Spotlight
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Why do family businesses choose to go public—and how do they keep their family legacy intact?

When family firms go public? A study on IPO motivations and processes

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The decision to go public via an Initial Public Offering (IPO) is a significant milestone for any business, providing an opportunity for growth, but also requiring a shift in governance, transparency, and accountability. For family-owned businesses, this transition is particularly complex, as it often involves balancing financial gains with the preservation of family influence and socioemotional wealth (SEW). This article explores why and how family firms decide to go public, with a focus on their unique motivations and the challenges they face in maintaining family control and identity during the IPO process.

WHAT WE STUDIED

The study conducted by Carbone et al. (2024) investigates eight family firms in Italy that went public between 2015 and 2020. These firms were analyzed through multiple case studies, exploring their motivations, processes, and outcomes associated with the IPO. The study leverages the socioemotional wealth (SEW) framework, which emphasizes the non-financial goals that often guide family businesses, such as maintaining family control, preserving the family legacy, and ensuring the firm's survivability across generations.

KEY INSIGHTS

The research revealed that family firms follow three distinct paths when deciding to go public:

1. Shine Path

Firms on this path aim to grow without losing family control. The IPO is seen as a way to acquire resources while maintaining influence over strategic decisions. These firms value the long-term benefits of professionalization and increased visibility in the market.

2. Continue Path

These firms seek to ensure the survivability of the business beyond the family's direct control. The IPO is used to strengthen relationships with non-family stakeholders, ensuring the continuity of the business through a broader community of employees and partners.

3. Challenge Path

In this path, the decision to go public is driven by the next generation's desire to make their mark on the business. These firms are motivated by the need to professionalize and modernize the company, often reflecting the personal ambitions of younger family members.

TAKEAWAYS

Family businesses considering an IPO should carefully weigh their socioemotional wealth against the potential financial gains. For those on the **Shine Path**, preserving family control while growing is paramount, requiring a delicate balance between financial and non-financial goals. Firms on the **Continue Path** should focus on building strong relationships with non-family stakeholders to ensure the firm's longevity. Finally, businesses following the **Challenge Path** should be aware that personal ambitions may not always align with the firm's capacity for market complexity, potentially leading to dissatisfaction with the IPO process.

IMPACT

The study highlights the importance of socioemotional wealth in shaping the IPO decisions of family firms. While financial considerations are always part of the equation, the desire to preserve family control, legacy, and stakeholder relationships plays a crucial role in determining how and why family firms go public. These findings suggest that family businesses should approach the IPO decision with a long-term view, ensuring that both financial and non-financial goals are aligned.

RECOMMENDATIONS

Family firms contemplating an IPO should engage in thorough strategic planning that accounts for both financial objectives and the preservation of socioemotional wealth. This involves ensuring that the firm's governance structure is prepared for the increased transparency and accountability that comes with public ownership, while also preserving the family's influence and legacy.

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