LUND UNIVERSITY

SCHOOL OF ECONOMICS AND MANAGEMENT

From Legacy to Strategy

A Qualitative Study on Active Ownership in Swedish Family Offices

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2024-05-27

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Word Count:
24 229

Abstract

A Family Office (FO) is a privately held investment entity that manages the wealth for one or more families. While contemporary research on the investment sector is plentiful, the FO sector has been largely neglected. This paper examines the role of active ownership in Swedish FOs through a qualitative study. Drawing on semi-structured interviews and written responses from executives in eight Swedish FOs, we investigate their strategies and practices pertaining to active ownership. We utilize two frameworks to contextualize governance relationships in the Swedish FO sector and to categorize FOs based on investment behavior. The latter is revised based on our empirical findings, suggesting a categorization of FOs in our sample based on characteristics pertaining to investment strategies and behavior. By addressing the subject of ownership strategies in Swedish FOs, we highlight the unique governance dynamics and investment behaviors within the FO context, providing valuable insights for both scholars and practitioners in the field of strategic management. Our findings suggest that FOs are generally active owners, prioritizing long-term ownership, utilizing high board engagement and maintaining communication with portfolio companies. We further propose that FOs are influenced by the owning families legacy, which affects decision making and strategy.

Acknowledgement

Firstly, we would like to express our greatest gratitude to our supervisor, Matts Kärreman, who guided us with remarkable commitment, flexibility and interest in our study.

Further, we would also like to thank Nils-Johan Andersson, who has provided us with invaluable insights on the Swedish Family Office sector, as well as guidance throughout our thesis.

Lastly, we would like to express our sincere appreciation towards all company representatives who, despite an intense period in the corporate world, dedicated time to participate in this study. Their knowledge and experience made this study possible.

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1. Introduction

Family-owned firms encompass a wide spectrum of sizes, legal structures and industries, representing the cornerstone of corporate life in many nations and playing a vital role in socioeconomic development (Poutziouris et al. 2008: Hansson, 2010). Similar to other nations, Sweden hosts a cohort of family-run enterprises that have attained significant size and influence, resembling institutions in their own right (Lindgren, 2002). As businesses expand, the wealth of their founders increases, leading to complex challenges in wealth management. In response, many founders establish Family Offices, hereby referred to as FO(s), which is a professional investment organization dedicated to managing and growing family wealth (Amit et al. 2008: Fernandéz-Moya & Castro-Balaguer, 2011). Amit et al. (2008) and Gilding (2005) highlights that FOs not only manage the fortunes of the very wealthy, but also oversee various aspects of their lives (Amit et al. 2008: Gilding, 2005). This tradition, rooted in externalizing the organization of the family wealth and affairs, goes back thousands of years (Amit et al. 2008). The modern FOs, however, has put increasingly more focus on growing the family wealth by active investments in external equities (Fernández-Moya & Castro-Balaguer, 2011: Gilding, 2005: Gray, 2005). Emphasizing the plausible importance of FOs as investors, rather than stewards and administrators.

Despite their significance, FOs have been largely neglected in academic research, particularly concerning their active ownership strategies (Rottke & Thiele, 2017) and the definition of the contemporary FO is often non-consistent (Kenyon-Rouvinez & Park, 2020: Amit et al. 2008: Rosplock, 2020). Prior research varies in its focus in defining FOs based on strategic intention, ownership structure, boundaries, assets under management (AUM) and its goals (Kenyon-Rouvinez & Park, 2020: Amit et al. 2008). In order to clarify the problem of definition, we define a FO as: a professional investment organization dedicated to managing and growing the wealth of affluent families across generations. In order to qualify as a FO, this thesis makes four crucial distinctions. Firstly, the investment entity has to be majority owned by the creator of the FO, or its direct relatives. Secondly, the investment entity is privately held and not listed on any stock exchange. Thirdly, a maximum of two generations have passed since its creation. Lastly, the investment entity has at least SEK 250 million in assets under management. These criteria are based on contemporary literature on wealth management, corporate governance, finance, sociology and law, and focus on the definitive characteristics of the FO. These criteria also create a context for which FOs can be chosen with relevance for our research.

Since the beginning of professional investments in 1772 (Rouwenhorst, 2004), the investment sector has undergone a remarkable transformation, evolving into a sophisticated, high-tech industry fueled by innovation and complexity (Gao et al. 2020). This transformation has led to a diverse industry landscape, encompassing a wide array of investment enterprises ranging from traditional asset management firms to hedge funds and private equity groups. As a result of this diversity, the need for categorization inevitably arises, contingent upon the traits of firms and their anticipated approaches to investment strategy and financing. Notably, modern investment firms primarily invest capital on behalf of their investors, often resulting in a classification as an institutional investor (CFI, nd.). According to the Corporate Financial Institute (CFI, nd), an institutional investor is “A legal entity that gathers funds from several investors to invest in various financial instruments" (CFI, nd).

Institutional investors often encounter challenges when attempting to divest from holdings that veer from their intended path (Jones & Ratnatunga, 2012). Therefore, in order to safeguard their investments, they increasingly turn to governance in the form of active ownership, as they seek to influence the portfolio company to act in a specific way (Jones & Ratnatunga, 2012). Active ownership is a concept commonly used to describe investment firms´ strategies regarding high involvement in portfolio companies' strategic actions (Nordea, 2022) and is often defined as the process of influencing firm policies and practices (Sjöström, 2020: Goranova & Ryan, 2014). On the other hand, passive ownership regards shareholders who do not engage portfolio companies’ management (Carlsson, 2003). In order to successfully grasp the complexities of active ownership, more behaviors and processes than influencing the corporations policies and practices has to be incorporated into the definition (Goranova & Ryan, 2014: McNulty & Nordberg, 2015). Definitively defining active ownership can be a hard task and definitions range from voting on important topics (Gollier & Pouget, 2022), to include engaging management (McNulty & Nordberg, 2015), picking board members or participating as a board member (Carlsson, 2003), appointing executives (Carlsson, 2003), filing shareholder resolutions (Jones & Ratnatunga, 2012) or managing executive pay (Connelly et al. 2010). These could, perhaps, instead be regarded as mechanisms for active ownership, whereas the term could incorporate several of these and act as an umbrella term for investors' engagement with portfolio companies.

1.1 Problematization

Institutional investors wield an increasingly significant influence in the contemporary global financial markets (Gollier & Pouget, 2022: Fichtner, 2019: Gillan & Starks, 2003: Garcia-Meca & Pucheta-Martinez, 2017: Pucheta-Martinez & Chiva-Ortells, 2018). As a result, there has been a increase of scientific contributions on active ownership through their impact, involvement, influence and engagement with businesses (McNulty & Nordberg, 2015: Woidtke, 2002: Schmidt & Fahlenbrach, 2017: Appel et al. 2016: Lewellen & Lewellen, 2022: Johnston et al. 2021), often viewed through the lens of the agency problem (Bebchuk et al. 2017: Chang et al. 2015: Zaid et al. 2020: Wessel et al. 2014). More recently, much of this research has been focused on their impact on sustainability matters (Gollier & Pouget, 2022: Dimson et al. 2015: Pucheta-Martinez & Chiva-Ortells, 2018: Balp & Strampelli, 2022: Kordsachia et al. 2021), signaling a shift in scholarly attention towards responsible investing practices. Nevertheless, despite a substantial body of scientific research on institutional active ownership, studies focusing on a FO context remains limited. This highlights a significant gap in academic research.

While there is a substantial body of research on corporate ownership and control (Carlsson, 2003: Birkmose & Strand, 2013: Agnblad et al. 2002: Hogfeldt, 2005: Henrekson & Jakobsson, 2010), there is a notable absence regarding strategies of active ownership within the FO context. The deficiency in the literature on FOs is also identified by Schickinger et al. (2023) who recognized a substantial gap between "the practical relevance and scholarly attention to this topic" (Schickinger et al. 2023, p. 2). In the gap, they outline three particular factors that motivate the necessity for understanding strategies of active ownership in the context of FOs. Firstly, there is a need for better understanding of governance mechanisms - such as active ownership in - FOs (Schickinger et al. 2023: McNulty & Nordberg, 2015). Secondly, the tendency of FOs to adopt an entrepreneurial ownership strategy (Schickinger et al. 2023) further exacerbates this need. Lastly, the investment behavior and characteristics of FOs are not well understood and lack empirical grounding (Schickinger et al. 2023). Contrary to other investor types such as institutional investors, there is a limited understanding of drivers and the consequences of potential differences in investment behavior and characteristics between FOs (Schickinger et al. 2023).

Furthermore, the strong emphasis on privacy within FOs (Amit & Liechtenstein, 2009: Decker & Lange, 2013) renders access to organizational strategies challenging (Wessel et al. 2014: McNulty & Nordberg, 2015). This is mirrored in academia as researchers echo the need for academic insight into the topic as “awareness of the family office-phenomenon in management research is low” (Wessel et al. p.1, 2014) and “such corporate–investor engagement … is not as well recognized in the literature because of its private nature…” (McNulty & Nordberg, p.7, 2015). Scholars also note that the complex diversity in the sector is not captured in the scientific literature (Wessel et al. 2014), emphasizing the need for understanding differences in approaches to governance mechanisms, such as active ownership. Additionally, the structure of FOs presents a unique challenge due to the dynamic separation of ownership and control, and the diverse sets of goals found in various stakeholders (Wessel et al. 2014: Schweiger et al. 2023), complicating traditional agency relationships. This emphasizes the need for customized control mechanisms, motivating further research into the various aspects of active ownership and how it is affecting the investment behavior of the FOs.

1.2 Research Question and Purpose

Building on the background of active ownership and FOs, the purpose of this thesis has two key objectives. Firstly, this study aims to contribute to academia by addressing the identified gap on active ownership in FOs. Secondly, this study aims to contribute to practitioners by creating a better understanding of active ownership within the sector through the identification, characterization, and explication of it. With the popularity of various forms of institutional active ownership, both in practice and as an academic topic for research, we aim to enhance practitioners' cognizance of the concept. Our goal is that this will equip investors with the information necessary for taking more informed decisions on ownership strategies. In academia, we aim to improve comprehension of the concept in practice, along with its underlying mechanisms, whilst creating a solid foundation for further research. Ultimately, the goal is to contribute to the advancement of both theoretical knowledge and practical applications in the realm of active ownership, benefiting stakeholders across academia and industry.

Therefore, the purpose of this study is to increase the understanding of FOs and their active ownership by examining strategies and practices in Swedish FOs. To do so, we developed the following research question:

RQ*: What are the manifestations of active ownership across family offices in Sweden, and how does it align with expected investor behavior, according to established concepts?*

To address this question, a study of eight Swedish FOs has been performed. Further explanation of this paper's methodology and scientific approach will be conducted in the methodology chapter.

2. Key Concepts

The following chapter explains the most fundamental concepts within the scope of this paper. They are used to provide the reader with an important foundation for understanding the context of this study.

2.1 Joint-Stock Company

In Sweden, the most common form of company is the Joint-Stock Company (Aktiebolag in Swedish and hereby referred to as "AB") (Ekonomifakta, 2023). These companies are regulated through the Swedish law called "Aktiebolagslagen", which regulates how an AB should be directed. An AB can either be public or private, meaning that their equity stocks are either publicly available for trading or privately held and therefore not available to the general public (Riksdagen, 2005). The stocks are then valued depending on either banks and institutions if private, or the stock market if public. Each AB, no matter public or private, has a limited amount of shares which represent an equal part of ownership. This amount of shares can both be increased or decreased by making a split or reverse split (dividing or consolidating stocks), or by a new emission which is a process to raise more capital by creating new shares (Riksdagen, 2005). The owners of the stock bear no private liability towards the company, which means that if the stock price goes to zero, the stock owners do not bear any liability to cover the debt with personal finances, the money that is invested is the total amount that can be lost (Riksdagen, 2005).

In a public AB, investors can buy shares on the stock market if desired, this is the greatest difference between a public and a private AB. In a private AB, the shares are not available on the public stock market, and therefore tend to have a more concentrated ownership structure (Morck, 1996). To buy or sell shares in a private AB, internal agreements need to be concluded with current shareholders, resulting in more influence for the shareholders regarding control and dispute resolutions (Finegan, 1991). A private AB is not allowed to offer more than 200 people the opportunity to purchase securities in the firm (Bolagsverket, 2021). The price of the share in a private AB is not determined by the market, but rather a negotiation between the buyer and the seller which tends to be a more flexible but time consuming process (Guinnane et al. 2007). If a private AB wants to become public, it is possible through an initial public offering (IPO) that is determined during the annual general meeting, in which the shares become public (Cumming et al, 2022: Bolagsverket, 2021).

2.1.1 Board Structure

The management of an AB needs to have a board of directors with one or more board members, that amount of board members is decided in the Articles of Association by each company. The main task of the board of directors is to answer for the company as an organization and manage the company's affairs (Riksdagen, 2005). According to chapter 8, paragraph 4 in “Aktiebolagslagen”, the board should make sure that the organization is constructed in a way that accounting, capital management and financial relationships are monitored in an adequate manner (Riksdagen, 2005). The board is appointed through the general meetings in which the shareholders have voting power. In a board that has more than one board member, one of the members needs to be appointed as the chairman of the board. The chairman is assigned to direct the tasks the board faces as well as monitor the work to follow predetermined legislations and internal protocol. The board has meetings when it is needed, and the board is required to appoint a board meeting if any of the board members or the CEO for the company requests it (Riksdagen, 2005).

2.1.2 Shareholder Influence

Each year, the board of directors invite the shareholders to an annual general meeting (AGM). This meeting is to inform the shareholders of the past years performance and strategy, which is usually presented by the directors of the company (Riksdagen, 2005). At the AGM, interested shareholders have the chance to express their voting rights in several different fundamental questions. Voting can be regarding the appointment of the company's board of directors, compensation for executives, dividend policies, and selection of auditors as well as large strategic decisions (Riksdagen, 2005). It is not mandatory for a shareholder to attend the meeting, but regardless of the size of shares, the holder is invited to the meeting. In companies with a more concentrated ownership structure, the influence the shareholder can have on decision making for the company during the AGM can be severely influencing (Riksdagen, 2005).

The Swedish law on public takeover bids on the stock market (Riksdagen, 2006), requires an owner to place a mandatory bid on the remaining outstanding shares if the owner's voting percentage equals or exceeds 30%. This is called “budplikt” or mandatory offer. In the case of a shareholder increasing their share to pass the limit of mandatory offer (30%), they need to make an offer to the rest of the shareholders to buy the remaining shares. This law exists to protect small shareholders against large changes in the organization if a majority owner controls a large stake, and therefore provides an “out” for the small shareholders if they so like (Riksdagen, 2006).

There are exceptions to this law and the share takeover is not something that is required to happen if the large shareholders do not wish to do that. One exception is that if the shareholder that passes 30% of voting shares has been such a shareholder for a long time, even before since the law of mandatory offer was incorporated, they are not forced to leave a mandatory bid. There is also no regulation of the price the mandatory bid needs to be, therefore, if the shareholder with 30% of the voting rights does not intend to become a lone owner of the company, they can leave a bid on the rest of the shares with a price with no premium (Riksdagen, 2006). This would make it highly unlikely that the other outstanding shareholders would accept the bid, as it is more common for shareholders that do want to take full ownership of the company to provide a bid with a lucrative premium that convinces other shareholders to accept the bid. If the bid, even with a lucrative price, does not get accepted by the remaining shareholders, the principal shareholder can still purchase shares from the market and if they reach a 90% ownership stake in the company, the rest of the shareholders may be forced to sell their shares to the controlling company through forced redemption (Avanza, nd: Aktiemarknadsnämnden, nd).

When a shareholder reaches an ownership stake of the shares or voting rights of 50,1% or more, the parent company can then consolidate the company as a subsidiary into their financial statements (PwC, 2020). This will then be shown in the consolidated financial statement in the parent company’s annual report (Riksdagen, 1995). According to Swedish law, the annual report should be published in a manner that all shareholders get access to the same information at the same time. This, to prevent unethical behavior among shareholders, providing lucrative trading opportunities depending on the accessible information. However, this law has exceptions, as the board is allowed to consult certain shareholders if the matter is appropriate. Such matters can be when specialized expertise or resources are to be found within the shareholders. What is typically applied then is restrictions regarding trading as it could otherwise be considered insider trading. Despite this exception, companies have no duty to obey a single shareholder, as it is the AGM that is the determinant for decisions (Lidman, 2021: Riksdagen, 1995).

