



In collaboration with:



AIDAF–EY Chair
in Strategic Management in Family Business
in memory of Alberto Falck



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Bocconi

XV AUB Observatory

CEO turnover in Italian Family Businesses: Threat or Opportunity?

30th January 2024

*by Fabio Quarato and Carlo Salvato
with the scientific supervision of Guido Corbetta*

AIDAF-EY Chair numbers on LinkedIn*:

| | 2021 | 2022 | 2023 |
|------------------------------------|---------|---------|----------------|
| Followers as of 31 December | 1.773 | 2.333 | 2.908 |
| Published posts | 82 | 100 | 101 |
| Single visits to the page | n.d. | n.d. | 91.148 |
| Post sharings | 201 | 174 | 194 |
| Post views | 138.957 | 145.779 | 138.877 |
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* Updated data as of 31/12/2023

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Family businesses in the XV AUB edition are **65.0%** of the **population** of Italian firms with **sales higher than 20 mln €**

OWNERSHIP STRUCTURE

Piccole *

Medio-grandi **

Totale

| | N | % | N | % | N | % |
|--|--------------|---------------|--------------|---------------|---------------|---------------|
| Family members | 6.587 | 68,4% | 5.048 | 61,0% | 11.635 | 65,0% |
| Branches of Foreign Companies | 1.452 | 15,1% | 1.793 | 21,7% | 3.245 | 18,1% |
| Cooperatives and Consortia | 553 | 5,7% | 404 | 4,9% | 957 | 5,3% |
| Coalitions | 469 | 4,9% | 292 | 3,5% | 761 | 4,3% |
| State/Local Authorities | 272 | 2,8% | 346 | 4,2% | 618 | 3,5% |
| Controlled by Private Equity (P.E.) | 227 | 2,4% | 314 | 3,8% | 541 | 3,0% |
| Controlled by Banks/Insurances | 53 | 0,6% | 57 | 0,7% | 110 | 0,6% |
| Controlled by Foundations | 9 | 0,1% | 8 | 0,1% | 17 | 0,1% |
| Public companies | 7 | 0,1% | 10 | 0,1% | 17 | 0,1% |
| <i>Total</i> | 9.629 | 100,0% | 8.272 | 100,0% | 17.901 | 100,0% |

(*) Small: companies with sales between EUR 20 and 50 million at the end of 2020 (source: Aida).

(**) Medium-large: companies with sales of more than EUR 50 million at the end of 2020 (source: Aida).

CEO turnover in Italian Family Businesses: Threat or Opportunity?

I. The performance of family businesses:

Resilience



II. The leadership and governance structures of family businesses: **Change**



III. CEO turnover from threat to opportunity:

Results



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In the 2022 employment, growth and profitability of family businesses show very positive rates (in line with 2021)



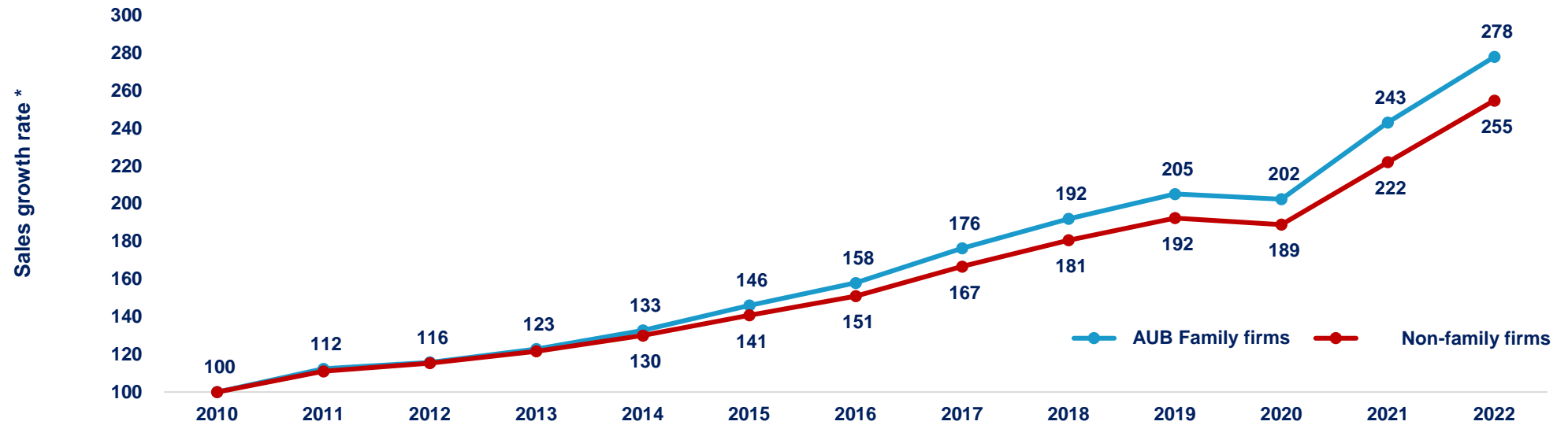
Family businesses recorded **employment growth of 7.3%** in 2019, which is higher than the growth of non-family businesses.

This trend is in line with what happened during the 2009 crisis.

| Ownership Structure | 2019 | 2020 | 2021 | 2022 | Variation 2019-2022 | Variation % 2019-2022 |
|---------------------|------------------|------------------|------------------|------------------|---------------------|-----------------------|
| Family firms | 2.657.886 | 2.717.846 | 2.817.450 | 2.851.885 | 194.000 | 7,3% |
| Non-Family firms | 2.696.238 | 2.769.164 | 2.790.178 | 2.817.259 | 121.021 | 4,5% |
| Total | 5.354.124 | 5.487.010 | 5.607.628 | 5.669.144 | 315.021 | 5,9% |

| Ownership Structure | 2008 | 2009 | 2010 | 2011 | Variation 2008-2011 | Variation % 2008-2011 |
|---------------------|------------------|------------------|------------------|------------------|---------------------|-----------------------|
| Family firms | 1.634.481 | 1.575.277 | 1.725.124 | 1.752.217 | 117.736 | 7,2% |
| Non-Family firms | 2.237.454 | 2.136.650 | 2.242.277 | 2.300.439 | 62.985 | 2,8% |
| Total | 3.871.935 | 3.711.927 | 3.967.401 | 4.052.656 | 180.721 | 4,7% |

