Striving for Privacy

A comparative case study on the strategic implications post public-to-private for family and non-family firms in Sweden

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Abstract

Background Public-to-private (PTP) refers to the strategic action of consciously leaving the stock market. The delisting decision may be made when the benefits of being listed no longer outweigh the costs. The private environment offers multiple benefits firms may be expected to seek post-PTP such as reduced regulations, less quarterly performance pressures and fewer demands on the financial reporting. Such benefits correlate with expected changes made in firms post-PTP. Due to a limited amount of research available upon the topic of PTP, a research gap upon the deliberate changes made post-PTP exists. Family firms differ from non-family firms when making strategic decisions. Therefore, it is expected that the strategic changes made in family firms differ from those in non-family firms. Furthermore, the Continental European context exhibits special characteristics such as high levels of concentrated ownership, characteristics that may be vital for the changes made post-PTP.

Purpose The thesis explores deliberate changes made in firms post-PTP, and how these changes might have impacted the delisting decision. This phenomenon is explored within both family and non-family firms in a Swedish context, as a representation of the Continental European market.

Method The research is conducted through a multiple case study. Based on a number of criteria, three case firms are selected as representations of the relevant ownership types within the study. The data collection takes place through eight in-depth interviews with key informants from the selected cases. The results of the data collection are presented through descriptive narratives, supported by secondary data. The data is analysed through within-case and cross-case analysis. The presented data is then further analysed using the literature presented in the frame of reference.

Conclusion Throughout the thesis, a number of changes made post-PTP are presented and discussed, finding great heterogeneity of results among the studied case firms. We find that a strategic delisting decision is mainly connected to firm ownership and financing methods for growth and development. Our findings suggest firms delisting for strategic reasons do not make in-depth changes in the firm post-PTP. Furthermore, we find that there is some connection between the perceived benefits of the private environment and the delisting decision.
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Abbreviations

AGM       Annual General Meeting
CE        Continental Europe
CEO       Chief Executive Officer
IPO       Initial Public Offering
LBO       Leveraged Buyout
PE        Private Equity
PTP       Public-to-private, used interchangeably with “Delisting” and “Privatisation”
SEW       Socioemotional Wealth
TMT       Top Management Team
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1. Introduction

To introduce our thesis, we begin with a background to the topic of going private – also referred to as public-to-private (PTP). This is then followed by a description of the problem and purpose, where we state the discovered gap in the research and the relevance of the area of study. From this, we formulate research questions to guide our thesis, followed by a limitation of the scope of the thesis through the presentation of delimitations and key definitions.

In business, constant actions to develop and change are necessary to maintain a competitive advantage (Porter, 1996), which may require significant investments. Going public, through an Initial Public Offering (IPO), is one way to meet such financing requirements. Although going public may appear to fulfil the financial needs of the firm, drawbacks such as demand for short-term performance, the high cost of listing and demands on reporting disclosure may hinder long-term prosperity. Furthermore, illiquidity of shares may cause undervaluation, no longer facilitating a firm’s capital needs (Boers, Ljungkvist, Brunninge, & Nordqvist, 2017). When the benefits of being listed no longer outweigh the costs, the incentives to delist and go private becomes strong.

Delisting, or public-to-private (PTP), refers to a strategy to consciously leave the market, taking into account the current market conditions and state of the firm. As noted by Geranio and Zanotti (2012), the number of PTP firms is increasing; between the years 1997 and 2005, as many as 429 companies made the PTP transition in Continental Europe (Croci & Giudice, 2014). Along with an increasing number of PTP firms, increased research has followed, mainly focusing on the financial performance of delisting firms and changes in corporate governance with regards to performance, and reasons for a PTP transition (Djama, Martinez, & Serve, 2012). Despite the increasing interest, research on the topic is still limited (Boers et al., 2017).

In our thesis, we will explore changes resulting from the PTP transition, and how this might have impacted the delisting decision. We will explore the phenomenon within both family and non-family firms in a Swedish context, as a representation of the Continental European market.
1.1 Background

1.1.1 Public to Private
American business magazine Fortune referred to the growing avoidance of the stock market as a significant trend (Colvin, 2016), noting how the number of IPOs in the United States has decreased from 463 annually in the 1990’s to 120 in 2015. The European markets including the UK are experiencing this phenomenon as well: 429 companies made the PTP transition between 1997 and 2005 (Croci & Giudice, 2014), 83 firms made the PTP transition between 2006 and 2009 in Italy, France, Germany, Netherlands and Spain combined (Geranio & Zanotti, 2012). Evidently, the cost-benefit analysis of remaining on the stock market is looking less and less favourable, enhancing the desire to delist.

There can be several reasons for why a firm might choose to delist. Most often, the PTP decision is made due to a combination of factors (Boers et al., 2017). Voluntary reasons include inefficiencies of being public (Jain & Kini, 1994; Jensen, 1989), or being able to change and grow with a long-term perspective (Geranio & Zanotti, 2012). Reasons can also relate to corporate governance, such as not having to share strategic decisions with external parties (Boers et al., 2017), or the reduction of agency conflicts between owners and management (Jensen, 1986; Jensen, 1989; Kaplan, 1989a). Following these reasons are financial benefits, such as being able to realise hidden values in the firm (Ayash & Schütt, 2016). Companies can also take the initiative to delist due to poor financial performance (Sudarsanam, Wright, & Huang, 2011). Lastly, noncompliance issues, such as an insufficient number of shareholders or a meagre stock price, can exclude a firm from the stock market (Nasdaq, 2017).

1.1.2 The PTP Process
A prerequisite for a PTP transition, is purchasing all outstanding shares from the stock market. This acquisition includes a notable premium compared to the market price of the shares (DeAngelo, DeAngelo, & Rice, 1984; Jensen, 1989; Kaplan, 1989a; Kaplan, 1989b). If some shareholders refuse to sell their shares, there is not full acceptance of the purchase. Here the acquirer can instead call for a compulsory redemption of remaining shares provided a certain percentage of the outstanding shares have already been purchased (Martinez & Serve, 2011). This mandatory redemption is also called a buyout squeeze-out. The percentage
of shares that the acquirer needs to perform a buyout squeeze-out in Sweden is 90% of the total shares (Swedish Companies Act, Chapter 22, §1).

DeAngelo et al. (1984) classify PTP activities into two types, pure PTP transactions and leveraged buyouts (LBO). Genuine PTP transactions are where the current management purchase the outstanding shares, also termed a management buyout (MBO) (Fidrmuc, Palandri, Roosenboom, & Van Dijk, 2012). LBOs are when the management agrees to take in a 3rd party investor, such as PE firms, to conduct the buyout (DeAngelo et al., 1984). Commonly an MBO is undertaken when a firm is smaller, more undervalued, is less visible financially, has more cash and when managers already own a substantial portion of shares; when this no longer holds true, external investment is sought (Fidrmuc et al., 2012). According to Geranio and Zanotti (2012), there is yet another common type of PTP transaction in CE: private corporate buyers delisting firms post-acquisition. Geranio and Zanotti (2012) also mention a PTP situation called a buyback; this is when controlling shareholders such as controlling families’ buyback shares previously sold, to regain full control of the firm.

1.1.3 Future Options for PTP Firms

After a firm has completed its delisting process, potential changes taking place within the firm could be related to changes in the corporate governance (Djama et al., 2012), the time frame of investment horizons (Nekhili, Chtioui, & Rebolledo, 2017), and the method for growth and financing (Bouzgarrou & Navatte, 2013). These changes could depend on the type of ownership, where the time horizon of investment varies between family and non-family investors. Family firms are more prone to have longer perspectives (Basu, Dimitrova & Paeglis, 2009; James, 1999; King & Peng, 2013) compared to non-family firms (Ahlers, Hack, & kellermanns, 2014; Barber & Goold, 2007; Kaplan & Strömberg, 2009). Other changes could be the effect of on financial and non-financial factors (Ahlers et al., 2014; Corbetta & Salvato, 2004; Craig & Moores, 2010), or the intentions of the investors involved in the purchase.

Owners invest in firms with the intention to keep or to later sell. When owners acquire with the plan to sell the firm in the foreseeable future, various options achieve this exit, namely relisting the firm; restructuring the firm; selling the firm as a whole; or filing for bankruptcy (Ayash & Schütt, 2016). If investors intend to sell the firm, a secondary buyout (Ahlers et al., 2014), can be done again and again in tertiary or quaternary buyouts (Achleitner & Figge,
2014). Such buyouts can be difficult to make profitable, as the low hanging fruit of inefficiencies are challenging to utilise again unless the new owner can contribute to the firm in new ways (Degeorge, Martin, & Phalippou, 2016).

### 1.1.4 Market Differences and Selection

Researchers generally agree that in the case of PTP actions, there are substantial differences between Anglo-Saxon markets and Continental European (CE) markets (Achleitner, Betzer & Hinterramskogler, 2013; Croci & Giudice, 2014; Drobetz, Schillhofer, & Zimmermann, 2004; Faccio & Lang, 2002; Franks, Mayer, Volpin, & Wagner, 2011; Geranio & Zanotti, 2012). Several authors highlight the differences in these markets, which are essential for understanding primary motivations for PTP.

One of the main differences between the CE and Anglo-Saxon contexts has to do with ownership concentration and type. Anglo-Saxon markets are characterised as having widely held firms with wide ownership dispersion (Drobetz et al., 2004; Faccio & Lang, 2002), whereas firms with more concentrated ownership characterise the CE markets and less widely held firms (Drobetz et al., 2004). The concentrated ownership in CE markets decreases the need to realign ownership and control, which reduces its importance as a motivation for PTP. As the reduction of the agency problem is one of the primary motivations for privatisation in Anglo-Saxon markets, this becomes another point that shows the distinct differences between the markets (Croci & Giudice, 2014). Furthermore, family-owned firms are more common in CE markets than Anglo-Saxon countries, where more than 50% of firms in CE are family-owned as opposed to merely 24% of firms being family owned in the UK. CE firms are also more likely to be controlled either by financial institutions or the state, compared to the UK (Faccio & Lang, 2002). Drobetz et al. (2004) found that CE firms rely less on capital markets and outside investors and more on financial institutions and large internal investors than Anglo-Saxon firms.

Another distinction between the contexts is that Anglo-Saxon exchange markets are in general more developed than CE exchange markets. For example, they have relatively more PE firms (Geranio & Zanotti, 2012), stronger protection for investors, more active demand for corporate control and higher financial development (Franks et al., 2011). The level of growth depends on the number of listed firms and investors active in the market, in turn impacting the number of delisting’s occurring in each market. The Anglo-Saxon markets experienced surges in delisting as early as the 1980’s, followed by waves in the late 1990’s.
and early 2000’s. Whereas the majority of the CE countries experienced their first surge of public-to-private (PTP) deals in the late 1990’s (Geranio & Zanotti, 2012). According to Geranio and Zanotti (2012), CE markets are still at an infancy stage when it comes to PTP, compared to Anglo-Saxon markets, considering how many fewer PTP transitions that take place in CE compared to the UK and US. Since CE countries have had many fewer delistings compared to Anglo-Saxon countries, it becomes reasonable that the CE context has received relatively less attention in research (Achleitner et al., 2013). However, as the CE markets have developed, the number of PTP deals have increased (Geranio & Zanotti, 2012), in turn expanding research in the field.

Based on the discussion above regarding the differences between the Anglo-Saxon and CE contexts, we have decided to focus on the CE perspective in our study. The motivation for selection having to do with the limited research on PTP in the CE context (Achleitner et al., 2013) and the potential impacts that the concentrated ownership that characterises the markets can have on the behaviour of firms’ post-privatisation. Within the CE market, we have chosen to focus on Sweden since the Swedish market is slightly more mature than other CE countries with regards to PTP activity (Weir, Laing, & Wright, 2005). Sweden experienced surges of PTP activity as early as the late 1980’s (Geranio & Zanotti, 2012). Public access to annual reports for all limited companies in Sweden (Bolagsverket, 2014) facilitates for verification of results, compared to countries such as the U.S., where data is only public for listed companies (Ayash & Schütt, 2016).

### 1.1.5 Characteristics of Family Firms and Non-Family Firms

In western Europe, family businesses are one of the leading types of ownership (Faccio & Lang, 2002), yet family business became an academic discipline as late as the 1990’s (Bird, Welsch, Astrachan, & Pistrui, 2002). As going public equals dispersion of ownership, listed family firms are not entirely family owned, yet the family culture is distinguishable in daily activities of the business.

The definition of a family firm when listed varies, sometimes authors themselves use different descriptions. Caprio, Croci, and Del Giudice (2011) defined it as when a family is the most significant owner, provided they own at least 10% of the votes, whereas Croci and Del Giudice (2014) defined it as the most significant shareholder is a family holding more than 20% of the votes. In contrast to votes, Nekhili et al. (2017) use 10% equity stake as a threshold for the definition of family firms, combined with at least one family member being
on the Board of Directors or part of the TMT. Another characteristic of family firms is the owning family’s high degrees of influence over the firm, in spite of external control from non-family owners, board members and managers (Chua, Chrisman, Steier, & Rau, 2012).

The definition of family firms when delisted varies from the definition when listed since being listed on a stock market includes the dispersion of ownership and control, and listed family firms have a relatively higher number of shareholders compared to non-listed family firms (Boers et al., 2017). Therefore, we have chosen to define family firms in our study as firms where a family owns a majority, in other words: at least 50% of the votes, and where the board and top management combined include at least two family members. This majority ownership and involvement in the management team ensures the family’s ability to influence the decisions made by the firm (Evert, Sears, Martin, & Payne, 2017), revealing the differences between family and non-family firms. Even if the traditional definition of family firms allows for a smaller amount of ownership in the classification as a family firm, we set the bar higher with the intention of capturing a higher degree of family ownership.

There are significant differences between family and non-family firms (Berrone, Cruz, & Gomez-Mejia, 2012). Understanding these differences helps to clarify the behavioural differences and underlying motivations driving the different types of firms forward. According to Adhikari and Sutton (2016), the main difference between family and non-family firms is the type of agency problems they face; in non-family firms, the classical agency problem of misalignment between ownership and management exists, whereas in family firms the agency problem is between the minority and majority shareholders. Family firms usually maintain a longer time horizon in their visions and goals which can span over several generations. This attitude is uncommon in non-family firms where short-term financial gains often are prioritised (Chua, Chrisman, & Sharma, 1999). However, due to their heterogeneity, it is difficult to make generalizations about family firms (Chua et al., 2012). Reduced agency costs due to family-firm ownership and management-alignment, results in relatively fewer board members among family-firms. In contrast, non-family firms are more likely to include independent board members to ensure sound corporate governance practices (Nekhili et al., 2017). Another management difference concerns CEO-selection and retention: Nekhili et al. (2017), found the tenure of CEOs to be longer for family firms and based on ties to the owning family, where an essential aspect of their work revolves around the ideology and values of the family. Furthermore, the purpose of a firm depends on the type of ownership: non-family owners may see the firm as a financial investment whereas families focus more
on increasing their socioemotional wealth through heritage and family image (Berrone et al., 2012).

Socioemotional wealth (SEW) is a collective name for family goals embedded in a firm, which impacts decision-making based on the priorities of the owning family (Firfiray, Cruz, Neacsu, & Gomez-Mejia, 2018). Caprio et al. (2011), suggest family owners are more risk averse in decision-making due to a less diversified investment portfolio. However, family firms are not risk averse by default; instead, they are unwilling to lose socioemotional wealth, hence willing to sacrifice financial goals to preserve SEW (Chrisman & Patel 2012; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Non-family firms, on the other hand, will focus on strategic actions to maximise profits and are therefore unwilling to support activities which risk destroying the financial wealth of the firm (Singh, 1986; Stein, 1989). These aspects differentiate how family and non-family firms prioritise and judge strategic decisions (Firfiray et al., 2018). According to Berrone et al. (2012), socioemotional wealth is the primary differentiator between family and non-family firms.

1.2 Problem

According to Colvin (2016), there is an increasing global trend of firms avoiding to enter the stock market; there is also a growing number of firms leaving the stock exchange altogether, thus undertaking the PTP process voluntarily (Geranio & Zanotti, 2012). This peculiar behaviour of firms presents an interesting area of study. When reviewing the literature available upon the topics of delisting or PTP, we discovered that the majority of research on the issue has been quantitative, with an insufficient in-depth examination into the phenomenon, thus leaving a substantial gap for exploration. As previously mentioned, most research conducted within the area of PTP focuses on motives, financial performance, various impacts of corporate governance and the agency theory following the performance of a PTP action (Djama et al., 2012).

To the extent of our knowledge, merely one paper (Boers et al., 2017), touches upon actual changes occurring in a firm following privatisation. These changes are, however, secondary findings in their paper and the extent of these changes remain relatively unexplored. The lack of research presents an apparent gap in the literature, thus providing us with the problem we would like to investigate; the changes made in firms following delisting from the stock exchange. The characteristics of the European market (Drobetz et al., 2004; Faccio & Lang,
2002) and the differences between the types of ownership (family or non-family owned firms), as well as PTP changes, creates a compelling context for us to study.

1.3 Purpose

The purpose of this thesis is to explore the implications of firms making the PTP transition in Sweden. We aim to focus on deliberate changes in firms as a result of the PTP transition to understand the phenomenon, while also contributing to the current research within PTP and delisting by addressing other matters within the discipline which have yet to be studied. We will also explore whether different types of ownership affect the changes made post-PTP and whether these changes have influenced the decision for PTP. To study this, we will compare changes made in two different types of ownership, namely family-owned firms and non-family owned firms.

In contrast to quantitative studies on delistings, often including sample sizes of over 1,000 firms (such as studies by Achleitner & Figge, 2014; Braun, Jenkinson, & Stoff, 2017; Chaplinsky & Ramchand, 2012; Degeorge, Martin, & Phalippou, 2016), we aim for a more in-depth understanding of the topic of PTP. By doing this, we hope to fill a gap in the research through our unique combination of geographic region, study method, and the topic of study.

Ultimately, our desired outcome with this thesis is twofold. From an academic point of view, we intend to lay a foundation for future research by identifying changes in firms following a PTP action and whether the type of ownership impacts these choices. By exploring this, we hope to open up for other potential future areas of study of within this topic. From a business point of view, we intend for our understanding of this topic, as presented by the results, analysis, and conclusion of the cases we explore, to help owners of listed family and non-family firms to assess how the PTP decision would affect a listed company in order to decide whether the public or private environment is the best path forward for the firm.
1.3.1 Research Questions

The selected problem and purpose of this paper, has led to the formulation of the following research questions:

**RQ1**  What changes are made in a firm post-PTP?

**RQ2**  How have the perceived benefits of the private environment affected the PTP decision?

**RQ3**  How do family firms and non-family firms differ when it comes to changes due to privatisation?

1.4 Delimitations

To limit the scope of our thesis, we will disregard certain perspectives, contexts, and situations which are not relevant for our specific area of research but could be appropriate to consider in further study within the topic of PTP in general.

There are different reasons for publicly listed firms to delist from the stock exchange, all of which can have varying consequences on the mode and outcomes of the privatisation. We will not consider the unintended changes occurring in firms (Mintzberg & Waters, 1985). For the sake of discerning these intended changes made post-privatisation we will focus on firms which have made the active decision to delist from the stock exchange, as opposed to involuntary delisting due to non-compliance (Nasdaq, 2017) and weak financial performance (Sudarsanam et al., 2011). In turn, this also excludes firms being part of mergers and acquisitions, in which the target firm is absorbed into the purchasing firm (Croci & Giudice, 2014; Geranio & Zanotti, 2012). Another form of delisting we will disregard is of firms being active in multiple markets opting to leave foreign stock markets and choosing only to remain on one “home” market, also sometimes referred as cross-listing (Bessler, Kaen, Kurmann, & Zimmermann, 2012; Chaplinsky & Ramchand, 2012).

Another aspect we will not focus on is the technical aspects of privatisation. Although the way in which a firm has made the PTP transition could potentially impact the changes made post-PTP, we consider these relationships to be out of scope for our study. Furthermore, we will not look at the performance of firms post-PTP since this area already has been
comprehensively researched and is not in line with the purpose of this thesis (Djama et al., 2012).

With regards to the chosen markets to investigate the changes made in firms’ post-PTP, we have, as per the previous discussion, selected the CE context and specifically the Swedish market. The selection of the CE context naturally excludes the Anglo-Saxon context and other potential contexts from our study.

