AIDAF-EY Chair

of Family Business Strategy

in memory of Alberto Falck

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17th Edition of the AUB Observatory (AIDAF – UniCredit – Bocconi)

NextGen selection in generational transitions: owning family structures, evolving skills and current trends

Fabio Quarato and Carlo Salvato

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Agenda

I.	The performance of family firms	PERFORMANCE
II.	Leadership and *diversity*	GOVERNANCE
III.	Entry of external investors	OPENNESS
IV.	Generational transitions: modes and nextgen profiles	NEXTGEN
V.	The structure of owning families	FAMILIES

Thanks to the team that worked on the research activities of the 17th Edition of the AUB Observatory:

Coordinator: Pasquale Latella

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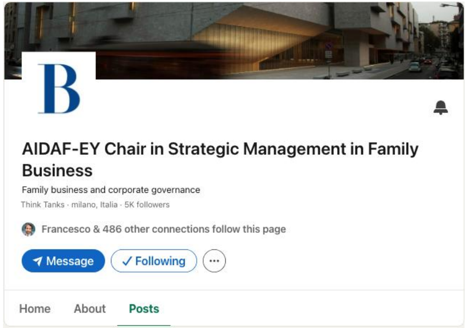
Partners in both thinking thought and research support:

resources, expertise and dialogue for the project

Dissemination of the AUB Observatory's findings



AIDAF-EY Chair Website

The numbers of the AIDAF-EY Chair LinkedIn profile*:

	2021	2022	2023	2024	2025
Followers as of December 31	1,773	2,333	2,908	3,800	**4,633**
Published posts	82	100	101	115	**117**
Profile single visits	n.d.	n.d.	91,148	223,573	**300,502**
Post shares	201	174	194	195	**259**
Post views	138,957	145,779	138,877	331,902	**440,417**
Post likes and reactions	2,088	2,080	2,495	5,438	**5,747**

* Updated data as of December 31, 2025

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Financial conditions remain solid, with some signs of reversal

After the post-Covid rebound, performance has been stabilizing

Positive aspects:

- **Investment activity and operating profitability** remain high (compared to NF) despite a small decline compared to 2023
- **Financial strength**, with a further reduction in debt ratio (which is better than NF)
- **Cash and cash-equivalents**: the share of companies with a negative NFP increased, reaching 43% of the total

Negative aspects:

- **Revenue** growth stopped after the strong post-Covid rebound (while NFs' revenues remain stable)
- **Debt-repayment capacity**: NFP/EBITDA has increased again since 2020 (and aligns with NF)

Performance indicators	Family firms (F)			Non-family firms (NF)	F - NF Comparison
	2023	2024	Δ 2023-24	2024	2024
Revenue growth	1.4%	-1.2%	-2.6	0.2%	-1.4
Fixed asset growth rate	11.1%	9.2%	-1.9	7.9%	1.3
ROI	11.0	9.8	-1.2	8.3	1.5
Debt ratio	3.9	3.6	-0.3	5.3	-1.7
NFP/EBITDA	3.4	3.7	+0.3	3.6	+0.1
Companies with negative NFP *	40.1%	43.1%	+3.0	44.8%	-1.7

(*) Companies with negative NFP are the ones which hold more cash and cash-equivalents than financial debts.

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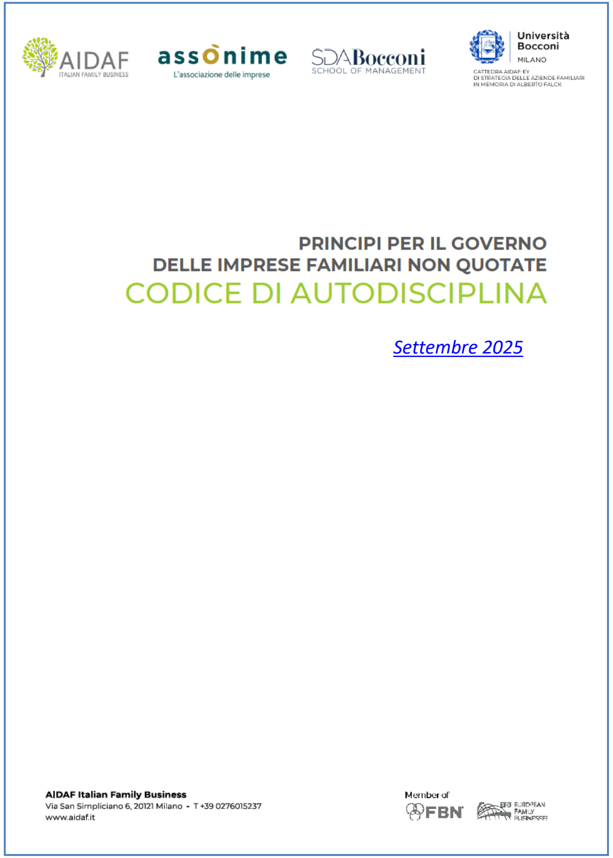
Board diversity remains limited, while leadership structures show gradual change

