Spotlight
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Why do family firms leave the stock market? Insights from a socioemotional wealth perspective

Two Swedish cases show how emotional legacy and identity outweigh stock market benefits

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Going public is often framed as the ultimate validation for a business. It promises capital, credibility, and scale. Family firms have embraced this path too—seeking professionalization, external investment, and structured succession. But a growing number are making the reverse journey. They are choosing to delist. Not because they failed, but because public life exacted a cost that financial statements do not capture: the erosion of what scholars call **socioemotional wealth (SEW)**—the non-financial value families derive from controlling and identifying with their business.

This study examines why two Swedish family firms went public, what changed during their years on the stock exchange, and why they ultimately decided to go private again.

WHAT WE STUDIED

The researchers conducted in-depth case studies of two Swedish family businesses. The first, a traditional beverage company, listed in 1983 and delisted in 2001. The second, a technology firm, listed in 1984 and returned to private ownership in 1992. Both retained family control throughout their public years. Data came from semi-structured interviews with family members and key stakeholders, archival material from annual reports and business press, and retrospective analysis of strategic decisions.

The analytical lens is socioemotional wealth, which encompasses five dimensions: family control and influence, identification with the firm, binding social ties, emotional attachment, and the intention to transfer the business across generations. The study traces how each dimension was affected by listing—and how the cumulative erosion of SEW ultimately motivated delisting.

KEY INSIGHTS

Public status eroded identity and autonomy

Being listed made both firms more visible but also more exposed. External shareholders, analysts, and market commentators began scrutinizing decisions that the families considered rooted in tradition and long-term values. The beverage company's CEO captured the tension: the firm's internal ethos as producers clashed with the market's expectation of them as capital allocators. Over time, the families felt that public scrutiny was reshaping their firms into something they no longer recognized.

Socioemotional wealth is dynamic, not static

The initial reasons for listing were rational: raising capital, gaining prestige, enabling acquisitions. At the time, the SEW costs seemed manageable. But those costs accumulated. Control felt diluted as the family had to justify decisions to outside investors. Identity was compromised by short-term performance pressure. The long-term strategic vision that both families valued was clouded by quarterly reporting cycles. What started as an acceptable trade-off gradually became intolerable.

Delisting was a calculated trade-off, not a retreat

Going private involved real financial costs—reduced liquidity, investor exit, and the burden of buyback financing. The families weighed these against long-term socioemotional gains: regaining control, reducing external pressure, and restoring the firm's identity as a

family enterprise. The authors describe this as a "mixed gamble"—a deliberate bet that the emotional and strategic benefits of private ownership would outweigh the financial costs of leaving the market.

Professional governance survived delisting

Both firms preserved many of the governance practices they had developed as public companies—formal board procedures, external directors, structured reporting. But these tools now served the family's strategic agenda rather than external shareholders' demands. The governance infrastructure built during the listed years became an asset in private ownership, providing discipline without the loss of autonomy.

Succession became easier off the market

As private companies, both families gained greater freedom to manage leadership transitions on their own terms. Appointing next-generation leaders could be based on family values and fit rather than market expectations. The removal of external shareholder pressure made succession a family conversation rather than a corporate governance event.

TAKEAWAYS

Assess listing decisions through a SEW lens

Going public changes a family firm operationally, culturally, and emotionally. Before listing, families should explicitly assess how public ownership might affect control, identity, social ties, and generational continuity—not just capital access and growth potential.

Treat delisting as a legitimate strategic option

Leaving the stock market is not a sign of failure. For family firms where SEW erosion has become significant, going private can be a deliberate move to reclaim what matters most. Advisors should present it as an option, not a last resort.

Retain professional governance after going private

The discipline that comes with public governance structures has value beyond compliance. Families that keep formal board practices, external advisory roles, and structured reporting benefit from accountability without sacrificing autonomy.

IMPACT

This study advances the understanding of strategic decision-making in family firms by showing that socioemotional wealth is not a fixed endowment—it evolves in response to ownership structures. The decision to delist is reframed not as a retreat from professionalism but as an adaptive response to the accumulating costs of public ownership on family identity and control. For scholars, the paper extends SEW theory by demonstrating its dynamic, process-based character. For practitioners, it provides a framework for evaluating whether public ownership serves or undermines the family's long-term interests.

RECOMMENDATIONS

1. **Evaluate SEW impact regularly.** Use structured frameworks to track how control, identity, and legacy are evolving under the current ownership structure.
2. **Plan for both directions.** Whether listing or delisting, have clear strategies that include socioemotional considerations alongside financial metrics.
3. **Foster open family dialogue.** Ownership transitions stir deep emotions. Regular conversations about what matters beyond financial performance help families make deliberate, aligned decisions.
4. **Keep governance tools post-delisting.** Professional governance structures built during public years can strengthen family leadership rather than stifle it.

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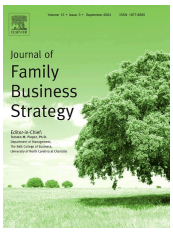
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