We conduct our study from the perspective of owner, with the support of board member and TMT member perspectives. Hence, we consider the view of, and changes towards, minority shareholders, employees, and external stakeholders (customers, suppliers or society at large) to be out of our scope. To ensure access to sufficient and relevant information with regards to changes made post-PTP, we have limited our focus to firms undergoing the PTP transition between 2000 and 2010, corresponding to the time of the most recent privatisation wave (Geranio & Zanotti, 2012). To ensure changes made post-PTP are connected to the PTP action, we will only consider changes made within 3 to 5 years of the privatisation.

1.5 Definitions

<table>
<thead>
<tr>
<th>Active Ownership</th>
<th>Firms where one individual or ownership group controls at least 25% of the votes in the company, alternatively 15% more of the votes than the 2nd largest shareholder.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo Saxon</td>
<td>The Anglo-Saxon context consists of the UK, USA and in some cases Ireland (Faccio &amp; Lang, 2002). Despite Weir, Laing and Wright (2005) finding some variance between the drivers of delisting decisions in the UK and the US, we will use the term “Anglo-Saxon context” or “Anglo-Saxon market” to refer to all the previously mentioned markets.</td>
</tr>
<tr>
<td>Continental Europe</td>
<td>The Continental European context refers to the countries in mainland Europe including the Nordics. Faccio &amp; Lang (2002) have identified some special behaviour in Scandinavian countries compared to mainland European countries, such as the percentage of widely held</td>
</tr>
</tbody>
</table>
firms being relatively higher in Scandinavian countries than other CE countries, almost 40% in Sweden as opposed to just over 10% in Germany. Furthermore, there are slightly less family-controlled firms in Scandinavia than in other CE countries, ranging between 39% and 49% in Scandinavia as opposed to a majority of firms being family controlled in other CE countries (Faccio & Lang, 2002). Despite some of the characteristics in Scandinavia resembling those of Anglo-Saxon markets, there are more similarities to CE countries, motivating the inclusion of Scandinavia in the CE context.

Debt-to-equity ratio

Measures the leverage of a firm. This is calculated by dividing total debt by total equity.

Delisting

Used interchangeably with Public-to-private (PTP).

Family Firm

Firms who are actively owned by one specific family which, in a private environment, would be considered to be a family firm, even if the public marketplace cause a certain distribution of ownership. In our selection of family firms, we have limited our selection to companies where one family control more than 50% of the votes.

Hybrid Firm

A firm with both family firm and non-family firm characteristics. This type of ownership includes firms with high family ownership, and corporate culture influenced by the owner family, but low family involvement in operations; alternatively, firms with low family ownership but high involvement in daily operations.

Non-family Firm

A firm which has not been owned and is currently not owned by a family. Non-financial values, such as SEW are not pursued, rather the focus is on financial gains.

Public-to-private

In the field of research, we have found various terms for going private, such as public-to-private, and delisting, though delisting is often used to describe a broader context, both voluntary and involuntary actions.
We use these terms interchangeably in describing the decision and the process of leaving the stock exchange.

Working Capital

Measures how much capital is being used in operations. This is calculated by dividing current assets and cash, by total liabilities.
2. Theoretical Framework

In this chapter, we present different aspects and variables discovered from previous research. By refraining from using a substantial amount of theory or models, we leave room for discovery in the empirical study, which is in line with explorative studies. We begin by presenting the different ownership types and their impact on changes made in firms, followed by potential changes in firms following a PTP action.

2.1 How Ownership Type Can Impact Changes

The owners are the ultimate drivers of the direction of the firm, a direction impacted by their values, priorities, and intentions (Boers et al., 2017). The ownership type is crucial since it affects the changes the firm undertakes, as well as how the firm prepares for the future. Figure 1 shows different investment strategies among owners, depending on their investment horizon and intended influence (Barber & Goold, 2007).

As the scope of this thesis consists of active owners, we exclude passive owners and active mutual funds due to their investment strategy, or lack of influence. Whereas owners could take on the approach of investing with the intention to sell, this owner-type faces limited opportunities for profitable investments (Barber & Goold, 2007). Since we focus on deliberate changes, the two main types of portfolio strategies in scope for our thesis consist of family type owners, who undertake a buy-to-keep strategy, and non-family type owners, who undertake a buy-to-sell strategy. Whereas there are several types of non-family owners, we aim for those involved in a PTP process, which also require the investor to have the means to execute such action. In this thesis, private equity firms will represent non-family owners, and will be used as the polar opposite of family owners.
2.1.1 Family Owners

Family-owned PTP firms are acquired with a buy-to-keep investment strategy, as seen in Figure 1 (Barber & Goold, 2007), with the purpose of retaining family control and influence. The motivations of action and decisions made in family firms potentially derive from the family’s financial and non-financial goals. The non-financial goals, known as SEW, contain values which vary from firm to firm (Debicki, Kellermanns, Chrisman, & Spencer, 2016). Understanding these values’ worth to the family-owners helps in understanding what course of action may reasonably be taken in the family-owned PTP firm (Berrone et al., 2012).

Building on the buy-to-keep investment strategy, the primary goal for a family-owned PTP firm is preserving the firm for future generations (Berrone et al., 2012; Zellweger, Kellermanns, Chrisman, & Chua, 2011). Hence, this enables a long-term perspective to be adopted (Berrone et al., 2012; Chrisman & Patel, 2012). This perspective enables learning, development of capabilities within the firm, and the perpetuation of family values (Berrone et al., 2012). For this to happen, it is vital family-owners not lose control of their firm (Chrisman & Patel, 2012; Evert et al., 2017). For family-owned PTP firms, family members are often part of the management team, especially post the PTP decision (Boers et al., 2017). Another priority for family firms is retention of social ties with the community to which it belongs (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010). The close ties between the family and the family firm hold particularly strong if they share name (Berrone et al., 2012).

2.1.2 Non-Family Owners

Non-family owned PTP firms are, on the contrary, generally acquired with a buy-to-sell investment strategy, as outlined in Figure 1, which makes non-family owners more likely to
have an exit in mind when investing in a firm (Wright, Thompson, Robbie, & Wong, 1995). This mindset, in turn, results in a shorter investment horizon of around 3-10 years (Ahlers et al., 2014; Barber & Gold, 2007; Kaplan & Strömberg, 2009; Wright, Amess, Weir, & Girma, 2009). Furthermore, legal restrictions prevent Private Equity funds from undertaking a buy-to-keep investment strategy, due to the limited-life entity-structure through which they make their investments (Degeorge et al., 2016). As a result, non-family owners take on a financial cost-benefit approach where the firm will be sold as soon as it becomes financially beneficial (Cumming & MacIntosh, 2003).

The strategy of non-family owners has evolved over the last decade or so, from buying out specific business units to instead buying out whole firms (Barber & Goold, 2007). Since a buyout from non-family investors includes only minor ownership from management of the target firm, non-family owners are more dependent on their management skills for improving the firm (Sharp, 2001). Non-family PTP firms are more likely to have a sizeable board, exerting control on managers of the firm (Nekhili et al., 2017).

Debt finances non-family owned PTP firms and various efficiency improvements are undertaken to maximise the value and return on their investment (Weir, Jones, & Wright, 2015). Examples of such improvements include improvements in sales, profit margin and working capital (Kaplan, 1989a). ‘Smart money’, including experience, know-how, and networks (Tappeiner, Howorth, Achleitner, & Schraml, 2012) describe this ability to contribute to management skills.

2.2 Types of Changes

Possible reasons for a PTP decision are increasing financial performance, strengthening corporate governance mechanisms, or avoiding regulation costs associated with being listed (Djama et al., 2012; Geranio & Zanotti, 2012). Following the PTP process, firms often downsize to improve overall efficiency (Schleifer & Summers, 1988). According to Nekhili et al., (2017), firms have better opportunities for long-term investments in a private environment since it reduces short-term performance pressures. Hence, changes for a PTP firm possibly include aspects such as corporate governance, innovation, efficiency, growth, as well as multiple financial aspects.
2.2.1 Board of Directors and TMT

PTP decisions may stem from a firm needing to fundamentally restructure the organisation (Geranio & Zanotti, 2012) by, for example, reducing the number of employees (Boubaker, Cellier & Rouatbi, 2014). This type of change may require changing the size and composition of the board of directors or the top management team (Craig & Moores, 2010). One change for PTP firms is making governance routines less formal (Boers et al., 2017), decreasing the size and the number of meetings of the board of directors (Craig & Moores, 2010). In family-owned PTP firms, one of the central issues revolves around the type of agency problems they face (Adhikari & Sutton, 2016). One potential agency conflict when ownership is diversified, are managers engaging in acquisitions with firm funds to strengthen their personal position, even at unattractive prices, diluting ownership at the expense of the owners (Bouzgarrou & Navatte, 2013).

When firms make the PTP transition, there is less need for formal control of the board to protect minority shareholders from the majority family shareholders, as there are fewer if any minority owners left (Boubaker et al., 2014). Contrary to this, Boers et al. (2017), found the formal governance routines developed for the public environment, can be preserved in the private environment by PTP firms, but instead be used for other purposes such as strengthening the internal control. In the case of non-family firms, it is increasingly common for PE firms to partner with the existing management team to buy out the firm from the stock market. When the management team is partaking in the buyout, the likelihood of the TMT remaining intact post-PTP is high; when this is not the case, the TMT members are likely to be changed (Fidrmuc et al., 2012).

In their study, Croci and Del Giudice (2014) found it to be twice as common for PTP firms to retain their CEO immediately after delisting. Despite this retention, such turnover represents a possible change for firms post-PTP. The overall tenure for CEO’s is longer in family firms, who are often selected based on their ties to the family (Nekhili et al., 2017). Hence, PTP firms might change the CEO, against the best interest of minority non-family owners (Boers et al., 2017). If the CEO and the chairman of the board are the same, known as duality, monitoring capability of the board is restricted (Geranio & Zanotti, 2012). Since the control of the firm is more concentrated this way (Weir et al., 2005), duality facilitates a PTP decision. However, according to the Swedish Corporate Governance Code (Swedish Corporate Governance Board, 2016), the CEO and chairman of the board may not be the same person.
2.2.2 Financial Reporting

A PTP firm may notice a reduction in reporting burden, both in number and detail, as well as increased latitude in sharing of sensitive information both within and outside the firm when no longer listed on the stock exchange (Geranio & Zanotti, 2012). PTP firms may also reduce infrastructure costs for investor relations, due to the reduced importance of the share price in evaluating the firm's performance (Geranio & Zanotti, 2012). Boers et al. (2017) did not find reporting following a PTP process to decrease; however, they found the source of reporting pressure being internal rather than external in a private environment.

2.2.3 Long-Term Initiatives and Innovation

By lessening short-term performance pressure from the stock exchange, PTP firms have better opportunities for long-term initiatives (Nekhili et al., 2017). In contrast to incremental innovations, the private environment enables the firm to undertake radical innovations, involving higher risk and uncertainty (Trauffler & Tschirky, 2007). Anderson and Reeb (2003) argue this focus could provide owners with great possibilities for steering the firm for long-term success. Hence, accepting the possibility of non-financial benefits from innovation is essential for successful radical innovation, despite the risk of lowered efficiency in the process (Tagiuri & Davis, 1992).

Incremental innovation, on the other hand, can be valuable for streamlining the firm and thereby make the firm more competitive (Reid, 1996). New forms of operational innovation can help to increase firm efficiency (Weir et al., 2015). Incremental innovation can also be used to describe routine innovation, involving the regular development of the existing product line; whereas this type of innovation is less likely to be revolutionary, it carries a higher expected return compared to radical innovation (Pisano, 2015).

2.2.4 Growth Opportunities

PTP firms may lose access to low-cost capital when leaving the stock market (Pagano, Panetta, & Zingales, 1998), which can lead to a loss of bargaining power for other sources of funding (Ritter, 1987). Despite the loss of bargaining power and easy access to low-cost capital, the private environment can still be beneficial for firms from a growth perspective. A low valuation of a firm’s stock can affect the firm’s ability to obtain loans from banks, negatively impacting their ability to grow (Bouzgarrou, 2014). For instance, by leaving the stock exchange, the PTP firm can eliminate the high costs of being listed (Pour & Lasfer,
Once a firm has made the PTP transition, they can fund growth through several different methods.

The method of growth may depend on the access the firm has to capital, but also how risk-averse they are. When a firm is susceptible to risk, they aim to reap substantial rewards, which could jeopardise the success of the firm. Hence, risk yearning firms are more likely to conduct acquisitions (Bouzgarrou & Navatte, 2013). In contrast, risk-averse firms may prefer to focus on organic growth, with lower capital needs, and are therefore less likely to grow through acquisitions (Caprio et al., 2011).

2.2.5 Increasing Firm Efficiency

PTP firms can sometimes need to re-evaluate assets at fair value (Ayash & Schütt, 2016). The purpose of this is to give a proper illustration of how much underlying value correlates to the book value of the firm and how much is additional value, known as goodwill (Deegan & Unerman, 2011). Such action can be a way to present the real value of the firm; however, there is a risk of the value being misinterpreted making firms appear to have made improvements in efficiency which are the result of accounting technicalities (Ayash & Schütt, 2016). From a financial perspective, it is valuable to bring as many of these hidden values as possible to light to maximise firm value. In contrast, restrictive policies (Bouzgarrou & Navatte, 2013) could potentially increase the likelihood of hidden values in less financially driven firms. Pursuance of non-financial goals makes firms appear to be operated less efficiently (Tagiuri & Davis, 1992). Some sources, such as Granata and Chirico (2010), argue this potential undervaluation to result from lower efficiency and professionalism. Such inefficiencies expose firms as acquisition targets since inefficiently run companies are relatively more likely PTP candidates (Michelsen & Klein, 2011).

2.2.6 Impact on Financial Position

PTP firms are more likely to use debt as a source of financing (Brav, 2009). The debt can be used to increase leverage in acquisitions (Basu et al., 2009), or because owners lack sufficient funds to support the firm's investments. Furthermore, PTP firms have a relatively higher level of intangible assets in their balance sheet, compared to public firms (Pour & Lasfer, 2013). This change is also supported by Sannajust, Arouri & Chevalier (2015) who find PTP firms to have significantly decreased fixed assets three years after finalising the privatisation process.
Before the PTP process, firms tend to have a lower degree of leverage compared to after the process (Michelsen & Klein, 2011). This increased leverage ratio is reasonable, given the structure of LBO’s (Sannajust, Arouri, & Chevalier, 2015). This connection holds exceptionally strong for voluntary PTP decisions (Pour & Lasfer, 2013), and owners who maximise debt for financing buyouts (Jensen, 1989). On average, non-family owned PTP firms use roughly thirty percent more leverage than the average PTP firm (Achleitner & Figge, 2014).

The higher debt following the PTP decision should put the firm in a financially unfavourable position since external lenders prefer a low debt-to-equity ratio (Ritter, 1987). However, Weir et al. (2015) found the condition of PTP firms to be significantly better compared to before the PTP process. According to this measurement, defined as the z-score by Taffler (1983), the advantage from the increased liquidity and working capital outweigh the disadvantage of increased debt (Weir et al., 2015).

**2.2.7 Cash Flow Optimisation**

A high level of undistributed cash flow to equity positively correlates with the likelihood of a PTP decision (Lehn & Poulsen, 1989), since it leaves greater possibilities to free up cash flow. From a strictly financial perspective, a firm is worth the present value of all future cash flow from the firm (Damodaran, 2002); hence, cash flow generation is key to increasing financial value. This cash flow increases the potential bid premium in PTP transactions since the discounted level of cash flow the firm can be expected to produce, decides the offer price (Ahlers et al., 2014; Boubaker et al., 2014). On average, this premium is around 50% (DeAngelo et al., 1984; Jensen, 1989; Kaplan, 1989a; Kaplan, 1989b).

PTP transactions are more probable to appear in mature sectors because of their low growth and low capital needs (Michelsen & Klein, 2011), hence this might be a precondition for PTP action. Low growth makes future cash flow easier to predict (Damodaran, 2002). Furthermore, low growth firms face difficulties investing cash flow in a profitable way (Lehn & Poulsen, 1989). Reducing waste of cash flow will increase the value for PTP firms, hence allow for higher premiums to be paid by new owners (Boubaker et al., 2014).

Building on the finding from Sannajust, Arouri and Chevalier (2015), where PTP firms decrease their fixed assets post-PTP, one result is the generation of free cash flow. A “sale and leaseback”, where a firm sells an asset to a leasing firm in return for future periodic payments, is one way to achieve this (Damodaran, 2002). For profitable firms, future profits
can thereby be utilised for an instant benefit to cover future payments, provided future operations can sustain this burden (Nikoskelainen & Wright, 2007). The generated cash flow resulting from such operation can be used by owners to lessen their capital investment, ultimately releasing this capital for other investments.
3. Method

This chapter will introduce our philosophical standpoint, clarifying our approach to the research at hand. We will then present our selection of research design, including justification and descriptions of the selected cases and interview subjects, followed by our method chosen for data collection, presentation and analysis. Finally, we discuss ethical considerations and quality of research.

3.1 Research Approach

Stating the ontological and epistemological orientation is crucial for ensuring confirmability in research (Guba, 1981). The philosophical standpoint determines which research design to use (Easterby-Smith, Thorpe, & Jackson, 2015). Therefore, we begin this section by revealing our ontological and epistemological standpoints to guide our choices of research design and method.

In the social sciences, the central ontological positions are internal realism, relativism, and nominalism; we assume an internal realist position for our study. According to internal realists, there is only one single reality, which exists independently of the researcher and cannot be directly accessed and observed (Easterby-Smith et al, 2015). Researchers must instead gather indirect data of the phenomenon (Putnam, 2016). This approach allows for a more complex view by focusing on understanding the intersect between human judgement and measurable data (Easterby-Smith et al, 2015). In our thesis, measurable data involves the types of changes following PTP actions. These changes may be difficult to observe directly; however, through by gathering information from various sources, such as interviews and documentation, we can understand the phenomenon.

For understanding how to inquire into the nature of the world, we could adopt a positivistic or social constructionist epistemology (Easterby-Smith et al, 2015). While we use a combination of the two epistemological stances, we will focus on the positivistic approach, as explained by Eisenhardt (1989); this approach is following most family business research (De Massis & Kotlar, 2014), and is useful for gaining in-depth insight in management research (Easterby-Smith et al, 2015). Following the Eisenhardt (1989) approach, we focus on the data, are flexible with the research design to follow the results and successfully build theory; comparing data with previous research by moving back and forth between data and literature to cross-check results. Although this approach allows us to make assumptions on
how a change can be expected to manifest itself, we can only gain knowledge objectively through discoveries (De Massis & Kotlar, 2014), meaning information is only knowledge if empirically verified (Easterby-Smith et al, 2015). Hence, more in-depth research considering multiple perspectives may be required to genuinely understand specific changes a firm undergoes as it becomes private. By building new theory from data rather than testing it, we adopt an inductive research process. This process includes starting from a relatively clean slate, assuming limited prior knowledge on the topic and using data to generate new knowledge, which can then be tested in another study through a deductive approach (Eisenhardt & Graebner, 2007).

3.2 Choosing Research Design

Research on PTP is usually quantitative. In fact, with very few exceptions, this design has been used in most of the articles on PTP and delisting we have encountered. Since a quantitative study cannot bring the same in-depth understanding of a phenomenon as a qualitative study (Boers et al., 2017), we have chosen to conduct a qualitative study. Furthermore, it is appropriate to use a qualitative research design as we aim to build theory rather than test it (Eisenhardt & Graebner, 2007).

From a positivist view, there are three different possible designs of qualitative research, namely: action research, grounded theory and case study (Easterby-Smith et al, 2015). We have chosen to conduct our study as a case study because it facilitates the gathering of in-depth information on a phenomenon in a real-life context (Pettigrew, 1973; Stake, 1995; Yin, 2003). Case study research often uses multiple sources of qualitative data, such as archival data, interviews and observations, to provide a solid foundation for building more testable theory (Eisenhardt, 1989). Case studies are therefore particularly suitable for management research, even though anonymising the cases – due to ethical considerations – might restrict reader interest (Bartunek, Rynes, & Ireland, 2006). When conducting case studies, one significant aspect is what Eisenhardt (1989) refers to as replication logic; hence, treating each case on an individual basis before making comparisons and contrasts. De Massis and Kotlar (2014) note three different types of case study design: exploratory, used to address “how”; explanatory, used to address “why”; and descriptive, used to address the relevance of the subject. Based on the selected purpose of our paper, understanding how things change as a result of PTP, the most appropriate case study design is an exploratory design.
3.3 Defining the Unit of Analysis

Selecting a unit of analysis is very important in case study research (De Massis & Kotlar, 2014). An entire case can form the unit of analysis (Yin, 1981), although a researcher should also consider what to study within the case for the unit of analysis (De Massis & Kotlar, 2014). In our research, we explore changes made as a result of PTP, which are analysed and compared through within-case and cross-case analysis, following Eisenhardt (1989). An individual, process, or a whole organisation can form the unit of analysis depending on the purpose of the research (De Massis & Kotlar, 2014). We focus on the whole firm as a unit of analysis. However, we also consider an individual perspective by focusing on the owner perspective, supported by the board member and TMT member perspective, since differences between ownership have a direct impact on firm decisions (Boers et al., 2017).