2.2 Institutional Investors

There exists significant variation in how investors are categorized across different research studies, including the definition of institutional investors. Definitions include institutions that specialize in managing funds for a large number of smaller inventors (Davis & Steil, 2001), focusing on the size of the fund's investors as well as their individual contributions whilst highlighting the professionalism of the firm. Perhaps alienating institutions with other primary operations. Other definitions include any institution with discretionary control over capital (Ferreira & Matos, 2008). This would include any form of institution that manages capital, and does not put any emphasis on the origin of the capital, its size or the primary operations of the organization. Creating further uncertainty, institutional investors are commonly divided and categorized into sets of operations. This would include categories such as pension funds, foundations, insurance firms, banks and investment intermediaries. (Frensidy, 2021: Gillan & Starcks, 2000).

Research on the topic of categorization has also drawn a parallel to invested capital, where the focus of the institutional investor is on managing other peoples' capital, whilst retail investors manage their own (Huang, 2015: Li et al. 2017: Jain, 2007). This distinction may underscore a significant divergence between institutional investors and other investor types. However, it contradicts the definitions put forth by many researchers in the field and fails to clarify many of the uncertainties surrounding a general definition. Furthermore, while research on institutional investors generally acknowledges a common investment strategy centered on holding private and public equity to generate financial returns (Davis & Steil, 2001), it does little to resolve uncertainties or establish a clear understanding for their general practices. It also stands in contrast with those investors who obtain equity with the intention of influencing and controlling the company (Clark & Monk, 2017). This distinction is especially important when realizing that shareholder engagement, or active ownership, has increasingly emerged globally within the institutional investment sector (Gillan & Starcks, 2000: McNulty & Nordberg, 2015: Strampelli, 2018: Johnston et al. 2021). Further complicating the matter of categorization, the prediction of ownership engagement can not be made solely based on the categorization of the investor, as these vary between institutions (Çelik & Isaksson, 2014).

Although umbrella terms like institutional investors exist, several types of subcategories are still used to describe investment firms or organizations with unique structures or behaviors, perhaps due to their significant variability. For instance, some investment enterprises choose to focus on the private equity market exclusively, such as Private Equity firms (PE), Venture Capital firms (VC) and Business Angels (BAs) (Block et al. 2019: Lodefalk & Andersson, 2023: Ivashina, 2023: Cumming et al. 2022). All of these investment organizations largely derive from the same business models of financing early stage firms and making an exit through, for instance, an initial public offering (IPO) (Cumming et al, 2022). Similarly, VC, PE and BAs all carry the role of value-adding ownership by several mechanisms such as operational engineering, liquidity injections (Jang & Mayer, 2023), spurring innovation (Khan et al. 2021) and other value enhancement strategies (Block et al. 2019: Cumming et al. 2022). Furthermore, PE and VC firms usually share structural practices in financing, commonly managing external capital from banks, pensions funds or high net worth individuals, as well as internal capital through firm partners (Yang, 2023: Ivashina, 2023). Additionally, the fee structure between PE and VC firms are usually structured comparably, with a 2% management fee and 20% carried interest, or share of the profits (Hinckley, 2023: Ivashina, 2023). BAs, on the other hand, are private individuals who invest their own capital without the help of outside funding and without any prior ties to the firm (Lodefalk & Andersson, 2023).

Even though PE and VC firms share similarities in the maturity of their investment objects, significant differences still exist, which might act as the foundation for their categorizational difference. VC is often characterized by smaller investments in several early stage firms with high growth potential, where the focus lies on supporting business operations, inducing a higher investment risk (Cumming et al. 2022: Bergemann & Hege, 1998: Gompers & Lerner, 2003). PE firms, on the other hand, conduct large capital investments in fewer and more stable firms with the focus on supporting business expansion, inevitably carrying less risk (Cumming et al. 2022: Breuer & Pinkwart 2018). Furthermore, PE firms largely utilize debt financing in acquiring firms and shape the capital structure of portfolio companies by increasing leverage (Jang & Mayer, 2023). This type of financing strategy is present in VC but scarce and relegated to investments in mature firms (Lehnertz et al. 2022), making the investment more similar to that of PE. In turn, VC firms and BAs place a higher premium on growth potential, current investors and business models, corresponding to their strategy for long-term growth investments. On the other hand, PE firms and other Leveraged Buyout Funds place value in profitability (Block et al. 2019).

The multitude of definitions proposed by researchers often overlook the varying degrees of engagement among institutional investors. Their operations may primarily prioritize investment or extend to other domains, and they can manage both their own capital and that of others, while also varying in size. In this paper, we define institutional investors as legal entities managing substantial capital in financial instruments for others. Furthermore, we make no presumptions on ownership engagement or primary operations. For the purpose of this paper, the concept of institutional investors acts as an umbrella term for large professional investors acting on behalf of others. This definition would include banks, insurance firms, credit unions as well as organizations focused primarily on investing such as hedge funds, mutual funds and pension funds. In some cases, Private Equity and Venture Capital firms could be considered institutional investors under this definition.

3. Literature Review

In exploring the dynamics of active ownership within the realm of FO business, it is essential to delve into the area of contractual theories. Theories such as agency theory and transaction cost economics are therefore seen as a requirement to create an understanding of the phenomenon of active ownership initially. Within the unique context of FOs, where wealth stewardship often spans generations, agency theory and transaction cost economics sheds light on the inherent conflicts of interest, information asymmetries, and managerial hazards that arise, as well as explaining strategic decisions. Complementing these well-established concepts, the theory of socioemotional wealth will be introduced, explaining the unique morale and value parameter when working within a family firm and how it affects the operational body of the firm. Thereafter, the following theoretical section presents literature on FOs, providing an area of application for the previously introduced theories. The chapter aims to create a deeper understanding of the firm type, complementing the introduction of FOs, which will be necessary to grasp in order to sufficiently understand our literature review. Next, sections of the literature review will present contemporary literature on financial markets and investment behavior. Following, we will delve into theories regarding ownership and control, complementing the agency theory in the context of separation of ownership and control, providing knowledge about the explanation about how internal corporate structures are formed in the status quo. Within this section of ownership and control, a deeper theoretical presentation of the concept of active ownership will be included to complement the premise of ownership. Finally the theoretical aspect of value creation will be discussed, as the final cornerstone needed to provide a comprehensive, structured understanding of the scope of this study.

3.1 Agency Theory

This paper will partially be grounded in the principal-agent theory, also known as agency theory. The theory has its foundation in the theory of the firm, which theorized the practical conflicts of interests between various professional relationships in the corporate governance structure, namely, the shareholders, managers and debt holders (Jensen & Meckling, 1976: McColgan, 2001). The principal-agent dilemma is the relationship between two parties (the principal and the agent) where one party conducts a service on behalf of the other party (Jensen & Meckling, 1976: Fama & Jensen, 1983). In such a relationship, some decision-making authority is transferred to the agent from the principal. This creates an issue regarding the impossibility of creating an enforced and costless contract that covers all possible decisions an agent could make that affect the welfare of both parties (Brennan, 1995: Jensen & Meckling, 1976: Panda & Leepsa, 2017: Fama & Jensen, 1983). This is a result of the theory that the agent would act more commonly in their self-interest and therefore not make decisions that the principals would make themselves (Williamson, 1985: Sen, 1987: Crowther & Jatana, 2005). Therefore, the creating the need for action to minimize the unwanted outcome that would not benefit one or both parties should be understood and actioned upon (Bonazzi & Islam, 2007: Fama & Jensen, 1983). Failing to understand and act upon the agency dilemma could have severe consequences for organizations and their stakeholders, especially regarding costs (Fama & Jensen, 1983). The responsibility to manage the risk of the agency problem lays on the stakeholders: the shareholders, managers and debt holders. Therefore, the goal is to formulate contracts that motivate managers to conduct business that maximize value, while satisfying not only the shareholders, but other stakeholders as well (Saltaji, 2013: Clarke, 2016). However, a successful system to prevent the agency theory is not costless either. Costs of monitoring for the principal, bonding costs for the agent and residual loss needs to be taken into consideration (Williamson, 1998).

A theory explaining how to overcome the agency problem is the separation between decision management and decision control, which enables monitoring of the corporate governance decision process. This separation is the most effective in companies that have dispersed ownership (Fama & Jensen, 1983). Control of the agency dilemma is the most important when the manager who initiates and implements the decision is not a residual bearer, as residual bearing makes a stakeholder affected by the decision consequence. However, when being a residual bearer there is a risk for obsession over financial statements, as managers could be too focused on maximizing their personal financial returns dismissing other fundamental operations such as culture and strategy (Fama & Jensen, 1983: Clarke, 2016: Shen & Gentry, 2012).

3.2 Transactions Cost Economics

Another widely recognized theory that this essay will use in its discussion and analysis is the theory Transaction cost economics (TCE). TCE aims to answer the dilemma of corporate boundaries, i.e. when activities would occur within the firm and when they would happen on the market (Williamson, 1985: Klein & Shelanski, 1996). Transactions, according to Williamson (1985), are transfers of goods and services across interfaces. What determines where the activity should be conducted, depends on if the transaction cost is high or low. If the cost is high, then the transaction should preferably be conducted internally within a hierarchy, and when the transaction cost is low, acquiring the goods or services on the market is the most efficient (Williamson, 1985: Greve & Argote, 2015). The costs generated through transaction can be split up and categorized in three characteristics, uncertainty, frequency and asset specificity (Williamson, 1985). Therefore, Williamson (1985), suggests that an important aspect of TCE is to minimize that uncertainty and risk of transactions, by establishing long-term and mutual relationships between the buyer and seller, relating to agency theory. In this case, information asymmetries and lack of cooperation can be avoided and subsequently reduce transaction costs by seeing both parties as the same organization (Williamson, 1981).

Using a hybrid model, combining market and hierarchy has been researched but has not found as much support as the original model (David & Han, 2004). Research has focused on if activities, disregarding of cost, are more efficiently conducted internally under the assumption that a firm uses their own capabilities more productively on their own activity than the outsourcing company would (Jacobides & Winter, 2005). Arguments about this statement have arised and it can be argued that transaction cost and firm capabilities become intertwined over time as past governance decisions affect current capabilities, while current capabilities affect the future governance decisions (Argyres & Zenger, 2012).

3.3 Socioemotional Wealth

Research about FOs has frequently included the concept of socioemotional wealth (SEW) (Bierl & Kammerlander, 2019). SEW is an aspect of the non-economic benefit for a family business, deriving from the founding family's reputation, value and legacy in regards to the decision making process (Gómez-Mejia et al. 2007: Berrone et al. 2012: Chang & Mubarik, 2021: Souder et al. 2017: Hernández-Perlines et al. 2019). In simpler terms, SEW is the theory that a family firm does not solely strive for financial performance, since they have a legacy and reputation to manage, especially when the family firm is derived from entrepreneurial backgrounds. They consider non-financial aspects in their decision process as a purely financial focus might result in damaged reputation or divert from fundamental values of the family. It is therefore not uncommon that the SEW is an expense of the financial operations of the firm (Berrone et al. 2012). The reason why SEW is important in the context of FOs is that the firm does not solely operate as a regular corporation, but is also a keeper of a family’s legacy and fortune. Therefore, a FO needs to be considerate in their corporate structure to manage both the financial and the non-financial needs (Rivo-López et al. 2017: Wessel et al. 2014). This can be a dilemma for FOs since family members, being residual bearers, try to incorporate family values, principles and interests into the operations without decreasing the financial goals (Leitterstorf & Rau, 2014: Rivo-López et al. 2017).

SEW corresponds in many aspects to the agency theory, as many entrepreneurial families lack the knowledge of professional asset management, it is common to appoint a non-family CEO to run the FO (Zellweger & Kammerlander, 2015). This might result in the CEO prioritizing their own financial and non-financial interests, such as risk-mitigation and employment security at the expense of the owning family (Zellweger & Kammerlander, 2015). Issues regarding SEW can also derive through the natural dispersion of ownership as the family increases in size (Rosplock & Welsh, 2011). This can create internal conflicts as multiple family owners tend to have different needs and future outlooks (Gray, 2005).

3.4 Family Office

The below literature review discusses scientific research on specific FO structures, such as Single family offices (SFOs) or Multiple family offices (MFOs). We make the distinction in order to correctly reference the academic research, but we also make the assumption that research on one FO structure is in large relevant for the FO industry as a whole.

Families frequently consolidate their resources within a FO following the sale of the family firm (Scholes et al. 2008: Wiklund et al. 2011) or as a result of large quantities of cash flow from the family business (Schickinger et al. 2023: Bierl & Kammerlander, 2019). FOs are entities established for the purpose of overseeing and managing the private wealth of entrepreneurial families or individuals, as well as other personal matters (Wessel et al. 2014: Decker & Lange, 2013: Amit & Liechtenstein, 2008: Rosplock & Welsh, 2011). However, discrepancies in definitions exist and the boundaries of the FOs are controversial (Kenyon-Rouvinez & Park, 2020: Amit et al. 2008: Zeuner et al. 2014: Rosplock & Welsh, 2011). Schickinger et al (2023) highlights, amongst other factors, the goals of the owning family to be an important distinctive variable (Schickinger et al. 2023). A comparison can be drawn to family owned businesses, where goal setting is argued as both complex and multi-facetted due to their structure and connection between the business and the family (Habbershon et al. 2003). Just as families can affect strategic decisions by implementing their non-economic goal into the business (Chrisman et al. 2012), the owners of the SFO could do the same (Schikinger et al. 2023). This is further demonstrated by research on investor behavior, which shows that FOs prioritize profitability in portfolio companies higher than other investor types (Block et al. 2019). At the same time, they give return on investments less priority, to safeguard the social and financial welfare of the owning family (Block et al. 2019). This could be expected to explain behavioral differences between FOs and other investment organizations, as family-related goals are incorporated into the strategy and consequently their investment behavior.

FOs are often categorized and divided based on organizational structure and ownership, into single family offices (SFO) and multiple family offices (MFO) (Wessel et al. 2014: Wessel, 2013: Kenyon-Rouvinez & Park, 2020: Rivo-Lopez et al. 2017). SFOs are entities where a single family owns and operates a FO, whereas the latter implies the involvement of multiple families. More categories exist, such as the professional family offices (PFOs). These are institutionally supported entities, typically a former subsidiary of a financial services firm or bank, specialized in providing FO services to its clients (Kenyon-Rouvinez & Park, 2020). These are typically not owned by the client families and their relationships extend no further than the services they offer (Kenyon-Rouvinez & Park, 2020). According to the Global Family Office Benchmark Report published by KPMG (2023), there are roughly 20.000 FOs globally (KPMG, 2023). Their significance in the global economy is noteworthy (Wessel et al. 2014), encompassing various roles. For instance, they fulfill two crucial internal organizational functions. The first being an educational function by educating younger generations on financial literacy. Secondly, they improve governance by distinguishing between familial assets and those of the family enterprise (Gray, 2005). FOs also fill two external roles in the global economy. They offer capital to VC firms and foster the creation and growth of high-tech startups (Gormley, 2007 as cited Wessel et al. 2014), and facilitate social entrepreneurship and philanthropy (Grabenwarter & Liechtenstein, 2012).

Schickinger et al. (2023) builds an analysis of important SFOs topics in regards to firm heterogeneity based on two dimensions taken from contemporary research on FOs (Schickinger et al. 2023). Firstly, high importance is put on whether the family still owns the original family firm. Following a sale of the family business, the creation of a SFO could potentially emerge as a new emotional cornerstone for the family which would increase the effects of SEW and other non-financial objectives, compared to families still in ownership of their original family business (Schickinger et al. 2023). Anticipated impacts on strategies and decision-making are grounded in the understanding that entrepreneurial families derive socioemotional wealth from owning the family firm (Goméz-Mejia et al. 2007). Furthermore, the ownership, or the sale, of the original family firm has financial implications for the SFO (Bierl & Kammerlander, 2019). In the case of a sale of the family business, this likely results in an FO that groups all of the family assets and incomes. This in turn results in a bigger emphasis being put in asset preservation and a long-term focus of the SFO (Schickinger et al. 2023).

The second dimension regards if the owners of the SFOs are first or later generations. The relevance originates from the vast research on family firms and intergenerational business, revealing that later generations often exhibit different behaviors compared to the founders (Björnberg & Nicholson, 2012: Sciasca et al. 2014). The behavioral dimension is mirrored in research on FOs, where perceptions of entrepreneurship differ between generational owners (Welsh et al. 2013). As generations pass and ownership becomes more dispersed, individual family members' influence over the SFO might diminish (Schickinger et al. 2023). Changes in ownership structures following generational changes might also lead to an increase in conflicts regarding decision making such as governance mechanisms or investment strategies, as well as restricting further entrepreneurship (Welsh et al. 2013: Gersick et al. 1997). Differences in generational mindsets can also influence behavioral changes such as risk taking as well as strategic mindsets and habits of the FO (Schickinger et al. 2023).