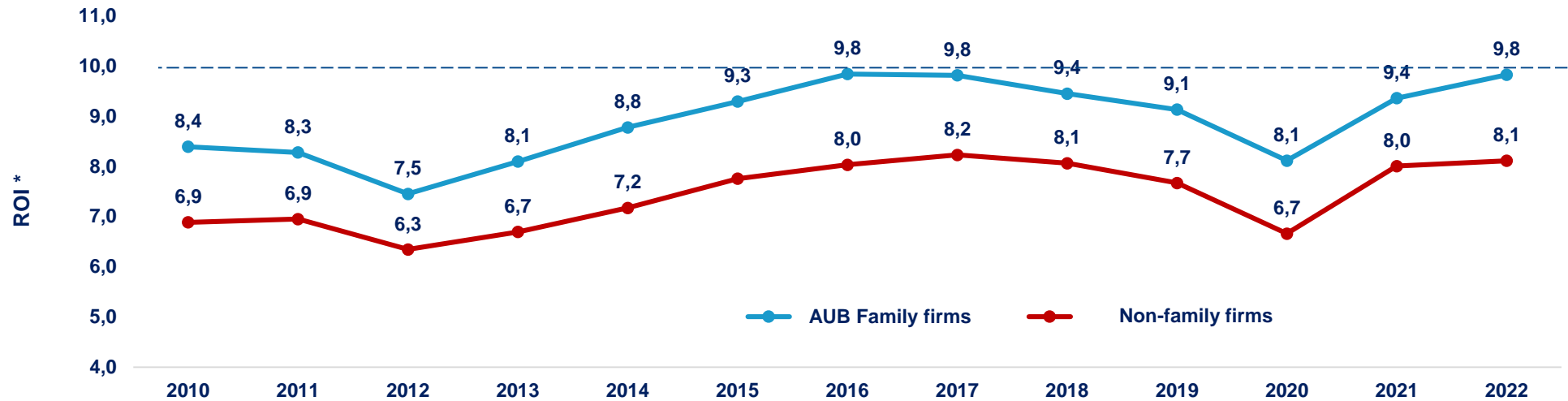
The **growth rate** of family businesses **was also strong in 2022**, although slightly lower than that of 3 types of non-family businesses



| Ownership Structure | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|-------|-------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Controlled by PE | 16,9% | 16,2% | 3,7% | 6,5% | 11,2% | 11,4% | 11,8% | 11,9% | 12,0% | 11,8% | 0,3% | 17,7% | 18,5% |
| Coalitions | 18,4% | 14,7% | 5,6% | 7,9% | 9,6% | 9,6% | 10,7% | 14,8% | 13,1% | 7,9% | -1,5% | 21,9% | 16,8% |
| Branches of foreign companies | 14,9% | 10,6% | 2,4% | 4,2% | 7,1% | 8,4% | 7,1% | 10,5% | 7,9% | 5,5% | -3,8% | 18,8% | 15,5% |
| Family firms | 16,5% | 12,4% | 3,0% | 6,1% | 8,1% | 10,0% | 8,2% | 11,6% | 8,9% | 6,8% | -1,3% | 20,1% | 14,3% |
| State or Local Authorities | 9,0% | 5,0% | 4,5% | 2,8% | -0,9% | 2,3% | 2,1% | 6,4% | 5,8% | 6,6% | -1,7% | 13,5% | 12,6% |
| Cooperatives or consortia | 10,1% | 11,4% | 6,9% | 8,0% | 5,8% | 8,0% | 6,1% | 8,2% | 6,4% | 6,7% | 4,4% | 12,1% | 9,8% |

(*) Compound growth on a base of 100 (year 2010), calculated on sales revenue (Source: Aida)

The ROI of family businesses has returned to the highest levels reached during the previous decade, and continues to be higher than that of non-family businesses



| Ownership Structure | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Branches of foreign companies | 7,9 | 8,0 | 7,6 | 7,7 | 8,2 | 9,1 | 9,6 | 10,1 | 9,8 | 9,4 | 8,1 | 9,9 | 10,1 |
| Family firms | 8,4 | 8,3 | 7,5 | 8,1 | 8,8 | 9,3 | 9,8 | 9,8 | 9,4 | 9,1 | 8,1 | 9,4 | 9,8 |
| Coalitions | 8,1 | 8,1 | 7,0 | 7,7 | 8,5 | 8,8 | 9,3 | 9,1 | 9,6 | 9,5 | 7,7 | 9,3 | 9,2 |
| State or Local Authorities | 5,5 | 5,4 | 4,2 | 5,6 | 6,3 | 6,1 | 7,1 | 6,8 | 6,5 | 6,4 | 5,2 | 5,3 | 5,5 |
| Controlled by PE | 7,5 | 6,8 | 4,7 | 4,8 | 6,2 | 6,6 | 5,6 | 5,8 | 5,6 | 4,9 | 3,6 | 4,9 | 5,4 |
| Cooperatives or consortia | 4,0 | 4,4 | 4,0 | 4,4 | 4,4 | 4,5 | 4,3 | 4,1 | 3,9 | 3,5 | 3,6 | 3,9 | 4,0 |

(*) ROI: rate of return on invested capital (Source: Aida)

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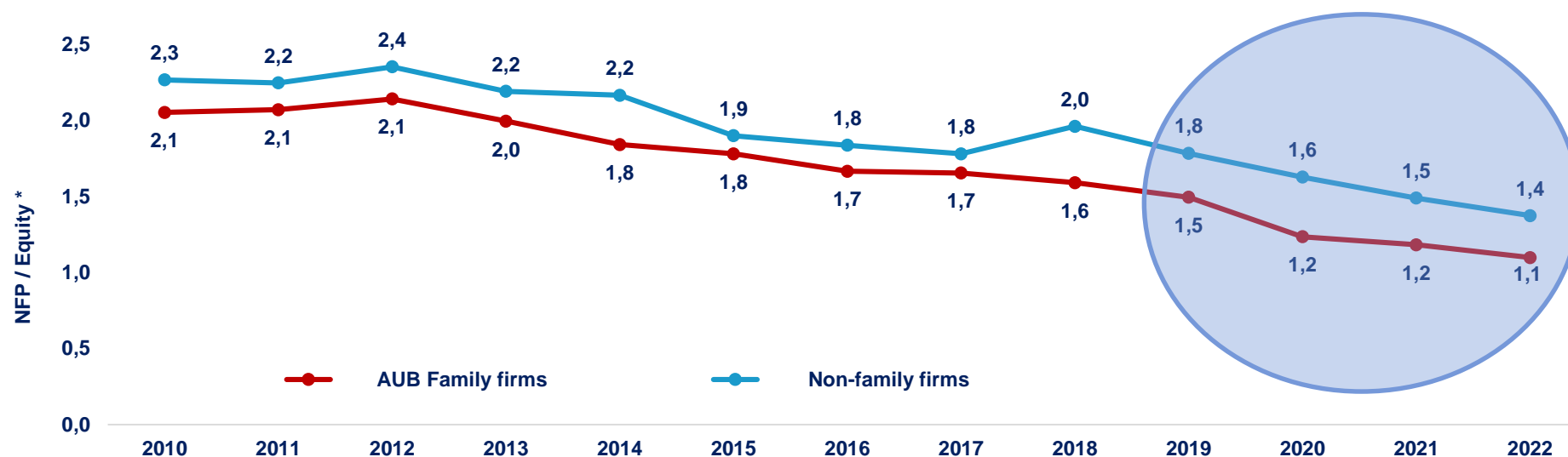
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- Bocconi Family businesses are further strengthened in terms of assets (and those with 'critical' values are reduced)