3.4 Selecting Cases

Case selection is one of the most critical decisions in a case study (De Massis & Kotlar, 2014; Eisenhardt, 1989). The selected case or cases are relevant because they represent the context and information, laying the foundation for building theory (Eisenhardt, 1989). We have decided to conduct a multiple case study, selecting three cases through theoretical sampling based on two polar types of owners: family-type and non-family type, as elaborated on in Chapter 2 (Frame of Reference) above. To thoroughly test differences between family and non-family firms, our case selection represents different degrees of ownership: one family-owned firm, one non-family owned firm, and one "hybrid" firm with mixed ownership, including qualities from both non-family and family firms.

A multiple case study offers more space than a single case study for developing testable theory, which enables a more robust comparison of contexts, consequently a higher transferability of results (Eisenhardt & Graebner, 2007). Sampling for building theory from cases needs to offer insight into the selected phenomenon specifically (Siggelkow, 2007; Yin, 1994), such as theoretical sampling, where cases are selected to illuminate and extend relationships and logic in the building of theory (Eisenhardt & Graebner, 2007). Building on this sampling, use of polar cases includes contradictory cases to facilitate the discovery of contrasting patterns in the data and the discovery of relevant relationships for the phenomenon (Eisenhardt & Graebner, 2007). In this case, our polar-type sampling includes two types of ownership, family-type and non-family type owners. The usage of the hybrid
firm functions as a control for whether the findings discovered are attributable to the ownership types. The usage of the hybrid firm is relevant due to the heterogeneity of family firms, as mentioned by Chua et al. (2012).

### 3.4.1 Criteria for Case Selection

De Massis and Kotlar (2014), propose family business scholars should include a clear rationale for case selection and sufficient details regarding the case study context for the reader to fully understand the sampling decision. For our case selection to match our intended outcomes, we have formulated a set of criteria to enable an in-depth investigation into changes in PTP firms.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Selection</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm size</td>
<td>Large</td>
<td>2.5 - 5 Billion SEK in Revenues, between 500 - 2,500 employees</td>
</tr>
<tr>
<td>Ownership</td>
<td>Active</td>
<td>Majority shareholders are actively engaged in the firm</td>
</tr>
<tr>
<td>Sector</td>
<td>Industrial</td>
<td>The industrial sector has one of the highest degrees of PTP activity (Geranio &amp; Zanotti, 2012)</td>
</tr>
<tr>
<td>Time of delisting</td>
<td>2000 – 2012</td>
<td>This corresponds to the most recent PTP wave in CE (Geranio &amp; Zanotti, 2012). This criterion ensures that enough time has passed for changes to be observable, yet offering a possible chance for access to interview subjects and documentation when investigating the cases.</td>
</tr>
<tr>
<td>Geographic region</td>
<td>Sweden</td>
<td>Firms have been listed on the Swedish stock exchange and are of Swedish origin (as a part of the CE context)</td>
</tr>
<tr>
<td>Reasons for delisting</td>
<td>Strategic</td>
<td>Strategic reasons, as opposed to financial distress or non-compliance</td>
</tr>
</tbody>
</table>

*Table 1: Criteria for Case Selection*

### 3.4.2 Case Selection

Based on the criteria from the previous section, we have selected three firms to study. Below we provide an overview of these cases, including general information about the firms and their respective situation with regards to PTP. We codify the cases into Firm A, Firm B and Firm C to ensure the anonymity of the firms participating in the study, as emphasised by Bell and Bryman (2007).
<table>
<thead>
<tr>
<th>Firm type</th>
<th>Firm A</th>
<th>Firm B</th>
<th>Firm C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>900</td>
<td>2 400</td>
<td>1 100</td>
</tr>
<tr>
<td>Family involvement</td>
<td>High</td>
<td>Low</td>
<td>n/a</td>
</tr>
<tr>
<td>Generation</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>n/a</td>
</tr>
<tr>
<td>Type of privatisation</td>
<td>Family buyback</td>
<td>Family + Private Equity buyout</td>
<td>Private Equity buyout</td>
</tr>
</tbody>
</table>

Table 2: Case Description

Firm A was listed on the stock exchange in the early 1980’s to gain access to the capital needed to expand operations and further strengthen their position within the Swedish market. At the turn of the millennium, family owners decided to buy out external shareholders and take the company private. PTP reasons included underperformance on the stock market, as well as no longer needing the stock market for raising capital.

Firm B was listed on the stock exchange in the late 1990’s to grow internationally. The firm was bought out in the mid 00’s, leaving family owners and a non-family owner as sole owners of the firm. PTP reasons included – contradictory to traditional reasons for remaining on the stock market – to increase the ability for growth through acquisitions.

Firm C made its entry on the stock market in the early 1990’s through acquisition from a firm listed on the stock exchange. The firm operated as a division of its parent company before being split back into a separate entity as a result of the PTP process. Despite no family-owner involvement, the firm has retained an active founder-presence throughout its history. PTP reasons included extended possibilities for development and expansion.

3.5 Data Collection

Following the choice of suitable cases, we outlined our method for collecting data. An important part of our primary data collection was through interviews with key informants who could give specific insight into the topic we were researching and were willing to discuss these insights with us (Kumar, Stern & Anderson, 1993). Since a couple of years have transpired since our case companies made the PTP transition, we conducted retrospective interviews, as outlined by Pettigrew (1992).
In the selection of interviewee subjects, we focused on informants with a close relationship to the process, such as owners, board members and members of the top management team, who remained with the firm for a few years following the PTP transition. We used purposive sampling for selection of interview subjects, including snowball sampling where applicable, which includes seeking potential informants from other suitable informants (Easterby-Smith et al, 2015). Even if this method increases the risk of bias (Eisenhardt & Graebner, 2007), we reduced the relevance of such hazard by limiting our purposive sampling to informants who fit our criteria, as well as focusing on experiences of a specific event, as opposed to opinions on right or wrong. When needed, we followed up the interviews by phone calls and emails to clarify results or to ask additional questions that arose from the data analysis.

Below is a table of selected interview subjects, including relevant information such as firm tenure and their position during the PTP transition. We codify the interviewees using fictive names to ensure their anonymity, following Bell and Bryman (2007).

<table>
<thead>
<tr>
<th>Firm</th>
<th>Name</th>
<th>Position</th>
<th>Firm Tenure</th>
<th>Date</th>
<th>Type</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Anders</td>
<td>Board Member</td>
<td>44 years</td>
<td>2018-03-16</td>
<td>Face-to-face</td>
<td>105 min</td>
</tr>
<tr>
<td></td>
<td>Anders</td>
<td>(family owner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>Alfred</td>
<td>Board Member</td>
<td>26 years</td>
<td>2018-03-27</td>
<td>Telephone</td>
<td>110 min</td>
</tr>
<tr>
<td>A</td>
<td>Adam</td>
<td>Member of TMT</td>
<td>27 years</td>
<td>2018-04-17</td>
<td>Face-to-face</td>
<td>88 min</td>
</tr>
<tr>
<td></td>
<td>Adam</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Benjamin</td>
<td>Member of TMT</td>
<td>23 years</td>
<td>2018-03-19</td>
<td>Face-to-face</td>
<td>110 min</td>
</tr>
<tr>
<td>B</td>
<td>Bertil</td>
<td>Member of TMT</td>
<td>18 years</td>
<td>2018-03-22</td>
<td>Face-to-face</td>
<td>103 min</td>
</tr>
<tr>
<td>C</td>
<td>Christopher</td>
<td>Member of TMT</td>
<td>41 years</td>
<td>2018-03-20</td>
<td>Face-to-face</td>
<td>98 min</td>
</tr>
<tr>
<td></td>
<td>Christopher</td>
<td>(founder)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>Charles</td>
<td>Member of TMT</td>
<td>18 years</td>
<td>2018-04-18</td>
<td>Telephone</td>
<td>88 min</td>
</tr>
<tr>
<td>C</td>
<td>Carl</td>
<td>Board Member</td>
<td>6 years</td>
<td>2018-04-23</td>
<td>Face-to-face</td>
<td>110 min</td>
</tr>
<tr>
<td></td>
<td>Carl</td>
<td>(non-family owner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 3: Interview Subjects and Details*
Each case company featured two to three interviews, each interview lasting between one and a half and two hours. To ensure prolonged exposure to the context, as described by Guba (1981), at least one interview with each case company was conducted on their premises. Conducting multiple interviews with highly knowledgeable interviewees is one way to capture the phenomenon from different perspectives, hence one way to limit bias (Eisenhardt & Graebner, 2007). The interviews followed a semi-structured format beginning with broad questions, followed by a set of open questions to ladder-down (Bourne & Jenkins, 2005; Wansink, 2003) to further explore the topics, depending on responses in the interview. We began with predefined general questions to not let the collected archival data affect the interview beforehand, which was another way of avoiding bias. The order and content of the questions were in relevant cases adjusted to fit the particular interview. However, to remain impartial to the results, the questions began on a broad, open level to reduce the risk of skewing the results. Semi-structured interviews were in line with the purpose of our study, as the study focuses on gaining a more in-depth understanding, not attainable through quantitative research. A guideline for the interview questions can be found in Appendix 1.

As a way of building trust and reducing bias, interviews were held in the native language of the interviewees, as suggested by Eisenhardt and Graebner (2007). Building on this, and as a way of ensuring accuracy in the data collection, the interviews were recorded to capture the responses of the interviewees. Note-taking parallel to the recordings also helped to capture vital information during the interviews. Transcription of recordings with support from the notes taken during the interview closely followed the interviews.

Another method for data collection in our study was through secondary data sources, such as the use of archival data collected from newspapers, financial reports and buyout prospectus. Using this data allowed for a longitudinal dimension to the research, as described by Boers et al. (2017). The use of multiple data sources made it easier to trace the cause and effect of the PTP process, which in turn increased the internal validity of the research, as suggested by Leonard-Barton (1990). Furthermore, by using multiple sources of data, we increased the credibility of our results (Patton, 1990). The data was used both to complement the interviews, as well as allow for better use of the limited time in the interviews since we could focus on questions and ambiguities. As the documentation captures other aspects of the process, such as changes in management and financing, this was a valuable complement for triangulating the topic (De Massis & Kotlar, 2014; Eisenhardt, 1989; Guba, 1981).
3.6 Information Analysis

Upon completion of transcriptions, we could start to analyse the content of the interviews. Throughout the interview process, an overlap between data collection and analysis provided better opportunities for understanding the change process overall (Easterby-Smith et al, 2015). Before the coding and analysis of data could take place, the raw data needed to be processed by filtering out unnecessary data (Eisenhardt & Graebner, 2013). The reduced data was then coded and categorised to easier discern patterns and themes. Once individual cases had been coded and analysed, a cross-case analysis was carried out by evaluating similarities and differences between the cases (De Massis & Kotlar, 2014) to draw conclusions which could be attributable to other cases as well, as explained by Dyer and Wilkins (1991). Finally, citations and main codes were translated from Swedish to English to ensure correct representation and accuracy.

3.7 Presenting Results

We chose to present our cases through a descriptive narrative, as described by Yin (1981), where we conducted the within-case analysis as part of creating individual narratives for the cross-case analysis. As we merely focused on handling three cases simultaneously, we were not concerned about the number of cases causing an unstructured presentation of results (Eisenhardt & Graebner, 2007). By including citations and multiple sources of data, we could preserve the chain of evidence from the data collection into the data analysis, as well as presenting the raw evidence of the cases in a productive but straightforward way, following Yin (1981). The narratives provided a clear description of the contexts for the cases.

An essential aspect when presenting results is for the reader to be able to apply the standards and analysis of the findings and still be able to draw similar conclusions as the authors (Eisenhardt, 1989). Following De Massis and Kotlar (2014), we created pedagogical tables to facilitate the understanding of results. Summarising data into tables enabled us to present the data from the cases in a continuously productive manner, while still reducing the amount of information. This method is useful for transforming qualitative data into testable theory (Eisenhardt & Graebner, 2007).
### 3.8 Ensuring Quality in Qualitative Research

To ensure the quality of our thesis as a qualitative study, we have chosen to consider Guba’s (1981) criteria for trustworthiness and their adoption to qualitative studies and how these apply to our research. The four criteria for trustworthiness are truth value, applicability, consistency and neutrality.

Truth value is concerned with insurance of the findings being representative of the respondents in the chosen context. Verifying the credibility of interpretations and conclusions from the source is the usual way to achieve this insurance. One risk in a study is factor patterning, making results difficult to interpret (Guba, 1981). To ensure credibility in our research, we conducted face-to-face interviews at the company offices, gaining a prolonged experience of the context. Furthermore, the translated key citations were sent to the interviewees for confirmation of content to ensure correct interpretation and make sure no bias had taken place.

Applicability is how well findings can be applied or transferred to other contexts. Results do not need to be applicable, but should be able to be transferred to a similar setting and discrepancies should be explainable (Guba, 1981). To ensure transferability in our study, we have sampled firms’ representative of the phenomenon and market we wish to investigate; selecting interview subjects with access to extensive knowledge of the event and firm. Furthermore, through the posing of semi-structured open-ended interview questions, we enabled the gathering of in-depth and “thick” descriptive data. Through the collection of additional referential materials and the interviews, we were able to map the concerned contexts and develop context relevant information.

Consistency is the quality check that concerns how replicable a study is and if the results would be consistent in a similar context with similar subjects (Guba, 1981). To ensure dependability in our research, we mainly focused on creating a clear trail of our processes and methods for data collection, analysis and interpretation. First, we did this by explicitly outlining our proposed strategy for data collection, interpretation, analysis, and presentation of data. Secondly, we took notes, recorded interviews and meticulously documented the information gathering and processing stages.

Neutrality is the final quality control aspect. It represents to what degree the results of a study are a representation of the subjects’ perspective, as opposed to the inquirers biased perspective (Guba, 1981). To ensure confirmability we have revealed and discussed our
epistemological position in the method. We also considered our epistemological standpoint in the formulation of interview questions and later when we presented and discussed our findings. As previously mentioned, we used multiple perspectives and sources of information in our study. Relying not only on first-hand accounts but also on secondary data to corroborate findings and triangulate information. After the interpretation and analysis of the data, we performed a check that all results presented could be traced back to sources of data, ensuring the confirmability of our data.

### 3.9 Ethical Considerations

When conducting management research, it is essential to consider and address potential ethical issues related to collection and presentation of data; hence, it is the responsibility of the researcher to ensure the protection of research participants and to preserve the integrity of the research community (Easterby-Smith et al, 2015). To guide our ethical considerations, we have worked with the 11 key ethical principles developed by Bell and Bryman (2007).

- Ensuring no harm comes to research participants
- Ensuring the preservation of participant dignity
- Ensuring the informed consent of participants
- Ensuring the protection of participant privacy
- Ensuring the confidentiality of research data
- Protecting the anonymity of individuals and organisations
- Avoiding deception regarding the aim of the research
- Clearly stating professional and personal affiliations
- Honest and transparent communication regarding the research
- Ensuring reciprocity
- Avoiding Misrepresentation and false reporting

Presenting research participants with the consent form, found in Appendix 2, before commencing the interviews, enabled the participants to give the fully informed consent of their rights. These rights included:

- The right to refrain from answering questions or to withdraw participation in the study to preserve their dignity and avoid feelings of discomfort.
- The protection of the participant’s identity and privacy by non-disclosure of personal, revealing or compromising information in the thesis.

- The protection of the identity of the firm, participant connection to the firm, and the confidentiality of disclosed information towards other research participants or general populous.

Furthermore, the consent form created a platform to inform the research participants of the purpose of the study, our affiliations and methods for the collection, usage and safeguarding of data.

By recording and transcribing the interviews, we were able to minimise the risk of false representation of results. The translated key citations were later sent to research participants to remove any remaining hazards of misinterpretation and false reporting. Codifying the names of the firms and research participants in our thesis enabled us to preserve the confidentiality, privacy and anonymity of research participants. This, in turn, ensured no harm came to the research participant or any other concerned parties.

A final aspect of ethical research, as presented by Bell and Bryman (2007), is to ensure the reciprocity of the research; in other words, ensuring both the researcher and the interviewees benefit from participation. We achieved reciprocity by sharing the completed thesis with the participants, in exchange for their assistance concerning the interviews.
4. Results

This chapter holds a presentation and interpretation of the results from each of the case firms through a descriptive narrative using quotes from the conducted interviews and various secondary sources. Following the separate case narratives is a cross-case analysis, discussing differences and similarities between the cases.

4.1 Firm A

4.1.1 Listing Background

Firm A is a family owned firm, active in the brewery industry (Firm A, 2000). In the 1980’s the firm was listed on the stock exchange. According to the owner Anders, the firm was listed to gain much needed capital, to fund further expansion and also make some maintenance investments into the organisation, that had not been able to be made during scarcer times, when the firm experience substantial growth: “The volumes poured in, the money poured in, but we had a lot of holes to put the money in. We had avoided making new investments and reparations for many years during the saving years. We couldn’t continue like this, we needed to expand our brewery, but we didn’t have any money. That’s when we decided to list the company”. The board member Alfred, mentioned that the goal with the listing of the firm was to gain access to capital and to increase the awareness of the firm and brand: “Capital and attention was a part of the strategy that existed. They could gain larger interest and attention by being listed”. The TMT member Adam, claimed that the listing was due to the family wishing to finance growth: “The idea was that they would become listed to ensure the access to financing in some way, gain access to more capital than a family firm can get, to have the possibility to expand”. He went on to say that the perks of being listed had to do with the ability to gain access to capital to grow even when you were not able to borrow from banks: “Being listed means that you have access to capital and people who can fund the continued journey. Borrowing money is always more of a risk. Sometimes it is not possible to borrow money for an expansion, especially when a business is new before they have gained the confidence of banks and other stakeholders”. Anders said that the mains perks of being listed was the access to capital, the power to negotiate and making others believe in their mission: “To get money because we didn’t have any. To negotiate and believe in our mission. To be able to make others willing to enter risk”.

When the firm entered the stock exchange they took in 20 million SEK in capital and increased their leverage to finance an expansion of operations: “We made an IPO of 20 million
SEK, which was a lot of money for us back then. Then we borrowed three times that amount from the bank and expanded our operations by roughly 80 to 100 million SEK”. The listing of Firm A also meant that the organisation became more professional. Anders said: “An IPO has a positive effect on firms, at least of our size at the time. We got better discipline on our financial planning and control. We also got better discipline on our investment priorities”. Alfred mentioned that the firm was initially very criticised for being too much of a family firm when listed, something that was professionalised as time went by: “The firm was somewhat criticised for being too much of a family firm, but the firm was transformed into a professional listed company”. When Firm A was listed, investments needed to yield larger returns, therefore the firm increased their demands on their ROI. Anders commented this: “By becoming listed and gaining access to money from the stock exchange, we needed to demand higher returns from our investments”. Anders also said that the goal of 20% ROI was set by the firm so that only the most profitable investments were considered: “The 20% came into the picture when we entered the stock exchange in the 80’s. It was a goal we made so that we could get a good gradation on investment requests. Then it was only the most profitable orders that made it to the table”. Being listed can also be seen as a quality stamp for the firm. About this Anders said: “Back then you would never list your company if it was experiencing losses, never. You were supposed to have a certain level of solidity, and a track-record of several years of decent profits, then you could enter the stock exchange”. Adam mentions that being listed resulted in certain demands for the firm: “Being listed means that you are very visible to the public and that you always need to be on your toes”.

