HOUSE OF INNOVATION

FAMILY OFFICE INSIGHTS

THE IDENTITY ISSUE

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EXECUTIVE SUMMARY

This report shows the relevance of family enterprise research to understand the evolving phenomenon of family offices and family investment companies in the Nordic context. A specific focus is to highlight how individual and family identity can influence the formation and decision-making of these firms. The literature and interviews with Nordic family office principals and professionals emphasize the complex interplay between maintaining family values and traditions while also conforming to professional standards and market expectations.

Key highlights:

Socioemotional wealth theory (SEW) provides a relevant framework to understand how family and founder identity and non-financial considerations influence decision-making and perceptions of risk.

Managing the flexibility paradox: The creation of family offices and family investment companies offers flexibility and opportunities for family engagement and succession but can also introduce potential disagreements over direction and long-term development. Initiating discussions around shared and individual values and identity is crucial. Socioemotional wealth theory (SEW) and the related FIBER framework can provide a useful structure for those discussions.

Balancing familiness and professionalization: Family offices and family investment companies should strive to balance the need to align with industry standards while also leveraging their unique family identity and values to stand out. Being able to leverage the advantages provided by the family or founder identity with the need to professionalize and adapt to industry norms in order to attract external talent is essential. This necessitates identifying and communicating the distinct characteristics and benefits of working for private or family-controlled enterprises.

THE SSE CENTER FOR FAMILY ENTERPRISE

Stockholm School of Economics (SSE) is a private business school founded in 1909 by donations and support from prominent Swedish business families. Despite these origins and continued close relations, it was only after more than 110 years that the first dedicated research initiative on family enterprise was established at the school.

In 2022, the SSE Center for Family Enterprise (CFE) and the SEB professorial Chair in Entrepreneurship and Family Enterprise were inaugurated. The Center conducts research and education on family enterprise, family offices and family investment companies with a Nordic focus along three main interrelated themes:

i. Innovation & entrepreneurship
ii. Governance & succession
iii. Philanthropy & impact investment

CFE is housed within the SSE House of Innovation, the school's interdisciplinary research environment focused on topics related to innovation, digitalization, and entrepreneurship.

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INTRODUCTION

This Family Office Insights report is the first in a series of practitioner-oriented publications from the SSE Center for Family Enterprise. The first issue is intended as a pedagogical introduction to the evolving phenomenon of family offices and family investment companies in general and in the Nordics in particular. It serves to provide a general overview and as an educational reference to stimulate thoughts and discussions.

An aspiration is to highlight how the research on family enterprise provides an additional explanatory lens to understand how aspects of individual and family identity enhance the importance of non-financial considerations, as opposed to purely financial considerations, for the motivations and actions of family offices and family investment companies.

The concept of *identity* encompasses personal, social, and cultural dimensions, reflecting the unique combination of traits, relationships, and cultural affiliations that define an individual. Personal identity relates to intrinsic qualities and experiences, social identity is shaped by one's roles and connections within a family as well as with other groups, and cultural identity involves identification with certain cultural groups (Tajfel & Turner, 2004).

We start by providing an overview of the history and evolution of family offices and family investment companies. If one seeks to understand to where a developing phenomenon is going to, it is necessary to understand its origins. We then elaborate on the evolution of family enterprise research and how it can be used to better understand the motivations and actions of family offices and family investment companies, specifically in a Nordic context. The report ends by highlighting two key considerations identified through our interviews and ongoing research that family offices and family investment companies need to address.

A BRIEF HISTORY OF FAMILY OFFICES

Initially established by wealthy families to manage and preserve their fortunes across generations, family offices have evolved significantly over time. This evolution reflects the broader changes and themes in economic environments, family dynamics, regulatory landscapes, and investment strategies.

As the global economy has become more interconnected, family offices have also evolved and adapted to navigate international markets, leveraging financial markets and novel technologies. This adaptability underscores the importance of historical context in understanding how family offices have expanded their role beyond traditional wealth management to become influential players in global finance and philanthropy. Examining the historical development of family offices makes it possible to identify enduring principles that continue to guide their operations.

FROM ANCIENT ROME TO ROCKEFELLER

The concept and functions of family offices goes a long way back and has its roots in the stewardship of family estates and wealth in ancient Rome. Wealthy Roman families employed stewards or *maior domūs* as operational heads of household to manage their domestic affairs, properties, and financial matters. These stewards were responsible for overseeing agricultural operations, managing slaves, and ensuring the financial stability of the family's estate.

During the medieval period, the function similar to family offices persisted among the European nobility. Noble families employed officers to manage their estates, collect rents, oversee staff, and protect their wealth.

With the Renaissance and the subsequent rise of commerce and banking, the roles of family office managers expanded.

Wealthy families in places like Florence and Venice, such as the Medici, began to engage in banking, trade, and patronage of the arts. Their family offices not only managed estates but also involved in investment and philanthropic activities.

In Sweden, The Office of the Marshal of the Realm was created in 1607 during the reign of Charles IX, to be formally responsible for the organization and affairs of the royal family and oversee the management of castles and real estate, as well as to host the Keeper of the Privy Purse, a role that to this day assists the monarch with private wealth management.

The Industrial Revolution brought about significant economic wealth creation, leading to the emergence of new wealthy families in Europe and the United States. The complexity of managing industrial wealth led to the formalization of family offices that not only managed estates but also industrial assets, investments, and various philanthropic endeavors.

The Rockefeller family is often credited with creating the prototype of the modern family office. John D. Rockefeller, born in 1839, was the American industrialist and philanthropist who is best known for his role in the establishment and development of the oil industry in the United States.

By the early 1880s, his company Standard Oil controlled about 90% of U.S. refineries and pipelines. Rockefeller's wealth grew exponentially as the demand for kerosene and gasoline soared. He became the world's richest person and the first U.S. billionaire, with a fortune that even by today's standards is considered among the greatest ever created.

In 1882, Rockefeller established the first full-service single family office, Rockefeller Family Office, to manage his vast wealth from the oil industry. This family office was responsible for managing investments, philanthropy, and the family's financial planning, setting a precedent and serving as a template for future family offices.

FAMILY OFFICES IN THE MODERN ERA

The Post-World War II war economic boom led to the creation of massive new wealth and the proliferation of the family office model.

In the United States, family offices have been shaped by the complex tax regulations and legal environment. The U.S. has a highly intricate tax system with federal, state, and sometimes local taxes affecting wealth management strategies. To navigate this, U.S. family offices have developed a strong emphasis on legal and tax planning services. This includes setting up family trusts, which are a popular means of managing and protecting family wealth across generations, minimizing tax liabilities, and ensuring privacy and control over the distribution of assets. These trusts can offer flexibility and can be tailored to the specific needs and goals of the family.

The rise of the technology industry in Silicon Valley has given rise not only to new wealthy entrepreneurs and families, but also more entrepreneurial family offices, often set up, focused on similar topics, and operating more like the tech companies and venture capital funds where the principals built their fortunes. This include operating more publicly, which is a break from the earlier very discreet tradition of family offices. The Vale Group previously known as Vulcan LLC (Paul Allen; one of the Microsoft co-founders) and Omidyar Network (Pierre Omidyar; one of the PayPal co-founders) are some prominent examples.

In contrast, European family offices have traditionally often embodied a broader approach. The focus in Europe can be said to have been less oriented specifically towards intricate legal and tax planning strategies and relatively more on wealth preservation, succession planning, and the inclusion of non-financial assets in the family's portfolio, such as real estate, art, and other tangible assets that reflect the family's heritage and identity.

These different approaches have also likely been influenced by Europe's variety of legal systems and tax regimes, as well as more cultural emphasis on legacy preservation and the transmission of not just wealth, but also family and cultural values and social capital to future generations. An additional influence could be the relative academic influence of stakeholder theory over shareholder theory; the perspective that companies need to consider a wider set of interests than only those of its owners is a distinctly European view that is also prominent in current regulatory discussions.

In the Nordics, while there are multigenerational business families that discreetly have managed their business holdings and wealth through various entities for a long time, family offices as a specific category could be argued to be a phenomenon of the 2020s. Before 2020, it is very hard to even find mentions of family offices in Nordic media or research, whereas in the last few years the proliferation and use of the term by media, business families, and in financial services has exploded.

As both multigenerational business families that own legacy operating companies or business groups, as well as first generation founders and entrepreneurs are now facing the option to setup family offices, family investment companies, or restructure their existing family holding companies, we discuss the current definitions and attitudes to their use.

FAMILY OFFICE OR FAMILY INVESTMENT COMPANY?

So what is in a name and what is the definition of a family office (or family investment company)? Conceptually this is relatively straightforward to answer.