The **NFP/Equity ratio** of family businesses (also due to the effects of asset revaluation laws) has halved in the last decade



| Ownership Structure | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Branches of foreign companies | 2,1 | 2,0 | 2,3 | 1,8 | 1,7 | 1,6 | 1,3 | 1,3 | 1,5 | 1,2 | 1,2 | 1,1 | 1,0 |
| State or Local Authorities | 1,7 | 2,0 | 1,8 | 1,3 | 1,4 | 1,0 | 0,8 | 0,8 | 0,9 | 1,0 | 1,0 | 0,8 | 1,0 |
| Family firms | 2,1 | 2,1 | 2,1 | 2,0 | 1,8 | 1,8 | 1,7 | 1,7 | 1,6 | 1,5 | 1,2 | 1,2 | 1,1 |
| Controlled by PE | 2,8 | 1,7 | 2,2 | 2,6 | 1,9 | 1,6 | 2,2 | 1,5 | 1,5 | 1,5 | 1,2 | 1,5 | 1,2 |
| Coalitions | 1,9 | 2,1 | 1,9 | 2,0 | 2,0 | 1,9 | 2,1 | 1,8 | 1,9 | 1,8 | 1,6 | 1,4 | 1,3 |
| Cooperatives or consortia | 3,1 | 3,1 | 3,1 | 3,2 | 3,5 | 2,9 | 2,9 | 3,0 | 3,4 | 3,1 | 2,8 | 2,4 | 2,5 |

(*) NFP / Equity ratio = NFP / Equity (Source: Aida), where NFP was calculated as: Bank debts + Debts other lenders - Cash and cash equivalents. The ratio was calculated considering only companies with positive NFP and Shareholders' Equity. The NFP/equity ratio of non-family owned companies is a weighted average of companies with non-family ownership structures.

Compared to the pre-Covid situation, companies with negative NFP increased by about 4 points, while companies (with positive NFP) with a **problematic or attention-worthy solidity situation** decreased by about 6 points

| | Pre-Covid (early) 2020 | Post-Covid (early) 2023 | Variation 2023- Pre-covid |
|--|---------------------------|----------------------------|------------------------------|
| Equity with negative values | 0,3% | 0,3% | 0,0 |
| EBITDA with negative values | 2,5% | 3,0% | +0,5 |
| Equity and EBITDA with negative values | 0,3% | 0,7% | +0,4 |
| Total | 3,1% | 4,0% | +0,9 |
| Companies with critical financial situation * | 21,0% | 15,1% | -5,9 |
| Companies with “warning” financial situation * | 6,0% | 4,6% | -1,4 |
| Total | 27,0% | 19,7% | -7,3 |
| TOTAL | 30,1% | 23,7% | -6,4 |
| Negative NFP ** | 31,8% | 35,4% | +3,6 |

(*) NFP/EBITDA and NFP/Equity

(**) Companies with negative NFP are those with cash in excess of financial debts.

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The diversity of BoD 'does well', but grows (slightly) only in larger companies

Preamble:

- 27.4% of Italian family businesses are governed by a Sole Director

All other family businesses have a BoD with the following 4 levels of diversity, in (descending) order of criticality:

1. In 26.2% of Italian family businesses, there is at least 1 director under 40 years of age
2. In 38.1% of Italian family businesses, more than 33% are women
3. In 59.0% of Italian family businesses, there is at least 1 non-family member
4. In 93.4% of Italian family businesses, there are less than 2 Board Members (i.e.: 0 - 1) over 75 years of age



Companies with higher levels of diversity in the 4 governance indicators ('benchmark companies') are 352, and this number is increased only for larger companies

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| | 2012 | 2019 | 2022 | Variation 2012-22 | Variation 2019-22 |
|--------------------------------|------------|------------|------------|----------------------|----------------------|
| Benchmark Companies | 439 | 326 | 352 | -87 | +26 |
| (of which) over 50 | 153 | 156 | 194 | +3 | +41 |
| (of which) 20-50 | 286 | 170 | 158 | -116 | -12 |

Benchmark family businesses have shown higher levels of performance than other family businesses during the past decade

| Dependent variable (2012-2022) | Annual revenues growth rate | ROE | ROA | ROI | NFP / EBITDA | NFP / Equity |
|-----------------------------------|-----------------------------|-------------|-------------|-------------|--------------|--------------|
| Benchmark companies | +0,8^(a) | +0,5 | +0,3 | +0,3 | -0,3 | -0,2 |
| P value ^(b) | * | ** | ** | ** | ** | *** |

(a) 0.8 growth points higher than the average for the decade, equal to 8.7% (thus, +9.5%)

(b) Values indicate high significance (***) if p value is <.01, medium significance (**) if p value is <.05, discrete significance (*) if p value is <.1).

A regression analysis was performed with the OLS model and the following controls: 1) age of the company; 2) company size; 3) company liquidity. Dummy variables were added to control for year, sector (considering the first 2 digits of the Ateco 2007 code) and region.

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Sole Directors do not perform well
(as of 2020)

The **Sole Director** model
is no longer the best
performing model

| Leadership models 20-50 | 2012-2019 | | 2020-2022 | |
|----------------------------|-----------|-------------------------|-----------|-------------------------|
| | ROA | Revenues growth rate | ROA | Revenues growth rate |
| Sole Director | 0,6*** | 0,9*** | +0,4 | +1,2 |
| Executive Chairman | -0,2* | -0,5* | -0,3 | -1,6*** |
| Single CEO | -0,6*** | 0,0 | +0,2 | -0,2 |
| Joint Leadership | -0,1 | -0,5* | +0,2 | 0,4* |

| Leadership models >50 | 2012-2019 | | 2020-2022 | |
|--------------------------|-----------|-------------------------|-----------|-------------------------|
| | ROA | Revenues growth rate | ROA | Revenues growth rate |
| Sole Director | +0,2 | 1,7*** | -0,4* | 1,1 |
| Executive Chairman | -0,2 | -0,7** | -0,5 | 0,0 |
| Single CEO | -0,4*** | -0,7* | -0,5 | -1,0* |
| Joint Leadership | +0,3** | 0,0 | +0,7** | +0,2* |

And in **larger companies**,
the joint leadership
model is the only one
with a positive impact on
performance

The values indicate that the different forms of leadership have performances that are **higher (+)** or **lower (-)** by "x" points than the population average with high significance (***) if the p value is <.01, medium significance (**) if the p value is <.05, discrete significance (*) if the p value is <.1). Data from 2007-2016 were considered for the processing (Source: Aida). A regression analysis was performed with the OLS model and the following controls: 1) firm age; 2) firm size; 3) year (firm year dummies); 4) industry (firm year industry) considering the first 2 digits of the Ateco 2007 code; 5) standard errors clustered by firm.