### 4.1.2 Board of Directors and TMT in a Listed Family Firm

When Firm A was listed on the stock exchange, the board of directors was composed of two family members representing owner interests, two family members as alternate members of the board, an external chairman and four other external board members (Firm A, 2000; Firm A, 2001). According to Alfred, the board was put together with people with different competencies and experiences that could represent continuity and have deep knowledge of the firm: “[Firm A] has instead focused on putting together a board of directors with different competencies, interests and experiences, which has been very positive. This together with the continuity. The board has experience with the firm and deep knowledge of the firm and the family. It has been a very efficient board of directors”. Alfred commented the interaction between the owning family and the board of directors as positive, with the family listening to input from the external board members: “It is a family that listens very much to the external board members. It is fun to have been a part of the board for such a long time precisely because the family listens instead of just presenting their goals to the board”. According to Alfred, in preparation for succession, the board of directors was used as
training for the new generation: “Through the generation shift, several from the next generation has been trained by being active in the board and gain insight into the board activities”. Using the Annuals as reference we could see that various family members have held the position as alternate member of the board (Firm A, 2000; Firm A, 2001; Firm A, 2002; Firm A, 2003; Firm A, 2004; Firm A, 2005). Alfred claimed that the increased presence of family at the board meetings did not reduce the influence of the external board members, that the external board members influence had always been strong: “It hasn’t changed the balance between the family and the external. They have almost listened more to the external members since many of them have been young and tried to gain knowledge and experience from the board of directors. External board members influence hasn’t lessened; it has been strong all along”.

The CEO of Firm A was a family member at the time of delisting (Firm A, 2000; Firm A, 2001; Firm A, 2002; Firm A, 2003; Firm A, 2004; Firm A, 2005). The CEO and many of the other TMT members have had long tenures, which according to Adam made actions and decisions more long-term: “Of course, it becomes more long-term and continuity if you have managers that are active in the long-term”.

4.1.3 Ownership and Control of Family Firms

For the family owning Firm A, it was vital they not lose control of the firm and the annual general meeting. Anders said: “We can never lose control over the annual general meeting, that is something the family can never lose”. He repeated the importance of preserving family control when discussing the firms’ inability of going international without losing control of the firm: “Capital has always been our scarce resource, that is the dilemma of a family firm. That is what hinders us from buying breweries around the world and becoming multinational. We could do it, but then we would have to sacrifice the family’s basic belief that we should have control over the company”. Slightly contradictory to the statement that the family is unwilling to give up control, Alfred mentioned that he believed the focus of the family is to fulfil their vision for the firm: “It isn’t the preservation of control that, I think, has been important. What has been important has been to execute their strategy, they have believed in their strategy all along”. When Firm A was listed on the stock exchange, the family owned roughly 35% of the capital and controlled approximately 70% of the votes, which maintained the family control over the firm despite being listed (Firm A, 2000; Firm A, 2001).

The owning family has historically always been involved in the firm’s operation. Adam said it felt natural that many family members should be involved when the firm is family owned: “There are many family members active in the company. I guess that is quite natural in a family owned firm”.

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Anders claimed that as many family members as possible should be involved in the various levels of the firm to represent the family: “It is the fact that we work in the company and can personify what we stand for that is the advantage of being a family firm. I think that it is important that as many children and in-laws as possible can, and want to work in the company”. Adam claimed that the high involvement of family in daily operations and clear, strong ownership, impacted the commitment and motivation of employees: “I saw what an incredible driving force clear ownership has. Like with the family who are present in the daily operations. It facilitates clarity and that the employees can more easily be engaged and identify with the firm. It is a great driving force”. He claimed that the corporate culture was connected to the owners and their commitment, he even claimed that much of the firm’s success was related to having clear ownership and family involvement: “We did everything a little better than our competitors thanks to the increased commitment created by having clear ownership and the family. It is a culture of commitment, high tempo, very stimulating and a lot of fun along the way. With very high loyalty. Extremely high”. The owner Anders thought that it made a difference and was important for the family to share name with the firm: “Yes, I think so, for the pride, for our heirs. Our children are proud to be called [Firm A]”.

The owning family has been focused on driving the firm towards the family’s long-term goal of being a market leader. Adam said: “As a family firm, they have the vision to be the largest brewery in Sweden”. Anders explained how to reach this goal, the firm has been prioritised over the family: “We understood that we had to prioritise the firm over the family, not all families understand that”. There is unanimity between the goals of the family, the firm and the board of directors according to Alfred: “I have never experienced a difference in the goals of the family, board of directors or firm”. The family has taken a lot of risks to develop the firm towards the goals, reinvesting all the funds the firm earns into development. About this Alfred said: “The family has invested every penny they have earned into making the firm a top modern brewery. They have always rationalised, streamlined, restructured and pressured costs. Which has been possible because they haven’t taken any money out of the company, everything has been reinvested. I think that the family have been very extreme in this case, very fearless of investing all their money into the company. They have always been focused on being efficient and building for the future”. About the family’s investment into the firm the owner Anders said: “All our money has gone towards trying to build a more efficient business and more efficient distribution, production, brands and so on”. Alfred claimed that the entrepreneurial mind-set the family has, causes them to see risk-taking differently than an external observer and that the total belief in the long-term goal of the family, is the driver of such risk-taking. “What I as an external board member consider big risk-taking, I don’t think that the family experiences as big risk-taking. They
are raised in the industry and completely believe in their idea, that they don’t believe that it is a large risk to finance their strategy for success”.

4.1.4 Investment Horizons of listed Family Firms

Anders said that the owning family can make investment that will reduce the results for the next 2-5 years but will ensure that the firm will still exist for the family in 20-50 years: “When we make investments, we can do that even if it is at the cost of the firm’s results for the next two to three years. What is important for us is that the investment generates a competitive advantage that means that our grandchildren can take over the firm in 20, 30, 40, 50 years”. He also mentioned that the long-term perspective of the family does not work so well in a listed firm: “If we went to the stock exchange and said that we are going to make an investment that will payback in 50 years, they would just laugh”. Adam commented on why there is a short-term focus for firms that are listed rather than being private: “It is because you always need to perform and deliver for the shareholders, every quarter so that they are satisfied”. Anders experienced that being listed brought a lot of quarterly pressure into the firm: “To constantly be followed, to live up to expectations and prognosis, budgets and so on. A quarterly report can be criticised for not living up to the expected profits for the whole year”. Adam mentioned that a firm automatically gains a more short-term focus on the stock exchange if the firm wants to preserve a high share price: “It is per definition if you are a listed firm. If you want the stock price to increase, you need to continuously improve your profits and reach others expectations. If you don’t, it can be quite merciless”.

4.1.5 Reasons for Delisting

In the beginning of the 00’s, Firm A had a low stock price over all, when an important contract was terminated, the share price decreased along with the expectations on the firm ability to recover (Firm A, 2000). Anders explained: “The stock market was a way to raise money when we needed, then it became more or less a burden for us”. The conflict between investment interests became clear as the family took on a longer time perspective than the stock market as a whole. Anders explained: “When they understood we had tied up our ownership in a box, closed the box and thrown the key in the river, then they understood the company will not be sold. Then, the stock price fell”. Building on this, Adam explained: “These short-term investors who speculate, thought this share became uninteresting in the sense it was not possible to pump up the stock price and then cash out; the stock price was fairly mediocre despite fairly strong results”. Alfred described the different beliefs in the company by saying: “When the family believed in the firm more than the stock market did, it became obvious to leave the stock market; the stock market completely misjudged the share and the journey they had
made”. On the expectations of the PTP environment, Anders explained: “We expected to be able to borrow money from banks for investments and acquisitions without being told that the firm value was too low”.

The low stock price brought other complications as well, such as the inability to issue new stock as a source of funding, without heavily diluting the family’s control, resulting in the advantages of the stock market becoming even smaller. Adam explained: “If the stock price is not at the right level when raising capital, ownership is diluted and the others are brought on for a free ride; it was not attractive to raise capital”. As Anders explained: “Then the only chance we saw to buy other firms or to grow was to buy back the firm to have a value not reflecting the low expectations from the stock market about the future”. In conclusion to the reasons for taking Firm A private, Anders said: “When we no longer need money from the stock market and are able to finance our expansion on our own, there was no point of being listed, having to take other considerations which much more short-term than ours”.

4.1.6 Changes Post-PTP

With reasons for a PTP transition outweighing the benefits of remaining listed, Firm A eventually left the stock market. Looking back on this time, Alfred noted: “It was very undramatic, the dramatic part was for the family to gather enough funds for the buyout; it was a big step they took but they had no interest in having their capital anywhere else”. Since the ownership did not change in any way other than increased family ownership, no new owners influenced the board composition. No changes were made to the board following the PTP transition, except for a reduction of one board member (Firm A, 2000). The family being sole owners also meant less stakeholders to take into consideration, as well as the family owners having an even greater impact. Anders explained: “I’m going up to [city] next week to talk with the employees there. When they know I own half the firm compared to just 10% - it makes a difference”. Adam noted how “over time, it became more family-oriented compared to being on the stock market”. Anders elaborated on the change in culture: “The increased family ownership impacted the corporate culture: the employees understand it is the family who owns the company and not short-sighted capitalists. This made the employees see the firm as a steadier place to work”. On this, Adam explained: “The family has their priorities and visions which are possible to live out in one way if the firm is family owned and another if it is listed. It matters more what the family thinks, it matters less what the family thinks in listed companies”.

The fact that the family now owned the whole firm meant TMT members could no longer be shareholders too. Alfred explains: “The stock market could also offer employees and minor shareholders ownership; now it could no longer be used as instrument to create engagement”. Adam
experienced this change by saying: “it is always more fun to be able to be part of ownership when you know things will be fine and are convinced it will be a good journey”. One thing Firm A held on to from the time on the stock market was financial reporting, even if they were used more for their internal use rather than being published. According to Alfred: “Firm A has always been careful to follow IFRS and have the same reporting standard as if they were a listed company; on the other hand, there has not been any point in publishing them publicly, other than what is required”. Building on this, Adam explained: “If we ever were to get back out there, we need audit and reporting to be according to the textbook; then we can simply pull it from the shelf and show – it will make things easier should it be necessary”. Furthermore, the restrictive high target returns implemented in the struggling years, several years earlier, have been in place even during the private years. Alfred: “I think it has been positive for a company to live with scarcity of capital and high demands on return on investment, then tougher prioritisations are needed among investments; especially in an industry where the processes require large investments”. Over time, Firm A financial position has improved: “the better cash flow we have, the more we are able to invest by ourselves, hence the cash flow has been sufficient to do what we have wanted to do” said Adam. On a final remark on the time as a delisted company, Anders explained: “we have not ruled out the possibility of re-entering the stock market, but we have ruled out the possibility to lose control over the annual general meeting”.

4.2 Firm B

4.2.1 Listing Background

Firm B is a third generation family firm (Firm B, 2008); as the TMT member Benjamin explained: “[the owner] is the grandchild of the original founder”. Reasons for listing the company was, according to Benjamin: “It was really two things. They had all these employees who this promise had been made out to. Also we were about to expand into [Asia] and [South America]”. This was also supported by the TMT member Bertil: “Everyone got to buy shares in the company, that was one reason for the listing”. Being listed affected the firm significantly, or as Bertil explained: “Before we could be more open with the information but this was closed directly”. Building on this, Benjamin explained how “The firm now had to evaluate the organisation – how management looks, vision, strategy, goals etcetera”. According to Benjamin, this change meant “We raised ourselves to the next level”.

Being listed on the stock market impacted the employee engagement; as Bertil explained: “An advantage of being on the stock market is it fun to be listed, such as analyses on the company”. This attention could also have some negative sides to it, such as one instance where a financial
newspaper published a one-page analysis of the company with a rather dry headline. As Benjamin explained: “this was a negative side of being listed”.

One indication of Firm B’s global expansion at this time was their proportion of non-European sales, increasing from 24% five years prior to delisting up to 27% at the year of delisting, according to their annual reports for respective years (Firm B, 2008). According to Bertil, “The expansion has taken small steps, one country, a new country, another new country”. Growing faster than the market is frequently mentioned in annual reports as a core goal (Firm B, 2008). Benjamin mentioned how the firm has “always had a growth strategy, to grow more than the market. The difference is how when a firm is smaller, growing is easier when smaller part of the market is covered”. Apart from expanding into new markets, the firm also needed to add new products after becoming a big player in their own segment. Bertil explained how: “Eventually, a ceiling is reached where several competitors start copying you and other move into this area, you reach a point when your market is saturated”. Benjamin further elaborated on their need for a broader offering: “It was actually because we had such a large market share so we would keep growing. We had grown with 15% practically the whole 90’s and onward. If we were to keep growing, we were forced to broaden our offering. We were already fairly international, already present in 25 countries. We chose to keep expanding geographically but also to add innovation of the product to a complete solution. Basically the aim was to be able to supply the products an industrial firm needs”.

4.2.2 Ownership and Control of a Hybrid Firm

The organisational culture in Firm B is highly influenced by the owning family. According to Bertil: “It is the spirit of the founding family which rests over the company”. Benjamin explained: “We have our core values. We should be simple people, have a flat organization, show respect toward our employees, suppliers and our customers. Delegation should be done to the fullest extent possible to make decisions far out in the organization so that there is not a big hierarchy everything has to go through”. According to Bertil, benefits with a family business include “a clear owner who creates a strong engagement and strong loyalty from their employees”.

Even when Firm B has expanded into new locations, Benjamin explained how the firm extended its culture to new locations: “the [family owner]’s father, the previous generation. He painted a lot. He had a dream to expand the firm out in the world. He made paintings in exotic landscapes and camels and so on. For every new expansion, every new location we set up, the family donated a painting. Hence, there is a painting by him at every factory or office”. Regarding the family involvement in opening new offices he shared: “Even when we set up at new locations, they were there at the
inauguration ceremony and held an inauguration speech”. Apart from these types of activities, the family exerted a rather passive ownership, explained Benjamin: “The owners are prioritising professionalism rather than their own purposes”. This was also supported by Bertil, who said the family have: “put together a group of talented individuals to run the daily operations”. He further explained: “In our company, the family has taken a step back and during the period in question, they do not hold any higher position in the company. They have taken a step back and work only as owners. They are not interfering with the operations in the firm”.

Another family characteristic was for the owning family to have a long investment horizon when it comes to the firm overall. According to Benjamin, “For the family, long-term means more than 10 years”. Furthermore, he explained how the family is also “planning for the next generation”. Building on this belief, Bertil elaborated on the ambitions of the owner family: “I think it was mostly to see how far the business can grow”. He further explained: “They are baking a much larger cake. 50% of big cake is a lot more than 100% of a small cake. The ambition has been for this company to be global. That is a wish of the owners”. At the year of delisting, Firm B was active in 25 countries (Firm B, 2007).

4.2.3 Reasons for Delisting
As a listed company, Firm B did not take advantage of the benefits of the stock market. This is also confirmed by Bertil: “We took in a bit of capital at the time of the listing, but not after that”. During its last years on the stock market, the turnover of the stock – measured as shares traded in relation to the total amount of stocks – was about one tenth of the average on the stock market (Firm B, 2008). Hence, the trading volume of the stock was low. Even at the time of the listing, Firm B did not use the stock market as a significant source of funding. Bertil explained how “We didn’t take in that much money from the stock market, it was no big thing and we didn’t make any large stock issuances”. Furthermore, Benjamin explained about the stock market: “It takes time and energy. Now, this time can rather be spent on developing the business”. Rather, the firm wanted to grow in a different environment. Bertil explained: “The company would have access to much more capital and would be able to grow faster”. Furthermore, Benjamin elaborated on how the strain of a short-term focus and reports caused reasons for making a PTP transition: “It was to get rid of this quarterly hysteria. There is very much quarterly focus when listed. Something you don’t need in the same way when private. Considering how banks work today, measuring some key ratios; they are still quarterly based. There is still a checkpoint every quarter towards external parties. However,
being listed is a whole other level. Then, there is the whole group of analysts and their opinions to take into account”.

Firm B strived for faster growth, which required more capital than could be borrowed. Benjamin explained: “It requires a significant amount of capital; some can be borrowed but it is not possible to borrow infinitely”. The need for capital opened up for another partner to enter, with greater possibilities to inject necessary capital to support these more aggressive growth plans. On the expectations on a PE firm as owners, Benjamin explained: “The expectations on the venture capitalists was that you didn’t really know what would happen, but, it was no nightmare come true”. Bertil explained the advantage of having a partner with financial resources: “It is important to have a rich owner, if all of a sudden an opportunity or a problem arises, a rich owner can inject money. It is good to have a big brother with lots of muscles that can inject capital”.

The public environment impacted what the TMT put their time on. For instance, Benjamin explained how “You need to be very careful with your communication, I can see in front of me how we read the letter from the CEO in the annual report, it was 10 different people who had read it word by word, construction of sentences, and so on”. The inefficiency stemming from the time and energy spent on communicating accurate information in an appropriate way takes time away from developing the business in other areas, allowing better opportunities for growth in the private environment. As Benjamin explained: “There were better opportunities to grow quickly in a private environment. Large investments in growth will burden profits. With these quarterly reports expecting to deliver solid earnings, this is simply more difficult. The pressure on quarterly reporting, annual reports, and all external presentations, takes significant focus from management. This was lifted thanks to the delisting”.

4.2.4 Changes Post-PTP: Non-Family Ownership

The non-family owner became the majority owner of the now private Firm B. From having owned 55% of the capital while listed on the stock market (Firm B, 2008), the family owners of Firm B decreased their ownership to 40% as a result of the PE owners buying out the remaining shares from the market and from the family. Apart from financial knowledge, the non-family owner also brought a wide network of contacts. As Bertil explained: “They had contacts they tried to distribute and help. They own a bunch of other companies they are distributing contacts for”. Bertil also said that the PE firm tried to create some synergies between the firms they owned: “We combined some of our purchases with other companies in their portfolio, such as travels, IT and things which could be bought together with the other companies”. Furthermore, he explained: “The whole point with this was so we could take large steps instead of small steps”. Expectations on the non-
family owners were of it being a temporary relationship. Benjamin notes:” The thought was, to invest with about a 5 to 7-year period and then exit”, supported by Bertil saying: “Their perspective is about 3 to 7 years or so”.

4.2.5 Changes Post-PTP: Board of Directors and TMT

Although the size of the board was only slightly reduced, the constellation was much altered post-PTP (Firm B, 2008). For example, the members on the board were changed to make room for the new owners. About this change Bertil explained: “There was a change, the owners had to share the seats of the board”. Furthermore, the number of external board members was reduced due to the increase of owner representation on the board (Firm B, 2008). The number of meetings per year increased post-PTP, from seven board meetings a year to varying between ten to fifteen meetings from year to year (Firm B, 2008). The focus of the board post-PTP was altered. Benjamin elaborated on what the new owners focused on: “There were new board members, we had a few but they didn’t run the industrial efficiency questions, it was more a financial focus. The first thing they do is to reduce working capital. This is the fast way of increasing the value. Then it is necessary to cut costs in order to boost margins”. Bertil said that the owners prioritised being on the board, focusing on acquisitions and financing activities post-PTP: “The owners see it as their role to be board members, work with issues concerned with ownership and financing. To be engaged when there are acquisitions, big investments and make strategic decisions”. The board meetings were more structured when listed, with a specific predefined purpose of each meeting (Firm B, 2008). Post-PTP the board of Firm B worked continuously with investments, financing and organisational matters. The meetings were not connected to the publication of quarterly reports or year-end report (Firm B, 2008).

The year following the PTP, the CEO chose to leave his position to become chairman of the board (Firm B, 2008); thus, a change of CEO took place post-PTP. The TMT and CEO focus changed slightly post-PTP. Focusing less on financing issues and more on the firm's operations. About this Bertil said: “When we were on the stock market and had one major owner, the group CEO needed to be deeply involved in all financial matters. Of course the group CEO has to be involved now as well, but now it's more delegated. Now the operations have become more of important for the CEO and financing has become more of an owner question”.

4.2.6 Changes Post-PTP: Financial Reporting

Back in the private environment, information sharing for management became easier again, since the earlier imposed restrictions were lifted. Bertil explained: “It was not as strict, but we
were still careful since we didn’t know whether we would re-enter the stock market. We never really let go of it”. The lesser restrictions had advantages for the firm, as he goes on to explain: “The advantage with information sharing is mainly for decision-making. If people understand a financial situation, they understand why certain things happen. They have a better understanding why decisions are made and why things are happening”.

Even if the routines from the stock market were kept, external reporting became less extensive. Instead, generated reports were used for internal control purposes. Benjamin explained: “We have monthly reporting, there are not less demands actually. But no report is published with all what that means, which is much about polishing the texts. If you look at the financial information, it is the same as when we were listed”. As he also explains: “After having taken a step up the ladder, you want to stay there”. There was also a change in how the firm worked with key ratios. Bertil explained: “There is no difference really, there are still financial goals and volume goals. But they were expressed more as key ratios the stock market wanted. We may still use them, but now we can choose the key ratios we think suits us the best”. He then said: “Before, when we were on the stock market, it was always profit after financial results we measured, and now we only measure EBITA”. Bertil mentioned the changed usage of financial ratios was due to differences of priorities of the owners when private compared to the stock market: “The stock market is interested in the company, as a profit machine. The owners are more interested in its entirety”. Apart from the firm sharing less information, the outside world takes less interest in the company as well. Bertil explained this by saying: “We are less interesting – you become more interesting as a listed company; the local paper wrote more then, now it is significantly less”. Yet, some stakeholders are still following the firm closely, such as banks. Benjamin explains: “Considering how banks work today with their covenants, which are still quarterly based; there is a checkpoint towards some external interests”.