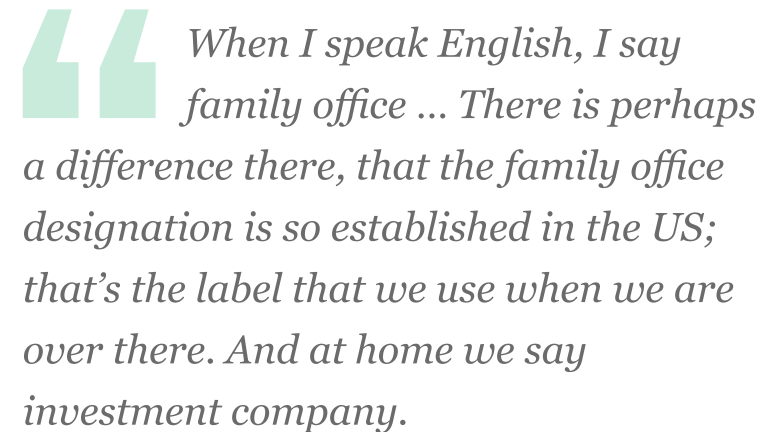
A current academic definition is that a family office is a privately owned and controlled legal and organizational entity set up for the organization, management, and maintenance of the financial and real assets, needs and wishes of a single business family; a network of various individuals related by blood and/or, marriage who mutually influence their strategic business and entrepreneurial behaviors (Kammerlander, 2022; Kenyon-Rouvinez & Park, 2020).

In practice, defining a family office becomes a bit more complicated.

The only country in the world that currently can confidently provide a legal definition and statistical estimate of family offices is Singapore; a country that in 2019 established the first national promotion strategy – including a novel specific legal entity (variable capital company) and specific tax regimes – designed for, and to attract, family offices. This has enabled them to statistically track the estimated 1,100 new family offices registered there as of 2022[1].

However, anywhere outside of Singapore, due to the lack of specific legal entities or regulatory requirements, the definition of family offices is largely by (self) designation, which also calls into question the reliability of market surveys that don't provide specific sample categorization or selection criteria.

1 https://www.edb.gov.sg/en/our-industries/family-office.html



> *When I speak English, I say family office … There is perhaps a difference there, that the family office designation is so established in the US; that's the label that we use when we are over there. And at home we say investment company.*
>
> — FAMILY OFFICE PRINCIPAL

To complicate things, there are additionally various types of family offices, the most common categories used being;

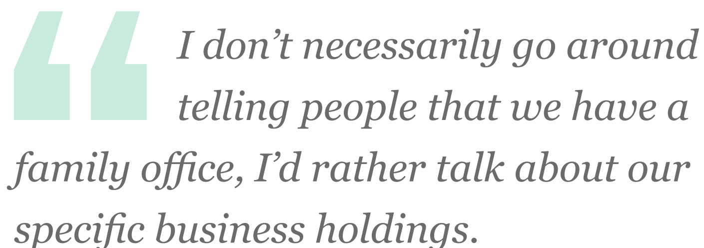
Single family office – some differentiate between private/investment office; set up to manage the financial interests of a single individual, and the single family office that represents the interests of multiple family members. Some family offices are also considered embedded; i.e. when they operate not as a standalone independent entities but when the function is embedded in another family business or holding group.

Multi family office – as inherent in the name, this type of entity manages assets on behalf of multiple families. Multi family offices have typically either evolved from a single family office that due to success and relationships has started to manage investments for additional families, or are independent asset managers that focuses on attracting business families as clients. Clearly these are two very different types of organizations that could be designated as totally different categories depending on the type of research and analysis.

Many industry surveys and even some academic studies don't specify what kind of family offices are included in the sample, and the few that do are difficult to compare with others. While various estimates of family offices circulate, there are questions of their reliability. One academic overview of available surveys and estimates provided differing estimates from 3,000–11,000 family offices globally to 3,000–9,000 family offices in the US only (Kenyon-Rouvinez & Park, 2020).

As these designations are currently both evolving and self-selected in the Nordics, it becomes difficult to establish clear categorization or distinction criteria. The family office designation is a quite recent Nordic import in terms of broader use and it has become clear from our interviews that there are different associations and perceptions of the term family office. Some principals are explicit in that their operation is not a family office but some variation of a family (owned/controlled) investment company, family-controlled holding company, or family-owned business group. Some even indicate that they use different labels when speaking to different stakeholders.

Family principals and non-family professionals also indicate in our interviews that some perceive the term 'family office' as more specifically related to wealth management and personal or family financial planning and management, and additionally to



> *I don't necessarily go around telling people that we have a family office, I'd rather talk about our specific business holdings.*
>
> — FAMILY OFFICE PRINCIPAL

a higher extent associated with more passive type investing into managed funds and financial products.

At the same time, some variation of 'family investment company' is mentioned to be a more representative designation for the active pursuit of the entrepreneurial development of existing business holdings as well as new business opportunities, often through a higher proportion of direct and active investments in companies.

And some of our interviewees indicate that they feel that the choice of label is largely irrelevant as the organization is essentially seen as a necessary legal backend to enable the smooth running of the core business interests of the business family or entrepreneur, rather than an independent operating entity.

For the purposes of this report we will use both these designations, also as the aim to highlight and understand common underlying motivations and considerations rather than categorization. The continued evolution and associations of these different designations across the Nordic countries is an interesting development to follow and could potentially become a research topic.

THE REASONS FOR FORMING A FAMILY OFFICE OR FAMILY INVESTMENT COMPANY

We go on to elaborate on the various motivations for setting up a family office or family investment company in the first place. Research has identified the following main reasons for setting up a family office:

- To manage growth and diversification from an operating company – when a family office is set up to manage the overliquidity created through the dividends from a profitable family or fully owned enterprise,
- As a consequence of a liquidity event – when a windfall is generated through the sale of all or part of a family or entrepreneurial business, or.
- As a platform for inheritance and family succession

Nominally the economic logic for establishment can seem straightforward – at some point it becomes more cost effective to set up a separate entity for asset management functions, specifically professionalizing the procurement of financial services.

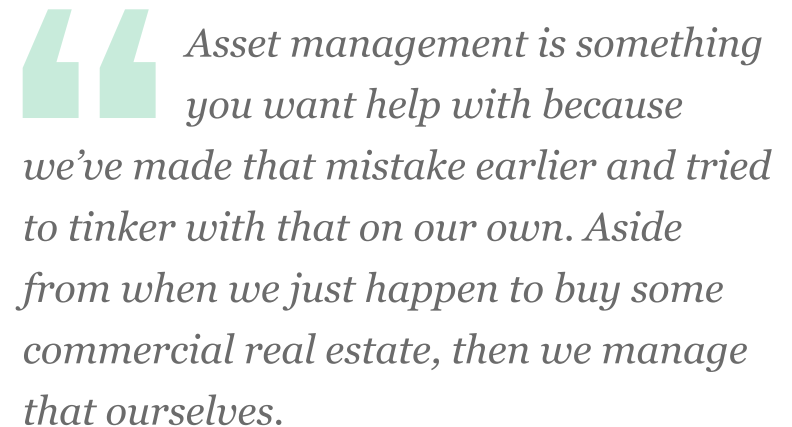
Having so much wealth that one needs to set up a separate organization to manage it might seem like a solution to a luxury problem, but there can actually be several additional motivations. To understand the additional reasons to set up a family office or a family investment company, we first need to understand the evolution of family enterprise research and how it can provide additional insights.

A BRIEF HISTORY OF FAMILY ENTERPRISE RESEARCH

During the second half of the 20th century, management research underwent a transformative evolution, shifting from a predominantly industrial and economics-focused perspective to a more inclusive one that incorporates entrepreneurship and family enterprise, influenced by the behavioral sciences.

In the aftermath of World War II, the field of management research was profoundly influenced by the philosophical underpinnings of economics and spurred by the organizational and operational challenges faced during the war. The reconstruction period necessitated robust conceptual frameworks for managing the expanding industrial sector and rebuilding economies at scale, and both industrial and academic management research primarily focused on how industrial corporations could operate as effective and efficient as possible.

The war itself was a catalyst for the development of management principles that emphasized strategic planning and logistics, inspired by military operations. This was evident in



Asset management is something you want help with because we've made that mistake earlier and tried to tinker with that on our own. Aside from when we just happen to buy some commercial real estate, then we manage that ourselves.

— FAMILY OFFICE PRINCIPAL

the early work of Peter Drucker, who spent most of his career at New York University and later Claremont McKenna College and whose book Concept of the Corporation (1946) was one of the first to study management as a distinct function, drawing parallels between military efficiency and corporate productivity. Drucker later became known as one of the founding fathers of modern management for his contributions to the field.

In the late 1950s and 1960s, management research was largely dominated by principles of industrial management and economics, and witnessed the introduction of management accounting research, which sought to align accounting practices with the burgeoning complexity of business management.

This period also saw the emergence of financial economics with theories such as Capital Asset Pricing Model (CAPM) and Efficient Market Hypothesis (EMH), foundational to financial management theory put forth by scholars like William Sharpe and Eugene Fama (Fama, 1965; Sharpe, 1964) and remaining dominant mental models until modern day. No doubt the certification effect of being awarded the Nobel Memorial Prize in Economic Sciences helped cement the prominence, with William Sharpe being awarded it in 1990 and Eugene Fama in 2013.