Corporate Governance: family firms are gradually evolving toward more contemporary governance structures

In 2024, 29.9% of Italian family firms were governed by a sole director.

In all other companies, board composition could be analyzed through 4 levels of diversity, listed in (decreasing) order of concern:

1. 26.1%: at least one director under 40
2. 39.0%: at least 33% of directors are women
3. 55.5%: at least one non-family director
4. 93.9%: no more than one director over 75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CODICE DI AUTODISCIPLINA

Settembre 2025

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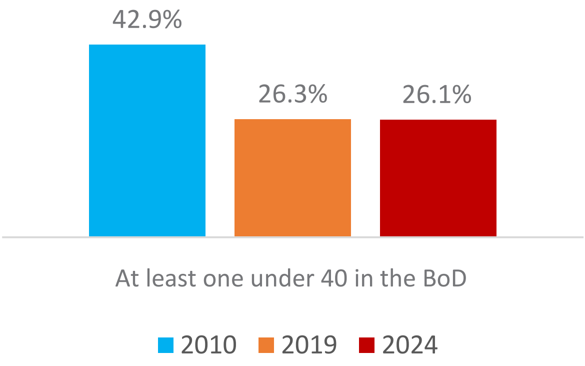
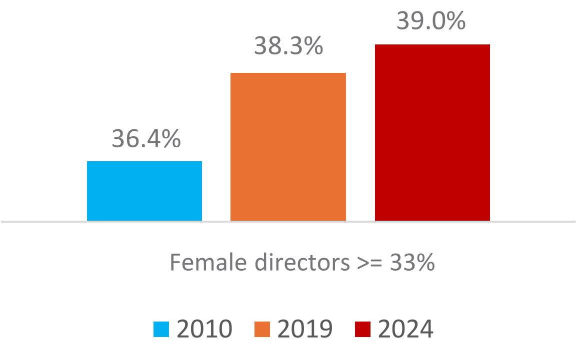
The evolution of the three main BoD diversity indicators

- **UNDER 40:** GRADUAL INCLUSION. Compared to the pre-Covid period, the decline in «young» directors (under 40) stopped, signaling a gradual inclusion of under 40 board members since 2020.
- **FEMALE:** SLOW GROWTH. Almost 40% of family firms exhibit a BoD with at least 33% of female directors, a gender diversity which still grows in the post-Covid period (although very slowly).
- **NON-FAMILY:** SPEEDING UP SINCE 2020. More than 1 company out of 2 has a BoD with at least one non-family director (2 out of 3 in case of big companies). This process has been speeding up since 2020.

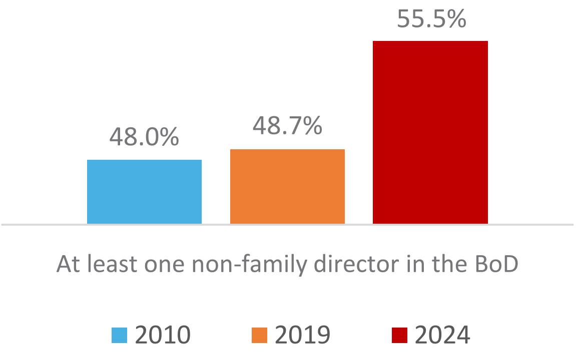
UNDER 40



FEMALE



NON-FAMILY



The number of companies fully aligned with BoD diversity best practices remains limited and is growing slowly

Only a few companies meet the diversity indicators: **468**

Because:
- Of a sharp decline in **under 40** board members over the last decade
- Such decline has been partially offset by the increase of **female** and **non-family** board members.

