisal. *Journal of Management Studies*, 41: 977-1002. doi:10.1111/j.1467-6486.2004.00463.x

Burnes, B., and Cooke, B. (2012). Review Article: The past, present and future of organization development: Taking the long view, *Human Relations*, 65(11), pp. 1395–1429. doi: 10.1177/0018726712450058

Cuny, C.J., and Talmor, E. (2007). A theory of Private Equity turnarounds, *Journal of Corporate Finance*, 13 (2007) 629–646

Endrejat, P.C., Baumgarten, F., Kauffeld, S. (2017). When Theory Meets Practice: Combining Lewin's Ideas about Change with Motivational Interviewing to Increase Energy-Saving Behaviours Within Organizations, *Journal of Change Management*, 17:2, 101-120, DOI: 10.1080/14697017.2017.1299372

Fernandez, S. and Rainey, H.G. (2006). Managing Successful Organizational Change in the Public Sector, *Public Administration Review*, March, April 2006, pp. 168-176

Ford, M.W. and Greer, B.M. (2006). Profiling Change: An Empirical Study of Change Process Patterns, *The Journal of Applied Behavioral Science*, 42(4), pp. 420–446. doi: 10.1177/0021886306293437.

Gompers, P., Kaplan, S.N., Mukharlyamov, V. (2016). What do Private Equity firms say they do?, *Journal of Financial Economics*, Volume 121, Issue 3, 2016, Pages 449-476,
ISSN 0304-405X, https://doi.org/10.1016/j.jfineco.2016.06.003.

Harris, R.S., Jenkinson, T., Kaplan, S.N. (2015). How Do Private Equity Investments Perform Compared to Public Equity?, *Darden Business School Working Paper* No. 2597259. (June 15, 2015), http://dx.doi.org/10.2139/ssrn.2597259

Hussain, S.T., Lei, S., Akram, T., Haider, M.J., Hussain, S.H., Ali, M. (2018). Kurt Lewin's change model: A critical review of the role of leadership and employee involvement in organizational change, *Journal of Innovation & Knowledge*, Volume 3, Issue 3, 2018, Pages 123-127, ISSN 2444-569X,
https://doi.org/10.1016/j.jik.2016.07.002.

Jensen, M (1989). Eclipse of the Public Corporation, *Harvard Business Review*, 67(5): 61–74

Kaplan, S.N. and Stromberg, P. (2009). Leveraged Buyouts and Private Equity, *Journal of Economic Perspectives*, 23 (1): 121-46. DOI: 10.1257/jep.23.1.121

Kend, M., and Katselas, D. (2013). Private Equity coming out of the dark: The motivations behind Private Equity activity in Australia, *Qualitative Research in Accounting & Management*, Vol. 10 Issue: 2, pp. 172-191,
https://doi.org/10.1108/QRAM-10-2011-0043

Klier, D., Welge, and M., Harrigan, K. (2009). The Changing Face of Private Equity: How Modern Private Equity Firms Manage Investment Portfolios, *The Journal of Private Equity*, 12(4), 7-13.

Kim, T.G., Hornung, S. and Rousseau, D.M. (2011). Change-Supportive Employee Behavior: Antecedents and the Moderating Role of Time, *Journal of Management*, 37(6), pp. 1664–1693. doi: 10.1177/0149206310364243.

Kotter, J.P. (1995). Leading Change: Why Transformation Efforts Fail, *Harvard Business Review*, 73(2), 59–67. doi:10.1177/1742715015571393

Lanier, J.A. (2012). Leadership and Organizational Theory Dynamics Between Middle Market Private Equity Firms and the Portfolio Companies They Control, *Journal of Practical Consulting*, Vol. 4 Iss. 1, Fall/Winter 2012, pp. 6-21.

Lahmann, A.D.F, Stranz, W,. Velamuri, V.K. (2017). Value creation in SME Private Equity buy-outs, *Qualitative Research in Financial Markets*, Vol. 9 Issue: 1, pp.2-33,

Landau, C. (2014). Active involvement of Private Equity firms in portfolio companies and its performance effects, *Advances in Strategic Management*, Volume 31, 2014, Pages 185-229

Laskowski, D.A.A. von, (2012). How Changes in Managers' Sensemaking Influence a Strategic Change: Strategizing in a Private Equity Context (Doctoral dissertation). Stockholm School of Economics, Stockholm

Lessard, S., Bareil, C., Lalonde, L., Duhamel, F., Hudon, E., Goudreau, J., Lévesque, L., (2016). External facilitators and interprofessional facilitation teams: a qualitative study of their roles in supporting practice change, *Implementation Science* 201611:97 https://doi.org/10.1186/s13012-016-0458-7

Odor, H.O. (2018). Organisational Change and Development, *European Journal of Business and Management*, ISSN 2222-1905 ISSN 2222-2839, Vol.10, No.7, 2018