In the 1970s and 1980s, the philosophical influence of economics on management research remained robust, exemplified by the development of agency theory which became a dominant framework for understanding and managing issues of corporate governance and executive compensation.

This theory, developed by scholars such as Michael Jensen and William Meckling with their work Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure (1976), examined the relationship between owners and managers in a business setting. But there was still not much question or academic inquiry into who these different owners could be and their various motivations.

In its formative stages prior to 1980, the study of family enterprise was categorized as a subfield of sociology and later specifically small business management. This heritage led to the field facing challenges in establishing itself as a distinct and intellectually rigorous area of study, struggling to overcome negative perceptions associated with being labeled as focusing on small businesses only, a lack of growth and innovation, and an overall rustic image.

However, towards the late 1980s and 1990s, management research began to shift towards entrepreneurship and the study of small but growth-oriented firms. The behavioral sciences started to have a greater impact, with researchers increasingly looking at the psychology of the entrepreneur and the role of individual motivations in business performance, which also could include social and family factors.

This led to the 1990s and early 2000s marking a clear and burgeoning interest in the study of family enterprises, beginning with the now widely spread Three-Circle Model of the Family *Business System* developed by Renato Tagiuri and John Davis at Harvard Business School (Taiguri & Davis, 1996). This model was the first to illustrate the family business system through three overlapping circles, each representing a different sphere of interest:

Family Circle: This circle represents the family members related by blood, marriage, or adoption. The family component is concerned with relationships, family roles, and emotional aspects that can significantly impact the business and ownership spheres. It addresses the dynamics of family governance, communication, and generational transitions.

Business Circle: The business circle encompasses the operational aspect of the company, including non-family employees, business strategy, and day-to-day management. It focuses on the pursuit of profitability, market competitiveness, and

business growth, often with considerations distinct from family concerns.

Ownership Circle: The ownership circle pertains to the legal and financial interests in the business. This includes shareholders, investment strategies, and the distribution of profits. Owners may be family members, but the circle also accounts for external investors and considerations around equity and dividends.

The model's appeal lies in its recognition of the overlapping areas between these circles, each representing a unique set of individuals, roles, and concerns. The intersections highlight the complex interplay between family interests, business needs, and ownership rights, which can sometimes be harmonious and other times conflicting.

The Three-Circle Model established the foundational inherent tension in all family enteprises – to navigate the intricate interplay between two distinct yet sometimes conflicting identities: the identity of the family and the organzational identity of the family firm. Balancing and effectively integrating the strengths inherent in these dual identities poses a significant challenge in governance for such businesses and has been a recurring research theme (e.g. Milton, 2008; Shepherd et al., 2009; Sundaramurthy et al., 2008).

The further evolution of family enterprise into a distinct field and discipline has also been evident from the establishment of dedicated research and teaching initiatives at leading US business schools including Harvard, MIT, Columbia, and Cornell, as well as at European equivalents such as IMD, INSEAD, University of St. Gallen, IESE, and WHU.

THE TWO PERSPECTIVES ON FAMILY ENTERPRISES

From the academic research on family enterprises, two divergent perspectives have emerged.

Family business scholars with a background in economics and finance have generally developed a more skeptical view towards family-owned businesses. The implication has been that family enterprises foster an environment where nepotism and myopia are prevalent, which should lead to less competent management decisions and suboptimal performance.

The critiques include that family owners should be more inclined to misuse company assets for their own personal benefit, exhibit a higher degree of risk aversion, and demonstrate a reluctance to invest in innovation and skill development – a tendency that should hinder long-term growth and competitiveness (Morck and Yeung 2003).

In contrast, the now substantial family enterprise research with a foundation in management and organizational theory has generally provided a more positive interpretation. This research tends to highlight the distinct nature of family enterprises, particularly their ability to operate under the influence of deep-rooted family values and free from the short-term pressure of shareholder demands.

These family enterprise researchers argue that these aspects enable family enterprises to undertake ambitious, long-term strategies, and being capable of being particularly proactive and independent from external considerations when it comes to introducing new products, sustainable practices, or venturing into unexplored markets as highlighted by scholars such as Timothy Habbershon – who established the Babson College Institute for Family Enterprising before he transitioned to set up the Family Enterprise Group advisory at Fidelity Investments (Habbershon & Williams 1999) – and the world's most cited family enterprise researcher Danny Miller and his

wife and co-author Isabelle, both faculty members at HEC Montreal (Le Breton-Miller and Miller, 2009).

This line of research also provides evidence that that family firms can often be more richly endowed with valuable and robust social networks and substantial financial resources when compared to their non-family rivals, which can give them a sustainable competitive edge (Chrisman et al. 2009, Habbershon et al. 2003).

Thus, the academic discourse on family enterprise yields a dual perspective:

On one hand, family enterprises are often viewed as archaic holdovers from a bygone era, stuck in traditionalism, family politics and nepotism, and therefore unable to manage rationally or adapt to the rapid changes and evolving trends of their respective industries.

On the other hand, family enterprises are also perceived as a group to be uniquely long-term responsible enterprises that can be distinctly more sustainable, forward-thinking, and independent in their strategic pursuits.

Both perspectives can be true at the same time, and it's widely acknowledged that family businesses are less likely to adhere to the strategic norms of their respective industries – i.e. to be 'average' – but are more likely to be outliers in either direction (Miller et al., 2013). Regardless of what assumption one might have of family enterprises, to better understand the motivations, perspectives, and behaviors of family offices and family investment companies, we can apply the lens of one of the core theories in the family enterprise field, socioemotional wealth theory.

SOCIOEMOTIONAL WEALTH THEORY

Socioemotional wealth theory (SEW) is a concept that has evolved to become one of the most central themes in the study of family enterprises. It was first introduced by Luis Gómez-Mejía and his research collaborators in 2007 as a framework to understand how family-controlled businesses prioritize non-financial objectives — such as identity preservation, family control and influence, and the perpetuation of family values — over financial gains.

The concept originated from a study on all family-owned olive oil mills in Spain between 1944 and 1988, where Gómez-Mejía and colleagues found that faced with the decision to join cooperatives and lowering their business risk but surrendering control of the firms, many family owners opted to retain control of their firms and bear the higher risk.

SEW theory proposes that family members and entrepreneurs derive identity and emotional value from their businesses, leading them to make decisions that preserve their socioemotional wealth, even at the potential expense of financial wealth. Initially, SEW was seen as a counterpoint to the traditional financial wealth maximization perspective, offering a lens to explain why family firms sometimes accept lower financial returns to maintain family control and legacy (Gómez-Mejía et al. 2007).

Further research has delved deeper into the dynamics of SEW, suggesting that it can also lead to positive outcomes. For instance, firms with high socioemotional wealth may be more committed to their communities and long-term sustainability, engage in less aggressive risk-taking, and demonstrate more stable governance practices (Miller & Le Breton-Miller, 2014).

Today, SEW theory is recognized not only for explaining certain behaviors that might seem irrational from a purely financial perspective but also for offering a broader understanding of the motivations and actions of family businesses in a variety

of contexts. It continues to be an active area of research, with scholars investigating its implications for internationalization, succession planning, governance, innovation, and entrepreneurial activities within family firms (Chua et al., 2015).

The popularity of the SEW theory has grown because it helps explain why family businesses might pass on lucrative opportunities if those options risk disrupting the family's influence or the perceived character of the family business. It also sheds light on why these owners might invest in community projects, donate to philanthropy, or keep unprofitable product lines that are closely tied to their family identity and heritage. Essentially, SEW theory helps us understand that for family owners and entrepreneurs, emotional and subjective considerations can outweigh purely financial value.

THE FIBER FRAMEWORK

Over time, SEW theory has been refined and extended. Pascual Berrone, Professor of Strategic Management at IESE Business school, together with co-authors Luis Gomez-Mejía from Arizona State University and Cristina Cruz from Instituto de Empresa (IE) in Madrid have further operationalized the SEW framework by identifying its dimensions, such as the need for family control and influence, the identification of family members with the firm, and the desire to maintain family social capital (Berrone et al., 2012). This has helped researchers to better categorize and understand the impact of SEW on firm behavior and decision-making processes.

While there is continuing academic discussion among family business scholars about the five SEW dimensions in the framework, the original FIBER model offers a useful mnemonic to remember the overarching scheme that captures the major elements of SEW as inferred from the broad family business literature.