According to Bertil, the strategy overall has not changed significantly post privatisation: “We are going with the same strategy; not in the same way, of course we have developed and made a lot of changes, otherwise we would not have been able to grow. But it has not affected our strategy or the way we work or how we organise, rather we change when we don’t think it is working”. The PTP transition was reflected in the shift in time horizon. Bertil explained: “It became a long time horizon, more strategic and it felt as if the strategy became more long-term since worry about of ups or downs were eliminated”.

4.2.7 Changes Post-PTP: Growth

Through the privatisation a new non-family owner entered, which was necessary for the growth in Firm B: “I think we would not have been able to grow as we have done with only the family”
explained Benjamin. The sales during this time support such statement: the average compounded growth in revenue five years prior had been 6% per year, whereas this increased to almost 11% for the five years following privatisation, including while these years included the financial crisis (Firm B, 2008). On acquisitions, Bertil explained how: “We made one large acquisition, a really big acquisition; I don’t think we would have made it without the [non-family owner]”. To gain sufficient amounts of capital to finance increased growth rate, the firm needed to be in a private environment. “Everything was fine, now we wanted to gear up further and do this in a private environment” explained Benjamin. During the years following the PTP transition, Firm B increased their proportion of international sales even further, as shown by their increased proportion of international sales to total sales. From 27% of their sales being from outside Europe at the time of delisting, this number had increased to 34% five years following the PTP transition, and up to 51% ten years following the transition (Firm B, 2008). Five years following the PTP transition, total sales had increased, 66% in total compared to the year the firm went private (Firm B, 2008). “The expectations were that we now would have a stronger growth, much stronger growth” as Bertil mentioned.

A few years as a PTP firm, Firm B was hit by the financial crisis. This caused a halt in earlier plans, as Benjamin explained: “When the market went down 20% it was not the time to expand, rather the focus became on profitability during this period”. Building on this, Benjamin also noted how “It was probably more because the market went down we had to adapt, we would have been required to do so regardless who owned it”. Annual reports show sales decreasing with 19% in the year following the financial crisis, yet sales increased with 19% the year after that (Firm B, 2008). Bertil described the relationship with PE during the financial crisis: “I think it felt a little bit safer to have a strong owner involved during this period”.

4.3 Firm C

4.3.1 Listing Background

Christopher, the founder of Firm C, explained that the firm was acquired by a listed firm: “After roughly a year of negotiations they bought all the shares in the firm and became 100% owner. Then we became a part of a group that was listed”. The acquisition took place in the beginning of the 90’s (Firm C, 2007).
Charles, a member of the TMT, described the dependency situation within the group as the parent using the subsidiary as a cash cow and the parent being dependent on the subsidiary:

“The group profiled themselves as a supplier to the automotive industry, except that they kept [Firm C] due to the strong and long-term reliable cash generation in [Firm C]. One year I was at a controller meeting, and that specific year the entire cash flow from the group was from [Firm C], nothing from the other companies in the group. [Firm C] only stood for roughly 25% of sales for the entire group”. Charles then explained, since Firm C was used to fund the rest of the group, Firm C was hindered from growing: “Yes, it especially hindered us at [Firm C]. It hindered us from growing because the money was needed elsewhere”. Carl, a PE owner representative, also mentioned that sending of money to the parent hindered Firm C from making acquisitions: “The big difference was that before, [Firm C] was not allowed to make any additional acquisitions. What [Christopher] thought was that all the cash surplus in [Firm C] was sent back to the group”.

Firm C was very different from the other firms in the group. Charles mentioned that there are several reasons why the divisions within the group were very different and why Firm C, therefore, was quite independent within the group: “For being a business division within a listed company, we were very independent. We earned a lot of money, we had very high operating margins, something we’ve always had but was particularly high in the beginning of the 2000’s. That meant that there was confidence from the parent company, which meant that we could act more independently”. Charles then said: “The second factor that impacted the independence was that the three other business divisions had a clear automotive focus with automotive customers, whereas [Firm C] had a focus towards ‘general industry’”. Charles then revealed the final difference between the divisions: “The third factor that explains our independence was that we were the odd ones out in the group because 85% of our operations was trading, whilst the other divisions were mainly manufacturing companies. We looked different with regards to customer structure, business structure and operating profit, operating margin. The others were not at all as profitable”. Carl mentioned that it was clear very early on that there was very little interaction between the parent and subsidiary “[Christopher] said in our first meeting that basically the only contact he had with the rest of the group was to send a group contribution once a year to the parent company. Otherwise there was limited interaction between [Firm C] and the group”.

Firm C was a very profitable firm within the group when listed. Carl explained that they had a strong market position with high profit margins: “[Firm C] was a star in the sense that they had very high margins. They had a cost-efficient business model and thereby a strong market position. Otherwise, they would not have had an EBIT margin of 15%. It shows how skilled you are at working in that sector”.

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Firm C had a cost structure that meant that they could reduce their cost quickly. Christopher explained: “We built a firm based on the core operations and then we bought many services. If you have all the services within the main operations, for example the IT-department of 20 people, and there is a crisis then it is more difficult to get rid of those people because they are in the main operations”. When Firm C was listed, their main goals were to maintain high operating profits. Charles said: “Mainly operating profit targets. We didn’t have any growth goals to consider back then, what was important was that we did things in a good way”.

4.3.2 Investment Horizon of Non-Family Owners

Carl discussed that PE firms own their firms for a relatively short period but take long-term decisions to ensure long-term value of the firm, and ensuring there will be a potential buyer by the end of the ownership: “We are long-term in the decisions we make. We often say that we are short-term owners with a long-term agenda. If we want to sell a company in five years and the buyers are professional, then we need to make long-term decisions for the firm. All of the buyers will see if there are any signs of short-term planning and profit maximization”. He also mentions that PE ownership is relatively long if you compare to institutional owners active on the stock exchange: “There are many institutional owners on the stock market that from one month to another can go in and out as owners. We own firms for roughly 5 to 7 years, and we take a very active owner responsibility”. Charles comments the timeframe of PE ownership as: “The negative side with PE is that you know that they only own in the short-term, where 10 years is a long time”. Christopher, the founder of Firm C considers 10 years to be a long ownership tenure: “They owned the firm for 10 years, that is a fairly long time horizon”.

4.3.3 Reasons for Delisting

In the middle of the 00’s, the entire group was bought out from the stock exchange by a PE firm (Firm C, 2007). The PE firm that acquired the entire group could spot hidden values in the group and that the trading division of the group, consisting of Firm C was very undervalued. Carl claimed that the undervaluation had to do with the analysts evaluating the entire group as an automotive industrialist rather than the separate parts of automotive and trading: “Who analysed [Firm C]? Some automotive analysts. They are skilled at evaluating the automotive parts of the group by comparing with other large similar companies in the market. Then we have the entire trading division left. The analyst didn’t make a separate valuation for that division. Instead, that part becomes something extra that he is unable to put a value on”. Charles commented the undervaluation: “There was a hidden value in the valuation of the group because [Firm C] was valued by the multiples of the group
and not by the multiples of a trading company”. By splitting Firm C from the group, the PE firm could realise these hidden values. Carl explained that initially, the plan was to realise the hidden value by selling Firm C, using it as a liquidity reserve, the PE firm realised that the firm was too good to sell: “Initially, we saw the firm as a liquidity reserve, but then we realized that this is a company we should keep and own – not something we should sell”. Soon thereafter, Firm C was split from the group and run as a separate entity (Firm C, 2007). Christopher commented this: “When the PE came in, they sold over the shares so that it became an independent firm”.

4.3.4 Changes post-PTP: Non-family ownership

Carl explained that the classic phenomenon of many institutional owners on the stock exchange was the reason why the group hadn’t realized the hidden values in the shape of Firm C earlier: “So, you should rather ask yourself why the owners didn’t do this sooner. That is a classical phenomenon for listed companies. On the stock exchange, there are plenty of institutional owners, without an agenda for their ownership. They own a holding of listed shares, but they never want to take the responsibility of active ownership and operating issues”. Being an active owner is more efficient and that is why, according to Carl, PE firms outperform the stock market: “There is no doubt which business model is the most efficient. If you look at PE investments over time, they outperform the stock market quite a lot, the main reason being that they are more active owners”.

PE firms work with very active ownership. Carl described the positive aspects of active ownership: “We had contact with management several times a week. We travelled to meet them, talked about acquisitions. You could say that the top management team should be able to pursue their business plan, but having the support of the owners makes a large difference. For example, if you want to acquire and you need more capital, to have someone working close to you that can make fast decisions, there is another type of force in that type of ownership”. Carl also expressed that an active owner in a private environment can take quicker decisions and gain access to capital much faster: “If a listed company wanted to make a large acquisition that requires a capital raise, they need to have a general meeting, whereas we could in 48 hours make that money available for the acquisition”.

Charles mentioned that the PE firm mainly contributed with financial knowledge and knowledge about acquisitions but not of operational matters: “They contributed with financial knowledge. Their thing was to acquire and ultimately sell companies, they wanted us to acquire companies too. There they were very supportive with that, but the support was more in a financial rather than operational aspect”. Carl discussed that what PE firms look for when they are acquiring firms is that they are well run and have a strong market position. He also clarified that PE often cooperate
with the TMT and that they usually make TMT members into owners so that there becomes a shared agenda to develop and increase the value of the firm: “In the investments that I have been involved in, we have looked for companies that both have a strong market position and have a very good top management team. The whole idea is to support the ideas and vision of the top management team. They often become partial owners with us. It becomes a shared agenda of how to develop the firm”. Carl went on to say that teaming up with the TMT results in a strong drive force within the top management to create value within the firm: “The top management team often got to own up to 10% of the company through shares and warrants, and we made a clear plan of action for the next 5 years. If it was successful, you had a very wealthy top management team which was a great driving force to create value”. Carl also discussed that by owning firms in the short-term, they could easier set the direction for the firm and mobilise the TMT: “We could always say: now we have bought the firm out together, we are partners, let’s create value and aim for a sale or a relisting in 5 years and work towards that goal. It becomes very clear for everyone what to do”. The TMT owned 8% of Firm C at the time of the separation (Firm C, 2007).

According to Christopher, a short-term action by the PE firm post-PTP, was to sell the firms properties: “The only thing was the sales of the property, maybe there had been too many acquisitions to handle the properties”. The sale of properties was made to generate credit; however, the effects of the sale can still be seen in the long-run according to Christopher: “When the PE firm bought [Firm C], they immediately sold all the firms properties to an English firm. It means that, even today the profits are lower because we don’t own the properties. They sold the properties because they needed credit”.

4.3.5 Changes Post-PTP: Board of Directors and TMT

With the privatisation and separation from the group, Firm C became more goal oriented and a new board was formed. Charles said: “[Firm C] became its own entity with its own external board, at least partially externally appointed, with own goals. Then we had a clearer target of what to do”. Charles said that the goals were more focused on the own firm rather than the whole group: “The business focus was clearer and more concrete from a [Firm C] perspective”. Christopher explained that the vision for the firm and goals had increased from the time when he started the firm: “In general the goals have increased over time. There wasn’t a plan to become a global firm, it just happened”. Post PTP, the board of directors was reformed for Firm C. Charles claimed that there is a difference in how board work was prioritised: “When we left the stock exchange and became owned by the Private Equity firm, there was more focus on the board work and in a different way than before”. 

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The board composition was of two external members, two members represented by the ownership and the CEO of Firm C. Charles said: “We got two external board members quite fast. They brought credibility, stability and a high level of knowledge to the board. Then we also had [Christopher], who represented [Firm C]”. Carl said that they selected an external impartial chairman for the board: “That was our standard, to have an external chairman. We didn’t put ourselves in that position, we wanted to have balance, so that the CEO could have someone independent to use to bounce ideas with, in the board”. When asked if the PE firm had any members on the board representing the owners, Charles said: “Yes, they had 2 guys that were on the board”.

The founder of Firm C was the division manager of Firm C when it was a part of the group. When Firm C was privatised and split from the group, the division manager became the CEO. Christopher said: “During the entire time that [Firm C] has been built up, until the last day I worked in the firm, I’ve been the CEO and group manager of the firm, building it up and eventually preparing it to re-enter the stock exchange”. Charles described the relationship between the founder and the firm as follows: “We had a CEO called [Christopher] who founded [Firm C], [Firm C] was, and still is his baby. He fought hard for [Firm C] all along, despite having sold [Firm C] to the group 10 years earlier”. Charles mentioned the Culture of Firm C being tightly bound to the founder and his entrepreneurial sense: “We have had the advantage of [Firm C] having a strong entrepreneurial culture, something it has had all along”. The founder, despite no longer being an owner had a forward focus, planned for the long-term according to Charles: “[Christopher] always planned for the long run”.

The TMT for Firm C was built from the existing management. Carl explained: “When we came in, there was a need to run the company in a more systematic and professional way, especially since we had ambitions to grow the company”. Christopher claimed that the structure of management and the organisation had become more structured and that this related to the increase of the firm-size: “Throughout the corporate structure has become more organised. The larger the firm becomes, the more it demands a stricter organisation”. Charles said that the TMT stayed the same throughout the PE period: “There was no difference. We didn’t add any more people at that stage. We had the same management during the entire PE period”.

When Firm C became independent, they had to complete their organisation with specific divisions they didn’t have any more when they were no longer part of a group. Charles said that one of these divisions they started up was the communications division: “We didn’t have a communications manager at all, that was the most obvious one”.

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4.3.6 Changes Post-PTP: Growth

Firm C could grow and expand when they were an independent firm in a private environment. Charles explained that it was positive to be owned by the PE firms because it meant that the firm could be its own and make decisions regarding growth and development: “Life is never perfect but it was better then, since we could keep the money we made and develop the way we wanted. Instead of being steered by an owner that had another focus”. When the PE firm became involved in Firm C, Carl said that he perceived that Firm C had limited opportunities to acquire when they were on the stock market: “I got the sense that their financial resources were extremely limited then and that acquisitions were practically out of the question. If they acquired anything they acquired smaller firms”. Carl said that there was a big difference after the privatisation: “Suddenly, all the profits stayed in [Firm C]. We had some loans so, some of the money went to amortise and pay interest, but it became an opportunity for the firm to grow”. Carl estimated that the loans in a private environment were double that of which it had been when the firm was listed: “We had roughly doubled the size of the loans as they had as a listed entity”. When asked what the focus of the firm became, when the PE bought Firm C, Charles answered: “Then the focus was growth, growth and trying to preserve our high operating margin. We acquired many companies in the middle of the 00’s. We started many new companies from scratch. There was a major expansion in those years”. Carl said about acquisitions after the privatisation: “It was many small acquisitions”. Firm C experienced increases in turnover following the privatisation and Carl said that this was because of the growth of the firm through organic growth and acquisitions: “The big difference was that [Firm C] was allowed to expand and acquire firms. I think they had a turnover of slightly more than SEK 800 million when we acquired it, and quite soon they had a turnover of over SEK 2 billion, through acquisitions and organic growth. The big difference was that they got access to the capital they needed to acquire firms and expand”. According to Charles the expansion was financed by internally generated cash flow and bank loans: “We had some very good years with good cash flow that we used for expansion. When we needed to borrow money, our bank helped us”.

The firm experienced growth following the privatisation which was slowed by the financial crisis. About this Charles said: “We had positive growth development and maintained high profitability following the privatisation, before the financial crisis came, more than we would have had as part of the group”. Christopher described the years before the financial crisis as extremely profitable: “The best years in [Firm C]’s history was the years before the financial crisis, we had almost 250 million in profits during those three years”.

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Carl said that there were two reasons that Firm C didn’t make as many acquisitions during the financial crisis: “It was a combination of: one, we needed to make sure that we could manage our cash flow and bank commitments, and two, the company available to buy fell by 90%. There weren’t very many firms for sale”. In line with this, Charles said: “There were many companies that the firm wanted to buy but the owners didn’t want to sell. They still remembered what the firm was worth 2007 and planned to sell the firm when the prices were back to the same levels”. Charles then said that the time of the financial crisis was used to bring order in-house, to focus on the integration of the new firms: “The third factor was that we wanted to get order within the firm before we took the next step. That was maybe the most important aspect. Bring order to all the acquired companies so that they are highly functioning, profitable and all that”.

The financial crisis meant that the firm had to restructure and reduce costs, Charles said: “We had a period, at the end of the 00’s, when we focused on doing 2 things. First, we licked our wounds from the tougher years, through different restructurings that had been done. We laid off some people, we tried to get order in the company. Another thing we did was to prepare for a relisting of the company”. Christopher said that the crisis led to quickly reducing costs in the firms: “For example, when the financial crisis came 2009, the board and the owners were very closely watched, and savings were made in the firm of roughly 100 million SEK in a year”.

### 4.4 Cross-Case Comparison

In the following section, we have conducted a cross-case analysis of the case firms, by presenting aspects of the cases next to each other in tables, sorted by reoccurring themes. The tables are then followed by a summary of the similarities and differences between the presented case firms.
### 4.4.1 Ownership and Investment Horizon

<table>
<thead>
<tr>
<th></th>
<th>Firm A</th>
<th>Firm B</th>
<th>Firm C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner engagement</td>
<td>Daily engagement in operations</td>
<td>At special occasions; acquisition decisions, new production plants, internal newsletters</td>
<td>Very low engagement when listed. Increased interaction between owners, board and TMT, PTP</td>
</tr>
<tr>
<td>Purpose of ownership</td>
<td>For future generations</td>
<td>Long-term growth and development</td>
<td>Increase financial value</td>
</tr>
<tr>
<td>Degree of family members involved in operations</td>
<td>High</td>
<td>Low</td>
<td>n/a</td>
</tr>
<tr>
<td>Role of family checked/unchecked by being listed</td>
<td>Checked but then unchecked by delisting after</td>
<td>Checked continued after</td>
<td>n/a</td>
</tr>
<tr>
<td>Definition of long-term (ownership)</td>
<td>20-50 years or next 2 generations</td>
<td>Next generation</td>
<td>10 years</td>
</tr>
<tr>
<td>Definition of long-term (planning)</td>
<td>20-50 years</td>
<td>10 years</td>
<td>5 years</td>
</tr>
<tr>
<td>View on growth vs giving up ownership/control</td>
<td>Never grow to the point that you have to giving up control on the AGM</td>
<td>Willing to give up ownership to enable firm growth. However not willing to give up control</td>
<td>Firm growth and firm development is most important. Founder has already given up ownership and control</td>
</tr>
<tr>
<td>Main purpose of investments</td>
<td>Efficiency</td>
<td>Growth</td>
<td>Growth</td>
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### 4.4.2 Board of Directors and TMT

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<th></th>
<th>Firm A</th>
<th>Firm B</th>
<th>Firm C</th>
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<tbody>
<tr>
<td><strong>Board and owners, public</strong></td>
<td>2 owner/ family representatives on the board, 2 owner/family representatives as supplementary board members.</td>
<td>2 owner/ family representatives on the board, 5 external members, and the CEO.</td>
<td>Was a part of a group and had no active board.</td>
</tr>
<tr>
<td><strong>External board members</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>External chairman</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Changes in the board, private</strong></td>
<td>Slightly decreased number of board members</td>
<td>2 family owner representatives, 2 PE owners, an external chairman and the CEO</td>
<td>Formed a new board with two owner representatives, two external parties, and the CEO (Founder)</td>
</tr>
<tr>
<td><strong>Top management tenure</strong></td>
<td>Long tenure, changes depending on performance rather than PTP</td>
<td>Long tenure, changes depending on performance rather than PTP</td>
<td>Long tenure: changes depending on performance rather than PTP</td>
</tr>
<tr>
<td><strong>Top management ownership</strong></td>
<td>TMT owned some shares when listed, this was not possible when delisted</td>
<td>TMT was able to own some shares Post-PTP as an incentive program</td>
<td>TMT was able to own 10% of the firm Post-PTP as an incentive program.</td>
</tr>
<tr>
<td><strong>Change in top management ownership, PTP</strong></td>
<td>Erased – no ownership PTP</td>
<td>Slightly decreased ownership</td>
<td>Increased ownership</td>
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### 4.4.3 Financial Reporting

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<tr>
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<th>Firm A</th>
<th>Firm B</th>
<th>Firm C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of financial</strong></td>
<td>Published quarterly and annual reports and presentations</td>
<td>Published quarterly and annual reports and presentations</td>
<td>Monthly financial reporting to parent company.</td>
</tr>
<tr>
<td><strong>reporting when</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>listed</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Type of financial</strong></td>
<td>Same reporting standards PTP.</td>
<td>Same reporting standards PTP.</td>
<td>Stopped reporting to parent company.</td>
</tr>
<tr>
<td><strong>reporting when</strong></td>
<td>No published annual reports or quarterly reports.</td>
<td>No published annual reports or quarterly reports.</td>
<td>Made own group consolidations, started producing annual reports and quarterly reports.</td>
</tr>
<tr>
<td><strong>private</strong></td>
<td>Use the produced reports internally.</td>
<td>Use the produced reports internally.</td>
<td></td>
</tr>
</tbody>
</table>

### 4.4.4 Growth

<table>
<thead>
<tr>
<th></th>
<th>Firm A</th>
<th>Firm B</th>
<th>Firm C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of growth</strong></td>
<td>Organic + a few large acquisitions</td>
<td>Organic + smaller acquisitions</td>
<td>Organic + a few smaller acquisitions</td>
</tr>
<tr>
<td><strong>public</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Type of growth</strong></td>
<td>Organic</td>
<td>Organic + 1 big acquisitions + many smaller</td>
<td>Organic + many smaller acquisitions</td>
</tr>
<tr>
<td><strong>private</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Degree of growth</strong></td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td><strong>PTP</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.4.5 PTP in General

<table>
<thead>
<tr>
<th></th>
<th>Firm A</th>
<th>Firm B</th>
<th>Firm C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason for delisting</td>
<td>Stock market became a burden + being listed was a hinder for raising capital</td>
<td>Growth</td>
<td>Growth + Realise hidden values</td>
</tr>
<tr>
<td>Expectations on being private</td>
<td>Expected to be correctly valued.</td>
<td>Expected an increased pace of firm growth</td>
<td>Expected to be freer to make own growth decisions.</td>
</tr>
<tr>
<td>Prepared to re-enter</td>
<td>Yes - under the right circumstances</td>
<td>Yes - If necessary</td>
<td>Has re-entered</td>
</tr>
</tbody>
</table>

4.4.6 Differences and Similarities

Although each individual case has its own unique context, there are some aspects that are similar across contexts and some aspects that are completely different. Through the table above, the conditions for the specific firms are listed next to each other ordered into themes or topics that have emerged in the various cases. Following will be a short discussion regarding the main differences and the main similarities between the cases to enable further discussion in Chapter 5.