2010	2019	2024	Delta 2010-19	Delta 2019-24
4.4%	3.3%	3.9%	-1.1%	+0.6%

«Benchmark» companies in governance

- ≥ 1 director under 40
- ≥ 33% female
- ≥ 1 non-family
- No more than one Over 75

Revenue

ROA

ROE

Leadership: joint leadership increased, family leadership decreased, leadership ageing has stabilized

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Joint leadership increased:

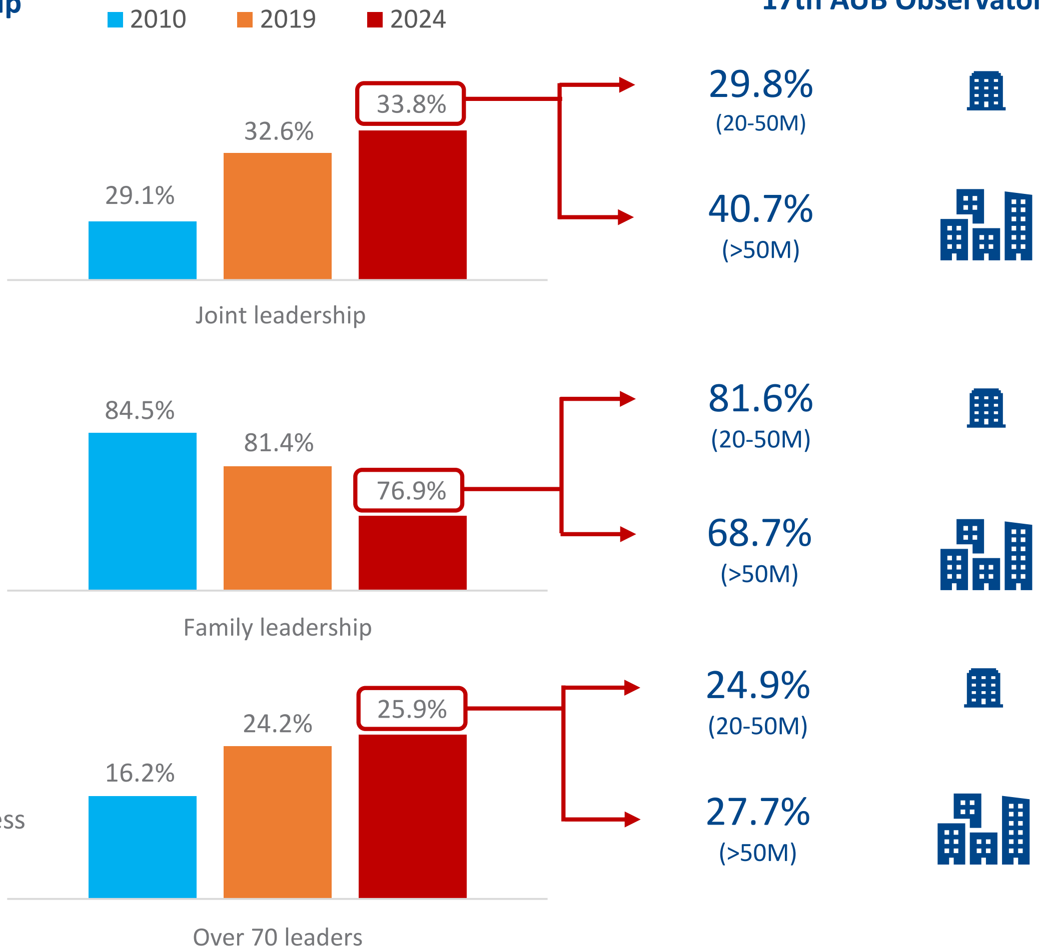
- Correlated to company size (29.8% in smaller companies; 47.3% in >50M companies)
- The model which best promotes female leadership (43.5% of companies includes at least one female co-CEO)

Family leadership:

- the most widespread (especially in smaller companies: 81.6%)
- It keeps declining (gradual openness of leadership)

