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Bocconi

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



Università Commerciale  
Luigi Bocconi

# XIV AUB Observatory

## Diversity in the governance structures of family firms

*By Guido Corbetta and Fabio Quarato*

**The family firms of XIV AUB Edition are equal to the 65.0% of Italian firms' population with revenues > 20 mln €**

OWNERSHIP STRUCTURE	Small *		Medium-large **		Total	
	N	%	N	%	N	%
<b>Family Firms</b>	<b>6.587</b>	<b>68,4%</b>	<b>5.048</b>	<b>61,0%</b>	<b>11.635</b>	<b>65,0%</b>
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 Investment Fund/ Private Equity (P.E.)	227	2,4%	314	3,8%	541	3,0%
Controlled by Banks / Insurance	53	0,6%	57	0,7%	110	0,6%
Controlled by Foundation	9	0,1%	8	0,1%	17	0,1%
Public companies	7	0,1%	10	0,1%	17	0,1%
<i>Total</i>	<b>9.629</b>	<b>100,0%</b>	<b>8.272</b>	<b>100,0%</b>	<b>17.901</b>	<b>100,0%</b>

(\*) Small: firms with revenues between 20 and 50 mln at the end of 2020 (source: Aida).

(\*\*) Medium-Large: firms with revenues exceeding 50 mln at the end of 2020 (source: Aida).

**Considering the population of Italian family firms with sale revenues over 20 million euros and **given that 28.5% of them are led by a Sole Director, all other family firms that have a BoD have the following levels of diversity, in order of criticality:****

- **In 26.4% of the firms, there is at least 1 board member under 40 years of age (they were 46.6% in 2010, a data to be evaluated taking into account the aging of the Italian population)**
- **In 37.6% of firms there are more than 33% of women (it was 34.4% in 2010)**
- **In 60.1% of firms there is at least 1 non-family member (they were 54.3% in 2010)**
- **In 91.9% of companies there are less than 2 board members over 75 years old**

## The 344 family firms with higher levels of diversity in the 4 selected indicators of governance have higher levels of performance than the other family firms

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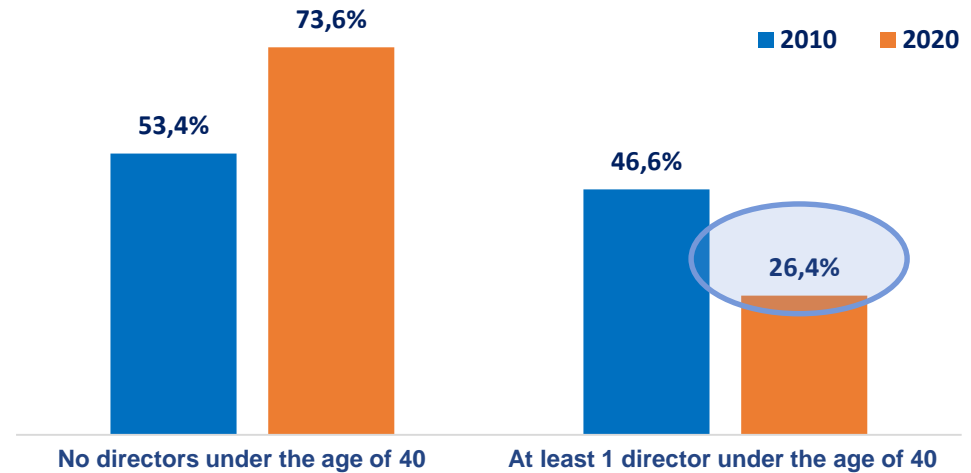
Dependent variable (three-year period 2019-2021)	Annual revenue growth rate	ROE	EBITDA margin	Leverage ratio	NFP / EBITDA
BoD with:					
- At least 1 NF					
- Women >= 33%	+1,3%	+1,1%	+1,7%	-0,36	-0,49
- At least 1 under 40					
- No more than 1 over 75					
P value *	**	**	***	**	***