3.5 Financial Markets and Investment Strategies

In regards to investment behavior in a broad perspective many investment firms choose to either have a long-term or a short-term investment strategy (Hazen, 1991). Traditionally, investors have had a more long-term perspective of investing, but as the market changes and innovation becomes a driver of volatility, investors require more near-term profit, which can be a cost of future investments (Hazen, 1991). When investing in the short-term, the importance of knowledge, information and timing is of the essence, since the market is volatile in the short run (Kaldor, 1938). While investing in the long-term, an investing firm can reach over more trade-cycles, meaning that even if the capital market decreases in the short-term, it can be assumed that it will eventually recover and rise above the previous tops. However, this strategy results in an unpredictable time horizon as the trade cycles might fluctuate (Kaldor, 1938). Long-term investment has, except risk aversion, many advantages. Long-term ownership provides the owner, if in a concentrated ownership structure, discretion, incentive, knowledge and resources to increase their investment in the future of the firm (Le Brenton-Miller & Miller, 2006). It provides organizational qualities that are hard for new owners to copy, as they are usually knowledgeable of the entire value chain and the process of creating capabilities. Long-term ownership therefore creates the possibility of influence and trust in the corporation that helps sustain the company's mission into their core capabilities (Le Brenton-Miller & Miller, 2006). It has also been proven that companies with a long-term investment strategy outperform short-term strategies in many aspects. Firstly, the return to the shareholders have historically been larger as the accumulated profits have generated a larger annual amount (Carey et al. 2018). Secondly the returns to society and the economy as a whole were also greater when using a long-term strategy. Finally, the companies that held long-term positions contributed to far more job opportunities than short-term investments as their portfolio companies grew more (Carey et al. 2018).

The type of investment behavior in financial markets also depends on the type of securities invested in, and the amount of risk the investor is willing to take. It is not uncommon to combine different types of securities in a portfolio. Stocks can typically be defined as either value stocks or growth stocks (Chan & Lakonishok, 2004: Pekova et al. 2005). Value stocks tend to have a higher dividend policy, stable cash flows, lower P/E values and a low price-to-book ratio, while growth stocks typically do not pay out dividends, have higher P/E values and higher price-to-book ratio. Investment entities tend to prefer either a value or a growth focus of their investment portfolios (Fong, 2014). Growth stocks are valued more commonly on their prospective and eventual value in the future. The most common outcome since the 1960's has been that overall, value stocks have outperformed growth stocks (Fong, 2014). Determining the current value of a company is seen as one of the most prominent forms of analysis within investments to be able to avoid participation in short-term market fluctuations (Graham, 1949). Within value investments there is a phenomena that has been heavily researched, called the value premium. This phenomena observes that stocks whose price is lower than their fundamental value, tend to produce higher returns (Graham & Dodd, 1934: Basu, 1977). Much research has focused on how the different kinds of stocks perform in recent financial market short-term declines, such as the financial crash of 2008. Research shows that value stocks have a less than average sensitivity while growth stocks possess a higher than average sensitivity towards market declines providing indications that value stock investment is a better investment strategy to outperform in market declines (Folkinshteyn et al. 2017).

3.6 Ownership and Control

The premise of ownership can be discussed in regards to different organizational forms, this paper will primarily discuss common ownership structures and implications in private and public corporations. The relevance of discussing ownership from a theoretical standpoint concludes the interconnection between shareholder behavior, corporate governance and strategic management (Shen & Gentry, 2012). The primary dimension where private and public ownership separates is the factors of investor liquidity and the allocation of control, linking investors and managers (Boot, 2006). Public ownership results in publicly traded shares, public corporate governance, as well as dispersed ownership and control (Boot, 2006). Furthermore, private ownership exists without being publicly listed, often including a vast amount of private contracting within concentrated ownership and control (Shen & Gentry, 2012: Boot, 2006). Which form a firm chooses, depends highly on the autonomy in the managerial and corporate governance mechanisms preferred (Boot, 2006). Managers tend to value high autonomy, which means the degree to which strategic decisions can be made without a wide-spread interference from investors (Boot, 2006).

Ownership structure tends to influence several factors of the firm, such as corporate performance (Demsetz & Villalong, 2001), diversification strategies (Banalieva & Eddleston, 2011) and CSR investments (Cruz et al. 2014). As presented earlier, private and public ownership is commonly characterized by them having concentrated and dispersed ownership respectively. These ownership structures inflict both pros and cons in the setting for corporate governance and managerial mechanisms (Aguilera & Crespi-Cladera, 2016).

The separation between ownership and control was introduced by Berle and Means (1932) and discusses the conflict of interest that can possibly arise when a managerial professional decides on actions regarding other stakeholders capital (Berle & Means, 1932). Concentrated ownership structure entails that a controlling shareholder, a family or a small group of shareholders hold the majority or the entirety of the shares of the firm. This results in them controlling the company themselves or through representation in the board of directors (Coffee, 2012). Dispersed ownership indicates a separation between ownership and control, meaning that neither directors nor executives typically hold substantial blocks of company shares as they are commonly held by many institutional and retail investors (Coffee, 2012: Berle & Means, 1932). Since managers are commonly incentivised by salaries, while shareholders receive dividends based on profit, Berle and Means (1932) suggest that this results in managers not always acting in the interest of maximizing profits for the firm (Berle & Means, 1932). This theory is the characteristic of the agency problem and derives from the dispersed shareholding in a market based system (Davis, 2009). This issue originates from the 1920's where ownership shares started to become dispersed, meaning that the number of shareholders increased to a certain extent that owners no longer fully controlled the company they owned shares in (Margotta, 1989). The question then emerged whether manager-controlled companies perform equally well as owner-controlled companies (Berle & Means, 1932). Empirical evidence has been presented on the issue since the publication of Berle and Means (1932). Results have been mixed, showing no clear validation that there is a significant difference between the firms where ownership and control are separated or not (Margotta, 1989).

Berle, himself discussed this issue in an interview in the 1960's by stating that the fear of the consequences of separating ownership and control had in fact not been justified, but highlighted the possibility of it becoming a reality due to the increasing ownership stake taken by financial institutes (Cheffins & Bank, 2009). This statement was motivated by the insight that bank officers are not as close to reality as corporate officers, therefore increasing the possible issue of the agency problem when dispersing the ownership (Margotta, 1989: Cheffins & Bank, 2009). Berle concluded that modern managers have committed to their success because in general terms, they have been responsible (Margotta, 1989: Cheffins & Bank, 2009. Margotta (1989), discusses that there has been a change in modern society from separation of ownership and control towards a separation of ownership and responsibility, highlighting that ownership and control still have weight in the corporate governance mechanism (Margotta, 1989). Williamson (1981), argues that the reason for the transfer from control to responsibility is the ever-changing role of the investor, and that in common dispersed ownership structures, the investor is nothing more than a short-term speculator in a firm's financial statements (Williamson, 1981).

However, since Berle and Means (1932), presented their results, the corporate world has evolved with different types of firms providing directors and managers with the opportunity to become incentivized to act towards profit maximization (Alchian & Demsetz, 1972). Firm types which focus on profit sharing with their employees, provides a dynamic mechanism used to control managers to act in the interest of the shareholders, since they become residual bearers (Alchian & Demsetz, 1972: Fama & Jensen, 1983).

Most companies in the world are under the control of individual shareholders and their families (Burkart et al. 2003). Just because a firm is held privately, does not mean it has to be a family firm, but it is often concentrated into either the founding family(ies), or if purchased, the new owner(s) (Villalonga & Amit, 2020). It is not uncommon for ownership to change in a private firm, as it depends on the founders' aspirations to incorporate mergers and acquisitions (M&A) or Initial public offering (IPO) in their strategic decisions (Shen & Gentry, 2012). Shen and Gentry (2012) introduced the cyclical model of corporate governance to explain that strategic management also has an impact on corporate governance, not solely vice versa (Shen & Gentry, 2012). If a private company wants to focus on growth, they can strive towards organic growth by increasing their revenue and margins, or they can focus on M&A. Using M&A in the sense of ownership, may impact the ownership structure as well as the corporate governance mechanism greatly in the aspect that there are a limited number of initial shareholders, resulting in reducing the level of ownership concentration (Shen & Gentry, 2012; Wang & Xie, 2017). Another instance that may cause reduction in ownership concentration is if the private company decides to move forward with an IPO. Taking a private company public initiates several benefits, such as greater access to external financing, increased name recognition and improved governance (Shen & Gentry, 2012: Rajan, 1992: Merton, 1987). Furthermore, an IPO also has a great impact on the initial owners, and could result in benefits such as large capital gains (Shen & Gentry, 2012: Pagano et al. 1998). However, an IPO has its negative aspects as well. The initial owner will not only lose a majority of their control if the ownership is dispersed (Ertimur et al. 2003), they will also face disclosure agreements forcing them to act transparently as well as gaining the pressure of now answering and performing towards new external investors (Shen & Gentry, 2012: Yosha 1995).

3.6.1 Active Ownership

In general, investors have two main ways of expressing judgment towards portfolio companies. Firstly, they can choose to exit their investment by selling shares or by boycotting the company (Broccardo et al. 2020). Managers, on the other hand, whilst they can not force share acquisition or divesting, can in turn try to alter investor behavior through strategic action (Shen & Gentry, 2012). Secondly, investors can use their so-called voice to raise concerns regarding company matters (Broccardo et al. 2020). Most retail and institutional investors that do not hold significant blocks of shares tend to express their judgment through exit, due to their small ownership stakes (Davis & Thompson, 1994). However, owners that possess large blocks of share, and therefore possess a greater controlling interest in the business, usually express their concerns through voice-strategies (Davis & Thompson, 1994). Nevertheless, the proportion of shareholding is not the only determining factor for choosing judgment strategies by investors. Instead, investment strategies and time-horizon of the investment guides the investment firms in their choice of exit or voice (Hoskisson et al. 2002: Shen & Gentry, 2012).

Modern institutional investors allocate a significant portion of their assets to market equities, thereby exposing themselves to corporate externalities (Dimson et al. 2015). Similar externalities, or investment risks, can also be anticipated in investments made in private firms. At the same time, it is in the best interest of the investor to mitigate the costs associated with these externalities, whilst trying to maximize their potential benefits, which can be done by influencing firm behavior (Dimson et al. 2015: Gollier & Pouget, 2022). This paper addresses the concept of active ownership, which takes many names in both academia and the investment sector, most commonly referred to as ownership engagement, shareholder engagement or shareholder activism (Dimson et al. 2015: Carlsson, 2003). However, all of them address the act of influencing firm behavior in order to gain some sort of effect, such as changing business strategy in order to increase profits or divert focus to ESG activities (Dimson et al. 2015). Goranova and Ryan (2014) highlights this interaction in their definition of active ownership, whilst McNulty and Nordberg (p.1, 2015) adds the aspect of “developing relations with corporations through different influence processes and intent” .

Carlsson (2003) and Navissi and Naiker (2006) argue that active ownership requires several straining strategic competencies in the investor organization, which might explain why academic insight into the topic finds varying success in active firms, as shown below.

Shareholder engagement seen from the traditionalist view, which emphasizes mechanisms for corporate governance (Dimson et al. 2015), has been shown to have almost no effects for shareholders (Gillan & Starks, 2000: Smith, 1996). On the other hand, ownership engagements which focus on decision making such as business strategy or M&A as well as board presence and financial engineering have been shown in hedge funds to produce considerable financial results (Brav et al. 2008). The value of institutional investors and the value they bring in their engagement has also been argued as having a positive effect on firm market value (Shleifer and Vishny, 1986). Furthermore, the announcement of institutional investors obtaining large blocks of shares has been shown to increase firm financial value (Barclay & Holderness, 1990) which could represent the markets trust in institutional investors as value adding for portfolio companies. This effect is based on the assumption that institutional investors have an incentive for, and the capabilities to, efficiently monitor management and steer decision-making (Navissi & Naiker, 2006). Successful engagements regarding ESG have been shown by Dimson et al. (2015) to result in approximately seven percent in abnormal returns in eighteen months. Perhaps highlighting the value-adding effect of engaged investors. However, entrenchment between investors and management could counteract this effect (Navissi & Naiker, 2006). Nevertheless, research on the topic of active ownership is mixed and findings present both positive and negative effects on financial results (Klein & Zur, 2009: Bebchuk et al. 2015: Klein & Zur, 2011). Although there is plentiful research on the financial performance of hedge funds concerning active ownership, recent academic attention has shifted notably towards the realm of sustainability. This shift may be attributed to the increasing inclination among investors to impact firm behavior towards ESG activities (Sjöström, 2020).

While active ownership takes various forms and whilst ongoing disagreements persist regarding its definition, its mechanisms have been extensively examined. Nevertheless, other aspects and dimensions of active ownership carry significant relevance and merit discussion. The following paragraph summarizes two, somewhat unexplored, dimensions of active ownership, based on one of the most influential papers in contemporary research on institutional active ownership. Dimson et al. (2015) presents three key factors for predicting owner engagement: the size of the portfolio company, its maturity and its performance. Furthermore, as shareholding increases, so does the probability of engagement (Dimson et al. 2015). Firm emphasis on reputation also increases the probability for engagement, however, qualitative corporate governance reduces it (Dimson et al. 2015). They also argue that success, following investor engagement, is more probable if the company being targeted has reputational issues, if they possess implementation capabilities and economies of scale (Dimson et al. 2015). Furthermore, previous success in engaging the same firm as well as investors collaborating on engagements is a good predictor for later engagements proving successful (Dimson et al. 2015).

Some researchers argue that the concept of active ownership has been overly restricted, and they advocate for a broader consideration of additional processes and motivations than previously acknowledged (McNulty & Nordberg, 2015). This is understandable, as academics vary widely in the recognition of engagement mechanisms. Sjöström (2020) includes dialogue with corporate managers, resolution filing at shareholder meetings, divestments and even legal action as active ownership. Birkmose and Strand (2012) acknowledges nomination committees as especially important, and unique, for Swedish governance systems. Additionally, McNulty and Nordberg (2015) argue that communications between owners, management and boards, informal or through formal channels, where owners can voice concerns and request changes, is the least ambiguous expression of voice. The path of direct communication can be seen as a mechanism for instating other engagement tactics, such as changing management, increasing dividends or other strategic actions (McNulty & Nordberg, 2015). This highlights the questions if direct communication is an engagement mechanism in of itself, or if it is rather a vehicle, to pursue tactics for active ownership. In this regard, direct communication could be used to enact financial engineering, changes in strategic direction or controlling board work (McNulty and Nordberg, 2015). Interestingly, Sjöström (2020) notes that larger shareholdings do not affect the effectiveness of corporate dialogue, contrasting with Dimson et al.'s (2015) evidence on shareholding size as a predictor for the probability of engagement. Instead, legitimacy is the most important factor in successfully conveying engagement through dialogue (Sjöström, 2020). This fact goes well in hand with research on institutional owners, who carry significant influence and trust to markets through their expected value-adding ownership, as demonstrated earlier. Jonsdottir et al. (2020) finds that active ownership as an ownership strategy fosters long-term focus and reduces agency costs through better alignment of corporate representatives and owners.

3.7 Value Creation

3.7.1 Shareholder vs. Stakeholder

The purpose of the firm has been a highly debated subject for years, with the theory of Milton Friedman's "A Friedman Doctrine" in the center (Stout, 2012). Friedman (1970) discussed the purpose of the public firm being misunderstood as a societal philanthropist, when the real purpose of the firm was to satisfy shareholders. The firm should bear no social responsibility to the society or public, and focus to maximize profit for shareholders. The responsibility towards society would instead be on the shoulders of the shareholder, who would be free to use the acquired returns to social initiatives (Friedman, 1970). This way of thinking as the purpose of the firm has become defined by the term "Shareholder Primacy" (Stout, 2012). Jensen & Meckling (1976), complemented the theory of Friedman by connecting agency theory, arguing that any actions the agents (managers) performed that did not benefit the principal (the owners) increased agency costs and therefore hurt the profitability of the company (Jensen & Meckling, 1976). The debate has then evolved towards a broader view of the purpose of the firm. Including if the purpose really is to satisfy shareholder wealth or if there are other stakeholders that need to be considered in that aspect (Stout, 2012). Stout (2012) explains that the shareholder-model of corporate governance and actions are outdated, as the owner can not be seen as a homogeneous mass with a homogenous interest. Therefore, the premise of shareholder primacy might be harder to satisfy as the shareholder views societal initiatives as a requirement in order to be satisfied, as a principal (Stout, 2012).