The FIBER framework breaks down socioemotional wealth into five core dimensions:

1. *Family control and influence* (F): This dimension emphasizes the desire of family members to maintain control over the business, ensuring that decision-making remains within the family. This control is not just for the sake of power but is deeply tied to the family's identity and legacy.
2. *Identification of family members with the firm* (I): This aspect focuses on the strong identification of family members with the company. It highlights how the family's and the business's reputations are intertwined, with family members often seeing the business as an extension of themselves.
3. *Binding social ties* (B): This dimension looks at the relationships and networks within the business. Family businesses often have strong, enduring relationships with employees, customers, and suppliers, based on loyalty and trust that extend beyond mere transactional interactions.
4. *Emotional attachment of family members* (E): Emotional attachment underlines the deep emotional connections family members have with the business. It's about the passion, pride, and sometimes love they can feel for what they've built or inherited, making the business's success personally meaningful.
5. *Renewal of family bonds through dynastic succession* (R): Finally, this dimension emphasizes the importance of passing the business from one generation to the next. It highlights the desire to preserve the family legacy and ensure the business's longevity through careful succession planning.

While SEW was originally conceived through a study of family-owned olive oil mills in Spain, and the FIBER model was developed to better analyze traditional operating family firms, they can also be useful to understand the personal and emotional motivations for forming and operating a family office or family investment company.

ENTREPRENEURIAL IDENTITY AND FAMILY ENGAGEMENT

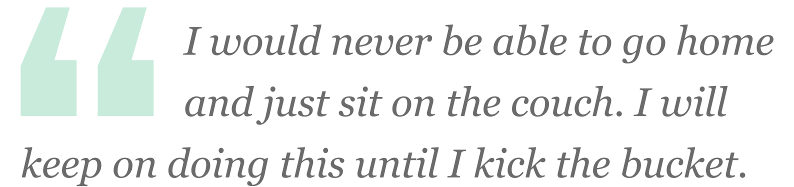
For many entrepreneurs, founders, and members of business families, running a business is not just a job; it's a core part of who they are. This deep connection to the enterprise can often stem from a combination of personal interests, family traditions, and a desire to leave a lasting legacy. For someone growing up in a family where business discussions are a staple at the dinner table, it naturally becomes a foundational part of their identity.

The decision to start a family office or family investment company can reflect this entrepreneurial identity and motivation. This identification of the family member and entrepreneur with the firm is likely to be noticeable through active involvement in the decision making and strategy, regardless of formal role description or title. For entrepreneurs, active control and decision-making can be a personal habit that is hard to abandon.

By establishing a family office or family investment company, entrepreneurs and business families create a structure that supports the financial, educational, and social needs of family members, helping to sustain the family's legacy and values over time.

Furthermore, a family office can serve as a platform for new business ventures, allowing for multiple family members to explore their entrepreneurial ideas while staying connected to their roots. It offers a way to diversify the family's interests beyond the original business in a way that's often more flexible than for business families who are still connected to or centered around a legacy operating business that might have more restrictions (Ramirez-Pasillas et al., 2021).

According to the socioemotional wealth theory (SEW) and the FIBER framework, the establishment and operation of a family office or family investment company can have as much to do with retaining family or founder control and influence (F),



> *I would never be able to go home and just sit on the couch. I will keep on doing this until I kick the bucket.*
>
> — FAMILY OFFICE PRINCIPAL

identification (I) with the business – which could be extended to include specific industries, or job descriptions and activities – and in the case of extended families, as a bonding activity as a means to stay connected through binding social ties (B).

These factors might outweigh the purely economic logic to the extent that it could be more costly to run the family office or family investment company than the alternatives – outsourcing wealth and investment management to external service providers – but still seen as a worthwhile financial investment for socioemotional returns and identity reasons.

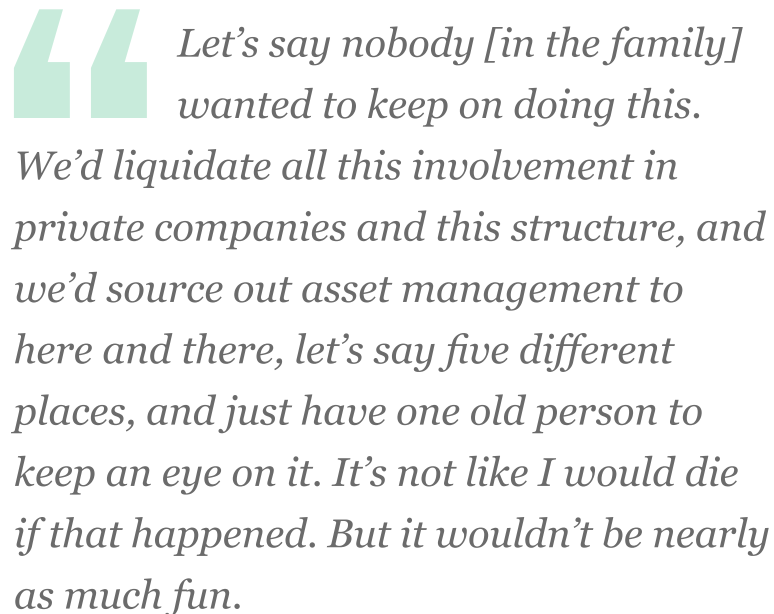
NEXT GENERATION SUCCESSION PLATFORM

Specifically the topic of generational succession is the most prominent research subject in the family enterprise field (Chua, Chrisman & Sharma; 2003). The key factors for the next generation in a business family to successfully engage have been described as their *ability* and *willingness* (Chrisman et al., 2015; Richards et al., 2019).

Ability in the context of family businesses means the professional capabilities and qualifications that the next generation needs to possess to continue to steer the company in a successful and credible way. This includes being competent and trustworthy as perceived by those within the company and outsiders alike. It's also about having the necessary technical knowledge, like an understanding of the industry and market

trends, as well as being adept in leading and managing people. In longstanding family businesses, the required abilities are often very specialized, tailored to the industry, and linked to established roles that have been defined over time.

Willingness refers to how much the upcoming generation is motivated to take on leadership roles in the family business. If they don't genuinely want to keep the family legacy going, the process of one generation trying to hand over the reins to unwilling heirs can become full of friction. But if they're ready and willing to lead, chances are the transition will be more successful. This readiness to step up is usually influenced by the family's values and the sense of duty to continue what previous generations have built.



> *Let's say nobody [in the family] wanted to keep on doing this. We'd liquidate all this involvement in private companies and this structure, and we'd source out asset management to here and there, let's say five different places, and just have one old person to keep an eye on it. It's not like I would die if that happened. But it wouldn't be nearly as much fun.*
>
> — FAMILY INVESTMENT COMPANY PRINCIPAL

The interplay between ability and willingness plays a crucial role in passing down a family business. The mix of these elements can lead to different scenarios in the handover process. For instance, if the heirs are enthusiastic but don't have the necessary expertise, it can create significant obstacles that may even prevent the succession, possibly resulting in the business being sold to someone outside the family. On the other hand, it can occur that the younger family members have significant business ability but not the interest in continuing the family business, preferring to use their talents elsewhere rather than in the family enterprise.

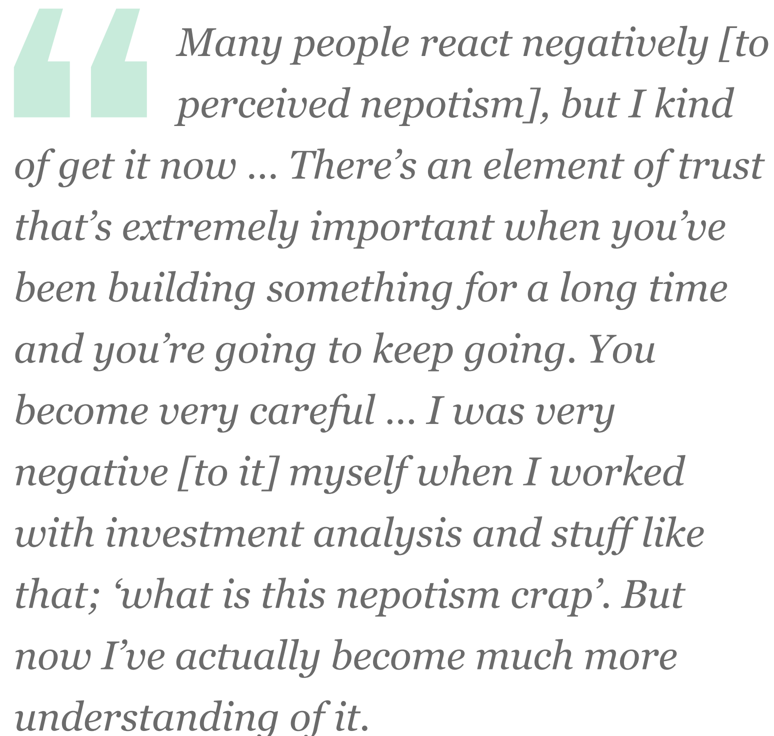
The way operating family businesses have historically handed over the reins can often lead to frictions in terms of internal rivalries or pressure to follow in the family's footsteps. It's a challenge to balance the personal motivations and ambitions of individual family members with the expectations to uphold the family legacy.