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

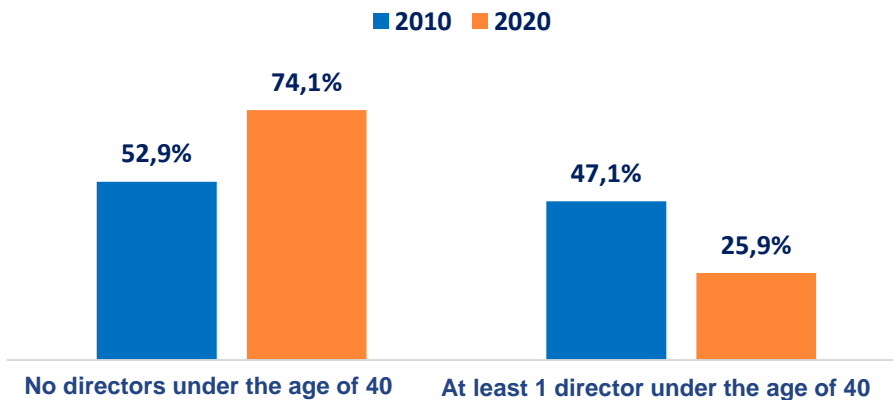
A regression analysis was performed with the OLS model and the following controls: i) firm age; 2) firm size; 3) firm liquidity. Dummy variables were also added to control for year, industry (considering the first 2 digits of Ateco 2007 code) and region.

NOTE: for all AUB family businesses: average annual growth rate was 8.5%; average annual ROE was 12.6%; average annual leverage ratio was 4.4; average annual NFP/EBITDA ratio was 4.6.

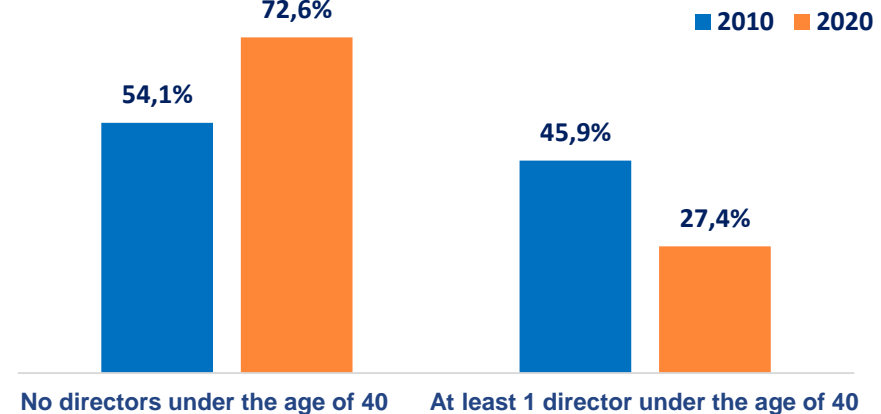
**About 1 out of 4 family firms has at least one director under the age of 40, compared with 1 out of 2 at the beginning of the last decade**