In 2001, Henry Hansmann and Reinier Kraakman published their essay "The End of History for Corporate Law", arguing that the premise of shareholder primacy had triumphed over all other theories regarding the purpose of the firm. They explained that the theory dominated the US. corporate landscape as well as the international setting, making it the dominant and most efficient way to define a firm (Hansmann & Kraakman, 2001). However, this publication proved to be somewhat ironic according to Stout (2012), as less than two months later, the Enron collapse shocked the world, proving that laws had been disobeyed for the purpose of managers trying to maximize profits. The Shareholder Primacy theory is counterproductive when investors do not solely consider the value of the stock (Stout, 2012). One solution that has been discussed is that the board of directors of a company should always focus on long-term value creation, even though not all owners have the same time horizon in their investment strategies (Kihlstrom & Wachter, 2003).

In contrast to Shareholder Primacy, the Stakeholder theory has been popularized for managers to get a broader perspective of a firm's business operations with their stakeholders as main focus (Freeman, 1984, Stout, 2012). The theory originates from studies in business ethics and strategic management and explains that firms have a moral obligation to consider all the different stakeholder interests in the value chain (Donaldson & Preston, 1995: Mahajan et al. 2023: Bridoux & Stoelhorst, 2022). Instead of promoting shareholder maximization, as shareholder primacy theory, the stakeholder theory emphasizes cooperation in the value chain, by nurturing relationships with stakeholders by balancing their interests (Freeman & Philips, 2002: Friedman, 1970: Jensen, 2002: Freeman et al. 2010). The use of stakeholder theory in an effective manner could, according to research, lead to long-term profitability (Donaldson & Preston, 1995: Mahajan et al. 2023). Stakeholders can, according to Chandler (2020), be categorized into one of three stakeholder groups. The first group is the internal stakeholders, including employees, manager and executives. The second group is financial stakeholders, with shareholders, consumers, creditors and competitors. The final group of stakeholders is political and social stakeholders. This group consists of governments, regulators, media, NGO´s and activist groups (Chandler, 2020).

As of today, the role of the stakeholders in an organization has evolved to become a critical aspect of doing business and decision-making (Ahmed et al. 2023: Azam, 2023: Castillo: 2022). Since the popularization of stakeholder theory, the topic has been a heavily researched, resulting in many new strategies developed to engage stakeholders effectively (Bansal et al. 2023: Acquah et al. 2023)

3.7.2 Sustainable Shareholder Value

The idea of satisfying all shareholders over a long period of time, introduces the theory of sustainable value creation. The theory promoted a modern way of seeing the corporation as a dynamic mechanism, that does not solely operaties to maximize shareholder returns, but serves the purpose to create value for all involved stakeholders (Chandler, 2020). Chandler

(2020) explains the concept of sustainable value creation as a theory, consisting of ten principles that can, when conducted successfully, be measured by the firm's ability of generating profit (Chandler, 2020). The concept of sustainable value creation, takes its form from the dilemma and struggles of defining and measuring CSR (Freeman et al. 2010), and therefore creating the need for a conceptual framework that does not only involve sustainability issues, but takes business aspects into consideration as well (Chandler, 2020). The principles described by Chandler (2020) are: Business is a Social Progress, Shareholders do not own the firm, Prioritizing competing stakeholder interests is difficult, CSR is a stakeholder responsibility, Market-based solutions are optimal, Profit = total value, The free market is not free, Only business can save the planet, Value creation is not a choice and The business of business is business (Chandler, 2020). The following section will present the ten principles discussed by Chandler (2020).

The first principle presented by Chandler (p. 12, 2020) is named “Business is a Social Progress”, indicating that the more business that is conducted in a society, the more process will be enjoyed by the society at large, especially when the business is conducted by for-profit firms (Chandler, 2020). For-profit firms are incentivized to contribute to the society with innovations to gain market shares and increase profitability, as the society is their largest customer base (Chandler, 2020). The second principle, “Shareholders do not own the firm”, argues that shareholders are not the legal owners of the firm and that managers do not have the ultimate responsibility to maximize shareholder value (Chandler, p. 20, 2020: Heracleous & Lan, 2010). This is motivated by the fact that the firm itself is a legal entity, and serves contractual interests which are completed by collective efforts for all stakeholders that are involved in the value creation processes. If the shareholder would be seen as the sole owner of the firm, the balance between the different stakeholders regarding corporate rights would be heavily unbalanced (Velasco, 2010). Principle three, “Prioritizing competing stakeholder interests is difficult”, this largely stems from the fact that businesses have a wide range of stakeholders with competing interests (Chandler, p.33, 2020). Although identifying stakeholders in the value chain is easy, stakeholder theory can only be of practical help when the managers prioritize competing stakeholder’s interest (Chandler, 2020). Furthermore, stakeholder theory posits that firms need to establish and keep account of stakeholders within the context of their business (Freeman, 1984). When a corporate manager faces a single goal such as maximizing profit, it is seen as concrete. However, when introducing more goals that involve more stakeholder i.e. increasing labor relations or minimizing carbon footprint, among others, managers need to prioritize (Bowen, 1953). Management can gain advantages if implementing a decision-making model to maximize the value of the stakeholder perspective of the firm (Chandler, 2020). Principle number four, “CSR is a stakeholder responsibility”, argues that corporations will only see results from CSR intended actions if stakeholders respond to them (Chandler, p.41, 2020). Stakeholders need to take the responsibility to hold the corporation accountable for their actions, as otherwise the corporation will not be incentivised to do better or change if no feedback is delivered (Chandler, 2020).

Principle five regards the statement that “Market-based solutions are optimal” (Chandler, p.48, 2020. Motivated by the perspective that market forces are a superior factor that can generate alternative results from scarce and valuable resource allocation (Polanyi, 1944). Market power is therefore a greater influence on the allocation of resources within a firm, than stakeholders. This holds true since, even though markets are imperfect, they provide greater financial motivation for the for-profit firm (Chandler, 2020: Korngold, 2014). The sixth principle argues that “Profit = total value” (Chandler, p.61, 2020). The principle defines profit as the firm's ability to sell a product or service at a price higher than the production costs (Chandler, 2020). If a company fails to generate profit, they can not survive in the long-term as they are not able to grow by creating new jobs and offer higher salaries (Bowen, 1953). The seventh principle Chandler (2020) discusses is the term of the free market. Explicitly that “The free market is not free”, only an illusion (Chandler, p.69, 2020). The current constitution of the market is that the market fails to price the true costs of goods (Ybarra, 2012), since the current economic systems accepts that firms externalize costs to the society, that in reality should be included in the pricing mechanism directed to customers (Krugman, 2011, Chandler, 2020). Principle eight states that “Only business can save the planet” (Chandler, p. 76, 2020). This principle is regarding the environmental crises our society is facing, and highlights the fact that the crisis has reached a point where individuals no longer have an effect with their initiatives (Chandler, 2020), despite a lot of efforts to make every individual contribute to the solution (Pollan, 2008). It is therefore crucial that for-profit firms are the ones that take responsibility for their actions, as it is largely the corporate world that has affected the environment and made the world reach this tipping-point (Chandler, 2020). The ninth principle is called “Value creation is not a choice”, as all firms are creating value through their management even if unintended (Chandler, p.87, 2020). The purpose of the firm should therefore embrace this value creation and derive from the outdated purpose of the firm to be profit maximization (Porter & Kramer, (2011). The tenth and final principle, “The business of business is business” (Chandler, p.94, 2020) states that the premise of shareholder primacy by Friedman (1970), is synonymous with the activity of sustainable value creation. Both theories permeate all activities and strategies a corporation involves in their day-to-day operations. Chandler (2020), argues that business benefits the society the most when it is conducting business, as stakeholder theory (Freeman et al. 2010), is implemented in the aspect of shareholder primacy (Chandler, 2020).

3.8 Preliminary Framework

The literature review conducted for this study has addressed various themes relevant to its scope. Some aimed to establish a general comprehension of the market landscape within which the firm operates, while others contributed by laying the groundwork for understanding active ownership and the professional conduct of owners and investors towards portfolio companies. Three principal themes have been identified as potential areas for analysis and discussion from the literature review (see figure 1.). These themes could serve as organizing principles and codes for analyzing the data through a template approach (King, 2004). Although they remain subject to potential modification following the completion of empirical investigations.

The three themes, categories, or realms, are the realm of the shareholder, the family office (FO), and the portfolio company. The distinction between these realms is as follows: the realm of the FO pertains to the behavioral patterns exhibited by investment entities, while the realm of the shareholder encompasses individuals, such as founding families, who hold majority ownership stakes in the FO. Meanwhile, the realm of portfolio companies concerns the conduct and perspectives of the firm in which the FO is a shareholder. The fundamental objective of Figure 1 is to explain the interrelation among distinct domains by analyzing their interdependence. Within this framework, the shareholder realm employs corporate governance mechanisms to oversee the operations of the FO. Concurrently, the FO employs various strategies for active ownership in the portfolio company. Subsequently, the portfolio company, in turn, yields business outcomes to the FO, thereby facilitating a reciprocal exchange wherein the FO adjusts the residual value for the shareholder, either augmenting or diminishing it accordingly. These categories have been derived from the literature review and are anticipated to cover the fundamental aspects of the study's scope. This approach, focusing on specific codes or areas within the study's scope, allows for a concentrated preliminary framework while still accommodating creativity and diverse content within these delineated areas (Köhler et al. 2022).

To broaden the scope of our framework, we aim to incorporate another framework that offers a complementary perspective to active ownership (see figure 2.). This approach enhances the creativity of our study and embraces its exploratory nature. This is particularly crucial considering the use of the template approach for analysis, as relying on this method may result in the loss of valuable data due to its limited breadth (King, 2004). The secondary cross-dimensional framework (figure 2.) will provide a more in depth thematic understanding of the parameters within the model. This framework is designed to offer readers a transparent and concise overview of the empirical findings and will serve as a guide for future research endeavors by categorizing the empirical results based on selected investment behaviors. In the empirical analysis, this framework (figure 2) aims to place FOs in one of the four thematic categories: short active owner, long active owner, short passive owner or long passive owner. By defining the firms based on these factors, a general understanding and categorization among FOs can possibly be derived. Our second preliminary model can be adjusted based on our empirical findings, in cases where these do not align with our predictions. The model categorizes FOs into four quadrants based on two critical variables, aiming to uncover similarities within each group. Furthermore, the model serves a complementary function to our first framework, enriching our understanding of behavioral factors in areas where our first model may fall short.

In summary, the literature review has provided a rich understanding of the concepts relevant to the study's scope, serving as the basis for the development of two preliminary frameworks. Firstly, a comprehensive template approach encapsulating the phenomenon of active ownership within the FO sector through three distinct realms. Secondly, a complementing thematic framework focused on elucidating the relationship between time horizon and investment engagement, derived from the two fundamental aspects identified in our literature review will complement the first framework as an analytical tool. These frameworks will be the subject of validation, potential contradiction, or expansion through empirical study and analysis.

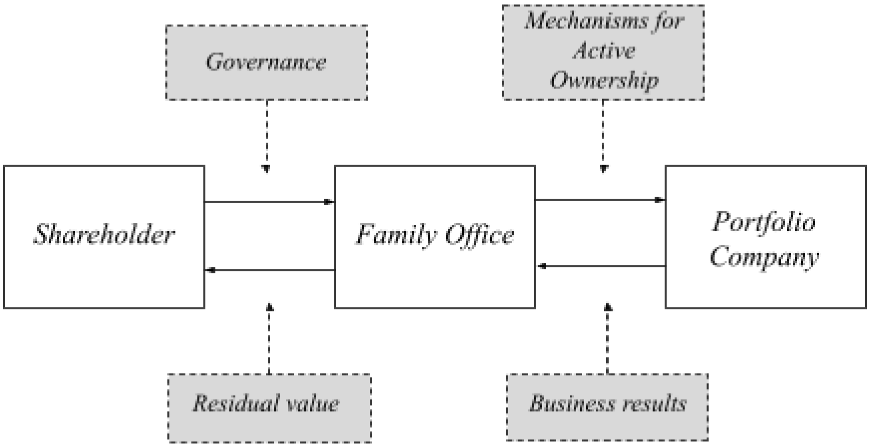

Figure 1. A preliminary framework for a cyclical model of active ownership in Family Offices

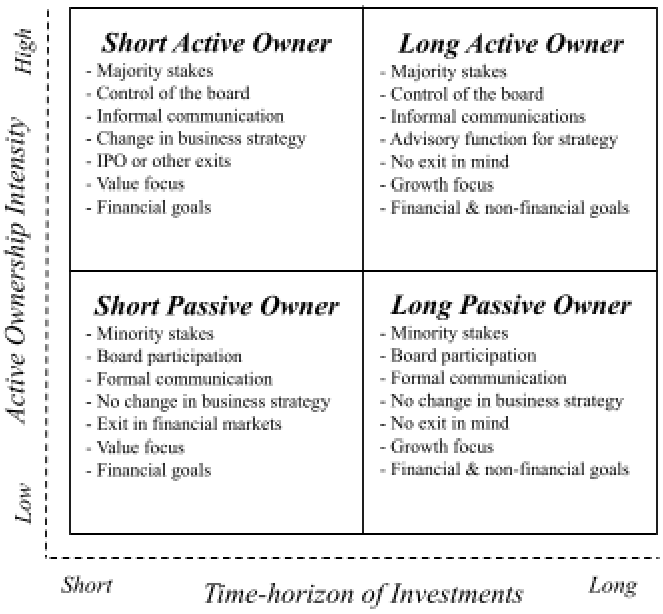

Figure 2. A preliminary framework of intensity in active ownership related to the time-horizon of investments

4. Method

4.1 Research Approach and Design

Academic research on management has long been characterized by a tension between qualitative and quantitative research, where favor for one side changes over time. However, contemporary academic context largely agrees on the need for both research designs (Easterby-Smith et al. 2009). In choosing one or the other, the need for clear theoretical framing and understanding the context of theoretical building of one's research is crucial for applying a correct design and methodology (Amundson, 1998: Cash, 2022). This is due to the fact that lacking comprehension of theory building makes it nearly impossible to establish meaningful application standards or research practice norms (Cash, 2022). Therefore, in order to correctly shape the development of this study's research design, a theory-driven approach was chosen (Cash, 2022). This approach assists in contextualizing the theory building and framing of our study, a crucial step for research contribution (Cash, 2022). The latter is especially important when keeping in mind the large research gap on FOs we aim to address (Schickinger et al. 2023: Block et al. 2019: Wessel et al. 2014).

In our theory-driven approach, we used existing theories and frameworks to guide the exploration and interpretation of active ownership (Cash, 2022). Our research progressed through three categories of theory building and testing in a cyclical model of research methodology (Cash, 2022). It involved an initial process of investigation, followed by theory building and organization and finished by empirical examination and refinement (Cash, 2022). This is further broken down into five steps. The first step, discovery and description, was used to understand the general context of our researched topic (Cash, 2022). The second step, definition of variables and domain limitations, was used to define interconnections and general limitations within the study (Cash, 2022). The third step, relationship building, regards explaining interconnections within the researched context and its causing mechanisms (Cash, 2022). In the fourth step, prediction, testing, and validation, we tested our models originating from the latter three steps (Cash, 2022). The last step, extension and refinement, involved expanding and refining our theoretical models based on empirical observations, while testing its applicability, generalizability, and scope (Cash, 2022). In short, we used contemporary literature to analyze active ownership in the context of FOs and create models in an attempt to explain observed connections. These models were then tested against evidence from our empirical study and further refined and/or changed with regards to our empirical data.

This paper focuses on exploring the phenomenon of FOs, which is often shrouded in secrecy (Amit & Liechtenstein, 2009: Decker & Lange, 2013), and investigates ambiguous business concepts within this context. Given the lack of clear academic boundaries and definitions, we chose a research methodology suitable for this complex and elusive subject. While a quantitative method may excel in unambiguous situations where variables are well-defined and hypotheses can be formulated (Hammarberg et al. 2016), it falls short in capturing the nuanced experiences, personal perspectives and behavioral motives characteristic of FOs and active ownership. Instead, a qualitative approach offers the flexibility and depth needed to explore such ambiguous contexts effectively (Tenny et al. 2022). Furthermore, the qualitative research designs effectiveness in answering questions about experiences, personal perspective, and behavioral motives, (Hammarberg et al. 2016: Schickinger et al. 2023: Graebner et al. 2012) as well as its ability to provide insight into nuances of human behavior (Moser & Korstjens, 2017: Foley & Timonen, 2015) makes it highly relevant for the objectives of this study. It also means that it is out of scope for this paper to quantifiably test relationships and causality between factors, opening the possibility for further research.