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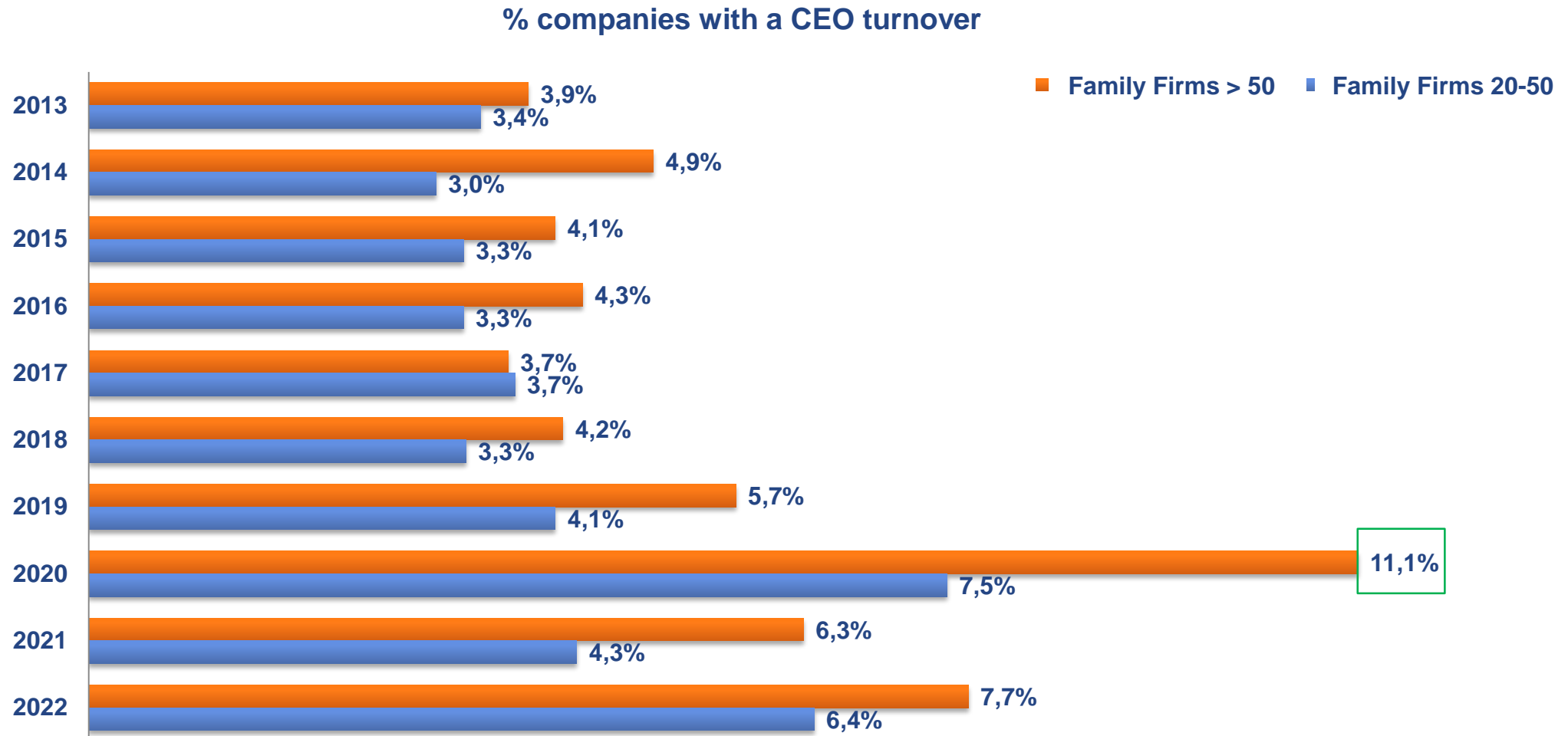
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Covid has led to an acceleration in CEO turnover

In the three-year period 2020-2022 there has been an **acceleration in CEO turnover**, with a peak of more than 10% in the largest family businesses in 2020



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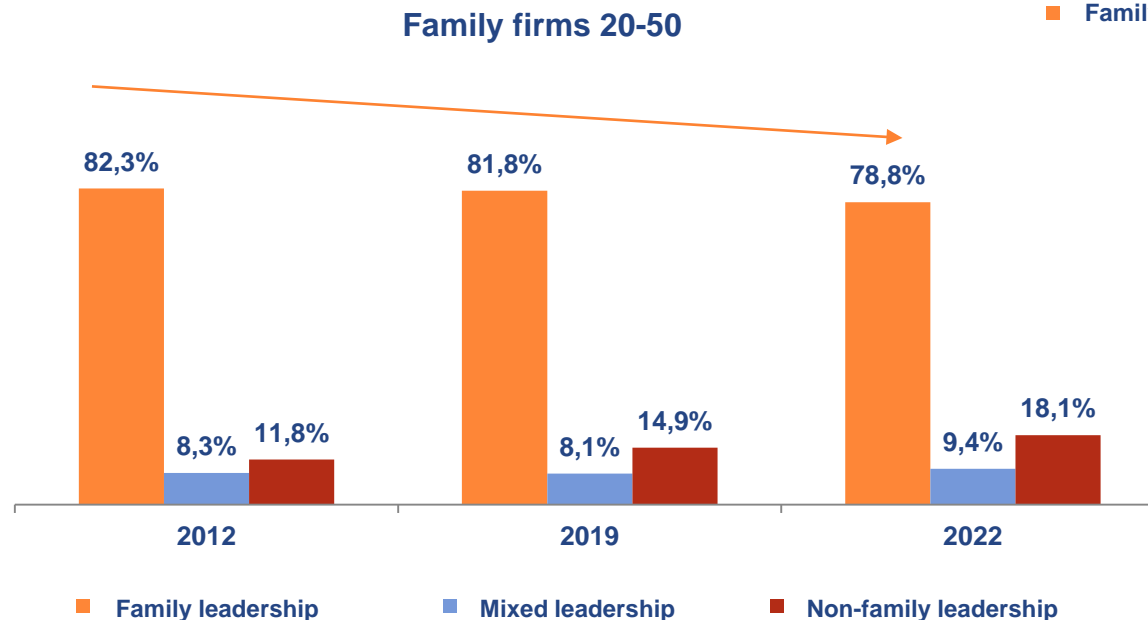
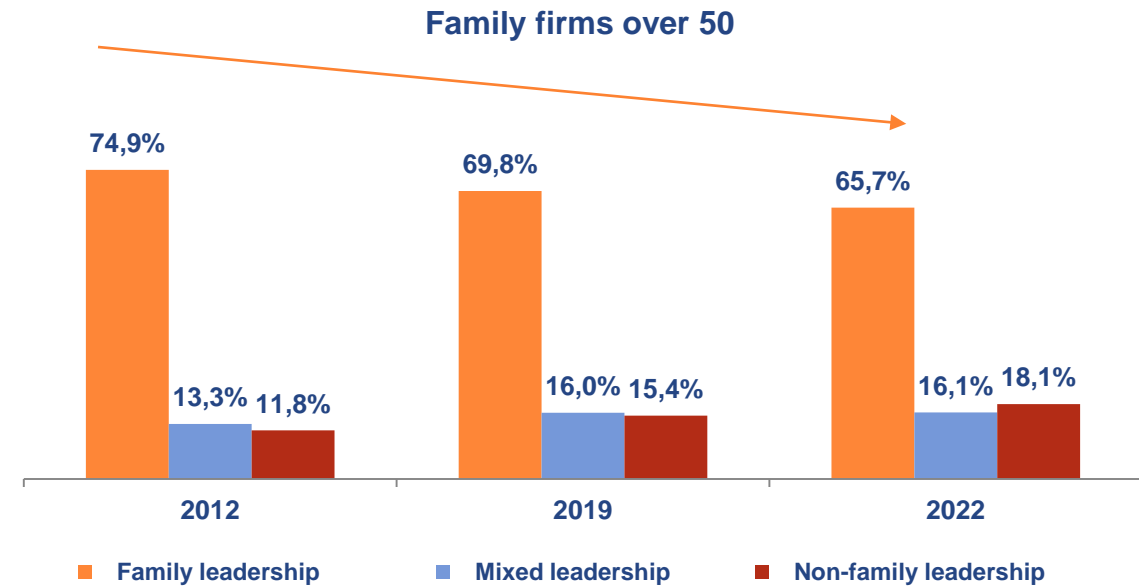