Leaders over 70:

- increased over the last decade
- strong slowdown since 2020
- it still represents a significant component of family business leadership (more than one out of four)



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Creating value through equity financing: «how» and «who» matter

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Approximately 8.3% of family firms have involved external investors

15,568

Initial population

(all family firms >20M)

1,282

Analyzed companies

(family firms with equity financing)

TYPE – More than two out of three (68.7%): transfer of control

Type of equity financing	Total	% (population)	% (total)
Minority stake	259	1.7%	20.2%
Listing	142	0.9%	11.1%
Transfer of control (>50%)	881	5.7%	68.7%
Total	1,282	8,3%	100.0%

EVOLUTION – Almost half (44.5%) since 2020

Type of equity financing	Pre 2020	Post 2020
Minority stake	63.3%	36.7%
Listing	76.1%	23.9%
Transfer of control (>50%)	49.8%	50.2%
Total	55.4%	44.5%

More than 70% of TRANSFERS OF CONTROL fall within the harvest sale category (value-driven exits)

Analysis of the 881 transfers of control according to their rationale - taxonomy by Wennberg et al. (2010):

- Value-maximization (**harvest**)
- Situations of difficulty (**distress**)

Type of exit / Performance	High performance	Low performance
Exit by sale (continuity)	Harvest sale (divestment planned by the company to realize previously created value) **70.7%**	Distress sale (divestment due to poor economic/ financial performance and aimed at preventing crises) **20.8%**
Exit by liquidation (termination)	Harvest liquidation (voluntary termination with liquidation at favourable conditions) **6.8%**	Distress liquidation (forced liquidation because of serious economic concerns) **1.6%**

Source: Wennberg, K., Wiklund, J., DeTienne, D. R., & Cardon, M. S. (2010). Reconceptualizing entrepreneurial exit: Divergent exit routes and their drivers. Journal of business venturing, 25(4), 361-375.

Characteristics of the acquirer and post-acquisition performance of the «target» family firm (EXCEPT FOR LISTING)

1,140 deals

	MINORITY STAKES (259)	TRANSFER OF CONTROL (881)	
Acquirer ITA IT (family + non-fam.)	**63.0%**	**69.2%**	Aroung **70% Italian** acquirer (family or non-family firm)
Impact on the target's **ROI**	+7.8%	-10.8%	**Minority stake**: **positive** impact on ROI **Transfer of control**: **negative** impact on ROI
FAMILY Acquirer (ITA or INT)	**29%**	**39%**	**<50% family** acquirer
Impact on ROI	+20.1%	+20.1%	**Family** acquirer: impact always **positive and amplified**
ITA IT	+21.8%	+24.7%	**No impact** if **international** family acquirer
INT.	0 (NS)	0 (NS)	

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The NextGen is ready: the coming decade will be crucial for succession decisions

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The number of generational transitions has been increasing significantly since 2020, with a positive impact on performance

Statistically significant increases in profitability (ROA) and growth (revenue)*
in the three years following the «generational transition»

PROFITABILITY (ROA)	GROWTH (revenue)
+ 4.2% **	+ 8.8% **

Generational transitions are expected to increase significantly over the next decade:

- 33.5% of family firms in the 2025–2034 period (projection of the current trend)
- 48.8% in the case of full adoption of governance «best practices» (the Senior generation transfers the company's leadership to the NextGen around the age at which analyses suggest a significant decline in performance)

All family firms >20M	2010-2019 Decade	2020-2024 Period	Empirical estimate 2025-2034 Decade		Estimate with «best practices» 2025-2034 Decade	
% firms which underwent a generational transition	0.9% per year	1.6% per year	3.3% per year	33.5% total	4.9% per year	48.8% total
Number of firms which undergo a generational transition every year	98 per year	192 per year	401 per year		585 per year	
Total number of generational transitions	984	960	4.014		5.853	

(*) Values indicate high significance (*** o ***) if p value is <.01, medium significance (** o **) if p value is <.05, discrete significance (* o *) if p value is <.1). A regression analysis was performed with the Fixed Effects model and the following controls: 1) firm age; 2) firm size; 3) liquidity; 4) leverage; 5) board size; 6) percentage of family directors. Dummy variables were also added to control for year.