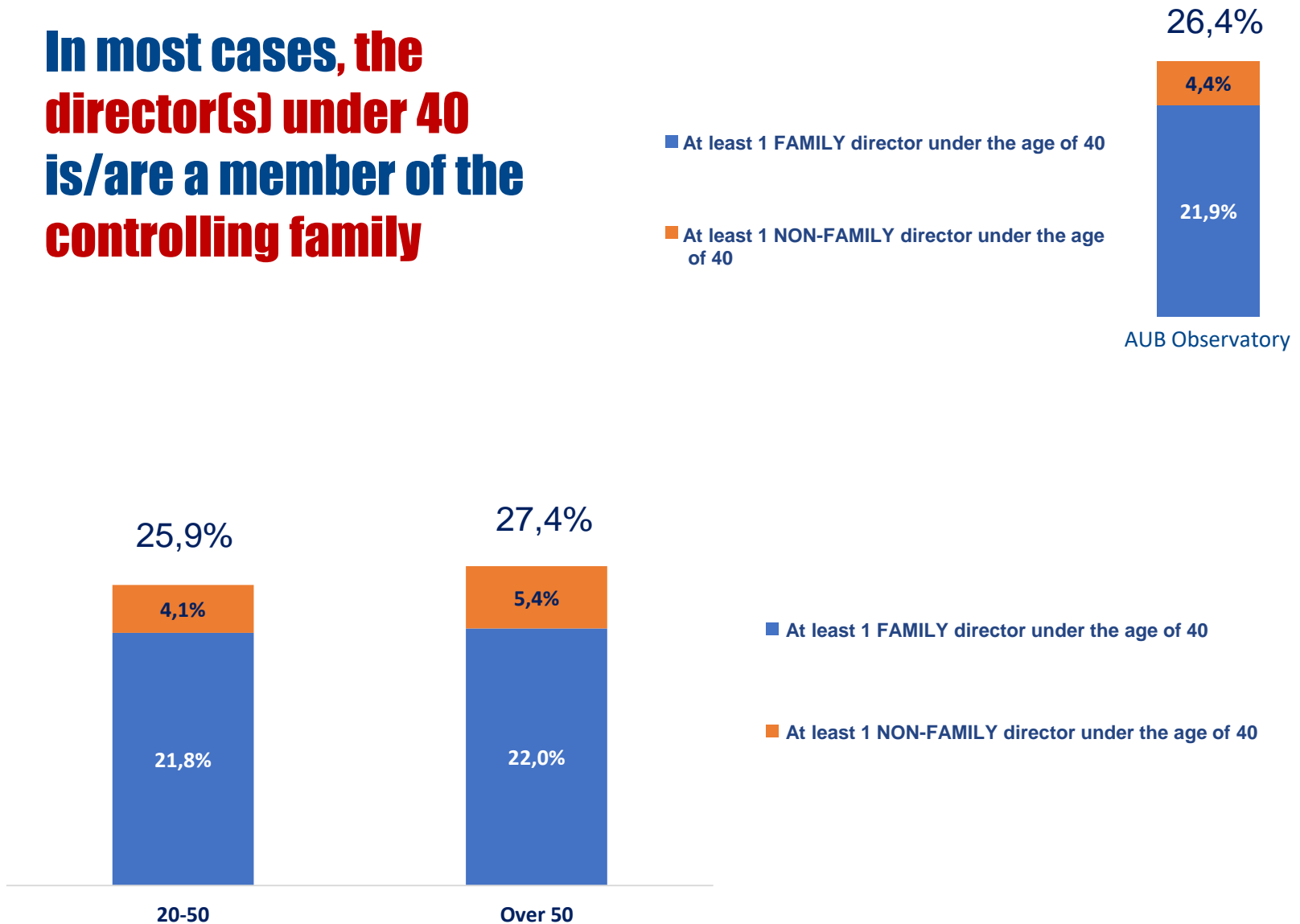
Companies 20-50



Companies > 50



**In most cases, the director(s) under 40 is/are a member of the controlling family**



**The presence of board members under 40 has little heterogeneity across sectors, with many manufacturing sectors having a lower incidence than the average**