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The diversity of leadership models increases in terms of openness to non-family members and the growth of the average age stopped to grow



Family leadership models are still the most popular, but they continue to decrease in both large companies and ...



... in the smaller ones

The **exit of family leaders** (and the subsequent **entry of non-family members**) occurred in greater numbers in **smaller** companies

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| Year | Family firms AUB 20-50 | | | Family firms AUB >50 | | |
|------|-------------------------|-------------------------|------------|-------------------------|-------------------------|------------|
| | INCOMING FAMILY MEMBERS | OUTGOING FAMILY MEMBERS | BALANCE | INCOMING FAMILY MEMBERS | OUTGOING FAMILY MEMBERS | BALANCE |
| 2013 | 96 | 103 | +7 | 68 | 69 | +1 |
| 2014 | 90 | 98 | +8 | 86 | 72 | -14 |
| 2015 | 104 | 97 | -7 | 55 | 56 | +1 |
| 2016 | 95 | 98 | +3 | 72 | 64 | -8 |
| 2017 | 115 | 114 | -1 | 67 | 67 | 0 |
| 2018 | 107 | 111 | +4 | 72 | 54 | -18 |
| 2019 | 142 | 140 | -2 | 122 | 83 | -39 |
| 2020 | 306 | 234 | -72 | 219 | 180 | -39 |
| 2021 | 167 | 130 | -37 | 134 | 85 | -49 |
| 2022 | 262 | 195 | -67 | 166 | 115 | -51 |

(*) Data refer to the four leadership models analysed: Sole Director, Executive Chairman, Single CEO and Joint Leadership. The number of companies varies from about 8,000 in 2013 to 8,600 in 2022.

In larger companies, the growth of leaders aged over 70 has stopped to grow since 2020 (after growing by about 8 points in the past decade)

| Companies 20-50M euro | Age of the leader | | | Variation 2012-22 | Variation 2019-22 |
|-------------------------|-------------------|-------|-------|-------------------|-------------------|
| | 2012 | 2019 | 2022 | | |
| Less than 50 years | 33,0% | 22,5% | 17,4% | -15,6 | -5,2 |
| Between 50 and 60 years | 27,3% | 29,2% | 29,2% | +1,9 | 0,0 |
| Between 60 and 70 years | 23,1% | 24,9% | 27,3% | +4,2 | +2,5 |
| Over 70 years | 16,5% | 23,4% | 26,0% | +9,5 | +2,7 |

| Companies over 50M euro | Age of the leader | | | Variation 2012-22 | Variation 2019-22 |
|-------------------------|-------------------|-------|-------|-------------------|-------------------|
| | 2012 | 2019 | 2022 | | |
| Less than 50 years | 27,1% | 16,9% | 13,5% | -13,6 | -3,4 |
| Between 50 and 60 years | 26,1% | 28,7% | 29,1% | +2,9 | +0,4 |
| Between 60 and 70 years | 25,7% | 25,6% | 28,7% | +3,0 | +3,1 |
| Over 70 years | 21,0% | 28,8% | 28,7% | +7,7 | -0,1 |

As from 2020 (beginning of Covid), the positive balance between incoming and outgoing leaders 'under 50' (aged under 50) has increased significantly

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| Anno | OUTGOING LEADER UNDER 50 | INCOMING LEADER UNDER 50 | BALANCE INCOMING-OUTGOING UNDER 50 |
|------|-----------------------------|-----------------------------|--|
| 2013 | 64 | 127 | +63 |
| 2014 | 84 | 128 | +44 |
| 2015 | 87 | 115 | +28 |
| 2016 | 82 | 125 | +43 |
| 2017 | 81 | 99 | +18 |
| 2018 | 88 | 119 | +31 |
| 2019 | 101 | 116 | +15 |
| 2020 | 129 | 186 | +57 |
| 2021 | 71 | 120 | +49 |
| 2022 | 60 | 164 | +104 |

(*) Data refer to the four leadership models analysed: Sole Director, Executive Chairman, Single CEO and Collegial Leadership. The number of companies varies from about 8,000 in 2013 to 8,600 in 2022.