**Similarities**

The similarities between the three cases are subtle and mainly connected to long tenures in the TMT, maintaining reporting standards, having a growth orientation and the source of the corporate culture. In all three cases, members of the founding family or the founder has been involved in the daily operations of the firm, albeit to a varying extent. In Firm A, there are several family members involved at various levels of the firm; in Firm B, one family member is active within the firm and two others are active on the board of directors; in Firm C, the founder has remained as CEO of the firm for many years. The founding families and founder’s active involvement in the firms has, according to employees, strongly influenced the firm’s culture. Shared between the three cases is also the presence of active, highly visible owners in the private environment.
Shared between the cases are all firms focusing on growth, either through sales volumes, market shares, through product development or geographic expansion. All cases also share a connection between the wish to grow and the reason to list or delist the firm. A slight difference in this regard is Firm A: they limited their geographic growth to the Swedish market, focusing on capturing larger market shares within the selected market rather than internationalisation.

The long tenure of TMT members is another similarity between the cases. All firms claimed in one way or another that shifts in the TMT team are made based on performance rather than the privatisation process, resulting in the TMT remaining the same both when listed and post-PTP.

A final similarity is connected to the financial reporting within the firms. All cases experienced a reduction of published reports, changing the purpose of the reports from informing external stakeholders or a parent to being used for internal control and information. All cases experienced strict rules for non-dissemination of financial information when listed and that the sharing of financial information became somewhat freer in the private environment. Furthermore, all cases experienced some level of professionalization when they became listed within the TMT, goal and vision formulation, reporting standards and processes and so on. By not enabling complete information sharing in the private environment and preserving reporting standards the firms could ensure that they are ready to relist again should they wish or need it.

**Differences**

The main differences between the case firms are related to the owners of the firms, how they reason regarding risks, growth, and involvement in operations. For example, the purpose of the owners’ ownership of the firms varies widely between the firms. In Firm A, the purpose of the family’s ownership is to own and manage the firm for future generations; whereas in Firm B, the purpose of the family’s ownership is to continue to develop the firm to see how far it can go. In Firm B, there was also an external ownership from a PE firm, whose purpose with the ownership was to boost the growth of the firm to increase the value of their investment, with other words a financial focus with the ownership. Finally, in Firm C, when listed the purpose of the ownership was to have a “cash cow”, and to generate cash flow for the group. When taken private by the PE firm the purpose of the ownership shifted to
increasing the pace of the firm growth with the purpose of increasing the firm value to increase the value of their investment.

Another example of a difference connected to the owners of the firms, has to do with the willingness to give up control or ownership in order to enable the firm to grow. The family in Firm A was willing to give up ownership when listed to fund the firm growth. However, when listed and when delisted, Firm A was never willing to give up control of the firm to fund and enable growth, which hindered them from expanding their operations geographically. The family in Firm B was willing to give up ownership and partial control to enable the growth of the firm, which became clear when the PE firm came in and owned 60% of the firm, meaning that the family reduced their ownership to 40%. In Firm C, the founder had already relinquished his ownership of the firm in order to enable it to grow. However, since the founder remained as head of Firm C, and later member of the board, the founder was able to maintain certain levels of control over the firm.

Another difference between the three cases has to do with the main type of changes that took place following the privatisation. In Firm A, the main changes following the privatisation were connected to the valuation of the firm, easier access to loans from banks and an increase in family involvement in the daily operations. The increased family ownership and involvement resulted in the firm culture being even more centred around the family and a need to consider the family more in decision-making. In Firm B, the main changes in the private environment was easier access to capital for expansion, and a shift in the focus of the TMT from the preparation and presentation of financial information and reports for external stakeholders with more focus on financing, to focusing on the development and growth of the business. In Firm C, the main changes following the privatisation were connected to an increased access to capital, an ability to use their own cash flow to fund their own development and a formalisation process of the entire organisation, TMT, board, financial reporting and processes.

A final main difference between the cases concerns the expectations on the private environment and the reasons for delisting. In Firm A, the main reasons for delisting were connected to the undervaluation of their share price, the costs for being listed exceeding the benefits and a difficulty to obtain capital from bank-loans and issuing new stock without diluting the family’s control. Expecting a correct valuation of the firm in the private environment. In Firm B, the delisting was initiated by the PE firm, and done to boost the rate of the firm's growth. In Firm B, the expectation of the private environment was that the
growth rate for the firm would drastically increase. In Firm C, the delisting was, similarly to Firm B, initiated by a PE firm. The PE selecting to delist the firm due to unrealised values in the group, to increase growth rate and reap financial gains. In Firm C, the expectations on the private environment was to be able to use their cash flow as they wished.

Post-PTP, the level of alterations made in the board of directors in the case firms varied significantly. In Firm A, the number of board members decreased slightly; however, no further board changes were made in Firm A. In Firm B and Firm C, the change in ownership resulted in the new owners entering the board. In Firm C, this meant a complete reformation of the board, whose role became more active and structured. Firm B, made the most changes to their board by altering the constellation and size of the board. They also increased the number of board meetings and changed the focus of the board work. All firms used external expertise by bringing in external board members and utilising external chairmen to maintain balance in the board. In Firm B, alterations were made to the number of external board members.
In this chapter, we present an analysis of the gathered data in light of literature from Chapter 2, Frame of Reference. The case firms will be discussed as whole firms in contrast to each other, moving back and forth between the case firms and the literature from the frame of reference. We will then draw connections and make conclusions.

5.1 Ownership and Control

All the case firms had relatively concentrated strong owners when listed, which was reasonable due to their being in the CE context which is, according to Drobetz et al. (2004), characterised as having concentrated ownership. When the case firms were privatised, the owners were able to take a more active role in the firms. For example, in Firm A there was less need for the family to take other owner interests into consideration in the decision-making, which is similar to the findings of Evert et al. (2017) that increased family ownership and involvement ensures the family’s ability to influence decision-making. In Firm C, the non-family owners mentioned an increase in interaction between the owners, TMT and board, post-PTP. In Firm B, it was mentioned that the owners could increase their focus on financing decisions and acquisitions when private. The changes in the owner activity pre- and post-PTP could be due to the private environment limiting the number of owners that could have an interest and claim on the firm. The reduced number of owners concentrates the control, thus enabling each owner to increase their activity levels. The increased concentration of owners when private is in line with Boubaker et al. (2014), findings that the less consideration needs to be taken to by the majority owner of minority owners in the private environment if there even are any minority owners left.

The increased activity of the owners in the private environment, whether it be from family or non-family owners, showed signs of increasing the speed of decision-making and implementation. Moreover, the concentration of ownership and owner activity clarified the direction and goals of the firms. The engagement of owners in financing and acquisition decisions removed some of the burden on those tasks from the TMT. The increased activity of the owners in the private environment represents a significant change post-PTP.

Increased communication between owners, board of directors and TMT, imply more latitude in governance routines in the firms, not having to limit communication and decision-making
to the AGM and board meetings, also increasing the speed of capital application and mobilisation compared to being listed. The de-formalisation of communication routines occurring in Firm C are contradictory to those of Firm A, where the governance routines were preserved. Boers et al. (2017), found that a change that can occur post-PTP, is a reduced formality governance routines of firms; however, they also found that many firms maintain governance routines from when listed and rather use them for internal purposes. The findings of this thesis are in line with the findings of Boers et al. (2017); expanding their understanding of the governance routines post-PTP by connecting the de-formalisation of governance routines to non-family firms and the preservation of governance to family firms post-PTP.

In the case firms, the concentrated and clear ownership that followed the PTP transition, not only resulted in a clearer direction for the firm but was also perceived to impact the employee engagement positively. Clear ownership and goals became a strong driver for action. Despite some element of increased engagement being mentioned in each case firm, the level of said engagement varied between the case firms. In Firm A, the increased presence of family was a very strong motivator for employees. In Firm C, the main motivator for action was created by including the TMT in the ownership, ensuring they receive substantial financial gains from increasing the firm value. According to Croci and Giudice (2014), there is a reduced need to realign firm ownership and control, reducing agency problems in the CE context. However, a realignment of ownership and control are conducted in Firm C to increase the motivation of managers post-PTP to increase firm performance. To further motivate the TMT, Board and owners set clear goals together for Firm C. Firm B experienced both effects mentioned above. However, the entrance an external owner reduced some of the effects of the family ownership in creating motivation, and instead created some uncertainty among the employees.

5.2 Investment Strategy of Owners Post-PTP

According to Barber and Goold (2007), there are different portfolio strategies of active owners such as family and non-family firms. In the case of family firms, they can either buy to keep; or in the case of non-family firms, buy to sell. In the PTP process, these strategies result in buying out or back the firm from the stock market, with either the intention of preserving the control and influence over the firm in the long-term or owning the firm in the
short-term with the intention to sell the firm to make a profit. In Firm A, the family bought back the firm from the stock exchange to with the intention of preserving the ownership within the family and managing the firm for future generations. This type of PTP transition is a good example of the type buy-back PTP transition mentioned by Geranio and Zanotti (2012), where the controlling shareholder buys back the shares previously sold to regain full control of the firm. The findings also match the prioritisation of family firms to preserve control for future generations as presented by Berrone et al. (2012), and Zellweger et al. (2011), correlating with the buy to keep strategy mentioned by Barber and Goold (2007).

Firm B and Firm C, on the other hand, were bought out from the stock market by PE firms, presenting examples of buyers delisting the firm post-acquisition as mentioned by Geranio and Zanotti (2012). In contrast to Firm A, the PE owners of Firm C had clear intentions of making an exit from their investment through a sale of the firm in 5 to 7 years. Non-family firms having a clear exit in mind post-PTP is similar to the findings of Wright et al. (1995), who found that non-family owners are more likely to have an exit in mind when investing. Thus, the owners of Firm C had a clear buy-to-sell investment strategy as mentioned by Barber and Goold (2007). In the case of Firm B, a combination of both buy-to-keep, and buy-to-sell investment strategies were present. In this case, the buy-to-keep strategy was represented by the founding family, maintain a certain level of control and ownership of the firm, whilst also intending to preserve the family control for the next generation. Despite Firm B having relinquished some ownership and control, they still exhibit prioritisations that are in line with the findings by Berrone et al. (2012), and Zellweger et al. (2011), as mentioned above. The buy to sell strategy was represented by the PE firm, with a clear exit planned for the next 5 to 7 years.

Despite the owner families representing a clear example of the buy to keep strategy, and the non-family owners being representative of the buy to sell strategy, a common denominator between all case firms was the possibility to relist the firms should it be necessary or advantageous. Hence, the family owners could also consider a buy-to-sell investment strategy. Firm A, however, made very clear that this would not be done at the expense of control of the firm.
5.3 Investment Horizon of PTP Firms

Shared between non-family and family owners in the private environment, is the relatively longer perspective on both ownership and planning than in listed firms. When listed, both Firm A and Firm B experienced performance pressures on a quarterly basis, which were removed when the firm delisted. They also experienced how these short-term performance pressures and high expectations from the stock market were hindering large investments that would impact the firm profits negatively in the short run. When the case firms were delisted, they were able to have longer horizons in their planning and make large investments towards firm growth without the reduced profits in the short-run impacting the valuation of the firm. These findings are in line with findings from Nekhili et al. (2017) where by removing and reducing short-term pressures caused by being listed, firms can focus on long-term initiatives.

Despite none of the case firms conducting any major innovation initiatives, the reasoning from Trauffler and Tschirky (2007) holds, where a PTP firm can make more radical investments rather than the incremental investments when private than when listed. The short-run performance pressures, or quarterly pressures, forces a type of short-term planning in firms when listed. In the case firms, the focus on quarterly planning was reduced or disappeared in the private environment. In the private environment, the planning clearly shifted to a long-term focus. Differing between the types of ownership is the very long-term ownership of the families in Firm A, and Firm B compared to the PE firms entering Firm B and Firm C. The family firms had a focus on the next generation, or 20-50 years for the planning horizon. Matching the findings of Berrone et al. (2012) that family firms prioritise preserving the firm for future generations. The Non-family, PE owners active in Firm B and Firm C had a planning horizon of 5 to 7 years. The shorter investment horizon present in the non-family owned case firms matches findings by Ahlers et al. (2014), Barber and Goold (2007), Kaplan and Strömberg (2009), and Wright et al. (2009), finding non-family owners tending to have shorter investment horizons and ownership of firms, due to the purpose of their ownership being purely financial. Resulting in the non-family owners making an exit as soon as it is financially beneficial which matches the findings of Cumming and MacIntosh (2003).

The time frame of ownership, similarly to that of planning within the case firms, was also longer than in the listed environment. The PE owner mentioned how in the listed environment, institutional owners may buy and sell firms every month. In this regard, they
considered themselves to have a relatively long perspective on their ownership. When private, the investment horizon of families is very long compared to the PE/non-family. In the non-family firms, a long ownership horizon is 10 years, compared to the goal of preserving the firm for future generations existing in Firm A and Firm B.

Pagano et al. (1998) argued that firms may lose access to the low-cost capital available on the stock market, post-PTP. However, the case firms mentioned difficulties in accessing capital when listed. For example, Firm A had trouble taking bank loans due to the low valuation of the firm on the stock market. This low valuation made Firm A unable to issue new stock, without a vast dilution of family ownership, thus making the stock market unviable as a financing option. Firm B did not use the stock market as a source of funding, and were unable to take the sizeable loans necessary to fund their planned growth rate. In Firm C, the cash flow of the firm was sent to the parent when listed, hindering the growth of Firm C. All case firms expected to have more access to capital post-PTP thus contradicting Pagano et al. (1998). When PE owners entered Firm B and Firm C, these firms gained a new source of capital, due to the owners being able to inject funds into the firms. In Firm A, the main sources of funding post-PTP were bank loans and internally generated cash flow.

5.4 Comparison of Perceived Benefits of the Private Environment and Delisting Decision

In the presented case firms, several different expectations and perceived benefits of the private environment were mentioned. Furthermore, a number of reasons for delisting were also mentioned in the case firms.

In Firm A, the expectations on the private environment were that they would have a longer perspective on investments and planning, with less quarterly pressures than when listed. They also expected the firm to become more accurately valued, and that the firms access to capital in the shape of bank loans would not be hindered by low valuations of the firm. In Firm A, some perceived benefits of the private environment were that there would be an ability to make long-term investments without the temporary decrease in profits impacting the overall firm valuation. This change is similar to the findings of Nekhili et al. (2017), who found that firms have better opportunities for long-run investments in the private environment since there are reduced performance pressures. Firm A perceived the access to capital would not be hindered by the speculative valuation of the firm generated in the stock market. Further
benefits perceived, was reduced quarterly pressure and no longer needing to publish long and detailed financial reports, which is in line with the findings from Boers et al. (2017) of reduced formalisation in the governance post-PTP. The mentioned reasons for delisting in Firm A were, for example, the low valuation of the share on the stock market which made it difficult to access capital. This motive for delisting is in line with the findings from Boers et al. (2017) that the undervaluation or illiquidity of shares may prevent the firm from obtaining the necessary capital when listed. Firm A also mentioned that the market held unrealistic expectations on the firms which lowered the firm valuation. Due to the low valuation of the firm and the owning family having a longer perspective on planning and investments than the stock market, the costs of being listed were higher than the benefits for Firm A. The longer perspective of ownership and planning of the family than the stock market is supported by several authors (Basu et al., 2009; James, 1999; King & Peng, 2013).

Increased growth rates and reduced quarterly pressures were the main expectations on the private environment held by Firm B. However, they also experienced some uncertainty towards being owned by a non-family owner when private. The perceived benefits of the private environment as expressed by Firm B were, for example, the changed focus of TMT from communication with external stakeholders and financial reporting to the development of the firm, as well as experiencing better opportunities for growth. This has been made by the TMT being more focused on firm development, as well as gaining easier and faster access to capital through a PE owner. Another perceived benefit concerned the ability to share financial information more freely which simplifies decision-making and the mobilisation of decisions. Findings from Boers et al. (2017) regarding being able to share information more freely when private are similar to our findings. A final perceived benefit of being private, was the ability to have a long-term perspective on investments and planning to decrease focus on temporary, short-term dips in firm performance, which is in line with the findings of Nekhili et al. (2017). The main reasons for delisting mentioned in Firm B were: being bought out by the PE owner, being able to increase the growth rate, easier access to capital, being able to make investments without having to worry about it impacting the valuation of the firm, and because Firm B was not using the benefits of being listed such as access to capital.

In Firm C, the expectations of being private were not as clearly stated as in the other case firms. However, one expectation mentioned by Firm C was that they would be split from the parent, resulting in Firm C being able to keep their generated cash flow to fund growth, thus increasing their ability to make acquisitions and expand geographically. Perceived
benefits of being private mentioned were connected to faster access to capital, increased ability of owners to be actively engaged in the firm, the firm’s ability to make decisions regarding the own firm, an ability to share information more freely and the ability of TMT to become owners and creating a shared agenda among all owners. The mentioned reasons for delisting for Firm C were: being bought out from the stock market by the PE firm, being undervalued when listed due to being valued by incorrect multiples, realising hidden values of the firm and being able to keep own cash flow in the firm. The two final reasons mentioned, match reasons for delisting as explained by Ayash and Schütt (2016), that firms may delist to realise hidden values and remedy undervaluation.

From the abovementioned discussion, we can see that the perceived benefits of being listed are not completely unrelated to the reasons for delisting; hence, such expectations are important to consider to understand the reasons for firms to undergo a PTP transition. For example, in Firm A, a strong motivator for delisting was the low valuation of the stock, something that impacted the firm’s ability to access capital. This reason for delisting can easily be connected to the firm’s expectation to be correctly valued to gain access to capital more easily when private, independent to the stock markets speculative valuation of the firm. Similarly, both Firm B and Firm C expected to gain access to more capital in the private environment to fund growth, delisting, among other reasons to increase the growth rate of the firm. In both Firm A and Firm B, the perceived ability to focus on long-term investment in the private environment and disregard quarterly performance and reporting pressures from being listed were clear. In the case of Firm A, they delisted because the owning family has a longer perspective on investments than the market. In Firm B, the ability to make long-term investments without negatively impacting the firm valuation was mentioned as a reason for delisting.