However, by adopting a well-organized approach to succession within a family office or family investment company, it's possible to transform this into a collaborative effort that spans generations. This enabling approach encourages the younger generation's involvement by designing roles and responsibilities that align with their skills and interests, ensuring their readiness and enthusiasm to contribute, while also safeguarding the integrity of the family business legacy.

As such, family offices and family investment companies can operate as organizations serving to coordinate the various interests and assets of the business family and may offer opportunities aligned with the interests of next generation family members (De Massis et al., 2021). The wide range of options that the typical legacy family business may not offer could increase the willingness of next generation family owners to contribute to the continued business activities of the

family. Further, these roles may require different skills than a traditional business background provides, allowing for broader participation among the next generation.

The increased flexibility of role creation in a family office setting can also minimize potential family conflict from the archetypal competition for the top job in an operating family firm. This is because the family office can be both legally and structurally designed and reorganized in a way to accommodate various ambitions and interests.



> *Many people react negatively [to perceived nepotism], but I kind of get it now … There's an element of trust that's extremely important when you've been building something for a long time and you're going to keep going. You become very careful … I was very negative [to it] myself when I worked with investment analysis and stuff like that; 'what is this nepotism crap'. But now I've actually become much more understanding of it.*
>
> — FAMILY INVESTMENT COMPANY PRINCIPAL

Additionally, the capital and assets in a family office structure could be easier to divide between family owners should it be necessary for example, to address conflicts, liquidity needs, etc. And in the cases where the legacy firm or core holdings are intended to be family-owned going forward, the family office and additional shared assets could facilitate the buyout of family members that want to divest their interest in the family enterprise.

IDENTITY AND DECISION DYNAMICS

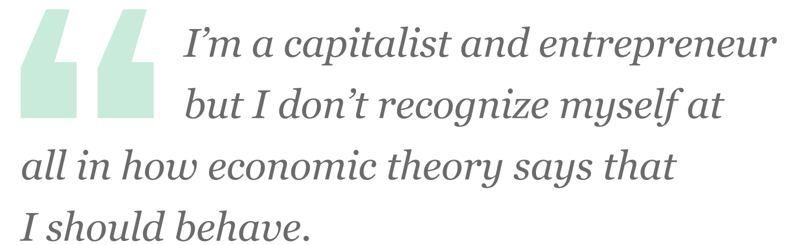
So, if the decision to establish family offices and family investment companies is largely based on non-financial aspects, we should also expect to find these socioemotional aspects in their strategic and financial decision-making. One common distinctive feature is that of investment timeframes, where family owners can differ from the standard textbooks assumptions.

A theory that has had major impact in the private wealth management space is the field of financial economics that studies how households use financial instruments and markets to achieve their objectives. One prominent international scholar in the field is our colleague Professor Paolo Sodini at Stockholm School of Economics.

Household finance studies how households make financial decisions, including savings, investments, borrowing, insurance, and pension planning. The research field highlights the importance of understanding these decisions for both individual financial well-being and broader economic stability. It has provided many important insights to the field of wealth management (Guiso & Sodini, 2013).

First, it emphasizes the significant heterogeneity in financial behavior across households, influenced by factors such as wealth, income, education, and risk tolerance. This diversity necessitates personalized financial advice and policies tailored to different segments of the population.

Second, household finance incorporates the fact that common biases and heuristics that affect financial decision-making. Many households exhibit behaviors like insufficient savings, suboptimal investment choices, and high levels of debt due to limited financial literacy, overconfidence, and procrastination. These findings underscore the need for improved financial advice to make better financial decisions.



I'm a capitalist and entrepreneur but I don't recognize myself at all in how economic theory says that I should behave.

— FAMILY PRINCIPAL

The field has also highlighted that the complexities of financial markets and products easily can overwhelm unprepared decisionmakers, and that there's a critical role for regulation and guidance in ensuring that financial products serve the best interests of consumers.

However, one key economic tenet underpinning household finance is that individuals should invest and rebalance over time and over their expected life cycle, i.e. younger individuals should invest in more risky assets over time, and older individuals should have a higher of proportion of assets where value and yields are more stable.

Like previously mentioned foundational economic theories, this also was formulated in the middle of the 20th century by a Nobel Laureate, Franco Modigliani, who received the Nobel Memorial Prize in Economics for his contributions, including the life cycle hypothesis that he published in 1954 together with fellow economist Richard Brumberg (Modigliani & Brumberg, 1954).

But what are the implications if this core assumption does not hold?

An established finding in the family enterprise field is that many existing and new business families adopt a multigenerational perspective to the management of their business and

wealth (Jaffe & Lane, 2004). When the standard assumptions don't hold, we can expect to see non-standard approaches to investing among family offices and family investment companies. Next, we offer a few propositions based on our interviews and ongoing research how family offices and family investment companies might differ from individual and institutional investors.

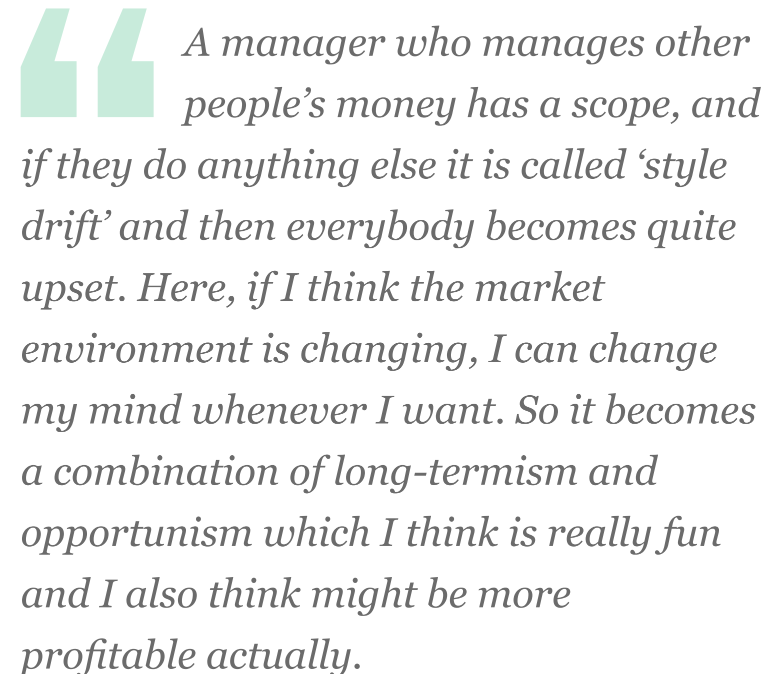
COMBINING STABILITY AND AGILITY

From our interviews, an approach of certain family offices and family investment companies is their ability and inclination to combine very long investment horizons with very fast investment decisions in a way that is distinct from institutional investors.

A multigenerational long-term perspective might actually have some benefits over an individual lifecycle timeframe, as supported by mainstream financial theory. As general principle, it supports three basic factors that have been established to drive investment returns.

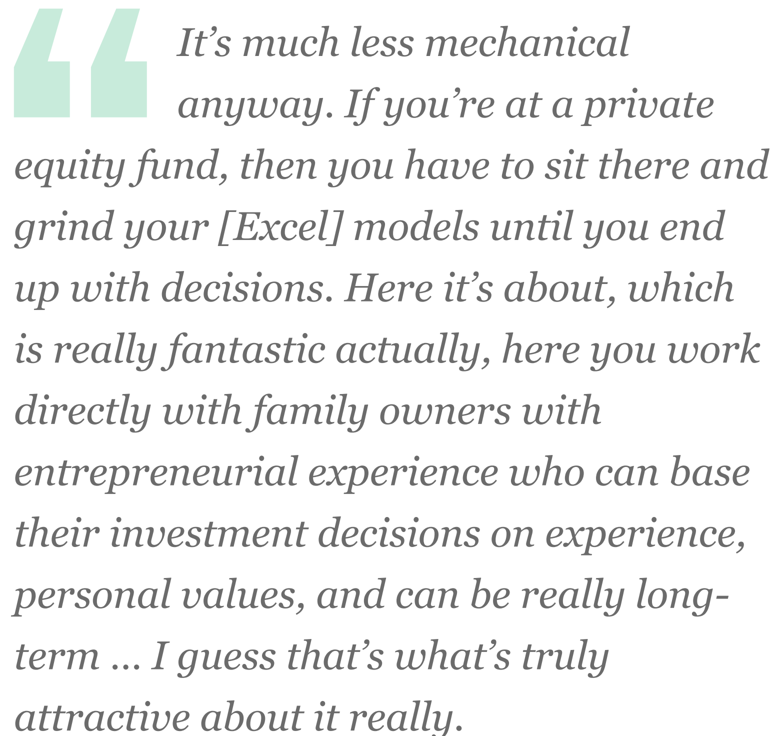
1. *Compounding*. The principle of compounding is central to the benefits of long-term investing. As earnings from investments are reinvested, they generate their own earnings, leading to exponential growth over time. A well-known metaphor to illustrate this fact is that Warren Buffett, one of the wealthiest persons alive – amassed more than 90% of his fortune in the last 30 years as his financial holdings compounded value.
2. *Reduced market volatility*. Long-term investors are less affected by short-term market volatility. Financial research has clearly established that the longer an investment is held, the lower the risk of experiencing negative returns. This is because over longer periods, the market has historically trended upwards, smoothing out the effects of short-term fluctuations. (French, et al., 1987; Shiller, 1981).
3. *Mitigation of timing errors*. Attempting to time the market can lead to significant errors, often resulting in buying high and selling low. Fama and French (1988) provide evidence supporting the difficulty of timing market movements accurately and consistently. Long-term investing sidesteps the pitfalls of market timing, as it relies on market growth over extended periods rather than short-term gains.