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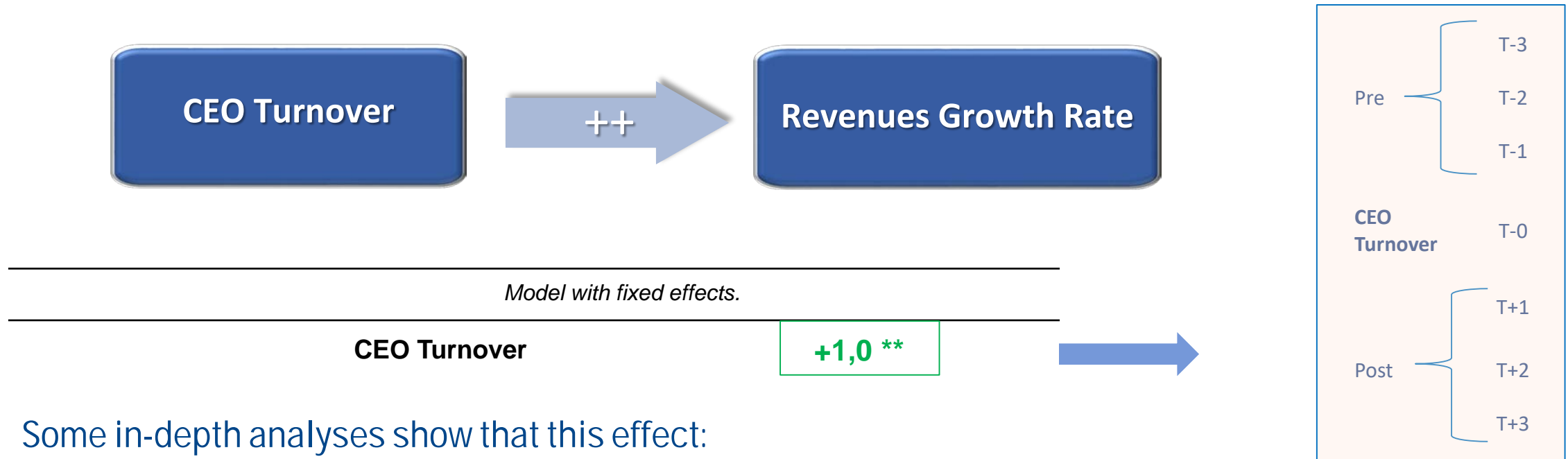
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The impact of CEO turnover on performance
is positive (under certain conditions)

The CEO turnover during the period 2008-2019 had a positive **impact on the growth rates** of family businesses: **+1 growth point** in the three years after the change at the top compared to the previous three years



Some in-depth analyses show that this effect:

- is greater in **joint leadership models** (+1.2 points)
- is driven by the changes that occurred **in the five-year period 2015-2019** (+1.4 points)

The values indicate performance that is **higher (+)** or **lower (-)** by "x" points than the population mean with high significance (***) if the p value is <.01, medium significance (**) or (*) if the p value is <.05, discrete significance (*) or (*) if the p value is <.1). Data for the period 2005-2022 were considered for the elaboration (Source: Aida). A regression analysis was performed with the Fixed Effects model and the following controls: 1) firm age; 2) firm size; 3) year (firm year dummies); 4) standard errors clustered by firm; 5) indebtedness (debt / equity ratio); 6) listing on a regulated market; 7) liquidity (cash holdings).

The impact of change at the top is **positively amplified** when:

- The **outgoing** leader is **over 70**
- The **incoming** leader is **under 50**
- The **BoD** (pre-change at the top) was already '**open**' to non-family members
- The incoming leader is a **woman**
- The **change** took place between **family members** (outgoing family member and incoming family member)

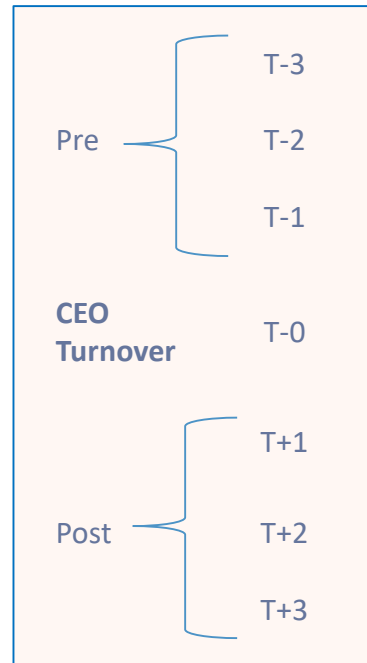
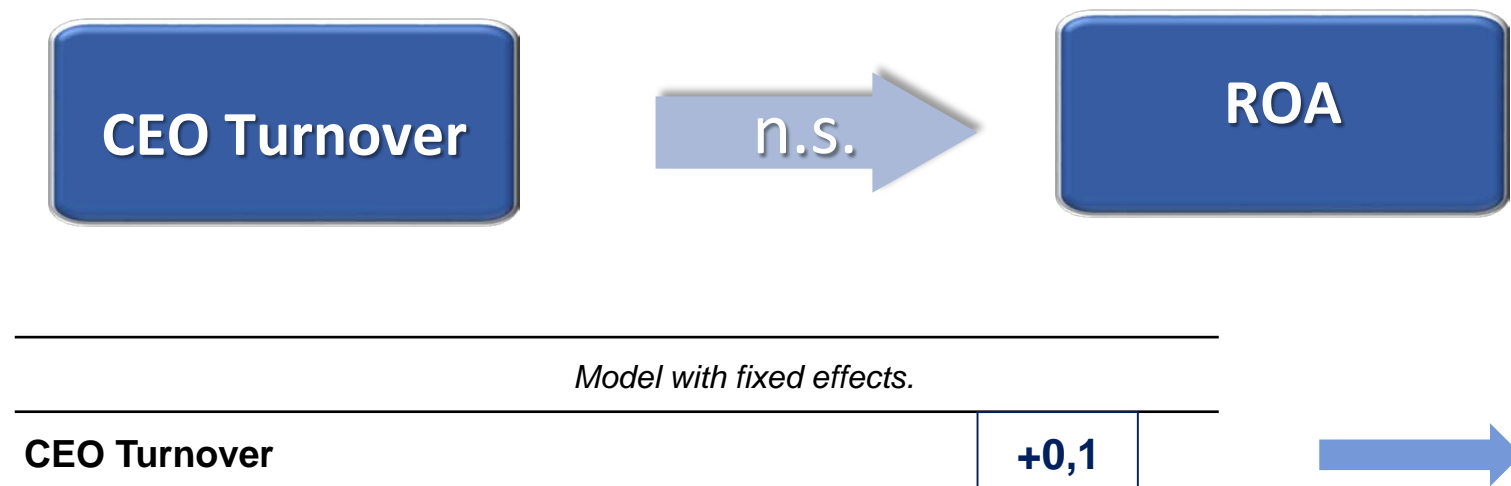
| Dependent variable: Revenues growth | Incoming Leader Under 50 | Outgoing Leader Over 70 | BoD open (pre-CEO Turnover) | Incoming Leader Female | Outgoing Leader F – Incoming F |
|--|--------------------------------|-------------------------------|-----------------------------------|------------------------------|--------------------------------------|
| CEO turnover | 0.134 | 0.151 | 0.587 | 0.124 | |
| CEO turnover * Incoming CEO < 50 | +1.53* | | | | |
| CEO turnover * Outgoing CEO > 70 | | +2.17** | | | |
| CEO turnover * BoD with at least 1 NF | | | +1.69* | | |
| CEO turnover * Incoming Female CEO | | | | +2.21** | |
| CEO turnover * Family relay succession | | | | | +1.73** |
| Year dummies | Y | Y | Y | Y | Y |
| S.D. clustered by firm | Y | Y | Y | Y | Y |
| Firm fixed effects | Y | Y | Y | Y | Y |

Moderation analysis to estimate the effect of a change at the top due to certain characteristics of the company and/or the incoming/outgoing CEO

The values indicate performance that is **higher (+)** or **lower (-)** by "x" points than the population mean with high significance (******* or *******) if the p value is <.01, medium significance (****** or ******) if the p value is <.05, discrete significance (***** or *****) if the p value is <.1). Data for the period 2005-2022 were considered for the elaboration (Source: Aida). A regression analysis was performed with the Fixed Effects model and the following controls: 1) firm age; 2) firm size; 3) year (firm year dummies); 4) standard errors clustered by firm; 5) indebtedness (debt / equity ratio); 6) listing on a regulated market; 7) liquidity (cash holdings).