Rosenbaum, D., More, E., Steane, P. (2018). Planned organisational change management: Forward to the past? An exploratory literature review, *Journal of Organizational Change Management*, Vol. 31 Issue: 2, pp. 286-303, https://doi-org.ez.hhs.se/10.1108/JOCM-06-2015-0089

Rouleau, L. (2005). Micro□Practices of Strategic Sensemaking and Sensegiving: How Middle Managers Interpret and Sell Change Every Day*, *Journal of Management Studies*, 42: 1413-1441. doi:10.1111/j.1467-6486.2005.00549.x

Sarayreh, B.H., Khudair, H., Barakat, E.A. (2013). Comparative Study: The Kurt Lewin of Change Management, *International Journal of Computer and Information Technology* (ISSN: 2279 – 0764) Volume 02 – Issue 04, July 2013

Spliid, R. (2013). Is Nordic Private Equity Different?, *The Journal of Private Equity*, 16(2), 38-57. Retrieved from http://www.jstor.org/stable/43503743

Van der Voet, J,. Kuipers, B.S., Groeneveld, S. (2016). Implementing Change in Public Organizations: The relationship between leadership and affective commitment to change in a public sector context, *Public Management Review*, 18:6, 842-865, DOI: 10.1080/14719037.2015.1045020

Westley, F. (1990). Middle managers and strategy: microdynamics of inclusion, *Strategic Management Journal*, 11, pp. 337–351

Woiceshyn, J., Huq, J.L., Blades, K., Pendharkar, S.R. (2019). Microdynamics of Implementing Planned Change on Organizations' Front Line, *Journal of Change Management*, DOI: 10.1080/14697017.2019.1602553

Wright, M., Amess, K., Weir, C., Girma, S. (2009). Private Equity and corporate governance: Retrospect and prospect, *Corporate Governance: An International Review* Volume 17, Issue 3, May 2009, Pages 353-375

7.2. Books

Bell, E., Bryman, A., Harley, B (2018). Business Research Methods, Oxford University Press, 5 edn, Italy, L.E.G.O. S.p.A.

Beckhard R (1969) Organization Development: strategies and models Addison Wesley: Reading, MA

Cummings T.C. and Worley C.G. (2009). Organization Development & Change, 9 edn, South-Western Cengage Learning, Canada

Lewin, K. (1939). 'Experiments in Social Space', in Lewin, G.W. (ed.) Resolving Social Conflict: Selected Papers on Group Dynamics. New York: Harper & Brothers, p. 71-102

Lewin, K. (1942). 'Time perspective and Morale', in Lewin, G.W. (ed.) Resolving Social Conflict: Selected Papers on Group Dynamics. New York: Harper & Brothers, p. 103-124

Lewin, K. (1943a). 'Defining the "Field at a Given Time"', in Cartwright, D. (ed.) Field Theory in Social Science: Selected Theoretical Papers. London: Tavistock Publications LTD, p. 43-59

Lewin, K. (1943b). 'Psychological Ecology', in Cartwright, D. (ed.) Field Theory in Social Science: Selected Theoretical Papers. London: Tavistock Publications LTD, p. 170-187

Lewin, K. (1946). 'Action Research and Minority Problems', in Lewin, G.W. (ed.) Resolving Social Conflict: Selected Papers on Group Dynamics. New York: Harper & Brothers, p. 201-216

Lewin, K. (1947). 'Frontiers in Group Dynamics', in Cartwright, D. (ed.) Field Theory in Social Science: Selected Theoretical Papers. London: Tavistock Publications LTD, p. 188-237

Reason, P., & Bradbury, H. (2013). The SAGE Handbook of Action Research: Participative Inquiry and Practice, 2 edn, SAGE Publications Ltd

7.3. Industry Reports and Articles

Caldbeck, R. The PE Hub Network. (July, 2015). *Private Equity's dirty little secret: why operating partners don't make sense,* Retrieved 2019 Month Day from https://www.pehub.com/2015/07/private-equitys-dirty-little-secret-why-operating-partners-dont-make-sense/

Copenhagen Economics (2017). S*wedish Private Equity Market: A footprint analysis,* Retrieved from https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/2/402/1499177295/the-swedish-private-equity-market-a-footprint-analysis-copenhagen-economics-july-2017.pdf

World Economic Forum (2009). *The Global Economic Impact of Private Equity Report 2009: Globalization of Alternative Investments Working Papers Vol. 2,* retrieved from https://www.weforum.org/reports/global-economic-impact-private-equity-report-2009-globalization-alternative-investments-working-papers-vol-2

8. Appendices

8.1. Appendix 1: Interviews

Overview of the interview subjects

Firm	Category (size)	Interviewee	Interviewee Position	Number of Interviews
A	1	Amanda	Associate	1
B	1	John	Principal	1
C	1	Caesar	Principal	1
D	2	Daniel	Principal	1
D	2	Denise	Principal	1
E	2	Ebba	Principal	1
F	2	Felix	Associate	1
G	3	George	Founder/Chairman	1

Note: The firm names, respondent names and gender are anonymized