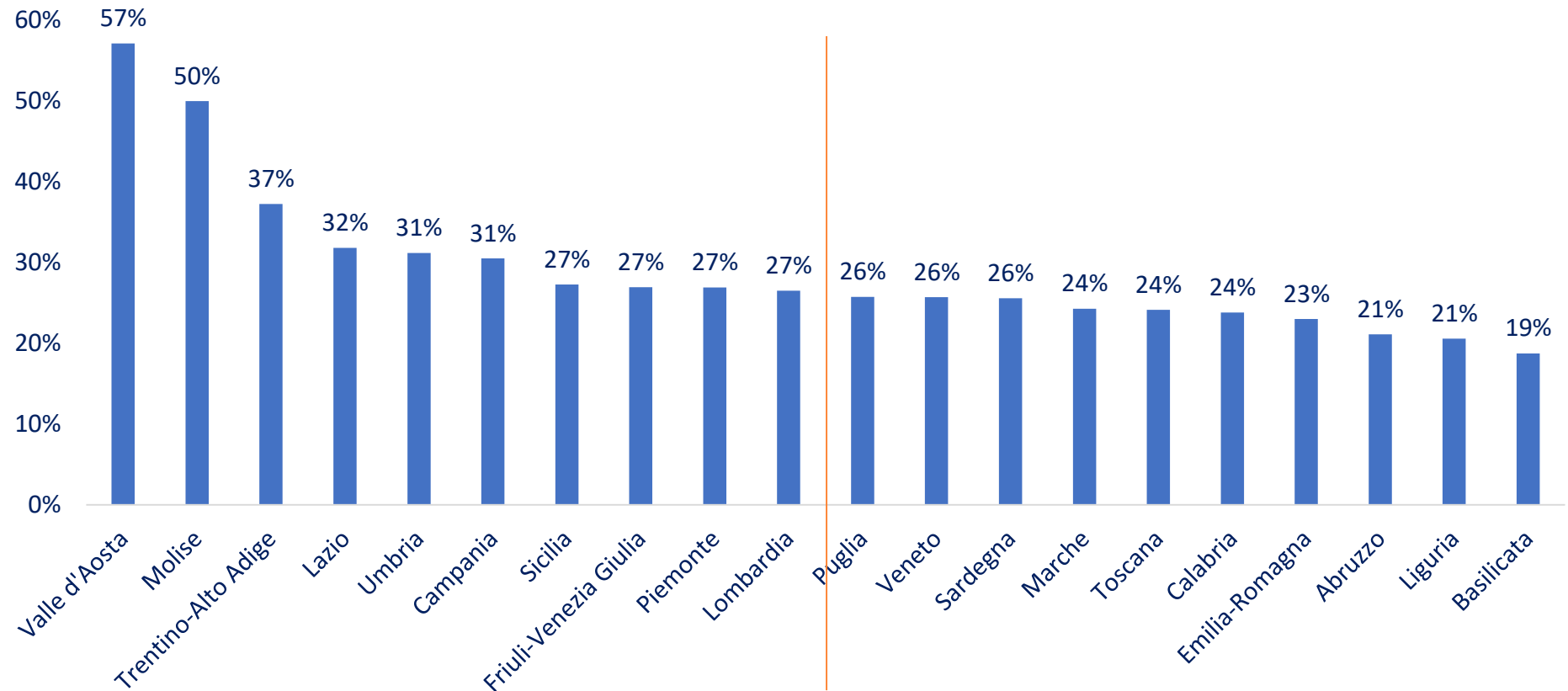
Macro sector	Total
Energy and mining	33,8%
Retail trade	33,4%
Business services	30,2%
Diversified holding	27,6%
Constructions	27,5%
Transport and logistics	27,3%
Wholesale trade	27,3%
Other services	26,9%
Manufacturing	25,2%
Automotive trade	23,8%
Total	26,4%



Manufacturing sector	Total
Pharmaceutics	30,9%
Other manufacturing	30,9%
Food and Beverage	27,0%
Metal products	25,9%
Fashion	25,1%
Mechanics	23,8%
Rubber and plastic	23,6%
Paper and printing	23,4%
Electronics	22,8%
Chemical	22,6%
Furniture	22,3%
Means of transportation	20,2%

**Geographically, in 17 regions the presence of family firms with BoD with at least one director under 40 is less than 30% or slightly higher**