CEO turnover in the period 2008-2019 had a **non-significant impact on the operating profitability** rates of family businesses

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This result shows that, in the three-year period following the change at the top, there was no improvement in earnings performance, but no deterioration either

The values indicate performance that is **higher (+)** or **lower (-)** by "x" points than the population mean with high significance (******* or *******) if the p value is <.01, medium significance (****** or ******) if the p value is <.05, discrete significance (***** or *****) if the p value is <.1). Data for the period 2005-2022 were considered for the elaboration (Source: Aida). A regression analysis was performed with the Fixed Effects model and the following controls: 1) firm age; 2) firm size; 3) year (firm year dummies); 4) standard errors clustered by firm; 5) indebtedness (debt / equity ratio); 6) listing on a regulated market; 7) liquidity (cash holdings).

The impact of CEO turnover on profitability is **negative** when:

- The **outgoing** leader is the **founder**
- The CEO turnover took place '**mortis-causa**'

| Dependent Variable: ROA | Outgoing founder leader | Mortis-causa |
|---|-------------------------|----------------|
| CEO Turnover | 0.118 | 0.370 |
| CEO Turnover * Outgoing founder leader | -0.635** | |
| CEO Turnover * Mortis-causa | | -1.377* |
| Year dummies | Y | Y |
| S.D. clustered by firm | Y | Y |
| Firm fixed effects | Y | Y |

Much stronger effect in the five-year period 2015-2019

The values indicate performance that is **higher (+)** or **lower (-)** by "x" points than the population mean with high significance (******* or ******) if the p value is <.01, medium significance (****** or *****) if the p value is <.05, discrete significance (***** or *****) if the p value is <.1). Data for the period 2005-2022 were considered for the elaboration (Source: Aida). A regression analysis was performed with the Fixed Effects model and the following controls: i) firm age; 2) firm size; 3) year (firm year dummies); 4) standard errors clustered by firm; 5) indebtedness (debt / equity ratio); 6) listing on a regulated market; 7) liquidity (cash holdings).

The impact of CEO turnover on profitability is **positive** when:

- The **outgoing** leader is **over 70**
- The **BoD** (pre-change at the top) was already '**open**' to non-family members
- The **change** took place between **family members** (outgoing and incoming family member)

| Dependent Variable: ROA | Outgoing leader Over 70 | BoD open (pre-CEO Turnover) | Outgoing leader F – incoming F | |
|---------------------------------------|-------------------------|-----------------------------|--------------------------------|--|
| CEO Turnover | -0.437 | 0.392** | -0.595 | |
| CEO Turnover * Outgoing > 70 | 0.554* | 0.511* | | Much stronger effect in the five-year period 2015-2019 |
| CEO Turnover * BoD with at least 1 NF | | | 0.795*** | |
| CEO Turnover * Family relay | | | | Very weak effect in the five-year period 2015-2019 |
| Year dummies | Y | Y | Y | |
| S.D. clustered by firm | Y | Y | Y | |
| Firm fixed effects | Y | Y | Y | |

The values indicate performance that is higher (+) or lower (-) by "x" points than the population mean with high significance (***) if the p value is <.01, medium significance (**) if the p value is <.05, discrete significance (*) if the p value is <.1). Data for the period 2005-2022 were considered for the elaboration (Source: Aida). A regression analysis was performed with the Fixed Effects model and the following controls: i) firm age; 2) firm size; 3) year (firm year dummies); 4) standard errors clustered by firm; 5) indebtedness (debt / equity ratio); 6) listing on a regulated market; 7) liquidity (cash holdings).

RESILIENCE



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RESULTS



Bocconi

CEO turnover has a positive impact on the sustainability performance of listed companies (stronger in family businesses)

Sample

All companies **listed** on European markets in the period 2011-2021

(-) companies with unavailable governance structures

(-) Companies without ESG rating

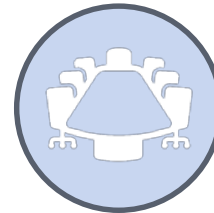


= **622*** companies (167 family businesses)

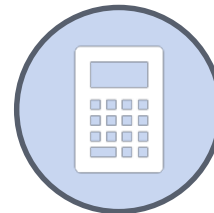
Data collection



Compustat: Financial data



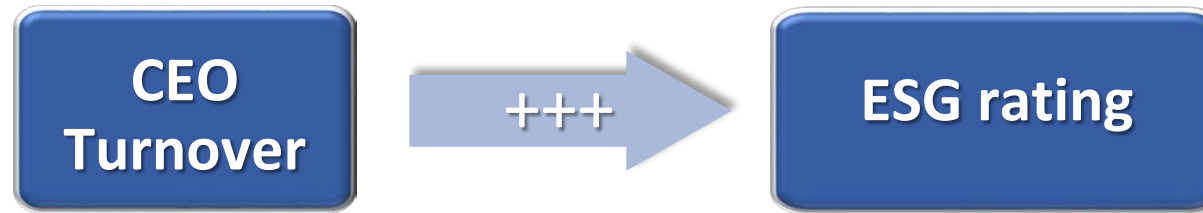
BoardEx: Corporate governance data



Refinitiv Eikon: ESG rating (0-100)

(*) For the analyses of changes at the top, the sample is based on 461 companies that recorded a maximum of 2 changes in the period 2011-2021 and at least 5 years of distance between the changes

The change at the top has a positive impact on the analysed listed companies: **the incoming CEO had a positive impact on the ESG rating, on average, by more than 3 points** over the following three years