Our preference for a qualitative approach was further reinforced by its demonstrated success in exploring subjects in need of novel and insightful information within corporate governance, strategy and organizational challenges (Hertz & Imber, 1995: Langley & Meziani, 2020: Pettigrew, 1992). Furthermore, our theory-driven approach strengthened the case for qualitative methods, as it allowed for the integration of theory and empirical evidence in a cyclical design and the seamless combination of induction and deduction (Hennink et al. 2020). Additionally, as our paper is focused on understanding and explaining vague concepts demonstrated by the experiences and perceptions of organizational insiders, we needed a methodology adapted to such an approach, to which a qualitative design is most optimal (Bazen et al. 2021). A qualitative method has also been proven superior when studying business elites, such as CEO’s, top managers and board members (Maclean et al, 2006: Garg & Eisenhardt, 2017: McNulty & Pettigrew, 1999: Ma et al. 2021), which dominate our data sample.

Qualitative research involves methodical investigation into social phenomena within their natural contexts, for example organizational functions or personal behavior (Teherani et al. 2015). Contrary to the positivist belief of quantitative research where the detection of the singular reality is the goal of research (Teherani et al. 2015) our paper is grounded in a constructivist perspective. This perspective acknowledges that there is no singular reality, but rather emphasizes the elicitation of participants' diverse views on reality (Teherani et al. 2015) and their behavioral effect on their environment (Mir & Watson, 2000). This gave us the opportunity to view individuals as proactive actors, rather than reactors, who actively participate in constructing their own environment through, for example, organizational behavior (Mir & Watson, 2000), a critical perspective for researching organizational strategy through a qualitative approach. Taking the above into consideration, in the context of this study, constructivism allowed us to investigate individuals and organizations (managers and FOs), their behavior (strategies for active ownership) and its effect on their environment (their portfolio companies). This perspective was further preceded by its effectiveness in investigating and contesting strategic management theories on firm action (Mir & Watson, 2000).

The qualitative research design described above, illustrates the inadequacy of a deductive approach, as deduction typically involves testing logical conclusions derived from theory (Bryman & Bell, 2017: Tenny et al. 2022: Woo et al. 2017). Consequently, the focus on generalizability in inductive reasoning may also render it unsuitable, as it primarily aims to develop theory based on empirical data (Bryman & Bell, 2017: Woo et al. 2017: Behfar & Okhuysen, 2018). This approach risks overlooking valuable insights from literature, potentially depriving the study of important implications and guidance. Instead, abductive reasoning offers the advantage of deriving feasibility from observation and theory (Woo et al. 2017), as well as integrating literature and empirical data (Dubois & Gadde, 2002). Such an iterative approach provides the flexibility to utilize literature while investigating various factors. Additionally, this iterative nature of abduction aligns perfectly with our theory-driven approach, as both rely on cycles of induction and deduction (Halecker, 2015: Hennick et al. 2020).

Within the context of a qualitative study, semi-structured interviews were chosen as our method for data collection. Interviews allowed us to gather information on how individuals, as representations of the FO, perceive situations and phenomen (Cheron et al. 2022). This approach was best suited for our study, and fulfills three important criteria proposed by Gill et al. (2008). Firstly, we aimed to explore a subject where little is currently known, as shown by the significant gap in literature. Secondly, the subject needed detailed insights from individual participants, as these could not be easily gauged from open sources or other means of collections. Lastly, interviews were particularly suitable when investigating sensitive topics, as shown by the high level of discretion and privacy in FOs, where participants might be hesitant to share information in an open forum. Beyond these criteria, Bryman and Bell (2017) posits the interview as one of the most common data collection methods in qualitative research due to the flexibility it offers the researcher.

4.1.1 Limitations

It is of great importance to highlight and acknowledge that several limitations were set for this study. Firstly, this study is of qualitative approach, resulting in a lack of quantitative data for the analysis. The intention of this study is therefore not to conclude and present any correlations connected to our presented problematization and research question. The intention is instead to explain the phenomena through the collection of qualitative primary data in combination with existing literature. Another limitation to take into account is our small data sample, due to the limited number of FOs in Sweden, resulting in decreased generalizability. Furthermore, our empirical data originates from a single interview with each FO, further decreasing generalizability and increasing the risk of biases in our data. Additionally, this study has set limitations on the definition of FOs, further decreasing the size of the sample of potentially relevant FOs.

4.2 Data Sources

This study focuses on family offices (FO) within the Swedish investment sector. Geographical limitations were necessitated by the study's brief duration, prompting the selection of the Swedish market as the most accessible alternative. Due to the absence of a comprehensive, gratuitous database on FO firms in Sweden, our research methodology involved several strategic steps to gather the research sample. The importance of the sample group for this study bore substantial impact as it shaped the potential impacts this study could have on theory and practice (Douglas et al. 1999: Wacker, 2008: Cash, 2022). Attempts were made to utilize online AI services to generate a relevant list of Swedish FOs, but these efforts proved futile as the AI engine failed to recognize the concept of a FO in a satisfactory manner. This is assumed to occur due to the lack of a standard definition of FOs, leading the AI mechanism to pitfall (Anis & French, 2023). Consequently, a manual search approach was deemed the most relevant means of sourcing data through a selective sampling method, a non-probability technique where we purposely choose specific FOs based on our criteria to establish our sample (Bryman & Bell, 2017).

The initial step involved personal network samling (Spreen & Zwaagstra, 1994), whereby one prominent FO agreed to participate in the study. Subsequently, an extensive internet search was conducted to compile a list of investment firms meeting the criterias as a FO according to our definition. This search entailed scouring websites listing ultra-wealthy individuals as well as Swedish investment entities. Selection criteria were directed by our knowledge about the FO sector, guiding our identification of pertinent companies for outreach (Panacek & Thompson, 2007). The subsequent step involved utilizing professional platforms such as LinkedIn to identify individuals associated with the FO sector, employing specific keywords and corporate names as search parameters.

This search method yielded a total of 42 investment companies identified as FOs. Subsequently, efforts were made to acquire contact information for key personnel, including either CEOs, investment managers/directors, or majority owners, as these positions were deemed relevant to the sample due to their presumed comprehensive knowledge of the company and sector (Ma et al. 2021). Although contact details for specific individuals were obtained from several companies, access to personal email addresses was limited, necessitating reliance on general firm email addresses for communication with a significant portion of the sample. A final curation process was undertaken to exclude FOs that did not meet the requisite equity portfolio threshold, resulting in the elimination of two entities from the initial list.

For companies where email addresses were unavailable, personalized connection invitations were dispatched through LinkedIn, while those with both personal and non-personal email addresses were engaged via email. This data sourcing procedure culminated in the identification of 36 FOs deemed suitable for inclusion in the sample, with initial contact established via email for 34 entities and through LinkedIn for two organizations. Follow up reminders about the participation of the study was initiated through LinkedIn as well as email.

4.3 Data Collection

4.3.1 Semi-Structured Interviews

Interviews were primarily conducted through video-calling. Individual interviews were chosen over group interviews based on the reflective availability it offers researchers, as well as its impact on the interviewees ability to express themselves (Bryman & Bell, 2017). This is especially important when processing and researching complex and subjective phenomena requiring deep explanations from interviewees (Bryman & Bell, 2017).

Qualitative semi-structured interviews were conducted as our thesis is based on the interviewees' individual perspectives and aspects, representing their investment firms (Bryman & Bell, 2017). By using open-ended questions, a better understanding of complex and detailed concepts can be derived (Taherdoost, 2021). Six FOs have been interviewed with one interview per firm, with the interviews spanning between 30-60 minutes with respect to the interviewees schedule.

Prior to interviews, participants were contacted via email to inform about the study's objectives and provide an overview of the interview questions, deemed essential to facilitate participants' preparedness and stimulate initial reflections on the topic of active ownership (Taherdoost, 2021). At the outset of each interview, permission to record was asked, with confirmation obtained at the commencement of recording. Subsequently, recorded interviews were transcribed for use during the empirical analysis.

4.3.2 Written Responses

As the market for FOs in Sweden contains a rather small number of firms, to complement the semi-structured interviews, we offered firms from the sample that did not find the time to schedule an interview to respond to the interview questions in writing. The questions were presented in the same way as in the interview, forming an open-ended forum for the interviewee. This was seen as an adequate alternative to interviews, as executives have grown to embrace the digital culture that has been established since the Covid-19 pandemic (Lobe et al. 2020: Teti et al. 2020). Research has shown that the data collected through electronic interview methods should not be contrasted in perception of quality compared to traditional interview methods (Denscombe, 2003).

Due to the time period in which this study is conducted, the majority of FO executives were involved in board engagements and annual meetings, restricting their availability. The advantages of gathering data through written interview answers is an expanded sample size for our paper. By using written answers as a part of the data collection, we allowed the interviewee to interpret the questions without being biased from our comments and provide high-qualitative in-depth data (Bowker & Tuffin, 2004, Gibson, 2010: James, 2007). This can be argued to increase the credibility of the result as the interviewee can reflect on the answers without external output from us (Dahlin, 2021).

The disadvantage of the written responses is that answers can not be followed up upon, if further questions, clarification or extension of answers or questions would be needed (CohenMiller et al. 2020). This can result in insufficient answers that we consider not to be fully motivated, or that some questions are misinterpreted and the data does not provide the result that is expected (Jemielniak, 2020). To prevent these negative aspects, we strived to use questions that are easily formulated and either need short answers to factual concepts, or that are more vivid in where the answers are supposed to be interpreted differently depending on company structures of the firm (Dahlen, 2021).

4.4 Analysis

Following the data collection, an extensive analysis was conducted. As the interviews resulted in a vast amount of data, it was crucial to determine which data points were relevant for the analysis. If the analysis consisted of data which did not bear significant relevance to the scope of this study, we would have comprised the foundation for our discussion and results (Bryman & Bell, 2017). The approach towards analysis in a qualitative study differs in several factors compared to analysis of quantitative data. Research has yet to identify a benchmarked, predetermined method for analysis of qualitative studies as the landscape of qualitative analytics spans wide (Bryman & Bell, 2017: Lester et al. 2020). As a result of this academically uncertainty, different methods of data analysis could be applicable in this study.

Despite this uncertainty, researchers have largely agreed on the use of thematic analysis as an umbrella term of qualitative analysis, capturing a vast variety of analysis methods (Braun et al. 2019). We chose a template approach as our primary methodology for analysis, falling under the term of thematic analysis. The use of the templates for qualitative data analysis within management has become increasingly standardized, as it bears the characteristics of being systematic, adoptable, and simplified to the data collection method (Köhler et al. 2019). The practical implication of a template approach consists of the authors creating several codes, or labels for sections, that derive from the existing theories the literature review is based on. When analyzing our empirical data, our predetermined codes were applied to sections of the data by identifying themes within the larger data context (King et al. 2004).

Initially, we used our first preliminary framework in order to contextualize our analysis by creating a greater understanding of the relations between the three realms. However, it was insufficient in its capability of explaining behavioral traits in our sample group. Therefore, we used our second preliminary framework for predicting and explaining the behaviors of the FOs. This model was somewhat satisfactory in its predicting and explanatory capabilities, but its greatest strength was at creating a solid understanding of behaviors. The second preliminary model was therefore revised based on our empirical data and analysis, in order to provide better codes that characterized practical behaviors. In this framework, predetermined codes were integrated and served as a crucial explanatory factor which created a deeper comprehension for the differences and similarities in behaviors between FOs. An effective approach for uncovering the candid beliefs, attitudes and values from the participants of a study (King, 2004). This is also considered a more flexible tool, with less specified processes which gives us more adaptability in our research (King, 2004). These codes were used for categorization, and later broken down into variables which highlighted differences amongst groups. Codes were also merged or altered based on our empirical findings.

Although frequently used in qualitative research, there are disadvantages of this method. As the standardization of templates has been notably encouraged (Köhler et al. 2019), critique has arisen due to the fact that the use of template has led to oversimplification and lack rigor (Harley & Cornelissen, 2022: Mees-Buss et al. 2022: Pratt, 2008), causing the research to appear linear (Locke et al. 2022). Balachandran Nair (2021), argues that the use of templates in a qualitative research should not be blindly applied, at this method risk suffocating the creativity of the authors (Balachandran Nair, 2021). These disadvantages could lead to an obstruction for the researcher to derive valuable and insightful data from the process (King, 2004). We therefore revised our secondary preliminary framework during our analysis based on the empirical findings, allowing us to include all important findings. This also allowed us to counter the creativity issue while increasing the rigor and depth of our analysis (King, 2004).

4.5 Validity and Reliability

The factors of reliability and validity as measurements for the quality of qualitative research are, in many ways, undetermined and dependent on the individual researcher (Stenbacka, 2001: Patton, 2002: Creswell & Miller, 2000). The positivist perspective of validity as a metric for the research’s reflection of the truth, or the data’s representation of reality, is in many ways flawed in qualitative interview studies (Kuzmanic, 2009). Instead, the social constructivist perspective argues that the interviewees merely convey their own reality and truth, and that no objective reality, or truth, exists (Kuzmanic, 2009). This perspective further stresses that the individual uniqueness in interviewees can make comparisons between social worlds difficult, as interviews investigate the subjective truths of the interviewee (Kuzmanic, 2009). Therefore, since the aim of qualitative interview studies, such as this one, is not to look for a objective reality, but rather describe a contextual reality reflected in the subjective perspective of interviewees, a positivist validity as the search for truth can not be appropriate for evaluating the quality of such studies (Kuzmanic, 2009). Instead, validity and reliability is substituted by trustworthiness (Golafshani, 2003). Trustworthiness is further broken down into four elements, credibility, transferability, dependability and confirmability which are essential for quality in qualitative research (Guba & Lincoln, 1982).

In our study, we used credibility to measure trustworthiness, emphasizing the importance of providing appropriate theoretical and empirical support for our results (Guba & Lincoln, 1982). For instance, the questions established for the interviews were based on a wide range of contemporary literature, covering several aspects relatable to the research purpose. By then using the empirical findings as a foundation for our results, we aimed to ensure the relationship between previous research, empirical findings and eventually the result of this study. By using a semi-structured interview format, we enabled ourselves to ask for clarification when needed, increasing credibility and conformability (Johnson et al. 2020) .

However, credibility is lowered by the two written responses in our dataset, as these did not enable the same opportunity for further questioning and clarification (Johnson, et al. 2020).

The transferability of this study, how our findings can be applied to other contexts or settings (Guba & Lincoln, 1994), has been increased by thoroughly explaining the reasoning behind our sample. Furthermore, we have detailed the geographical limitations, the size and characteristics of our sample to provide the reader with a clear understanding, thereby ensuring the study's findings are transferable (Shenton, 2004). However, transferability is somewhat diminished because the researched FOs remain anonymous throughout this paper. This is due to the fact that transferability in qualitative research depends on how well the contexts and characteristics of the sample can be described (Guba & Lincoln, 1994), which is reduced by anonymization as it restricts the information available to the readers about the sample.

Striving towards ensuring dependability through our research has been enforced by using established methodological procedures (Knox & Burkard, 2009). By describing the research design as well as data collection and analysis, we hope that the study can be replicated in future research endeavors. However, dependability is affected in two ways by our interview structure. Firstly, it is increased by the fact that we have pre-determined questions for all interviewees, as it ensures consistency in our data. The dependability is therefore further increased by the two written responses in our dataset. Secondly, dependability is decreased in our study by the semi-structure of our interviews, as it introduces variability in the data. Whilst the flexibility of semi-structured interviews allows for nuanced responses, it also introduces the risk of inconsistencies in the data collection process. This is since follow-up questions vary in characteristics such as depth, timing and nature, between each individual question as well as between interviews. The aim of our interviews was to create a balance in regards to dependability (Johnson, et al. 2020).

The final parameter for establishing trustworthiness in this paper is confirmability. To achieve this, we selected a research area in which we had no prior experience or preconceptions. This has resulted in us entering the processes without any recognizable established biases (Guba & Lincoln, 1994). However, it is reasonable to assume that some biases still exist. We have therefore, during the data collection and analysis, used procedures with the aim of decreasing our influence on the studies results. Firstly, we aimed at increasing confirmability by using clarifying questions and follow-up questions during our interviews, as these decrease the risk for misinterpretation. Secondly, all interviews were transcribed using software, thereby decreasing our influence on the data. On the other hand, the two written responses decrease the confirmability of this paper, as no clarifications could be made (Guba & Lincoln, 1994). Confirmability was further ensured by grounding the study's conclusions in observations and evidence obtained from the empirical research (Whittemore et al. 2001).