Having a long-term perspective should thus be beneficial for investment returns, but in family offices and family investment companies, this can often be found in combination with very agile and fast investment decision-making, as they typically are



not constrained by formal investment mandates or directives from outside investors.

Based on our interviews, this can occasionally be perceived as a challenge by those trying to determine and categorize the investment profile of family offices and family investment companies in similar ways as with institutional investors. However, this likelihood of absence or deviation from investment strategies might be an advantage, as formalized investment strategies and mandates can also potentially limit the potential for outperformance and elevate the risks to relative performance.



> *It's much less mechanical anyway. If you're at a private equity fund, then you have to sit there and grind your [Excel] models until you end up with decisions. Here it's about, which is really fantastic actually, here you work directly with family owners with entrepreneurial experience who can base their investment decisions on experience, personal values, and can be really long-term … I guess that's what's truly attractive about it really.*
>
> — FAMILY OFFICE NON-FAMILY PROFESSIONAL

The necessity for adaptability in investment strategies is quite well-documented in recent financial literature. The dynamic nature of financial markets requires investors to remain flexible to capitalize on evolving opportunities and mitigate risks. However, strict mandates limit this flexibility, potentially leading to missed opportunities. A study of on one of the world's largest institutional investors – the Norwegian Pension fund – on the implications of investment constraints underscores the importance of adaptability for achieving optimal investment outcomes, suggesting that rigid investment guidelines can impede performance (Ang, Goetzmann, and Schaefer, 2009).

Additional research by Cremers and Petajisto (2009) on active share and mutual fund performance illustrates how a lack of flexibility in adhering to a specific investment mandate can hinder the ability to outperform benchmarks. Their findings suggest that funds with higher active shares, indicating a deviation from benchmark indices, tend to outperform, thereby implicating the potential cost of strict mandates.

So, in addition to potentially longer investment horizons, family offices and family investment companies can invest in an agile way that could offer both potential advantages and disadvantages. Anecdotally from our interviews, also the non-family professionals can find socioemotional value in this.

Another aspect that comes out of our interviews and the literature is that the relational aspect of family enterprise is valid also in the context of family offices and family investment companies.

MORE RELATIONAL THAN TRANSACTIONAL

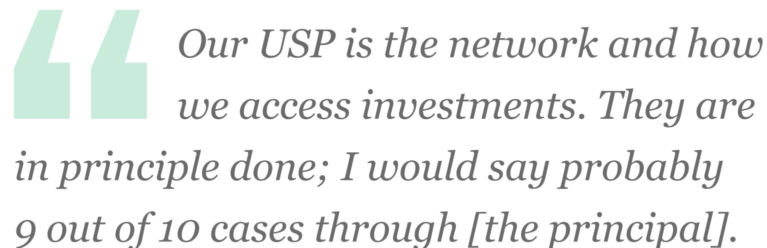
In our interviews, principals as well as and non-family professionals indicate that an important consideration of a business opportunity or collaboration is the reputational aspect, both

in terms of what kind of business opportunity, and who the collaboration is done with. In this aspect, many family offices and family investment companies can be argued to be more relational than purely transactional.

This also connects to the evolving role of family offices and family investment companies in the ecosystem – for many entrepreneurial individuals and business families, increasingly public profiles can be a core part of their business model and distinct competitive advantage in generating business and investment opportunities.

Business families and entrepreneurs often possess distinctive competitive advantages derived from their reputation and social networks, features that are deeply embedded in the fabric of their operations and strategic outlook. These advantages are not merely incidental but are cultivated through years of relationship-building, ethical business practices, and community involvement, contributing to their sustained success and resilience in competitive markets.

Reputation serves as a critical intangible asset for business families and entrepreneurs, underpinning trust and credibility with customers, suppliers, investors, and other stakeholders. A positive reputation, especially if built over several generations,



> *Our USP is the network and how we access investments. They are in principle done; I would say probably 9 out of 10 cases through [the principal].*
>
> — FAMILY OFFICE NON-FAMILY PROFESSIONAL

can differentiate a family business in crowded marketplaces, enabling it to command premium prices, attract high-quality talent, and secure favorable terms from suppliers.

In their research on the signaling theory of reputation, Deephouse and Carter (2005) articulated how a firm's reputation acts as a signal to external parties about its reliability and quality, thereby reducing information asymmetry and building trust. This trust is particularly valuable in industries where the quality of goods and services is hard to distinguish beforehand.

Social networks tangibly provide family businesses with unique opportunities for collaboration, innovation, and access to critical resources. These networks can also often span generations and include a wide array of relationships with other businesses, political figures, and community leaders (Arregle et al., 2007).

Furthermore, the intersection of reputation and social networks can amplify a family business's competitive advantage. Reputation enhances the value of social networks by ensuring that the business is a desirable partner, while robust social networks can further bolster reputation through association and endorsement. The synergistic effect of social capital and reputation can lead to superior performance outcomes by fostering stronger relationships, enhancing market position, and facilitating strategic alliances (Miller et al., 2010).

By actively developing their social networks and focusing on building a reputable brand, families and founders can ensure long-term success through continued access to referrals and business opportunities. This relationship orientation of family offices and family investment companies also carries over to their perception and management of business risk.

SUBJECTIVE PERCEPTIONS OF RISK

The influence of identity and relationships on the subjective perception of risk within family offices can be profound. Essentially, the unique cultural, familial, and individual values that define the identity of a family office deeply affect its approach to risk assessment and decision-making. These identities shape the priorities, goals, and risk tolerance levels, leading to a highly personalized interpretation of what constitutes a risk and how it should be managed. This means that two family offices may perceive the same investment or decision differently based on their distinct identities, which include their collective experiences, values, and objectives.

Slovic (1987) elaborated on the concept of risk perception and how subjective risk influences decision-making. His research highlights the discrepancy between objective risk assessments and individual perceptions of risk, showing that subjective feelings about risk can significantly impact behavior, often more so than the statistical probabilities.

Objective risk refers to the measurable and quantifiable uncertainty of loss. It's grounded in statistical probabilities and data, allowing for a relatively precise assessment of the likelihood of a specific event occurring. For instance, insurance companies rely heavily on objective risk when determining premiums for policyholders, using historical data and statistical models to predict the probability of claims. Objective risk is inherently numerical and can be reduced to figures like the frequency of car accidents in each area or the failure rates of a manufacturing process. The concept of objective risk is central to the field of risk management and insurance, where it helps in the allocation of resources to mitigate potential losses.

Subjective risk, on the other hand, is the individual or organizational perception of the likelihood and impact of a risk. This perception is influenced by personal experiences, emotions,

> *A passive investor is typically allocating [capital according to CAPM], the efficiency frontier and so on. But we don't think that way. We don't think of risk in that way but think of allocation based on our experience and of course spreading risks but in specific sectors that we know well rather than diversification by geographies or industries.*
>
> — FAMILY INVESTMENT COMPANY PRINCIPAL

biases, and cultural backgrounds. Subjective risk is not easily quantifiable and varies widely from one person to another. For example, two individuals may perceive the risks of investing in the stock market very differently based on their personal experiences, financial literacy, and tolerance for loss.

Subjective perceptions of risk play an important and possibly underestimated role in shaping the investing behavior of family offices, family investment companies, and the private wealth management advisory firms that serve these clients.

The unique blend of personal, familial, and financial objectives within these entities combined with the significant capital that they control makes subjective perspectives on risk particularly influential in this sphere.

In addition to quantifiable financial risks, a family office or

family investment company might consciously or subconsciously identify and assess subjective risks from a socioemotional wealth and identity perspective. Illustrated using the FIBER framework, some examples might be:

1. *Family control and influence* (F): Investments that require equity sharing or bring in external investors can dilute the family's control over decision-making which might reduce the attractiveness.
2. *Identification of family members with the firm* (I): The perceived risk that an investment leads to negative publicity that could damage the family name and image, or otherwise is at odds with the personal and family values.
3. *Binding social ties* (B): The risk that an investment necessitates transformational changes in the business model that could risk disrupting established internal and external relationships.
4. *Emotional attachment of family members* (E): The risk for or emotional cost of losing or significantly altering parts of the business that hold sentimental value can outweigh rational economic considerations.
5. *Renewal of family bonds through dynastic succession* (R): The risk that major new ventures could threaten either the firm's long-term stability, or otherwise is in conflict with the values and preferences of the next generation family members which could complicate succession planning.