Our sample and NextGen profiles

Demographic details:
- age
- gender

Educational experience:
- level of education
- type of education

Professional experience:
- external experience
- international experience

Time horizon: 2005-2024 (20-year period)

Our sample:
- Generational transitions (Senior → NextGen): 2,110 (of which 1,944 in 2010-2024)
- Non-family transitions (Senior → Manager NF): 77

Total profiles: 1,428 (including co-CEO cases)

Data source: LinkedIn, company websites

Evolution of NextGen profiles and their impact on performance

- 80.6% of family NextGen: at least a bachelor's degree (87% external managers)
- Level of education higher among female NextGen (but lower proportion of STEM titles)
- Gradual increase of successors' level of education
- 24.3% of NextGen: external working experience outside the family firm (only 6.8% international experience). External managers exhibit more structured and internationally diversified career paths

ROI: +10.5%

ROI: +9.4%

NextGen profiles	External manager	Family NextGen	(of which) female NextGen	(of which) male NextGen	(of which) 2005-2014 Decade	(of which) 2015-2019 Period	(of which) 2020-2024 Period
MBA or PhD	23.9%	8.7%	8.6%	8.8%	6.6%	9.4%	9.3%
At least a Bachelor's degree	87.0%	**80.6%**	**86.3%**	78.8%	79.0%	78.4%	82.4%
STEM field of study	22.7%	14.5%	**6.5%**	17.0%	10.9%	14.6%	15.9%
Business & Finance field of study	47.7%	50.4%	55.4%	48.8%	51.0%	44.5%	53.2%
External working experience	69.6%	**24.3%**	28.4%	23.1%	17.5%	23.0%	27.9%
International working experience	23.4%	6.8%	7.0%	6.8%	5.1%	6.7%	7.6%

Generational transition with mentoring: definition and incidence

One third of the 1,944 generational transitions occurred through a **mentoring** process**:**

The outgoing Senior family leader mentored the **NextGen successor** (or successors) within a **period of co-leadership** (before transferring full managerial responsibility to the NextGen)

Number of transitions with mentoring **654** → **33.6%** Of generational transitions over the last 15 years → **44.4%** In 2024

Mentoring:

- has been increasing over time
- has accelerated over the last five-years period