5. Empirical Results and Analysis

This chapter introduces the gathered data and creates a categorized overview of our empirical findings. The data, collected through six semi-structured interviews and two written responses has been analyzed using the reviewed literature and our preliminary frameworks. Our first preliminary framework acted as a contextualizer in the analysis by explaining the relationship of governance between the FOs' owners, the FO and the portfolio companies. However, it was not used for explaining any expected or identified behavior. Our second preliminary framework acted as a template for the analysis, and was revised during the last step of the analysis in order to best represent our findings. The finalized framework incorporates mechanisms of engagement and ownership stakes as primary categorical factors. As to best represent our data, some behavioral variables or factors have been removed, combined or modified in or from our preliminary framework. The following chapter assumes a crucial role in addressing our research question:

RQ*: What are the manifestations of active ownership across family offices in Sweden, and how does it align with expected investor behavior, according to established concepts?*

Following, a table of the company assets and the title of the interviewee will be chronologically presented based on when the interview was conducted. The FOs and interviewees will out of consideration of secrecy, be anonymous. However, we have re-named all FOs to increase readability. The value of assets has been gathered through the Swedish business database Allabolag.se, based on the FOs' last available annual reports. The asset value is further segmented into various categories of size in order to provide further anonymity to the FOs.

Company	Interviewee Title	Assets (Million SEK)
Mercury	*CEO*	*> 50 000 (2022)*
Venus	*Investment Director*	*> 50 000 (2022)*
Terra	*CEO*	*1000 - 10 000 (2022)*
Mars	*Investment Manager*	*10 000 - 50 000 (2022)*
Jupiter	*CEO*	*< 1000 (2022)*
Saturn	*CEO*	*1000 - 10 000 (2022)*
Uranus	*CEO*	*< 1000 (2022)*
Neptune	*CEO*	*1000 - 10 000 (2022)*
Total Assets in Empirical Study:		*240 816 (2022)*

Table 1: Empirical overview of interviewed Family Offices

5.1 Time Horizon of Investments

Throughout our empirical investigation, we anticipated discovering differences in investment horizons. Surprisingly, every family office (FO) we examined described their investment horizon as predominantly long-term, “We are very long-term oriented” (Venus). Five FOs expressed their ownership as infinite, with some exceptions which allowed them to exit investments, “Infinitely, but trying to balance liquidity to ensure there is room for dividends when needed” (Uranus), “We … don't sell anything. That has always been our policy, but we have done it anyway if we have gotten paid very well” (Mars), “We are potential infinity-owners … As long as we feel that we can contribute something …*”* (Terra). One FOs express the importance of mutual value-adding for long-term ownership.

> Yes … we are long-term oriented, and you can see from the holdings we've owned since the 90s. So one could almost say it's eternal. However, it's not an end in itself … As long as we feel that we add value as shareholders, and the asset adds value to us, then we are very interested in continuing to manage or own an asset (Neptune).

Mercury explains their long-term time horizon: “Many opportunities arise for us to buy, sell and make money, but we're not looking for quick wins, we're looking to develop the business … ” (Mercury). Another FO expressed a generational time perspective, “Long-term for us is measured in generations and not in years“ (Saturn). Only one of the FOs expressed any real time determined investment horizon, with a medium to long-term investment strategy “... when we meet a company, we try to gauge a bit. What do they want to achieve? So it varies, but maybe generally between five and ten years“ (Jupitor).

These findings are contradictory to our preliminary models. Whilst we anticipated a general long-term focus of the FOs, we did expect some short-term orientation. Especially considering many of the investigated FOs invest in public equities, increasing their volatility and the need for profits short-term. Furthermore, whilst the term institutional investor encompasses a large diversity of investors, there are similarities, and many sub-categories exhibit diversified investment strategies. Therefore, since we partially derived our early understanding of FOs on institutional investors, we anticipated observing similar diversity within the FO sector, specifically pertaining to the time horizon of investments. Additionally, the general long-term orientation of the FOs contradicts Williamson's (1981) classification of investors in the public market as short-term speculators, contrasting the long-term value creation strategies of Swedish FOs.

5.2 Active Ownership Intensity

All companies, except two (Venus & Uranus), characterized themselves as active owners in general, however, there were several factors that affected the perspective of active ownership. One of the companies that expressed themselves as non-active (Venus) were referring to their minority posts, which served as a diversification tool to their family business, in which they were still majority owners. Furthermore, Venus expressed that the family members are only actively involved in the family business, in which they still hold a majority stake. Consequently, Venus’s focus therefore lies solely on their minority holdings. We will therefore exclusively consider the minority holding concerning Venus in our analysis, as per their own assertion that these are the only investments they manage.

Uranus, who characterized themselves as mainly passive, also said they “sometimes hold board seats” (Uranus), showing that ownership engagement can vary even within FOs. Our findings indicate that the investigated FOs were generally active or passive. However, in cases where they were passive, FOs could still be selectively involved as owners. In the following sections, an altered list of characterizing parameters for our revised framework, will serve as a foundation for the analysis, in order to answer our research question.

5.2.1 Ownership Stakes

We find that the general ownership stake of portfolio companies are widely diverse among the firms. Some firms generally strived towards minority posts (Venus, Jupiter & Uranus) whilst Mercury and Saturn aimed for owning significant minorities and being the “... largest (shareholder) and able to influence the company” (Mercury). Another FO had a strategy with minority holdings in several public companies, but strived towards a strong majority holding strategy in private companies (Neptune). Only two FOs, (Terra & Mars) aimed for nearly complete ownership in most of their portfolio companies, however Terra had the goal of allowing the original entrepreneur to retain some ownership. This somewhat confirms our preliminary model as we predicted shareholding strategies would vary between firms. It is noteworthy however, that the firms aiming for big minorities often controlled an unproportional amount of votes through priority shares. This, in turn, confirms the theory of separation of ownership and control, as control can be necessary in order to manage investments even with a minority holding. Simultaneously, it contradicts our framework, as well as theory, where we make the assumptions that active owners are majority owners (Jonsdottir, 2020).

Furthermore, the fact that our empirical study contains FOs with asset values spanning from less than SEK 1 000 million to more than SEK 50 000 million, must be taken into consideration when interpreting our results. The FOs in our study with larger asset values often invested in larger portfolio companies, primarily publicly traded with a market capitalization of hundreds of billions of SEK which affects how much of the publicly traded shares a FO reasonably can attain.

5.2.2 Control and Effect

We found, as mentioned before, that all but two FOs (Venus & Uranus) considered themselves as active owners. Consequently, we found that all firms considering themselves as active owners, also stated board engagement as an important mechanism for their active ownership and control. This is somewhat expected, as board engagement is one of the fundamental control mechanisms in governance. When asked about their active ownership, one interviewee said "... we want to be an active minority shareholder… with a guaranteed seat in the board" (Jupiter). Another firm said " … we take up a majority of the seats in the board including the chairman position…" (Terra). Venus were the only firm expressing a view opposing board engagement:

> We have a majority holding where the founding family is very active, but in the rest of our portfolio companies, we do not want to be active as it might derive focus from what is the most important (the majority holding), the other holdings are minority post serving the purpose of diversifying the portfolio (Venus).

Saturn expressed board engagement as their primary mechanism for active ownership as well as "... through representation in nomination committees and other committees" (Saturn). Another FO claimed board representation as key in their active ownership, but also highlighted other governance mechanisms " … I would like to claim that we are very active, primarily through board work or alternatively through the nominating committee" (Neptune). Uranus, who considered themselves as passive owners, highlighted the possibility for occasional board engagement: "We are usually minority shareholders (<10%), but hold board positions in some cases … " (Uranus).

However, we found varying degrees in the intensity of the FOs' board engagement and control of the portfolio companies. This manifested through, for example, a difference in the number of board appointments, if the FOs appointed the chairman and how much autonomy was given to management. We also observed, as mentioned before, significant variability in the ownership strategies, ranging from complete ownership to holding smaller minority stakes, sometimes even in single digits. As anticipated, the ownership strategy of the FOs also influenced their capacity for board influence and control. Mars, for instance, pursues complete ownership of portfolio companies, granting them the freedom to shape the firm's direction through control of the board and management. This strategy, as predicted, results in reduced autonomy for managers, as evidenced by Mars's operational engagement in their portfolio companies. When explaining how they work with portfolio companies, their investment manager highlighted the importance of board engagement and of control:

> It's through the board, by setting a direction … It's primarily for the ones we have full ownership of … We say that if we get involved in something, we want to be able to influence it. That's where our intention lies … (Mars).

In contrast, Mercury expresses a strategy for being a large minority shareholder. but keeping autonomy for managers:

> We want to be the largest (shareholder) and be able to influence the company, and that is done by being part of the nominating committee and participating in board work … At the same time as we say that we want to be active, we give the management a very large mandate to run the company. We say something like this: okay, I understand that you want this, but our opinion is this, but you make the decision (Mercury).

Neptune described a similar strategy to Mercury, showcasing engagement whilst keeping operational autonomy for management:

> It's very beneficial to engage with management, and it's particularly valuable to visit the various operations together with management, to immerse oneself and showcase involvement. However, having said that, we're not involved in trying to control the operations or take operational control from the management team (Neptune).

Our findings mainly confirm our preliminary model. Firstly, board participation as an important mechanism for control and ownership is reflected in our empirical data. Secondly, we find that the size of the FOs' ownership stake is associated with its engagement intensity, through its ability to exercise control and its board engagement. Complementary, we find that the individual investment strategy also influences exercised control. This observation challenges some aspects of existing literature (Dimson et al. 2015: Davis & Thompson, 1994) while supporting others (Sjöström, 2020: Hoskisson et al. 2002: Shen & Gentry, 2012: Dimson et al. 2015).

We also found variations in the internal governance and control systems of the FOs such as board participation and management, especially regarding the involvement of the founding family. Firstly, we found that all except two FOs (Saturn & Uranus) had appointed an external CEO to manage the FO. The empirical data showed that many of the FOs with external leadership valued familiarity and trust very highly before hiring. Many of the external CEOs had previous relationships to the founding family through working in- or with their portfolio companies or with the FOs in some capacity. They also emphasized that personnel of the FOs had to have similar values to the FOs as well as the founding family, in order to reduce unwanted behavior and increase internal alignment. We believe that this confirms our assumption that the founding families were aware of agency problems and tried to lower agency costs through assessing the reliability of their performance and by aligning values. This belief is further motivated by the CEO of a portfolio company owned by Mercury, being heavily motivated into accepting substantial financing in order to purchase shares in the company, effectively aligning residual bearing and management.

5.2.3 Communication and Advisory Functions

The extent of engagement can be partially gauged through empirical evidence concerning communication between FOs and their portfolio companies. We found that, generally, FOs utilized formal communication through board meetings and annual meetings as the primary mechanism for communication. This finding is true for all FOs except Venus. This is expected, as they were the only ones who downplayed the need for board engagement. We also find that most FOs also utilize informal communication and act as advisors for their portfolio companies, somewhat contradicting our preliminary model. Mars says:

> ... we want to be an advisory function bringing in expertise. Also in very operational matters. I mean how pure strategic work is in terms of how we should work with the companies. How should we set it up in terms of business opportunities? How should we have pricing models (Mars).

All FOs highlight the importance of informal communication, however, our data suggest a higher frequency in active FOs. The CEO of Mercury said “No, we don't have any formal advisory board, but the advisory work is ongoing all the time” (Mercury). The CEO of Saturn described their communications as “Ongoing continuous dialogue to support, monitor, and challenge" (Saturn). Neptune highlighted the important difference between communication with public and private companies by saying:

> We respect, if it's a listed holding, then it's governed by stock market regulations, and therefore, it must be handled with strictness. When it comes to our unlisted holdings, especially those we own entirely, there's often a lot of exchange. (Neptune)

We also find a distinction in the advisory roles outlined earlier. Some firms do indeed have formal advisory functions aimed at providing expertise to portfolio companies. When asked about this, Mars said:

> Yes we do, absolutely, in operative questions too. Pure strategic questions as well regarding how we work with our companies, how we set up their business units, how they develop pricing models and so on (Mars).

When asked about their communication and advisory to portfolio companies, the CEO of Terra said:

> They (the original entrepreneur) often lack experience in, for example, acquiring companies, going international or establishing structures for starting export sales or launching companies abroad. In those areas, we have expertise ourselves or within our network to assist them … We assist them with agreements, etc. The capacity that our portfolio companies usually lack, we have that initially. (Terra)

This finding confirms our preliminary model in the way that advisory as a formal function does occur, but at a much lesser extent than predicted. However, we also find that communications are present not only between FOs and portfolio companies, but also between FOs and other investors. For instance, Venus, who consider themselves as passive owners, states: "We are happy to be an active sounding board. We express our opinion and then check in with another shareholder how they see things" (Venus). This shows that, even though engagement intensity is low in this FO, the intention to promote some form of advisory function as an investor still exists. The finding of cooperation between investors was found in all FOs without a strategy of full ownership.

5.2.4 Exit vs. Voice

Our data collection showed that the willingness to buy or sell shares is strongly related to the FOs investment strategy. Generally, we find that the focus of the investigated FOs are on long-term profitability. “Many opportunities arise for us to buy and sell and make money, but we're not looking for quick wins, we're looking to develop the business … ” (Mercury). When asked about their investment strategy in terms of exit, Saturn said “... There is no exit strategy” (Saturn). This is reiterated by Neptune who said “We do not have an exit-philosophy” (Neptune). The investment director of Venus expressed the differences between owning public and private stock, and how it affects one's ability to exit, or enter an investment, by stating:

> If it's a public company, then you can reason with yourself, if the valuation is too low or too high. It's a little different in private firms, then you can't just press the button and buy or sell. If you want to buy or sell more, you mainly have to talk to other investors (Venus).

However, we also found that opportunities for offloading shares could be accepted, if the deal was phenomenal, as one FO stated:

> We have a policy to be as long-term as possible, and our culture is to never sell … But then again, we have sold shares if we have gotten a very large payment for it (Mars).

The fact that great opportunities for offloading shares can arise, contrasting the FOs long-term ownership strategies, are reiterated by several interviewees, showing somewhat of a consensus on the topic. Neptune states that they do not have an exit-philosophy, but they have offloaded shares when the FO has gone through fundamental changes. The CEO mentioned that when they went through a generation shift of owners, the FO needed to sell shares to go through with the implementation of the new direction of the FO.

Firstly, our data suggests that FOs have an overreaching perspective of long-term ownership without formalized exit strategies, confirming predictions in the preliminary model that a long investment horizon is characterized by a lack of exit-strategies. Secondly, our empirical data suggests that FOs are willing to exit investments under particularly lucrative circumstances. Thirdly, our data imply that the ownership stake is not necessarily related to the choice of voice or exit, as even FOs with minority shareholdings choose to express voice over exit as a primary function for expressing their investment strategy. This contradicts the theory of Broccardo (2020) and Davis and Thompson (1994) as they posits that minority shareholders express their judgment by exiting investments. Finally, our data suggests that Venus and Uranus are more inclined than the others to exit investments. This finding somewhat contradicts our third finding, and corroborates theory. When asked what would precede an exit, Uranus said "The opportunity for profits" (Uranus), showing a deviation from the rest of the FOs. Likewise, Venus expressed an exit strategy tied to valuations "... We can sell, we can for example sell shares in (Portfolio Company) without questioning their strategy in any way, it's a matter of valuation" (Venus).

5.2.5 Investment Principles

When asking about the preferences between growth stocks and value stocks among interviewees, a mutual understanding of combining the two stock types were evident within the sample. Overall, we observe that one of the primary financial objectives for FOs is to ensure investments yield stable and positive cash flows, offering acceptable returns for the long term, irrespective of stock type. "We aim to invest in stable, nice cash flows" (Terra), "We don't really understand why they (growth stocks) make the valuation jump as they do, to be honest. Somewhere along the line, we prioritize cash flow" (Mars). "We don't create value by buying and selling companies: we create value by developing them, and that's crucial" (Mercury). Another FOs argued for the need of proven profitability and returns, whilst diversifying their portfolio:

> We don't invest in startups, there must be a clear track record where earnings can be historically demonstrated. We aim for a good balance between risk and return and we prefer to see diversification in our operations … There should be a decent yield (Neptune).

Our study suggests that several FOs include portfolio company growth as a fundamental factor in their investment strategies. In these cases, the firms invest in portfolio companies where the goal is to buy at a discount while still having cash flow as an important factor:

> Lower the valuation initially and buy at a discount to intrinsic value. But then, build a good business for everyone involved. After that … Everyone makes money. That's our focus*”* (Jupiter).

Venus expressed another strategy:

> The driving force and the main source of funding for investments is indeed dividends (from the family firm). Then we reinvest these dividends into investments that create new cash flows” (Venus).