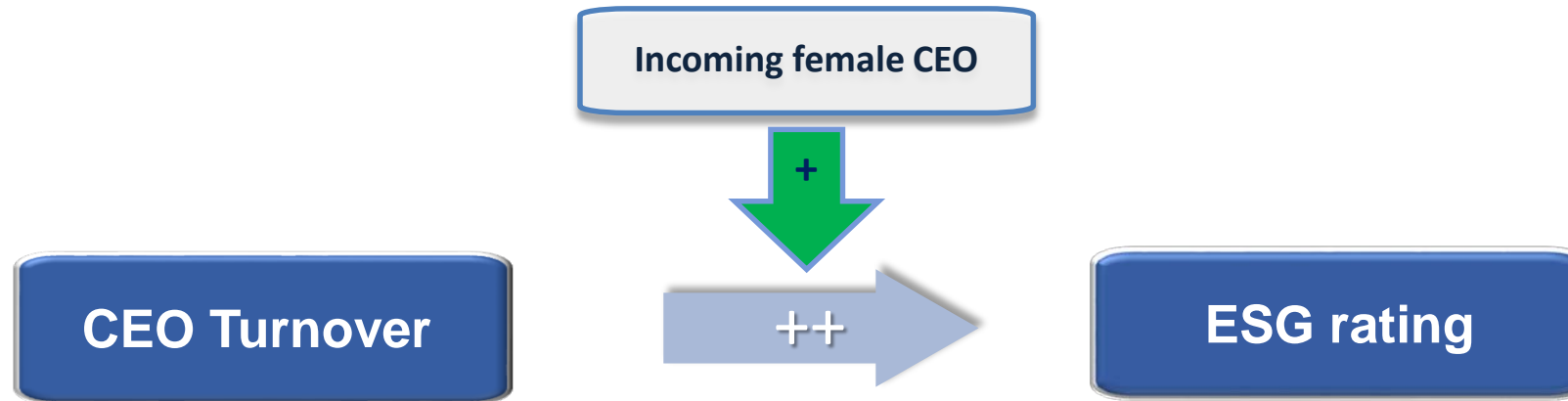


| Dependent variable: ESG RATING (0-100) | All companies | Family businesses | Non-family businesses |
|---|----------------|-------------------|-----------------------|
| CEO Turnover | 3.15*** | 4.03*** | 2.25*** |
| Year dummies | Y | Y | Y |
| Industry dummies | Y | Y | Y |
| S.D. clustered by firm | Y | Y | Y |

This impact is about 2 points higher in family farms

*The values indicate that the incoming CEO performs "x" points higher (+) or lower (-) than the population average with high significance (***) if the p value is <.01, medium significance (**) if the p value is <.05, discrete significance (*) if the p value is <.1). Data for the period 2011-2021 (Source: Aida) were considered for the processing. A regression analysis was performed with the OLS model and the following controls: 1) firm age; 2) firm size; 3) year (firm year dummies); 4) industry (firm year industry) considering the first 2 digits of the NACE 2007 code; 5) standard errors clustered by company; 6) debt (debt / equity ratio); 7) market listing*

The impact on ESG rating is amplified when the incoming CEO is female

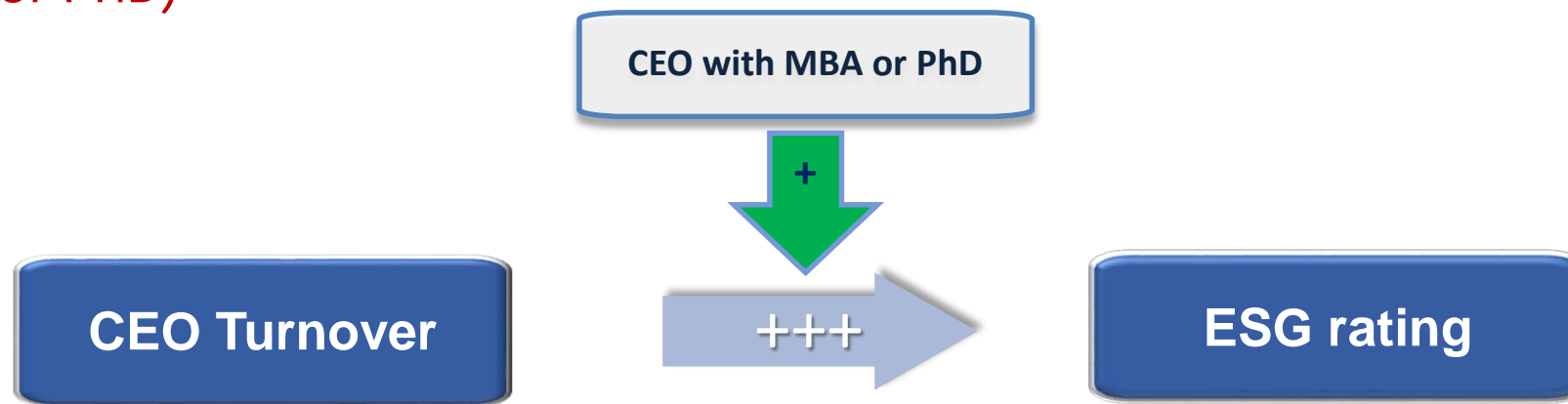


| Dependent variable: ESG RATING | All companies | Family businesses | Non-family businesses |
|-----------------------------------|---------------|-------------------|--------------------------|
| CEO Turnover | 2.98*** | 4.12*** | 2.08*** |
| Female CEO | -5.85*** | -16.19*** | -3.15*** |
| CEO Turnover * Female CEO | 5.47** | 8.12*** | 4.15* |

The impact of the female CEO is stronger in family businesses

The values indicate that the incoming CEO performs "x" points higher (+) or lower (-) than the population average with high significance (***) if the p value is <.01, medium significance (**) if the p value is <.05, discrete significance (*) if the p value is <.1). Data for the period 2011-2021 (Source: Aida) were considered for the processing. A regression analysis was performed with the OLS model and the following controls: 1) firm age; 2) firm size; 3) year (firm year dummies); 4) industry (firm year industry) considering the first 2 digits of the NACE 2007 code; 5) standard errors clustered by company; 6) debt (debt / equity ratio); 7) market listing

The impact on ESG rating is amplified when the incoming CEO has a post-graduate degree (MBA or PhD)



| Dependent variable: ESG RATING | All companies | Family businesses | Non-family businesses |
|-----------------------------------|---------------|----------------------|--------------------------|
| CEO Turnover | 2.09*** | 4.18*** | 0.42 |
| CEO with MBA/PhD | -2.02** | 1.42 | -2.94*** |
| CEO Turnover * CEO MBA/PhD | 3.39** | 5.04** | 3.30** |

The impact of the CEO with MBA/PhD is stronger in family businesses

The values indicate that the incoming CEO performs "x" points higher (+) or lower (-) than the population average with high significance (***) if the p value is <.01, medium significance (**) if the p value is <.05, discrete significance (*) if the p value is <.1). Data for the period 2011-2021 (Source: Aida) were considered for the processing. A regression analysis was performed with the OLS model and the following controls: 1) firm age; 2) firm size; 3) year (firm year dummies); 4) industry (firm year industry) considering the first 2 digits of the NACE 2007 code; 5) standard errors clustered by company; 6) debt (debt / equity ratio); 7) market listing

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In collaboration with:



Bocconi

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in Strategic Management in Family Business
in memory of Alberto Falck

XV AUB Observatory

Thank you for your attention

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