Despite a connection between perceived benefits of delisting and the delisting decision, as mentioned above, there are certain benefits and expectation of the private environment mentioned that could not be connected to any reasons for delisting. An example of such a benefit of the private environment in Firm B was the ability of the TMT to refocus their attention towards operational matters rather than focus on producing meticulously detailed quarterly and annual reports. These types of benefits are mentioned to be significant for the firms post-PTP; however, they do not appear to be significant enough to impact the delisting decision.
5.5 Changes Post-PTP: Board of Directors

The phenomenon of duality as explained by Geranio and Zanotti, (2012) was not present in the presented case firms. Contrarily to having concentrated control through duality, as mentioned by Weir et al. (2005), the firms opted to select an external chairman to ensure objectivity, which is in line with the Swedish Corporate Governance Code (Swedish Corporate Governance Board, 2016). Firm B changed CEO in the years following the privatisation, the old CEO then took the seat as chairman of the board, presenting what could be an exception to the selection of external board members. However, none of the case firms has an owner as chairman.

In Firm A and Firm B, the board size was relatively large, consisting of many external board members when listed. The owning families were occupying two seats in each respective board, representing the owners in the listed context. In Firm A, it was expressed that it was important that the member of the board be selected based on competencies and not based on ownership. Thus, their board consisted of a large number of external board members with various competencies. In Firm B, no similar prioritisation was proclaimed. With the delisting, the ownership of the firm cases became more concentrated. In Firm A, the family owner became the sole owner, whereas in Firm B, there was an entrance of a strong additional owner. This change impacted the composition of the board in the private environment. In Firm A, the board essentially maintained its composition, whereas in Firm B, the new owners took their place on the board. The entry of the new ownership resulted in the balance between external board members and internal board members being altered, changing from having two owner representatives to four, as well as reducing the number of external board members. In Firm C, the new owners also became a strong actor on the board in the private environment. Craig and Moores (2010), claim that it can be expected that changes be made to the composition to the board of directors Post-PTP, which is in line with the findings of this paper. The shift to having less external board members in Firm B and Firm C directly contradicts the findings from Nekhili et al. (2017), where non-family firms are more likely to include impartial, external board members in the board of directors than family firms, in order to ensure sound governance. Within our case firms, it is rather Firm A, the family firm, that has adopted this stance of impartiality than the non-family firm and hybrid.
Craig and Moores (2010), claim that in a privatisation it can be expected that the size of the board of directors may be reduced, findings shared with our study. Both Firm A and Firm B had more established boards of directors when listed, with relatively large boards. Post-PTP, these boards were slightly reduced in size. In Firm C, the board was formalised post-PTP technically resulting in an increase of board members with the creation of the board. The special circumstances of Firm C make these changes incomparable to the other case firms with regards to board size. The size reductions in Firm A and Firm B could be attributed to fewer shareholders and external stakeholders in the private environment having a claim and interest in the firm. No longer needing the protection provided by having large impartial boards. This is similar to the thoughts of Boubaker et al. (2014), claiming there is less need for the formal control of the board to protect minority shareholders in the private environment. However, as the reduction of the number of board members post-PTP was quite small, it is difficult to exclude the size reductions to other factors such as personal reasons from the board members side.

Further changes made post PTP concerning the board of directors is regarding the number of board meetings and the purpose of the meetings. The de-formalisation of governance in firms is discussed by Craig and Moores (2010), Boers et al. (2017), and Boubaker et al. (2014), each mentioning the private environment as not requiring such strong formal governance routines as when listed. However, Boers et al. (2017), have added the aspect that some firms opt to maintain the formal governance routines developed when listed post-PTP. In the presented firm cases, there have been varying degrees of formalisation/ de-formalisation of the governance of the firms post-PTP. In Firm A, the governance routines were mainly preserved post-PTP resulting in the number of board meetings and the priorities of the board remains intact. In Firm C, the governance routines were formalised in the private environment due to the separation from the parent firm. This resulted in the number of board meetings and the topic of the meetings being different compared to before the privatisation. However, Firm C de-formalised governance in other aspects such as the formality of communication as mentioned above.

In Firm B, the number of board meetings and the focus of the board was altered post-PTP. In a listed environment, the focus of the board was mainly the quarterly reports, annual report and setting the general strategy for the firm. When delisted the priorities of the board shifted towards the business position, investments such as new acquisitions, financing and organisational matters, taking an increased internal focus. Furthermore, the number of board
meeting increased substantially from seven board meetings a year to 10 or even 15 meetings per year, varying from year to year. The changes present in Firm B could represent a formalisation of the governance; however, it is more likely that the governance routines have been preserved and that the increased board activity, changed focus of the board and the number and size of acquisitions made by the firm are the causes for the changes in number of board meetings.

5.6 Changes Post-PTP: TMT

Croci and Guidice (2014), found that following a PTP action, it was most likely that firms retain the CEO. This held true for all case firms at the most immediate years surrounding the PTP. Changes made to the CEO in the years following the privatisation were made due to personal interests. Nekhili et al. (2017), claim that the tenure of CEO’s is longer in family firms rather than non-family firms, however, in all three case firms, the CEO had long tenures. However, in Firm A, the CEO was a family member, and in Firm C the CEO was the founder of the firm, factors that may have influenced their abilities to remain in their positions in the long run.

The size and constellation of the TMT in the described case firms did not alter post-PTP. This was mentioned by several of the interviewees, claiming that the PTP was not a cause for changing the TMT. This could in part be explained by the TMT being given the opportunity to own a share of the firm in the private environment, sharing ownership with the non-family and family owners. This finding is in line with the findings of Fidrmuc et al. (2012), who found the likelihood of the TMT remaining intact to be greater if they are a part of the buyout as owners. This statement holds true for Firm B and Firm C, however, in Firm A the TMT ownership decreased with the buyout but the TMT remained intact. As previously mentioned, Nekhili et al. (2017), found that the CEO generally has longer tenures in family firms, which could also in part explain the long tenures of the entire TMT. The interviewees mentioned that changes to the TMT were mainly made due to the TMT performance, rather than changes in ownership structures and financing methods.

One change occurring post-PTP, was the TMT being able to take a more internal focus, prioritising operations and concentrating less on maintaining appearances towards external stakeholders and creating detailed financial reports every quarter. This represents a significant change in the roles and activities for the TMT post-PTP.
According to Sharp (2001), it is likely that non-family PE owners rely on their management skills to improve their targeted firm. Tappeiner et al. (2012) mention that PE firms contribute with ‘smart money’ such as know-how and networks. However, both in Firm B and Firm C it was made clear that the PE owner did not interfere with the management of the firms. Furthermore, the PE owner representative from Firm C claimed that their strategy when acquiring firms was to acquire firms with strong management so that they could instead focus on increasing growth by supplying the necessary capital. In Firm B, it was mentioned that the PE firm attempted to create some small synergies between the firms in their portfolio and shared their network with the firm. Thus, our findings contradict those of Sharps (2001) but corroborate to some extent the findings of Tappeiner et al (2012). The contradiction to Sharpes (2001) findings may be due to the different available strategies for PE owners.

5.7 Changes Post-PTP: Organisational Changes

According to Schleifer & Summers (1988), a PTP process is often followed by a downsizing of an organisation, such as reducing the number of employees (Boubaker et al., 2014). In the presented case firms, none of the abovementioned organisational changes took place post-PTP. In Firm B and Firm C, some downsizing took place a couple of years after the PTP; however, it was clearly stated that these changes were due to strong external forces. In Firm C, some divisions, such as a communications division, were added post-PTP. However, these organisational changes were due to the separation from the parent rather than being a direct consequence of the PTP transition. The difference between the case findings and the aforementioned theory could be attributed to the source of the delisting decision. Downsizing and restructuring of a firm post PTP, is more connected to firms delisting because of poor financial performance, as presented in the findings of Sudarsanam et al. (2011), and is not in line with the growth and development focus of the case firms. Thus, the findings in our thesis do not support the findings of Geranio and Zanotti (2012), who claim that the need to restructure or downsize the firm could be the source for the delisting decision.

5.8 Changes Post-PTP: Financial Reporting

Following the PTP transition, the financial burden and the number of external stakeholders decreased and financial information could be shared more easily. Mentioned in Firm B it was how the financial reporting took a significant amount of time when listed, describing how
sentences were viewed and reviewed in order to convey the right message to the public. Geranio and Zanotti (2012) found firms experienced a decreased reporting burden post-PTP. Using the financial reports more for internal use. Furthermore, owners of private firms were relieved of the burden of high costs of listing (Pour & Lasfer, 2013). The changed usage of financial reports was noticeable especially in Firm A and Firm B, both of which maintained the reporting standards developed when listed, post-PTP. However, they also mentioned how they no longer presented as detailed annual reports post-PTP, limiting the level of detail to the level required by law. All case firms made clear that reporting standards from being listed were maintained post-PTP, to easily be able to re-list the firm should they wish it. With the exception of financial data submitted to stakeholders such as banks to uphold commitments, quarterly reports were changed to being used internally and not published. These findings are also in line with Boers et al. (2017), who found reporting pressure to be more internal than external for PTP firms. Firm C was our only case firm to notice an increase in financial reporting. This was, however, more an indirect effect of leaving the stock market; the PTP did not in itself cause the increases reporting burden; rather, this was caused by Firm C being separated from its parent, post-PTP.

All three firms made changes to their external reporting, publishing what was required by law and rather using the generated reports internally, which is in line with findings from Geranio and Zanotti (2012). The degree and source of the changes to the financial reporting post-PTP, varied between the case firms. Since Firm B made similar changes as Firm A with regards to financial reporting, it appears such changes can be attributed to family owned firms. However, since the occurrences in Firm C are not comparable to those of Firm A and Firm B, it is unclear whether similar changes would have been made in Firm C, had they not become independent from its parent, post-PTP. Thus, no connection can be made between financial reporting and ownership type. Rather, the change between firms is noticeable between Firm B and Firm C, where Firm C increased financial reporting due to its independence from the parent.

5.9 Changes Post-PTP: Growth

Whereas mature sectors are more likely to see PTP transitions, because of their lower capital needs (Michelsen & Klein, 2011), this does not account for investments in growth. Several of the case firms highlighted the intention to increase their growth in the private
environment. The degree for such growth varied between the case firms and was impacted by the underlying strategies and risk averseness of the firms. For example, Firm A experienced relatively slow growth when listed and focused on growing organically when private. With Firm A’s reluctance to give up control and ownership to fund growth or internationalisation, growing organically is logical. These findings are in line with the findings from Caprio et al. (2011), where risk-averse firms may prefer organic growth, which requires less capital. However, the owning family of Firm A took substantial risks to buy back the firm from the stock market, suggesting they are not mainly risk averse, rather averse to losing control of the firm. These findings are in line with Gómez-Mejía et al. (2007), and Chrisman and Patel (2012), who have found that family firms are not necessarily risk averse, rather they are averse to losing SEW, including control of the firm (Berrone et al., 2012).

In Firm B, one of the main purposes of delisting was to grow, to be able to gain more access to capital through the partnership with an external PE owner. This contradicts the findings of Pagano et al. (1998) who argued firms may lose access to capital when leaving the stock market. Subsequently, when delisted Firm B increased their levels of acquisitions and continued to expand their operations geographically. Firm B grew both organically and through acquisitions, which is similar to when listed. However, post-PTP Firm B was able to make a very large acquisition that substantially increased their size and growth rate. These changes were expressed to not have been possible without the non-family ownership.

For Firm C, growth was of high priority. This is in line with Bouzgarrou and Navatte (2013) who found firms open to risk to be more probably to make acquisitions. In the private environment, Firm C was able to grow more independently and use their own capital for growth, instead of sending their cash flow to the parent of the group in which it used to belong. When considering the growth strategy of Firm C, the ownership picture also comes into play, as the non-family owners owned Firm C as part of a portfolio of companies, making them more susceptible to risk.

Firm A focused on gaining a substantial market share of the Swedish market, all the while creating barriers of entry for foreign competitors. Thus, Firm A undertook a defensive growth strategy, where focus was put on internal parts of the firm; making sure they functioned as efficiently as possible, which is in line with Schleifer and Summers (1988). Whereas these investments may also carry risk of failure, Firm A was more willing to undertake those types of actions in contrast to internationalization, to ensure the survival of the firm for future generation, and to maintain family control. Firm B invested in growth in
order to take the firm to the next level. To make those investments possible, Firm B took in a non-family owner to finance the upscaling of their business. As mentioned above, this change sets Firm B apart from Firm A, since the family owners of Firm B were willing to give up ownership majority for what was believed to be the best for the firm. Firm C also made investments for growth, at a faster pace than Firm B. Since Firm C only had one owner, a non-family owner, their strategies were not restricted to considerations of other owners, as mentioned by Boubaker et al. (2014). Instead, they could make the decisions they thought to be necessary to increase firm value. However, as evident in Firm C, even if the perspective of a non-family owner is limited, plans needed to be made for the long-term, since it would otherwise be difficult to find new buyers for a firm.

For Firm A, their low stock price became an obstacle for obtaining loans at attractive rates. Firm B, despite experiencing high levels of growth, did not use stock market for gaining capital. In Firm C, the effects of being listed were not experienced as strongly, since they were a part of a group. They were, however, obligated to send their profits to the parent, hence hindered from use of such for themselves. Hence, in contrast to the findings of Pagano et al. (1998), all of the case firms gained easier access to capital for growth from the PTP transition, either through the entry of external owners, increased abilities to use own cash flow and by being able to take loans that were not dependent on speculative valuation of the firm.

5.10 Changes Post-PTP: Financial Position

As described by Ayash and Schütt (2016), PTP firms may need to re-evaluate assets to give a proper illustration of the fair value of the firm, which might cause a firm to appear more valuable due to accounting technicalities. The independency of Firm C from its earlier group parent, caused Firm C to undertake such revaluation of the fair market value, also in line with Michelsen and Klein (2011) who found such inefficiencies to expose firms as PTP targets. The process was set in motion by the establishment of a new holding company buying out Firm C, to become the new parent company of all the different entities Firm C entails. This created a new intangible asset (goodwill), corresponding to the difference between the recognizable book value of assets in Firm C and the market price of Firm C. The change this caused on the balance sheet of Firm C is in line with Pour and Lasfer (2013), who argue PTP firms have a higher level of intangible assets in their balance sheets than public firms.
Furthermore, to finance this transaction, the new holding entity used loans to finance the purchase of Firm C, which increased the leverage of Firm C. This transition is also in line with Michelsen and Klein (2011), who find firms to have lower leverage prior to the PTP transition. The increased levels of leverage and re-evaluations of assets represents a type of change made post-PTP in Firm C.

One way to measure the change in leverage for PTP firms is to use the debt-to-equity ratio (see Appendix 3). For Firm A, this ratio was virtually unchanged while on the stock market compared to as a PTP firm. On the contrary, both Firm B and Firm C saw noticeable increases in this ratio, hence their leverage increased as PTP firms. This change is in line with the findings of Weir et al. (2015), who found firms who are acquired by non-family owners, to finance their acquisitions through debt, whereby acquired firms become significantly more leveraged, post-acquisition. The increase in interest bearing debt, in turn increases interest cost for the firm.

Working capital describes how much capital is being used for the operations. High levels of working capital may be seen as a buffer for the operations, yet the excess cash leads to an inefficient cash structure (see Appendix 3). With a slight exception, Firm A has increased its working capital year for year, both before the privatisation, as well as a PTP firm, in line changes suggested by Kaplan (1989a). Firm B, on the other hand, saw a significant decrease in working capital as a post-PTP firm. This is in line with our interviewees of Firm B, who also noted more focus on working capital as a result of the entry of the non-family owner. Firm C also decreased its working capital as a PTP firm, compared to the year during and before making the PTP transition. However, despite being wholly owned by a PE firm, its working capital was higher than Firm B. The reduction of working capital for Firm B and Firm C is in line with the findings of Boubaker et al. (2014) who highlighted a connection between higher firm value and reducing waste of cash flow.
6. Conclusion

In the beginning of this thesis, a problem and purpose was formulated, from which we specified three research questions. We then presented a frame of reference based on previous available research. To investigate our chosen topic, we selected three case firms and collected data through in-depth interviews. The collected data was then presented through descriptive narratives, which were then analysed through within-case and cross-case comparison. In the analysis the results were analysed with support of previous literature presented in the frame of reference. In this chapter, we present our concluding thoughts designated to answer to each of the aforementioned research questions.

RQ1 What changes are made in a firm post-PTP?

Throughout the thesis a number of changes made post-PTP have been presented and discussed, finding great heterogeneity of results among the selected cases.

The concentration of ownership post-PTP, resulted in increased owner activity for all case firms, enabling the owners to be more active. The increased owner activity and involvement, although to varying degrees, increased the engagement, motivation and drive in the case firms. For firm B and Firm C, more active owners post-PTP meant the speed of decision-making and access to capital was increased. Furthermore, by delisting, all case firms could take a longer investment horizon than when they were listed, although the family firm and family owners of the hybrid, Firm B, had longer investment horizons than non-family owners. The longer investment horizon, enabled the firms to increase the level of investments without the firm valuation being negatively impacted. The delisting also removed quarterly performance and reporting pressures experienced on the stock market.

The decreased pressures in the private environment enabled all case firms to focus on growing the firms, albeit in various ways with various methods of funding. A discovery made during our research was the willingness of both non-family and family owners to relist their firm after having gone private, which indicates that delisting is not a fixed state, it is rather a response to current needs and situation of the firm. This suggests how no matter if owners have a long-term or short-term investment strategy, contemporary needs and opportunities drive delisting and listing decisions.

Several changes made post-PTP in the non-family firm, Firm C, and hybrid, Firm B, were connected to the board of directors. For example, the composition of the board was changed...
from having many external board members, selected based on competency, to an owner-centred board. Furthermore, the number of board meetings and focus of the board were altered post-PTP from a stricter agenda to a focus on acquisition, major investments and strategic decision-making. In Firm C, the board was reformed and board work became more structured. Contrary to the many changes made in the board of both the hybrid and non-family firm, the wholly owned family firm made almost no alterations to the board of directors only slightly reducing the number of members. The source for the changes in the hybrid and non-family firm, appear to have been the entry of an additional external owner, which explains the lack of changes made in the family owned firm.

There was very limited change to the TMT composition and organisation in all the case firms post-PTP. These changes were not connected to the PTP transition, rather they were connected to the performance of individuals or external factors. However, despite limited changes to the TMT composition, one finding of the thesis is the changed focus of the TMT post-PTP towards a more internal operational focus, not needing to satisfy informational needs of external shareholders through the meticulous preparations of financial reports.

There is high pressure on listed firms to produce detailed quarterly reports and annual reports. There are strict rules on disclosure of financial information and the produced information influences the valuation of the firm. Changes made in both the family firm and the hybrid was to decrease the detailing of the financial reports to the level required by law, no longer producing any quarterly reports or publishing any of the produced reports. Despite the detailing of the reports decreasing, the level of reporting in each case firm was preserved at the level of listed firms, in case they should choose to relist the firms. The financial reports created, were used for internal control post-PTP, compared to the reports previously made being mainly for external stakeholders.

From our findings, we can conclude that a strategic delisting decision is mainly connected to the ownership of a firm and the way in which the firm opts to finance growth and development. Thus, the changes made in firms post-PTP are mainly connected to adjustments made to accommodate the changes in ownership, and the methods to raise capital. This suggests firms delisting for strategic reasons, as opposed to delisting due to financial distress, do not make in-depth changes in the firm post-PTP. Additional research into the changes made post-PTP and the differences between changes made post-PTP in financially distressed firms and in firms delisting of strategic reasons need to be made in order to generate more broadly applicable results.
RQ2  How have the perceived benefits of the private environment affected the PTP decision?

When comparing reasons for delisting with their perceptions of the private environment and expectations of the firm post-PTP, it becomes clear that there is some connection between perceived benefits of the private environment and the decision to delist. Expectations on being private encompassed many aspects in the presented case firms. For example, an expectation shared by all case firms was that they would be able to develop the firms more in a private environment. This development was expected to be possible due to the increased and easier access to capital post-PTP. Expecting they would be able to raise capital without their access being restricted by speculative valuations of the firm on the stock market. Furthermore, a shared expectation was the ability to make long-term, larger investments post-PTP, stimulating increased growth without the temporary decreases in profits impacting the firm valuation.