Firstly, our data suggests that the strategy of investing in mature companies with clear track records and stable cash flows, was the primary investment preference of our sample. Secondly, we find that it is common to combine growth and value stocks in the FOs portfolios, contradicting our preliminary model and theory on stock types (Fong, 2014). By incorporating these two stock types, some FOs argued that the dividends yielded from the value stocks, can serve as a mechanism for creating liquidity for growth stocks. In this way, many of the FOs’ portfolio companies do not have to provide dividends, as other holdings contribute with large yields. Thirdly, we found that all FOs except one (Jupiter) invests in both private and public equities, showing a clear unison which was not present in our preliminary model.

5.2.6 Socioemotional Wealth

Through our data collection, it was shown that the concept of socioemotional wealth (SEW) had a more significant influence in the FOs than previously anticipated. All firms explained that the values and perspective of the founders permeate business operations in the FO. When looking through the lens of SEW, we found that Terra and Neptune, did not own the family business anymore, derives value from the entrepreneurial legacy and reputation from its founder. Furthermore, the culture of entrepreneurship has an obvious effect on the strategy of Terra and Neptune, as it dictates what types of firms they invest in, it facilitates quick decision making and creates an organizational mindset on how to approach portfolio companies. This finding is aligned with contemporary theory on SEW and FOs. Interestingly, similar patterns of SEW were found in other firms, where the family businesses were still owned by the owners of the FO. In these, the founder's entrepreneurial legacy and reputation contributed significantly to their value and influence, shaping the organization's culture and decision making, further confirming theory:

> It's an entrepreneurial family. They want to give back to the entrepreneurial community in some way… We like the entrepreneur and know that the entrepreneur will run the company for us. And it's kind of like the legacy of an entrepreneurial family (Venus).

When asked if the legacy of the founding family affects the FO, one interviewee said:

> Absolutely. To the highest degree. They are very particular, and we are very particular, about not entering into diffuse industries that could potentially harm the (family firm name) brand in the long run (Jupiter).

Another interviewee stated that they were strongly affected by the legacy and values of the owning family, creating a strong focus on combining sustainability and financial performance, echoing the importance of giving back to the local community and a general stakeholder focus (Saturn).

When asked about how the firms consider the trade-off between non-financial and financial returns there were separate opinions. The interviewees were asked to assess if they would accept a lower financial return on their investment to satisfy non-financial goals, such as sustainability or benefits for the local society. Some of the firms claim that they have a responsibility towards the society they operate and invest within, for instance by stating:

> … we assess that sustainability will provide good financial returns in the long run and will also be a requirement to remain competitive. The development of the local community must go hand in hand with investments and development in our companies (Saturn).

Another FO stated that their original focus on non-financials had the effect of drawing attention from financial targets. They increased their attention to financial targets with the appointment of a new CEO, with increased focus on financial returns (Jupiter).

Our findings show that in Venus, Terra, Jupiter, Saturn and Neptune, non-financial aspects were present in the governance for safeguarding the legacy and reputation of the owners, showing a clear connection between non-financials and SEW. We find that the owners of these FOs derive value in strengthening, or at least protecting, their legacy and reputation, creating non-economic benefits for themselves through their FOs. In contrast, Mercury, Mars and Uranus display an interest and consideration of non-financial objectives, but still cite the financial goal setting as the most fundamental aspects of their operations. Interviewees consistently highlighted the significance of family legacy and values as important governance mechanisms influencing their investment decisions, ownership behavior, investor conduct, and approach to sustainability. Our findings show that the values presented in the theory of sustainable value creation and stakeholder theory are largely present amongst FOs. This, in the sense that the FOs often make conscious decisions with regards to external stakeholders such as the local society of environmental factors, with the aim of creating long-term sustainable profitability.

Furthermore, according to contemporary theory on socioemotional wealth, three FOs differentiated themselves in regards to SEW (Mercury, Mars and Uranus). Interestingly, a fundamental difference exists for Mercury as their wealth did not originate from any family business, but from the founder's private investment career. This could perhaps explain why their legacy focus is on financial returns, rather than non-financial aspects. However, Mercury, Mars and Uranus. still demonstrated governance rooted in the values of the owning family. These were, just like in the other firms, aimed at influencing their investment decisions, ownership behavior and investor conduct. Uranus states for instance when asked about having non-financial investment requirements "No, not currently formalized. However, we carry our own values in these matters with us, which affect our investments. This approach has worked well" (Uranus).

While certain aspects of family influence remained relatively consistent across all of the FOs, such as investment preferences and sustainability goals, Mercury, Mars and Uranus lacked theoretically aligned socioemotional wealth. Consequently, we find that these firms were notably more driven by financial goals rooted in family values. This included considerations such as the FO's risk tolerance, orientation towards cash flow versus growth, and performance metrics. When asked if the family values influenced their strategy, one interviewee said: "I would definitely say so. Especially with the cash flow mindset and the fact that we don't let any investments go. That's something that comes from the (owner) family" (Mars). Whilst these three firms did not exhibit a clear alignment with academically defined SEW, which typically involves safeguarding legacy or reputation to generate non-financial benefits for the owners. They demonstrated that family legacy and values served as a governance mechanism, influencing decision making within the FOs.

Drawing from our foundation in previous research on socioemotional wealth, we anticipated that firms emphasizing SEW would be more inclined to prioritize these causes at the cost of financial performance. Conversely, we expected firms lacking a theoretical relationship with SEW to prioritize non-financial legacy matters less. Interestingly, among the firms demonstrating evident SEW, only one accepted lower financial results as a consequence of reaching non-financial goals (Saturn). Two firms (Venus & Jupiter) argued that financial and non-financial returns need not be contrasting factors. FOs Mercury and Neptune, argued for a very similar relationship to sustainability. When asked about the trade-off between the financials and non-financials, Neptune said: "We'd like to emphasize that this isn't something that contradicts or conflicts with our approach" (Neptune). Mercury agreed by stating:

> We would probably be willing to make a larger investment to achieve the (non financial) goals we have set, but we also want it to be done as optimally as possible, so it's not wasted money … I think you can earn just as much money on sustainable products (Mercury).

Terra, stated that whilst sustainability is very important, profitability and cash flows are the basis for any investment firm and has to be the highest priority:

> … I mean, you have to be a sustainable company to be competitive. It simply boils down to the financial aspect, that's when you have a sustainable investment, and you must be profitable and skilled to retain personnel and ensure that the local area continues to have a stable owner. And then it boils down to making money (Terra).

One FO showed resistance towards any decrease in financial returns, if it meant investing in sustainability beyond what was legally mandated. "... But if the question was whether we are willing to sacrifice cash flow for societal benefit beyond what is stipulated in the Green Deal (EU legislation), I don't think so" (Mars).

This finding is somewhat contradictory to theory, as those FOs expressing clear socioemotional wealth connection, should be more likely to prioritize non-financial goals, and vice-versa (Berrone et al. 2012). We did find that FOs with a strong socioemotional wealth orientation generally held positive attitudes towards non-financial goals and sustainability. However, their perspectives on sustainability were often nuanced and complex. The majority of these firms either advocated for the simultaneous pursuit of non-financial and financial returns or emphasized the primary responsibility of the firm to generate profits. Additionally, we did not find that these firms categorically accepted lower financial returns for non-financial goals.

5.3 Revised Framework

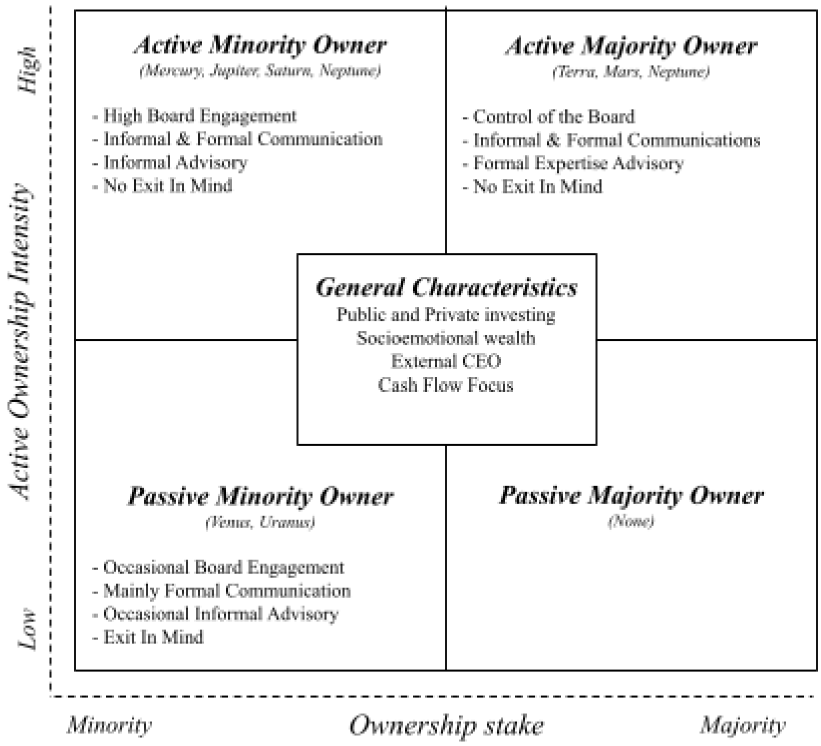

Figure 3. A revised framework for a cyclical model of active ownership in Family Offices

This subchapter aims to revise our second preliminary model, based on empirical findings, and to align these changes with prior research. Our first preliminary framework remains unrevised, as it fulfilled the purpose of contextualizing our empirical data rather than predicting and explaining it, since our second framework worked as a more efficient tool in our thematic template approach. The following discussion emphasizes significant adjustments, mainly focusing on axes or variables which have been substantially strengthened ,or removed, aiming to enhance the understanding of strategies and active ownership in the Swedish FOs sector. Additionally, this structure aims at facilitating comparisons between investment sectors and positions the FOs sector relative to previous research, rather than focusing solely on individual firms. We are aware of the negative aspects of this approach such as neglecting individually differentiating factors. However, we strongly believe this structure will assist in fulfilling the aim of this paper, and hence, increasing the understanding of the Swedish FO sector and how it relates to established concepts.

We found that the time horizon of FOs were unanimously long-term, often described as infinite, with one exception of 5-10 years as a holding strategy (Jupiter). This strongly contradicts the predictions made in our preliminary model, where we anticipated a difference in holdings times between firms. Furthermore, they also contradict theory on financial markets as the theoretical landscape predicts both short- and long-term holding strategies (Hazen, 1991). However, we find theoretical evidence arguing for the strategy of a long-term holding, corresponding to arguments put forward by FOs in our data. For example, long-term holding offers the advantage of risk-diversion, influence of the owner(s) and the ability to create competitive advantages (Le Brenton-Miller & Miller, 2006), aligning with the goals of the FOs in our sample. Generally, it also offers higher returns (Carey et al. 2018).

Since all FOs in our sample group adopt a long-term holding strategy, it renders the time horizon in investments unsuitable as the x-axis in our second framework. Consequently, we changed the x-axis of our second preliminary framework to ownership stake, as we identified a great variety of shareholding strategies within our data. Notably, we identified minority shareholding in all but two FOs (Terra & Mars), who exclusively possessed majority holdings. Intersingely, Neptune exhibited a mixed strategy, containing both majority and minority holdings.

We also found great variety in exerted control, allowing us to keep ownership intensity as the model's y-axis, and therefore categorize FOs based on ownership- intensity and stake. The model contains categorization of three FOs as active minorities, two FOs as active majorities (one FO as both), and two FOs as passive minorities. The finding that the only two FOs categorized as passive, were also minority owners, confirms theory on the subject as minority shareholding is expected to reduce the ability for control (Davis & Thompson, 1994). Subsequently, we found no passive majority owners. However, the fact that some FOs with minority shareholdings still exerted control and influence over managers contrasts theory (Davis & Thompson, 1994: Boot, 2006). Interestingly, the finding that all but two firms (Venus & Uranus) considered themselves as active owners, strongly contradicts the predictions made in our preliminary framework. It should be expected, however, that organizations with predominantly long-term focus would adopt an active ownership strategy, as it promotes its sustained focus and reduces agency costs (Jonsdottir, 2020).

Furthermore, we found an abundant amount of data showing board engagement as one of the most important and recurring mechanisms for influencing the FOs portfolio companies, even occurring sporadically in passive FOs as an mechanism for activity. This finding strongly corroborates theory on corporate control and governance as board engagement can produce significant financial results (Brav et al. 2008), which would motivate its use by active investors, motivating a revision of our preliminary model. Furthermore, it acts as the least ambiguous channel for expressing voice (McNulty & Nordberg, 2015). Contrasting to some researchers (Sjöström, 2020), and in line with others (Dimson et al. 2015), we found that the level of board engagement and engagement intensity was related to shareholding size. This was somewhat expected, as the ability to influence the board, and the firm in general, increases with ownership stake. This led to a better understanding of board participation and engagement in the FOs active ownership strategies in our revised framework. It is not entirely surprising that FOs exercising more control and allowing for less autonomy in management, choose to acquire majority stakes in the businesses. If the strategy of the FO was to allow managers great autonomy and to do little in affecting the trajectory of the firm, a majority stake would make little sense (Boot, 2006: Le Brenton-Miller & Miller, 2006). Furthermore, in alignment with theory on concentrated ownership (Coffee, 2012: Shen & Gentry, 2012), we found that in the FOs with majority holdings, a tendency towards greater control and reduced manager autonomy existed than in those with minorities (Boot, 2006). Nevertheless, some variability is found even within groups, driven by individual firm investment strategies (Hoskisson et al. 2002: Shen & Gentry, 2012).

Lastly, we found four general characteristics for Swedish FOs. These defining traits were predicted to be differentiating internally, but our empirical data strongly contradicts this presumption. Instead, we find that firstly, all Swedish FOs have a strong basis in socioemotional wealth, although some variations exist, mostly corroborating theory (Gómez-Mejia et al. 2007: Berrone et al. 2012). Secondly, we find that all firms except one, invest in public as well as private equities, which theory predicts (Aguilera & Crespi-Cladera, 2016). Thirdly, all but two firms (Saturn & Uranus) had appointed an external CEO, confirming agency based theory on corporate governance (Fama & Jensen, 1983). This could have been expected, but was missing from our preliminary model. Lastly, we found that all firms prioritize investing in financially sound portfolio companies, with a particular emphasis on generating profits and prioritizing cash flow as an investment principle. This was contrary to our preliminary model, as we had predicted that FOs would focus on either growth or value in portfolio firms. Based on these four general traits, which were almost completely unchanged between firms, we created a fifth section in the center of our revised model delineating the general characteristic for Swedish FOs.

To summarize, FOs predominantly adopt long-term holding strategies, contradicting preliminary model predictions and leading to a revision of the models x-axis to ownership stake. Most FOs hold minority stakes, while three firms were either majority owners or had a mixed shareholding strategy, mostly confirming predictions. All but two FOs were active owners, contrasting with our predictions but aligning with theory. Control exertion varied and was relational to shareholding size. Board engagement emerged as a significant influence mechanism, also varying based on ownership stake. Overall, FOs' long-term strategies align with their active ownership and our empirical data both supports and contradicts our predictions, and mostly corroborates theory. Lastly, Swedish FOs generally include a strong basis in socioemotional wealth, investment in public and private equities, the appointment of an external CEO and a prioritization of financially sound portfolio investments. This led to the creation of a dedicated section in our model to represent these common traits.

6. Discussion and Conclusion

The purpose of this study was to increase the understanding of FOs and their active ownership by examining strategies and practices in Swedish FOs. Through semi-structured interviews with FO managers, this study has gained insights into FOs characteristics and traits as well as their approach to active ownership. In this way, we have succeeded in increasing the understanding of both FOs and their active ownership strategies. Thus, the study has been successful in addressing its research question and fulfilling its purpose. In doing so, we have also contributed to addressing the issues described in our problematization, where we highlighted the gap in insight into FOs and the insufficient understanding of their active ownership.

Our first conclusion suggests that active ownership in the Swedish FOs sector is rooted in socioemotional-wealth based on legacy and an entrepreneurial spirit, and affects the decision-making processes in FOs (Bierl & Kammerlander, 2019: Gómez-Mejia et al. 2007: Berrone et al. 2012). This was somewhat unexpected as we initially gained our understanding tangentially from institutional investors, and therefore predicted similar behaviors (Ferreira & Matos, 2008). The relationship between SEW and FOs could have been predicted given the theoretical connection between the two, mainly tangentially through family firms where most FOs originate (Scholes et al. 2008: Wiklund et al. 2011: Schickinger et al. 2023). Our data suggests that the high level of engagement within the FOs sector primarily stems from the legacy of the founding family, thereby driving investment strategies (Chang & Mubarik, 2021: Souder et al. 2017: Hernández-Perlines et al. 2019). This could imply that the real-world application of SEW, supported by our empirical data, mirrors theoretical expectations concerning goal setting in FOs. Essentially, our data suggest that the objectives and values of the founding family play a major role in shaping how a FO operates (Leitterstorf & Rau, 2014: Rivo-López et al. 2017). Additionally, we argue that SEW establishes a foundation for investing that prioritizes the welfare of the entrepreneur, sustainability and the general business environment, as long as it conforms to the values of the founding family (Rivo-López et al. 2017: Wessel et al. 2014). Our data suggest that FOs primarily rely on external CEOs, aligning with the theory of manager-controlled firms as a functional governance mechanism (Margotta, 1981). However, agency costs could be reduced as a consequence of the SEW-based culture within the FOs, refuting classical agency theory in regards to separation of ownership and control (Berle & Means, 1932: Jensen & Meckling, 1976: McColgan, 2001).