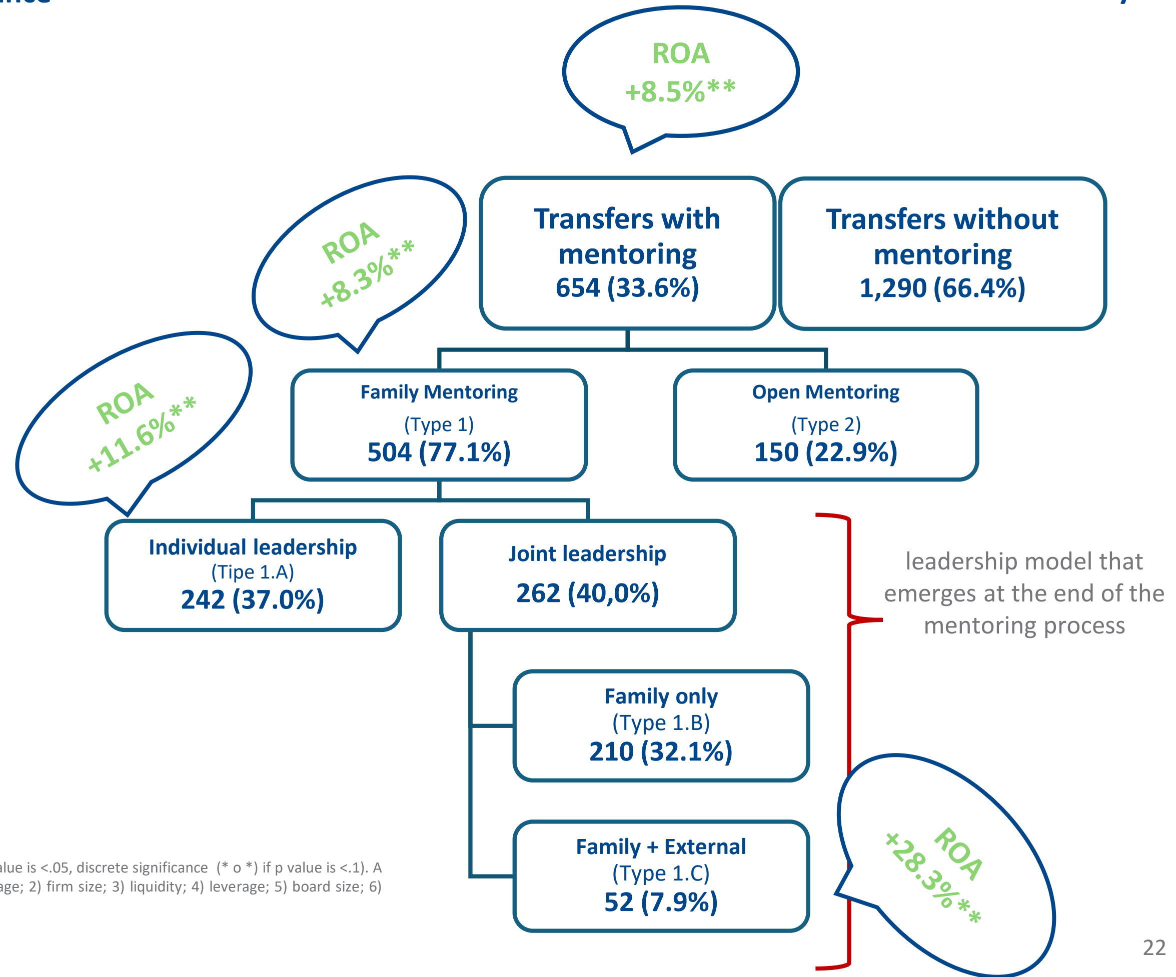
Average length of mentoring: **9 years**

- average age at leadership transfer: **45 years** approx.
- average age of first entry into senior roles: **36 years** approx.

All family firms >20M	2010-2019 **Decade**	2020-2024 **Period**
Mentoring	297	357
% Mentoring (Transitions with mentoring/ Total transitions)	30.2% per year	37.2% per year

Mentoring duration	Mentoring
< 10 years	56.6%
10-20 years	30.8%
> 20 years	12.6%

Types of mentoring and their impact on performance



Two types of mentoring:

- **Family Mentoring** (Type 1): family members only.
- **Open Mentoring** (Type 2): with an external manager (in addition to a SeniorGen member).

Within family mentoring (according to the leadership model that emerges at the end of the mentoring process):

- **Individual** family leadership: single NextGen member (*1.A*)
- **Joint** family leadership: two or more NextGen members (*1.B*)
- **External** Joint Leadership: one or more NextGen members with an external CEO (*1.C*)

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Owning family analysis: balancing dynastic continuity with meritocratic selection

Our sample and the analyzed families

645

Family firms

(all companies with turnover >250M)

759

Owning families

(114 companies – 18% – controlled by multiple families)

313 underwent a generational transition

226

Generational transitions

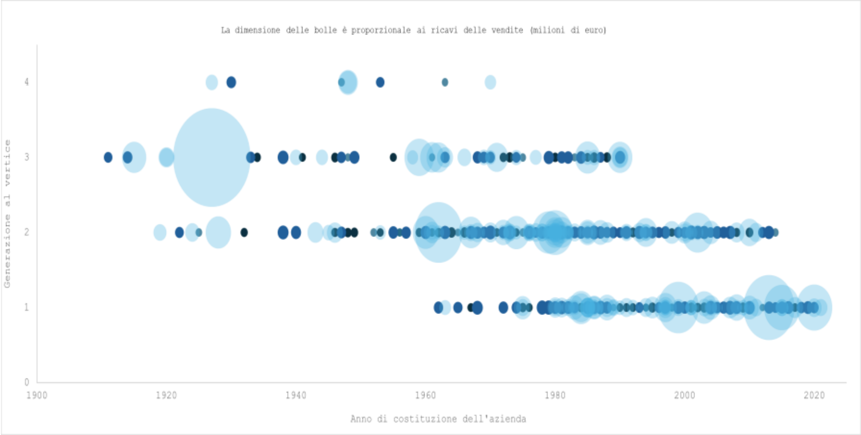
(35% of families with turnover >250M)