The above-mentioned expectations of the private environment appear to have strongly impacted the delisting decision. However, perceived benefits such as being able to free up TMT time and redirect their focus towards other activities than when listed, appear to be secondary, hence not having any major impact on the PTP decision. The findings suggest that depending on the type of perceived benefits, and whether it suits the strategy of the firm, perceived benefits of the private environment may affect the PTP decision. Further study of the subject is required to ascertain and investigate the full extent of the relationship, to discover what types of perceived benefits of the private environment are sufficient to initiate or cause a delisting decision to be made.

RQ3  How do family firms and non-family firms differ when it comes to changes due to privatisation?

Within the three presented case firms, each firm had their own reasons for, and implications from, the PTP transition. A PTP transition can be initiated either by current or prospective owners buying the outstanding shares of a listed firm. When this action is made by existing owners, it can be seen as a buyback initiated by actors within the firm. When the PTP transition is initiated by external actors who perceive the target firm to not live up to its fullest potential, the PTP can be seen as a buyout. In Firm C, the non-family owner became
the sole owner post-PTP, which meant there was no opposition in planning, ownership or time horizon. Hence, in the non-family owner being able to make the changes they saw fit, to stimulate an increased firm growth rate. In Firm A, the owning family also became the sole owner post-PTP, even if this was through a buyback rather than a buyout, as conducted in Firm C. This resulted in the family firm not making any radical changes to either the board, the TMT, or the firm strategy post-PTP. In the wholly owned family firm, the PTP transition was done to be able to make long-term decisions, and to gain access to capital, thus impacting the method for financing and investment methods. In contrast, the hybrid firm and the non-family firm saw the entry of new owners post-PTP, which resulted in changes being made to the board composition, as well as acquisition initiatives to increase the growth rate of the firms.

Family owners may be reluctant to pursue risk-taking that may result in the loss of control of the firm, pointing to the presence of SEW in decision-making of family firms. Such behaviour was evident in Firm A, where several strategic options were kept intact post-PTP to ensure the family would not lose control of the firm. However, the family owners of Firm A invested a considerable amount of their personal funds into the firm; hence, they considered this type of risk as manageable due to their profound knowledge about the firm and its operations. For the family owners, risk-averseness was connected to whether they could control and influence the risk, rather than the actual size and possible effect of it. One example of a risk the family owners of Firm A thought was uncontrollable was the simple risk of losing the majority of the votes of the firm, at any cost. Hence, even if there was the possibility of making an acquisition which over all would increase the value of their shares, losing control was not worth the financial benefits, since the firm was worth much more for the family than the financial value alone. In the hybrid firm, both family influence of the firm and the financial focus of the PE owner were present, post-PTP. However, despite the family owner of Firm B being unwilling to completely lose control of the firm, they were willing to decrease their ownership substantially to enable the growth of the firm, opening up for the entry of an additional owner in Firm B. The entry of the non-family owner resulted in a considerably larger access to capital, which for the family owners, was worth relinquishing some control to gain access to the capital necessary to develop the firm. Firm C exhibited no SEW preservation behaviour, rather the founder of the firm had already sold the firm relinquishing control of the ownership. This view on firm development, and loss of control
is what sets the family and non-family firms apart, and governs to some extent the actions viable to take in the firms post-PTP.

One of the main reasons for delisting are connected to being able to access capital easier or faster when private, or that there are some obstacles to gaining access to capital when listed. Hence, some of the most important changes post-PTP are connected to the method for financing investments and growth. Even if the stock market can be a great source of capital, our case firms, especially the hybrid firm and the non-family firm, show how there is even easier to raise capital in the private environment, provided an owner is there with enough resources. In these two cases, the leverage of the firms increased significantly. Apart from the obvious case of PE firms using debt to finance their investments, the hybrid firm and the non-family firm used debt to finance acquisitions. Both the hybrid firm and the non-family firm took measures to streamline their working capital in order to maximize the effect of firm capital. In contrast, the family firm did not change their working capital as a PTP firm; rather it grew steadily. Building on this, the family firm became increasingly able to finance their daily operating expenses, in contrast to the hybrid and non-family firm.

The investment horizon between the firms differ significantly. Both the family owners of Firm A and B invest in the firms for their grandchildren and future generations. They have major stakes of their own capital invested in the firm, and losing the firm would have devastating consequences for the owning families. The non-family owners involved in Firm B and Firm C, on the other hand, invested on a 5 to 7-year horizon while having several firms in their portfolio. Even if Firm B and Firm C were profitable and valuable, the loss of firms would not cause the non-family owners the same degree of devastation. These differences presented themselves in the cases by the types of investments and growth strategies adopted post-PTP. In Firm A, a slower and steadier growth was prioritised, compared to the hybrid and non-family firm, where the priority was faster growth to enable the investments of external owners to increase within their ownership.

The changes made post-PTP were impacted more by the entry of new owners than ownership type. However, family ownership differs significantly from non-family firms in a PTP transition with regards to the level of changes made, as well as investment horizon and risk-averseness, where family firms are more likely to continue as before the PTP transition, as opposed to firms with non-family owners. Family ownership can take on multiple forms and families can have fundamentally different view on key issues, such as ownership and risk-averseness. Due to this heterogeneity of family firms, non-family and family firms may
organise themselves in similar ways, meaning they do not necessarily need to be polar-opposites, show by the findings connected to the hybrid firm.

Furthermore, the unintended effect of the financial crisis could shed light on the pros and cons of running firms as streamlined as possible, as is the strategy of PE firms. A heavily leveraged firm with little or no margins in working capital, is more exposed to unforeseeable changes in the market. Whereas family firms, who often have excess financial reserves on the balance sheet, can be seen as running a firm inefficiently; this strategy could also serve as a buffer for financially harsh times.
7. Discussion

In this chapter, we aim to discuss and present the thesis from a more critical, broad perspective, by presenting additional findings, stating limitations and strengths of the thesis, suggesting future research and mentioning the main contributions of the thesis from a theoretical and practical perspective.

7.1 Additional Findings

Due to the nature of explorative studies, the frame of reference presented in Chapter 2 was merely a suggestion of the potential areas of literature that could be relevant for the study. However, with the exploration of the selected case firms, new themes were found not covered by the theoretical frame presented in Chapter 2. These findings are presented below.

One important finding, which was only touched upon in Chapter 5, was how the role and activities of the TMT alter, post-PTP. In the case firms, it became evident that, when listed, the role of the TMT was connected to maintaining appearances towards external stakeholders; this by handling public relations, preparing annual and quarterly reports and presentations that were vital for the valuation of the firm. The TMT was also responsible for financing and acquisition decisions. Post-PTP, the ownership became more concentrated which resulted in the owners taking more active roles in the firms. Consequently, the increased engagement of the owners in the firms meant that the TMT could focus driving operations and strategy, leaving much of the strategic decision-making, acquisition decisions and financing decisions to the owners and the board of directors. The reduced media attention and reduced demands on disclosure in the private environment, resulted in the TMT being able to take a more internal focus, no longer needing to spend time on creating detailed financial reports or handling public relations. The changes of both the owner activity and disclosure demands post-PTP resulted in significant changes being made to the time allocation and focus of the TMT.

Another finding of the thesis is the change post-PTP from a competency-based board with many impartial, external board members to an owner-centred board, mainly consisting of owner representatives. This change was particularly clear in Firm B, where the board composition post-PTP mainly constituted of two owner representatives from each owner the CEO of the firm and the chairman; as opposed to when listed when the board merely
had two owner representatives and the rest of the board seats were taken by external board members. The change towards owner centred board may be connected to the entry of the new owner in Firm B. In order for the majority owners to be fairly represented, not creating an imbalance of control on the board, it was necessary to change the board composition. In Firm A, no additional owner entered the firm, thus the routines and control imposed by the family firm were maintained. Hence, the family priority of having a competency-based board with many external board members was preserved post-PTP, resulting in the composition of the board remaining the same post-PTP.

7.2 Limitations

A number of limitations have presented themselves in the course of working with the thesis, many of which are related to the limited time of four months for conducting research into such an interesting and wide subject as PTP transitions. The limitations of the research may have impacted the results of the thesis, causing findings to be inaccurate or insufficiently investigated.

When considering the case selection, it was necessary to decide how many case firms to investigate and to what depth. Due to time limitations and limitations of access to firms and interview subjects, three case firms were selected based on predefined criteria, each case firm representing an ownership type. Since the goal of the study was to compare changes between non-family and family firms, the study may have produced more reliable results had each ownership category included at least two case firms. However, with the current setup, with one case firm for each type of ownership, the hybrid owner could be included in the study, which enabled us to compare the hybrid with both family firm and non-family firms to discern whether the types of changes where sincerely connected to the ownership type. The limited number of firms included in our study also restricted us from being able to compare firms from various industries for potential industry specific changes. Some of these changes could also vary depending on country, this was also not a topic we were able to explore.

Further limitations of the thesis are concerned with the data collection phase of the thesis. In one case firm, we were not able to gain access to the intended number of interview subjects, which resulted in the loss of the owner perspective and valuable insights into the topic. With more time, the number of interview subjects could have been increased, which would have enabled us to understand the PTP changes from additional perspectives, both
from multiple levels within the firm, as well as external perspectives of the PTP changes. Looking at multiple perspectives would be out of scope for the current thesis, yet it would have greatly added to the understanding of the depth of change occurring in firms post-PTP. However, by limiting the number of interview subjects, we were able to conduct longer interviews, thereby gaining more in depth insight into the cases while still being able to complete the thesis within the assigned time frame.

Another limitation surrounding the data collection of the thesis, regarded the method in which the interviews were conducted. Out of the eight interviews, six were conducted in person and two were per telephone. During one of the telephone calls, bad reception may have resulted in the loss of some pieces of the interview that could have affected our understanding of the information. Furthermore, the inability to see the interview subjects interviewed per telephone could have resulted in missed social cues or understanding of the information shared, or missing to pose vital follow-up questions. The interviews were conducted from a retrospective perspective, some recounts describing event taking place two decades ago. During this time, some details might have been lost of forgotten, which might have impacted our understanding of events, which is a clear limitation of the interview method. On the other hand, conducting retrospective interviews meant that the interview subjects were more able to discuss the events of the past, since they were no longer of interest for competitors or restricted by the strict regulations of being listed.

When we set up the scope of our research, we noted how the years between 2000 and 2012 would make for a suitable time frame, since it was recent enough to make data more feasible to find, yet not so long back it would be difficult to find interviewees who also had in fairly recent memory what changes occurred. During this time, however the financial crisis took place, which affected Firm B and Firm C within the first five years of making the PTP transition. This has had a negative effect on comparability between the firms, especially since Firm A, who made their PTP transition about half a decade earlier than Firm B and Firm C, was not affected by this crisis until later years, which are within the scope of our research. Since we have focused on firms which survived the crisis, some firms which might have been more heavily affected by the crisis has been excluded, which might cause a lack of comparability or limit the strength in our conclusions.
7.3 Future Research

A recurring phenomenon mentioned by the interview subjects was the level of media and publicity attention when listed compared to when private. It can be expected a PTP firm receives less attention from the media, since it, among others, is no longer available for direct public investment, there can be other effects from this as well. For better or for worse, listed firms face regular scrutiny from media, which facilitates transparency and regular updates from the firm of its operations. Due to changes in media coverage representing an unintended change post-PTP, it was considered out of scope for this thesis. However, as it was brought up by all the interview subjects as something significant, it represents relevant area for further research.

Another aspect out of scope for the thesis was the potential impact of the external factors on the changes made post-PTP. In both Firm B and Firm C, the financial crisis occurred within their first five years as a PTP firm. The financial crisis impacted the firms’ growth ambitions, halting them until the market had recovered. The slowed ability to grow due to external factors post-PTP may have impacted the changes ultimately made in the firms, something to take into account with regards to the results of this thesis. External factors impact on changes made post-PTP also presents an interesting potential future research area.

As mentioned in previous sections, a limitation was made as to the number of case firms studied in this thesis. Hence, it would be suitable to conduct a similar research as in this thesis, including a larger number of cases. In our study, we chose to focus on the Swedish market as a part of the Continental Europe, due to the specific conditions of the CE context, and PTP transitions being relatively unexplored in this geography. Perhaps the changes we have found on the Swedish market differs from other countries, both within and outside of Continental Europe, thus another potential area for future research would be exploring changes made in other CE countries.

Since the topic of PTP is relatively unexplored, the available research upon the topic was limited. There was only one paper discovered in the literature review mentioning changes post-PTP. This presented a limitation of the study since there was little information to build the frame of reference. The state of the research concerning changes post-PTP, resulted in the need to conduct an exploratory study to start building an understanding of the research area. This also resulted in our choice to conduct a deductive study, where we aimed to build theory rather than test it. The findings we have presented in our conclusion above, could
therefore be used for future studies, conducted from an inductive perspective to test the validity of our findings. Furthermore, each aspect of the change we have found, could be explored more in depth, on their own. Another alternative for future research would be to conduct a quantitative study on the changes post-PTP; to control, through quantitative methods the relationships and changes discovered in this thesis.

The selected perspective of the thesis is that of the owner with support from TMT and board member perspectives, due to their role as drivers of the PTP transition. However, there are several other stakeholders involved which have been out of scope for this thesis but would still represent interesting perspectives to study. For example, the increased concentration of ownership post-PTP was brought up as something that increased the employee engagement within the case firms. In the external environment, there are stakeholders, such as customers and suppliers which could also be affected by the PTP transition. All these stakeholders would make a suitable area for study with regards to changes from a PTP transaction. Another suitable area of study would be to explore firms from various industries to explore whether changes discovered in this thesis are industry specific or broadly applicable.

7.4 Main Contributions of the Thesis

There are several academic contributions of the thesis to the current body of research on PTP. First and foremost, the thesis addresses the existent gap in the research concerning changes made in firms post-PTP, mapping the changes and creating an in-depth image of the phenomenon, laying the foundation on-to which further research can be built. The thesis also expands previous knowledge on reasons for delisting by connecting the reasons for delisting with the perceived benefits of the private environment giving a deeper understanding of the delisting decision. By delimiting firms delisting from distress, the thesis also contributes to the limited research available on the specific area of strategic PTP actions. Furthermore, the thesis contributes towards increasing the number of in-depth qualitative research available on the topic of PTP within a CE context. Additionally, the thesis contributes by making a connection between PTP research and Family Business Research by discerning whether the changes made post-PTP are dependent on the type of ownership and thus different in family firms compared to non-family firms.

The practical implications of this thesis are intended to aid in understanding the PTP action and the possible implications on the firm post-PTP. This aid is provided by increasing the
knowledge available on the topic. Furthermore, the thesis increases the awareness of potential actions available to firms in the private environment compared to in the listed environment. The thesis also makes available the expectations and perceptions of firms of the private environment and consequently the changes made post-PTP, which contributes to the understanding and information available for listed firm considering whether a public or private environment is the most optimal for the firm. On a societal level, the thesis attempts to increase the understanding of individuals active on the stock market as to why firms are increasingly opting to delist, presenting some of the changes firms may make, and how the private environment can be beneficial for enabling, for example, increased firm growth.
References


Appendix 1: Guidelines for Interview Questions

Below are the interview questions used for the primary data collection done through interviews. Usage of these questions is further elaborated on in Chapter 3, Method.

- Can you tell me a little about the company and your role in the company?
- Why was the company listed? (Briefly)
- What were the main advantages of being on the stock market?
- What were the main disadvantages of being on the stock market?
- What were your main goals when you were on the stock market?
- How and Why was the company delisted?
- What were there for expectations of being private?
- Was the company delisted as part of a larger strategy, or was the goal to delist?
- What has been the biggest difference between being on the stock market and private?
- Did the trading environment affect the way you structured and managed the company?
- How have your strategic priorities changed between being listed and private?
- What was your main goals after delisting? (Financial and non-financial)
- Did the privatization affect the entire organization? In what way?
- Were there major changes to the board work and composition as a result of the privatisation. How?
- Were there major changes to the management team work and composition as a result of the privatization? How?
- Has there been any change in the company’s financial reporting due to the privatization? (Number of reports, completeness, use)
- How has the company grown since the delisting and how has it been financed?
- Have the conditions for innovation changed?
- Do you prioritize long-term action and why?
- Now, afterwards, was privatization a good idea?
Appendix 2: Consent Form for Research Participation

The following text was used to provide participants with adequate information as to the purpose of the research, hence ensuring informed consent from the participants. This document has been approved by each participant prior to the interviews to describe their role and usage of information provided.

This form indicates that I consent to participate in the JIBS administered Master Thesis written by Sara Carlén & Gustav Dalunde about changes in firms from going private.

I agree to participate in this activity, realising that I may withdraw at any time without reason and without prejudice. I understand that I represent the organisation in this research and that my participation is voluntary.

I understand that my name and the name of the firm will not be made public in the thesis and that the information provided is treated as strictly confidential and will not be released in its raw form by the investigator. However, I understand and consent to the information gathered in the interviews to be used in the thesis.

I agree to the interview being voice recorded, understanding that the recording will be saved until the final grade of the thesis has been set, and then deleted. Similarly, notes taken during the interviews and the transcriptions will be available only to the researchers and the responsible tutor until the end of the course. The transcriptions will be sent to me for confirmation of their correct representation of the information discussed.

I understand and the thesis will be published in DiVA, a repository database for long-term preservation of research publications and student theses.

Thus I confirm: I have been advised on what the purpose of the project is and what will be done with the data upon completion of the research (including safe storage).
Appendix 3: Financial Data for Case Firms

The following appendix consists of the change in sales, debt-to-equity, and working capital for the case firms. This data is further elaborated on in Chapter 5, Analysis.

### Firm A

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (index)</th>
<th>Debt-to-equity</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-5</td>
<td>104,4</td>
<td>3,2</td>
<td>0,40</td>
</tr>
<tr>
<td>T-4</td>
<td>114,5</td>
<td>2,6</td>
<td>0,45</td>
</tr>
<tr>
<td>T-3</td>
<td>104,8</td>
<td>3,1</td>
<td>0,44</td>
</tr>
<tr>
<td>T-2</td>
<td>100,2</td>
<td>2,1</td>
<td>0,51</td>
</tr>
<tr>
<td>T-1</td>
<td>100,3</td>
<td>1,9</td>
<td>0,55</td>
</tr>
<tr>
<td>T</td>
<td>100,0</td>
<td>2,3</td>
<td>0,56</td>
</tr>
<tr>
<td>T+1</td>
<td>118,4</td>
<td>2,3</td>
<td>0,69</td>
</tr>
<tr>
<td>T+2</td>
<td>120,9</td>
<td>2,2</td>
<td>0,70</td>
</tr>
<tr>
<td>T+3</td>
<td>111,5</td>
<td>2,1</td>
<td>0,73</td>
</tr>
<tr>
<td>T+4</td>
<td>117,8</td>
<td>2,1</td>
<td>0,75</td>
</tr>
<tr>
<td>T+5</td>
<td>124,3</td>
<td>1,8</td>
<td>0,80</td>
</tr>
</tbody>
</table>

T = year of privatisation.

### Firm B

<table>
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<tr>
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<th>Sales (index)</th>
<th>Debt-to-equity</th>
<th>Working Capital</th>
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<td>1,1</td>
<td>1,25</td>
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<tr>
<td>T-3</td>
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<td>0,9</td>
<td>1,40</td>
</tr>
<tr>
<td>T-2</td>
<td>58,3</td>
<td>1,0</td>
<td>1,33</td>
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<tr>
<td>T-1</td>
<td>73,9</td>
<td>0,9</td>
<td>1,42</td>
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<tr>
<td>T</td>
<td>100,0</td>
<td>6,1</td>
<td>0,33</td>
</tr>
<tr>
<td>T+1</td>
<td>100,8</td>
<td>3,7</td>
<td>0,34</td>
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<tr>
<td>T+5</td>
<td>117,0</td>
<td>4,7</td>
<td>0,33</td>
</tr>
</tbody>
</table>

T = year of privatisation. \( \text{v} \) = the year 2009 when the effects of the financial crisis was most apparent.

### Firm C

<table>
<thead>
<tr>
<th>Year</th>
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<th>Debt-to-equity</th>
<th>Working Capital</th>
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</thead>
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<td>n/a</td>
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<td>10,5</td>
<td>0,51</td>
</tr>
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<td>6,3</td>
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</tr>
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<td>T+2</td>
<td>149,4</td>
<td>4,6</td>
<td>0,63</td>
</tr>
<tr>
<td>T+3</td>
<td>190,4</td>
<td>4,7</td>
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</tr>
<tr>
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</tr>
<tr>
<td>T+5</td>
<td>166,2</td>
<td></td>
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</tr>
</tbody>
</table>

T = year of privatisation. \( \text{v} \) = the year 2009 when the effects of the financial crisis was most apparent.