Our second conclusion suggests that active ownership in the Swedish FO sector primarily manifests through board engagement, complemented by informal communication, advisory roles, and influence over portfolio company management autonomy. In alignment with theory on governance and active ownership, our findings propose that the influence FOs gain via board engagement is the most direct and effective way to affect portfolio companies (McNulty & Nordberg, 2015: Coffee, 2012). Furthermore, our findings indicate that the intensity of board engagement is related to strategic choices in the FOs (Hoskisson et al. 2002: Shen & Gentry, 2012: Dimson et al. 2015). As our data suggest, we argue that other engagement tactics are used by FOs in order to excerpt control and influence. With support in theory, we propose that different types of communication are utilized by FOs either indirectly, or directly, to affect the strategic direction and decision making in the portfolio company (McNulty & Nordberg, 2015: Sjöström, 2020). We also argue that the effect on management autonomy varies between FOs and is relational to the individual strategies of the FOs (Shen & Gentry, 2012: Boot, 2006). These arguments are made in a context where both concentrated and dispersed ownership structures are common in portfolio companies, meaning an governance environment characterized by both management and owner led organizations. However, owing to the considerable influence and engagement typically exerted by FOs in our study, conventional theoretical predictions regarding management led firms (Berle & Means, 1932: Margotta, 1989) may not universally hold true, given the extent of control, influence and respect commanded by FOs over these firms.

Our third conclusion regards the characteristics of FO ownership and investment behavior. Firstly, our data suggest that FOs have a long-term horizon in their investments. We argue that FOs' behavior and goals align with the theoretically based characteristics for a long-term investor. (Le Brenton-Miller & Miller, 2006). Furthermore, our data propose that FOs give the same arguments for long-term investing as posited in theoretical frameworks (Le Brenton-Miller & Miller, 2006), implying a theoretical grounding of investment strategies within the FO sector. Interestingly, our data suggest that there is no relationship between time horizon and shareholding size, as predicted by our preliminary models, which relied on theory on ownership dispersion (Williamson, 1981). Secondly, we argue, based on our empirical findings, that the FOs sector is heavily focused on cash flow based investment strategies, as our data presents cash flow as a fundamental parameter in FOs determining an investment's relevance. We wrongfully predicted growth and value stocks to be a differentiating factor between FOs' strategies, which our data suggested was of no importance. Given the asset preservation goals of FOs (Schickinger et al. 2023), this could possibly have been predicted. In this case, we faulty based our predictions and understandings of FOs on a tangential understanding of institutional investors, overlooking important differentiating factors of the FO. In summary, we propose that FOs are generally long-term investors, with varying ownership stakes of majority and minority holdings, with the financial focus concentrated on cash flow. Therefore, our study suggests that FOs should be regarded as an individual investor type. We argue for this based on the heavy influence of SEW, their primary long-term focus, a general strategy of intense active ownership and a cash-flow based investment strategy in mature companies. Based on our empirical data, theoretical insights, and understanding of investor categories, we believe there are differences between these characteristics and those of other investment types. However, we acknowledge that these conclusions are not definitive.

Prior theoretical arguments on investor classification have been predominantly focused on whose capital they manage, entry point and the purpose of their investments. FOs have largely been categorized based on their capital foundation, as assets originate from a family firm, which theory has posits makes them unique (Scholes et al. 2008: Wiklund et al. 2011: Schickinger et al. 2023). We argue, based on our empirical findings, that FOs inhibit several distinguishing traits from other investor types. Primarily, we argue that the strong legacy focused socioemotional wealth sets them apart from other investor types, and alikens them more closely to other family firms compared to institutional investors. Secondly, since our empirical data suggest a strong cash flow focus and an almost exclusive focus on investments in mature companies, it sets them apart from, for instance PEs, VCs and BAs. In that sense, we argue that FOs should be categorized as an specific investment firm type, as our study suggests that the similarities between FOs and other institutional investors are not sufficiently permeating. Additionally, current theory predicts FOs to prioritize profitability more than other investor types (Block et al. 2019). We believe that we can, through our empirical data, strengthen the argument that FOs focus on profitability. However, as our study has focused exclusively on FOs, we can not argue for, or against, the theory that this focus is stronger than in other investor types. Another argument from Block et al. (2019), is that FOs prioritize ROI to a lesser extent in order to safeguard social and financial welfare of the owning family. We can not conclusively prove this theory, but we argue that FOs do posses a delicate balance between long-term value creation and a focus on the founders legacy and a general care for non-financial aspects. We believe that this balance derives primarily from the influence of SEW in FOs, portraying the investor type as unique in this aspect. However, our study proposes that the main objective of FOs is to generate wealth and asset preservation, showing an indication that the found families legacy primarily aims to increase ROI in the FOs (Wessel et al. 2014: Decker & Lange, 2013). Our study contributes to a further understanding of the FO sector in Sweden, however, our limited data sample has to be taken into account and our findings are not necessarily generalizable for the entire sector in Sweden, or internationally.

Our study presents findings relevant for practitioners in the investment sector as well for prospective portfolio companies. We argue that businesses with FOs as an investor could expect a long-term owner with generally heavy board engagement that acts as a close advisor to management. In practice, this could imply that the business can expect a knowledgeable support organization in its investors with well developed networks, which could be used to improve the business. Furthermore, private business owners looking for partial exits in their ventures could expect to gain expertise from FOs through capital structure changes, reporting adjustments and operational strategies. Based on our discussion of FOs' distinctive characteristics, we argue that they serve as well suited owners for companies seeking operational success and growth, particularly when they require business expertise beyond their own internal capabilities. Furthermore, as our findings suggest that FOs often acquire sound firms, entrepreneurs are treated with respect and can expect to have some, or even high, autonomy in the decision making of their firms even after the acquisition. Additionally, we argue that all firms invested in by FOs are affected by the legacy of the FOs' founding family, and should align their own values with that of the FOs' founding family.

Our study finds three practical insights for FO practitioners. Firstly, understanding that active ownership in Swedish FOs is commonly derived from SEW, highlights the importance of legacy in decision-making. Practitioners can use this knowledge to better align their investment strategies with the values and long-term goals of the founding family, ensuring that both financial and non-financial objectives are met. Secondly, FOs can focus on enhancing their board engagement and create informal channels of communication with portfolio companies to exert effective influence, and support for entrepreneurs. Lastly, since

FOs often rely on external CEOs, it suggests a governance model that balances managerial expertise and experience with a SEW-rooted culture. Practitioners can use this insight to optimize leadership selection and develop governance practices that reduce agency costs while maintaining the family's vision and legacy.

Our findings propose that FOs focus on reducing uncertainty and risk in their transactions by establishing long-term and mutually beneficial relationships between themselves and their portfolio companies, reducing agency and transaction costs (Williamson, 1981: Jensen & Meckling, 1976). Our empirical findings indicate that long-term ownership and board engagement is of high importance for our sample. This aligns with transaction cost economics (TCE), and implies that FOs adopt a coordinating role, rather than focusing solely on market transactions (Williamson, 1981). Additionally, our study proposes that FOs perceive portfolio companies as an extension of their own organization, further blurring the line between investor and investment (Williamsson, 1981). Furthermore, our findings propose TCE logic as present in FOs, as they rely on the advantage gained by building relationships based on mutual trust, and by avoiding situations where transaction costs can be high due to information asymmetry (Williamson, 1981). Additionally, they conform to TCE by increasing information symmetry through actively engaging their portfolio companies and by establishing and maintaining long-term, mutually beneficial relationships, reducing transaction costs (Williamson, 1981). Lastly, when FOs employ high engagement roles within their portfolio companies, they reduce information asymmetry and increase oversight, effectively lowering transaction costs related to monitoring (Williamson, 1981). This could lead to a closer integration between the two and increase collaboration, further decreasing transaction and agency costs (Williamson, 1981). Overall, our study aligns with existing literature on transaction cost economics (TCE) by providing empirical data of its application within the Swedish FOs sector. By highlighting adoption of TCE principles as important strategies such as information symmetry and relationship grounded governance, we underscore the significance of TCE as a theoretical lens for understanding the transactional dynamics within the FOs sector.

Our findings align with some aspects of agency theory, such as the dynamic principal-agent relationship between FOs and their portfolio companies (Jensen & Meckling, 1976: Fama & Jensen, 1983). We also propose that FOs conform to agency theory by showcasing extensive FOs engagement as well as legacy influenced FOs cultures, suggesting SEW and active ownership as mechanisms for reducing agency costs (Leitterstorf & Rau, 2014: Rivo-López et al. 2017: Dimson et al. 2015: Gollier & Pouget, 2022). However, our study also proposes findings that could be seen as contrasting with classical literature on agency theory. For example, the high level of autonomy gained by managers post acquisition presents a departure from traditional theory, which emphasizes potential agency conflicts due to information asymmetry and a subsequent need for monitoring and control mechanisms (Jensen & Meckling, 1976: Fama & Jensen, 1983).

Our findings suggest an understanding of agency relations within the context of the FOs sector where trust and mutual respect permeates the sector, potentially acting as a control mechanism. Moreover, our findings regarding the emphasis on familiarity and trust in hiring external CEOs in FOs align with agency theory (Jensen & Meckling, 1976: Fama & Jensen, 1983). The importance of CEOs possessing similar values to the FOs and the founding family echoes the need to align interests and reduce the likelihood of agency costs (Williamson, 1985: Crowther & Jatana, 2004). This suggests that the founding families, cautious of agency problems, employ strategies similar to those proposed by agency theory, to mitigate risks and enhance internal alignment (Fama & Jensen, 1983). Additionally, the focus on familiarity and previous relationships between CEOs and the founding family mirrors the agency theory's emphasis on reducing information asymmetry and building trust between parties (Williamson, 1998). Our study proposes an understanding of how agency theory principles are applied in the context of FOs, shedding light on strategies adopted to manage agency risks and enhance organizational effectiveness.

6.1 Limitations and Future Research

While our study proposes insights into active ownership in Swedish FOs, there are several limitations to consider regarding the generalizability of our findings. Primarily, the small sample size of six semi-structured interviews with managers and two written responses may not fully capture the diversity of practices and strategies within the broader FO sector. This also regards specific cultural, economic, and regulatory contexts outside Sweden. The sector of Swedish FOs, with their emphasis on socioemotional wealth and active ownership, may not be representative of FOs in other countries. Additionally, this study does not differentiate in our sample between different FO organizational types, such as Single Family Offices (SFOs) or Multiple Family Offices (MFOs). It is possible that there are differences in regards to the contexts of this paper, between these organizational types. Furthermore, the reliance on qualitative interview data introduces potential biases deriving from the subjective perspectives of the interviewees, which might not reflect the broader population of FO managers. Our primary assumptions, influenced by the behavior of institutional investors, led to certain unpredicted findings, highlighting the need for further exploration concerning investment behavior in other investment types. The emphasis on SEW and long-term investment strategies may also be too specific to the sample, as other FOs could prioritize different values and strategies not captured in this study.

Future research could aim to address limitations identified in this study, by including larger and more diverse samples of FOs, for example by investigating FOs in different cultural, economic and regulatory contexts. By expanding the geographical scope beyond Sweden, future research could determine if emphasis on SEW and ownership engagement is prevalent globally, or limited to specific contexts. By incorporating quantitative methods, researchers could for example investigate statistical relationships between holding sizes and time horizon of investments, and offer increased validity and reliability to the subject. Additionally, future research could explore firm specific contexts through case studies, offering deeper insights into specific mechanisms of active ownership and decision-making. Research could also be conducted to investigate differences in SEW or other theories regarding the operations and strategies in FOs, between SFOs and MFOs. Additionally, future research could focus on generating a sample based on FOs with similar asset sizes, as assets under management could be expected to influence investment strategies.

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Appendix

Appendix A

Interview Questions (Swedish)

Bakgrund

- Vilken generation av ägare har Family Officet?
- Innehar ägarna av Family Officer fortfarande ägandeskap av familjeföretaget?
- Hur många generationer är för tillfället aktiva i Family Officet?
- Har tillgångarna i Family Officet genererats genom försäljning av företag eller genom utdelningar? Något annat sätt?
- Vad är det övergripande målet med Family Officet?

Aktivt Ägarskap

- Anser ni att ni är aktiva ägare?
    - Om ja: Hur tolkar ni aktivt ägande och hur manifesterar det sig i er verksamhet?
    - Om nej: Hur tolkar ni aktivt ägande och varför är det inte en strategi ni använder?
- Hur påverkar ni som ägare era portföljbolag?
    - T.ex. aktivitet i styrelsen, tillsättande av styrelsemedlemmar, utse chefer, sätta chefslöner, aktivitet på bolagsstämmor?
- Hur agerar ni när portföljbolagens beteende inte stämmer överens med er strategi?
- Hur ofta kommunicerar ni med chefer i portföljbolagen? Till vilket syfte?
- Vad skulle få er att öka eller minska ert aktieinnehav i ett bolag?
- Påverkar ni era portföljbolags verksamhetsstrategier?
    - Om ja: hur och varför?
    - Om nej: varför inte?
- Hur skulle du beskriva den önskade effekten eller påverkan som ni vill åstadkomma för era portföljbolag?

Förhållande till investeringar

- Påverkar ägarfamiljens värderingar och arv hur ni hanterar era investeringar? Isåfall hur?
- Har ni investeringskrav utöver finansiell avkastning? (T.ex. hållbarhet, nytta för lokala samhället osv.)
- Skulle ni acceptera lägre finansiell avkastning ifall de tillfredsställer icke-finansiella mål? (T.ex. hållbarhet, nytta för lokala samhället osv.)
    - Om ja: Varför?

    - Om nej: Varför inte?
- Vad har ni för tidshorisont i förvaltningen av era investeringar?
- Har ni en skyldighet mot kommande generationer gällande investeringarna?
- Vad är det övergripande målet med era investeringar?

Styrning

- Hur stor del av ledningen och/eller styrelsen i Family Officet är medlemmar av grundarfamiljen?
- Varför ser er interna ledningsstrukturen ut som den gör?
- Har ni tagit in en extern vd?
    - Om ja, varför?
    - Om nej, varför inte?
- Vad är strategin för att icke-familjemedlemmar inom företaget ska agera i familjens intresse?

Appendix B

Interview Questions (English)

Background

- What generation of owners are currency owning the Family Office?
- Do the owners of the Family Office still own the family firm?
- How many generations are presently active in the Family Office?
- Has the assets in the Family Office been generated by the sale of a firm or by dividends? Any other way?
- What is the goal of the Family Office?

Active Ownership

- Do you consider yourselves as active owners?
    - If yes: How do you interpret active ownership and how does it manifest in your operations?
    - If no: How do you interpret active ownership and why is that not a strategy you utilize?
- How do you, as owners, affect your portfolio companies?
    - For example: board participation, appointing board members, appointing management, setting executive pay, shareholder meeting activity?
- How do you act when the behavior of portfolio firms don't match your strategy?
- How often do you communicate with management of portfolio companies? To what purpose?
- What would get you to sell, or diminish, your holdings of a portfolio company?

- Do you affect the operations of your portfolio companies?
    - If yes: how and why?
    - If no: why not?
- How would you describe the effect or affect you wish to achieve with your portfolio companies?

Relation to investments

- Does the owning family's values affect how you handle your investments? How so?
- Do you have investment criteria beyond financial returns? (For example: sustainability, benefits for the local community etc.)
- Would you accept lower financial returns in order to satisfy non-financial goals? (For example: sustainability, benefits for the local community etc.)
    - If yes: why?
    - If no: why not?
- What is your time horizon in the management of your investments?
- Do you have an obligation towards the coming generations of the owning family, with regards to your investments?
- What is the general goal of your investments?

Governance

- What proportion of the management and/or board of the Family Office are members of the founding family?
- Why does your internal management structure appear as it does?
- Have you brought in an external CEO?
    - If yes, why?
    - If not, why not?
- What is the strategy for ensuring non-family members within the company act in the family's interests?