If [an investment opportunity] feels really boring, of course it will matter.

— FAMILY INVESTMENT COMPANY PRINCIPAL

Our opportunities are based on our reputation.

— FAMILY OFFICE PRINCIPAL

The combined importance of reputation and networks to access investment opportunities suggests that family offices may be exposed to reputational risk - the threat of losing external and public trust, which can have immediate and devastating effects on a company's bottom line and long-term viability. Understanding and managing this risk is crucial for businesses an environment where information spreads rapidly, and consumer expectations are higher than ever. For family enterprises where the organizational identity is intertwined with that of the individual founder or family owner, it becomes even more important.

The importance of managing reputational risk is not just a matter of public perception but has tangible impacts on financial performance and sustainability. A positive reputation can also help in attracting better talent. Conversely, a damaged reputation can lead to lost revenue, increased costs, and difficulties in capital markets.

Ultimately what is considered acceptable subjective risk can only be decided by each individual family office or family investment company.

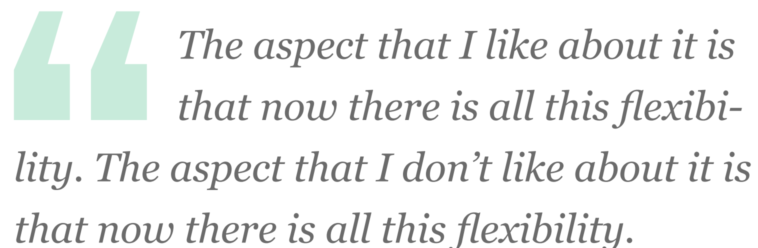
IMPLICATIONS AND CONSIDERATIONS

Our interviews with principals and professionals seen through the lens of the academic research highlight two identified key considerations for family offices and family investment companies, or founders and business families that are in the scoping process of forming a family office or family investment company.

MANAGING THE FLEXIBILITY PARADOX

While the family office form of organization can provide these clear and more flexible opportunities to family engagement as well as succession within the family, the family office as platform may also introduce some specific challenges.

In other words, establishing family offices and family investment companies – especially when formed as a platform to transition away from a legacy operating firm or for generational succession – can introduce a *flexibility paradox* where the increased opportunities for family owners also may create more room for contesting the direction and long-term development of the family office.



The aspect that I like about it is that now there is all this flexibility. The aspect that I don't like about it is that now there is all this flexibility.

— FAMILY OFFICE PRINCIPAL

When dealing with succession in a legacy family firm, the identity and the strategic orientation of the business are usually quite established and clear, especially if it is a business that was created several generations ago.

When managing succession in a family office, particularly if the legacy business has been fully divested and the family office is recently established, the lack of a connection to a core operating legacy business might create more possibilities but also uncertainty in relation to the future orientation and purpose of the continued family enterprise.

This highlights the need for a clear process that can guide the involvement of the next generation in the family office. Ideally, an open conversation among different family members and generations should start early. This can evolve into laying the groundwork for the creation of a governance structure that facilitates discussions around the formulation of both shared and individual values.

A family office or family investment company might, for example, prioritize investing in a start-up that aligns with the family's social or environmental values, even if it's not the most profitable option. In these ways, family offices and family investment companies can be seen as a tool for maintaining and enhancing socioemotional wealth. The FIBER aspects can be one guiding framework for such a process.

But regardless of the extent to which an entrepreneurial family or founders are managing the increased flexibility, there is another consideration that needs to be addressed.

FAMILINESS VS PROFESSIONALIZATION

Any family enterprise needs to strike a delicate balance with regards to the organizational identity of the firm – that between *familiness* and professionalization.

Optimal distinctiveness is a concept in strategy research that

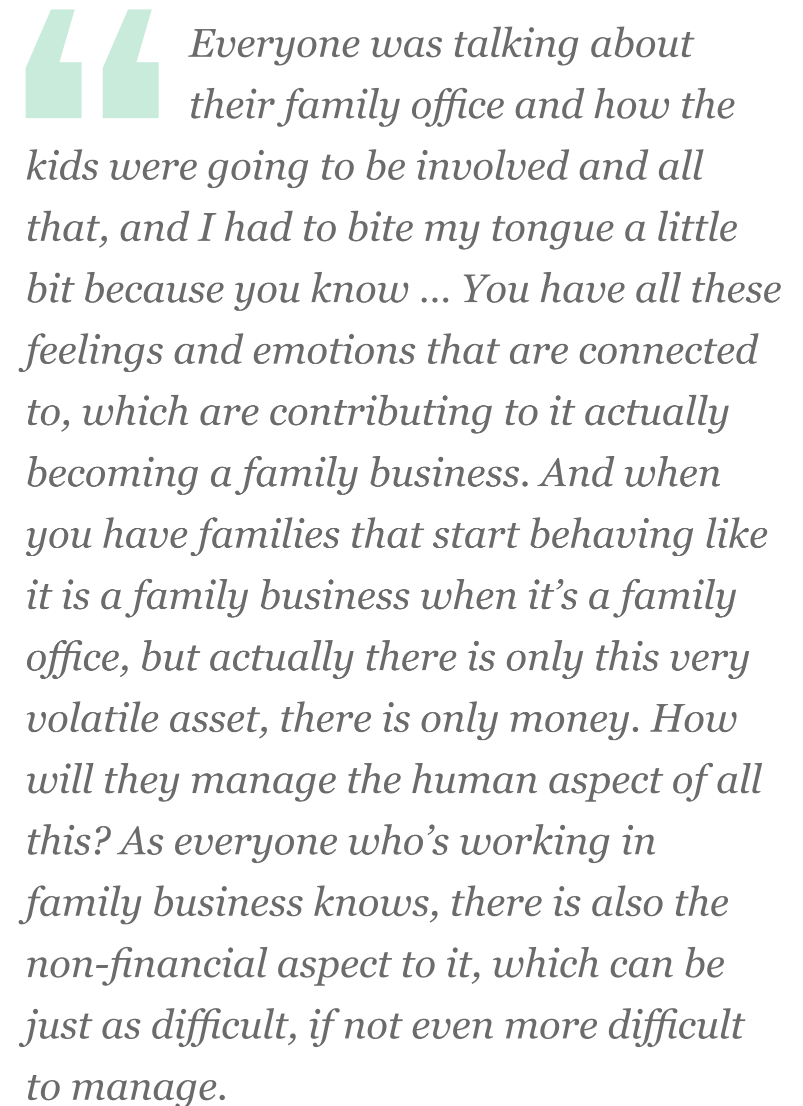
explores the balance businesses must find between blending in and standing out within their market. This idea was articulated by psychologist Marilynn B. Brewer at Ohio State University in the 1990s, who proposed that social groups, and by extension organizations, seek an ideal balance between being similar to others to belong to a category and being distinct to maintain a unique identity (Brewer, 1999).

In the business world, this translates to companies striving to be sufficiently similar to competitors to be recognizable to customers as a viable choice, while also maintaining enough uniqueness to stand out. For example, a smartphone company might ensure its devices have all the basic features that consumers expect but will also seek to add a unique designs or capabilities that sets it apart from the competition.

Family enterprises, with their inherent blend of tradition and personality, are natural exemplars of optimal distinctiveness theory in action. These businesses often have strong foundational stories and values that set them apart from more impersonal corporate entities, as explored by for example Professor Thomas Zellweger at the University of St. Gallen and co-authors, who combined identity theory and the concept of *familiness* to describe a combination of family involvement and family identity that a family enterprise can have (Zellweger et al., 2010).

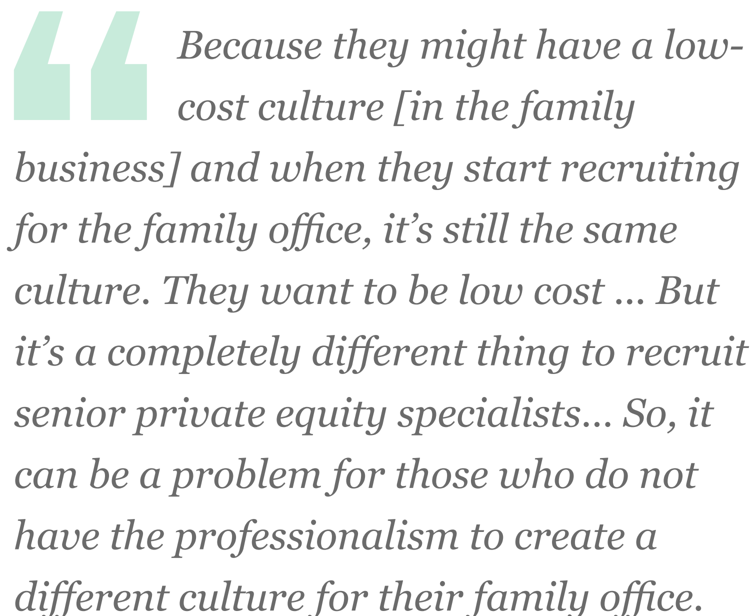
Familiness can typically endow the company with a unique identity and set of values, offering a distinctiveness that can be leveraged in the market (Habbershon & Williams, 1999). At the same time, family enterprises must navigate industry norms to ensure they remain relevant and competitive, aligning their products or services closely enough with market expectations to maintain customer loyalty (Miller et al 2018).