Reconstruction of the **genealogy of all 759 owning families** starting with the Senior generation of the most recent generational transition

Pool of potential successors: **all NextGen members** belonging to all the owning family's branches

For each NextGen: **demographic and professional information**
Generational transition and successor analysis: only the **last observed generational transition**

Data source: Linkedin, AIDA, websites



Family types and children distribution according to birth order, gender and marriage

- **83.3%** of the 759 analyzed families have **more than one child**
- The 759 families have overall **1,867** children (**2.5 children per family on average**)
- **52.2% have children of different genders**
- Children in order of birth: **41.6%** first-borns, **34.1%** second-born children
- **Sons** are the majority (**61.4%**)
- **First-borns** are often **male** (**64.1%**)

Children	Female		Male		Total	
First-born	279	35.9%	498	64.1%	777	41.6%
Second-born	244	38.4%	392	61.6%	636	34.1%
Third and later-born	197	43.4%	257	56.6%	454	24.3%
Total children	**720**	**38.6%**	**1,147**	**61.4%**	**1,867**	**100.0%**

Successors' choice: birth order, gender and number of NextGen members

M: 495 (**62%**)

+18

M: 234 (**80%**)

Δ+ men

Δ magnitude

803 total children (in **313** families/**226** companies with generational transition)					
1° 332 (**41.4%**)		**2°** 273 (**34.0%**)		**3°+** 198 (**24.6%**)	
Men: 218 (**65.7%**)	**Women:** 114 (**34.3%**)	**Men:** 165 (**60.4%**)	**Women:** 108 (**39.6%**)	**Men:** 112 (**56.6%**)	**Women:** 86 (**43.4%**)
+13.7 +33.2		+16.4 -15.3		+43.4 -19.9	
Men: 177 (**79.4%**)	**Women:** 46 (**20.6%**)	**Men:** 43 (**76.8%**)	**Women:** 13 (**23.2%**)	**Men:** 14 (**100%**)	**Women:** 0 (**0%**)
1° 223	(**74.6%**)	**2°** 56	(**18.7%**)	**3°+** 14	(**4.7%**)
299 children selected (37.2% of potential ones)					

«Dynastic order» or merit? The level of education and the type of study of NextGen successors, compared to all NextGen members

- 1 NextGen out of 4 (**27.0%**): **higher** level of education than non-selected NextGen members
- 1 out of 3 **women** (**32.1%**): higher level of education
- **73.1%** selected NextGen: level of education **at least equivalent** to other candidates (merit)

Level of education of selected NextGen compared to the other potential candidates*	NextGen	(of which) female	(of which) male
Higher	27.0%	32.1%	26.0%
Equivalent	46.1%	46.4%	46.0%
Lower	26.9%	21.5%	28.0%
Total	**100.0%**	**100.0%**	**100.0%**

(*) The pool of potential successors includes all 803 children of the 313 analyzed owning-families.

The role of «merit» in successors' selection and post-succession corporate performance

Our sample

154 family firms >250M which underwent a **generational transition** in the 2007-2022 period

Control sample

The population of all family firms >250M which **DID NOT undergo a generational transition** in the 2007-2022 period

The impact of «generational transition» is positive over the three following years

ROA	ROE
+8.3% **	+9.2% *

Two successor's characteristics influence post-succession profitability:

- The successor has a **higher level of education** compared to other NextGen potential successors: **positively amplified**
- The successor is a **first-born:** **negatively amplified**

Dependent variable	ROA	ROE
Generational transition		
- Level of education of the selected successor (higher than other potential candidates)	+25.0% **	+29.4% *
- First-born	-16.6% ***	-37.3% ***

(*) Values indicate high significance (*** o ***) if p value is <.01, medium significance (** o **) if p value is <.05, discrete significance (* o *) if p value is <.1). A regression analysis was performed with the Fixed Effects model and the following controls: 1) firm age; 2) firm size; 3) liquidity; 4) leverage; 5) board size; 6) percentage of family directors. Dummy variables were also added to control for year.

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