For family offices and family investment companies, the identity and relationships of the owner can be an important



source – if not the core – of the business model. However, in this setting, there is a delicate balance to be struck between highlighting the positives and the uniqueness that the owner family or entrepreneur provides, and the demand to professionalize – i.e. attempt to become a more 'normal' organization and employer – when looking to attract and recruit professional talent. This can be especially difficult if there are core aspects of an established organizational culture in a successful legacy family firm that does not necessarily translates well to other business ventures.

Family enterprises have distinct challenges due to their blend of family and business dynamics, as documented by Professor Mattias Nordqvist at Stockholm School of Economics and



Because they might have a low-cost culture [in the family business] and when they start recruiting for the family office, it's still the same culture. They want to be low cost ... But it's a completely different thing to recruit senior private equity specialists… So, it can be a problem for those who do not have the professionalism to create a different culture for their family office.

— FAMILY OFFICE PRINCIPAL

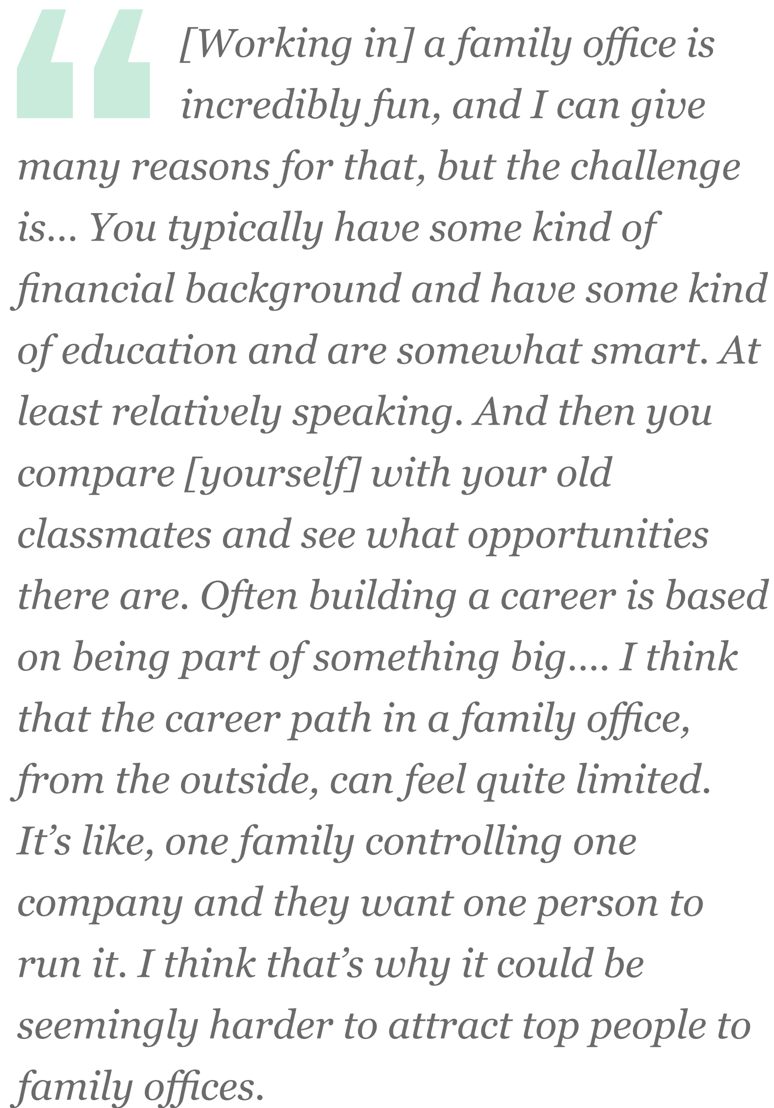
one of the authors of this report. While externally recruited professional managers are pivotal in driving business success, it is typically important to clearly define the roles and boundaries between family members and non-family managers to avoid conflicts and ensure effective governance. In addition to formal competence, professional managers need to have a cultural competence to be able to effectively navigate the business family influenced cultures that often prevail in family offices and family investment companies (Hall & Nordqvist, 2008).

The specific challenges and opportunities that arise from the cultural differences between family and non-family members within the organization creates unique types of professionalization and interaction mechanisms through which family enterprises organizations deal with tensions in the professionalization process (Waldkirch et al., 2023).

For family offices and family investment companies, these challenges have special considerations, given two main differences from operating family businesses; the first being that family offices and family investment companies require specialized financial competence, and the second being that they are often small organizations with limited room for traditional career paths.

Both of these specific characteristics bring about specific challenges; how to leverage and communicate the distinct and unique advantages of being a private or family controlled enterprise, while at the same time being able to offer competitive and comparable opportunities for talents that have attractive alternatives. Again, socioemotional wealth and the FIBER framework might offer a useful structure for discussion, but potentially also as applied to the perspective of external or non-family professionals as well as the principals.

In summary, much of family enterprise research seems of relevance also in the context of family offices and family



[Working in] a family office is incredibly fun, and I can give many reasons for that, but the challenge is… You typically have some kind of financial background and have some kind of education and are somewhat smart. At least relatively speaking. And then you compare [yourself] with your old classmates and see what opportunities there are. Often building a career is based on being part of something big…. I think that the career path in a family office, from the outside, can feel quite limited. It's like, one family controlling one company and they want one person to run it. I think that's why it could be seemingly harder to attract top people to family offices.

— FAMILY OFFICE NON-FAMILY PROFESSIONAL

investment companies, specifically to understand how identity and non-financial considerations and motivations influence decision-making. The literature and our interviews also highlight the specific dynamics of managing flexibility, succession, and the balance between family identity and industry norms.

Key considerations for family offices and family investment companies:

Managing the flexibility paradox: The creation of family offices and family investment companies offers flexibility and opportunities for family engagement and succession but also introduces challenges, such as potential disputes over direction and long-term development. Initiating a process that facilitates discussions around shared and individual values and identity is crucial. Socioemotional wealth theory (SEW) and the FIBER framework can provide a useful structure for those discussions.

Balancing familiness vs. professionalization: Family offices and investment companies should strive for optimal distinctiveness by balancing the need to fit in with industry standards while also leveraging their unique family identity and values to stand out. Being able to leverage the advantages provided by the family or founder identity with the need to professionalize and adapt to industry norms in order to attract external talent is essential. This necessitates identifying and communicating the benefits of working for a private or family-controlled enterprise.

These recommendations highlight the complex interplay between maintaining family values and traditions while also conforming to professional standards and market expectations to support the continued success and sustainability of Nordic family offices and family investment companies.

NOTES ON METHOD

This publication is primarily an educational aid for discussion and teaching, with the intention to highlight and making academic research relevant and impactful in the real world and matter more to practitioners, policy-makers, and society at large, rather than being a formal research study in the academic sense. Unlike traditional academic research that often starts with a theory or hypothesis, phenomenon-based inquiry begins with the observation of a novel event or trend, aiming to delve into its implicit causes and implications. This approach is useful to develop an initial understanding, particularly when existing theoretical frameworks and findings have not been applied enough to fully describe and address the unique challenges and opportunities for these organizations (von Krogh et al., 2012).

Engaging in phenomenon-driven inquiry is of particular value for studying emerging and evolving organizational phenomena such as family offices and family investment companies and especially when the goal is to yield insights that are relevant to practitioners (Vermeulen, 2007).

Thematic analysis as analytical approach entails searching for themes that meaningfully describe the essence of the phenomenon at hand. These themes might not always be immediately apparent; they can be implicit ideas, underlying assumptions, or tacit cognitive frameworks that influence the discussion and understanding of a phenomenon (Riessman, 1993). Thematic analysis is an established method in the study of family enterprises that has been used in identifying emerging trends and patterns and discover new avenues for investigation and practice (see e.g. Dalpiaz, et al., 2014; Gupta et al., 2010).

The process for this report includes extensive initial scoping conversation with family office principals and professionals in the Nordic region to understand the current context and

practitioner perspectives, in combination with a literature review including both research specifically on, but also wider family enterprise research relevant to, family offices and family investment companies.

After initial thematic analysis, semi-structured interviews with a dozen family principals and non-family executives were conducted to explore and validate themes specifically for this report. While the data collection has been qualitiative rather than quantitative, the selection of interview subjects include multigenerational as well as first generation business families, both founders and successors, and both women and men from mulitiple Nordic countries to capture diverse perspectives. Quotes have been translated from their original Nordic languages and edited to clarify intent and meaning where needed.

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