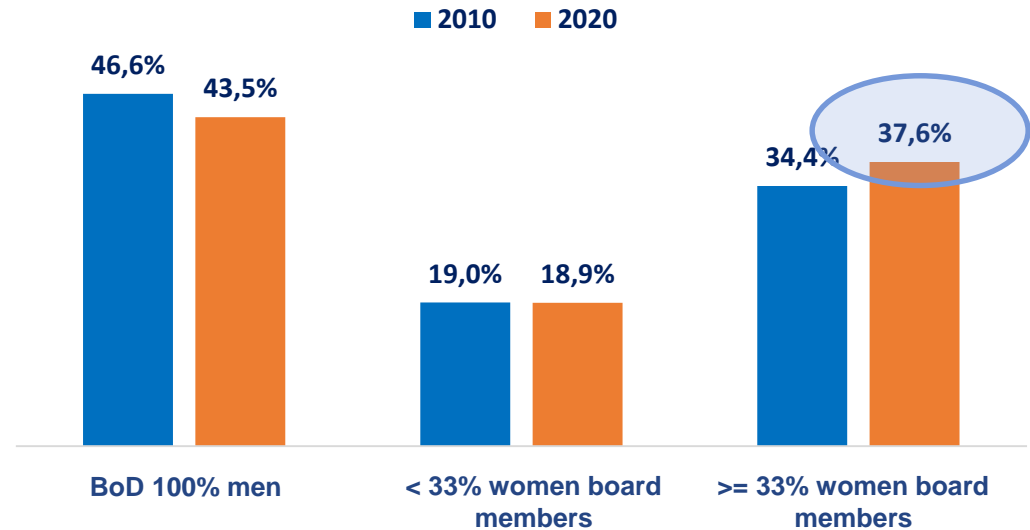
Percentage of companies with at least 1 board member under 40





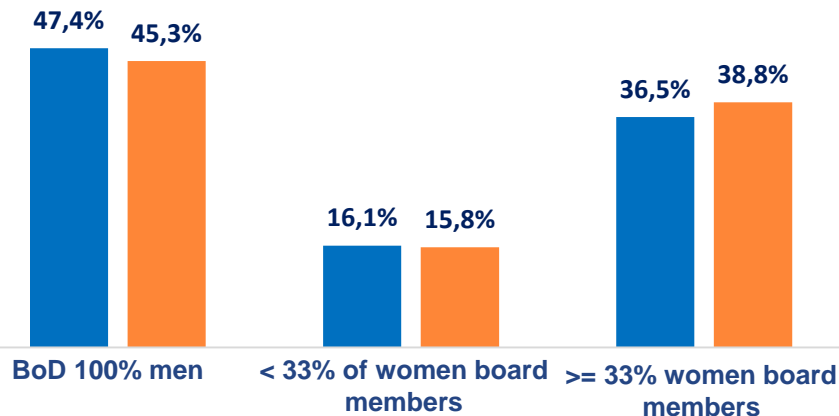
**Slightly more than 1/3 of BoD include at least 33% of women directors, a percentage increased by only 3 points over the past decade**

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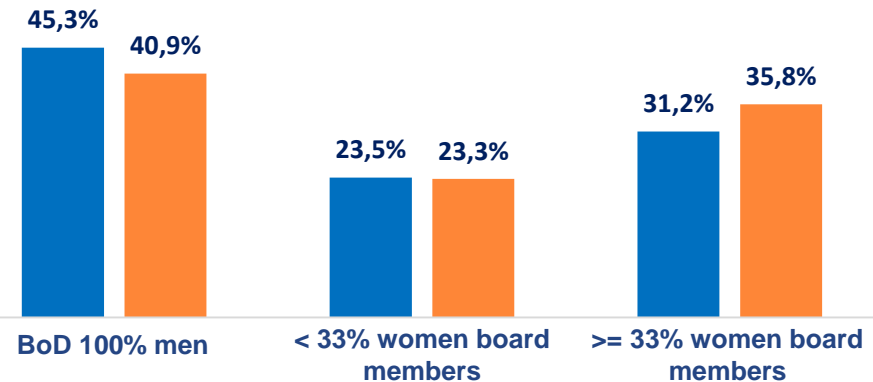
Companies 20-50

■ 2010 ■ 2020



Companies > 50

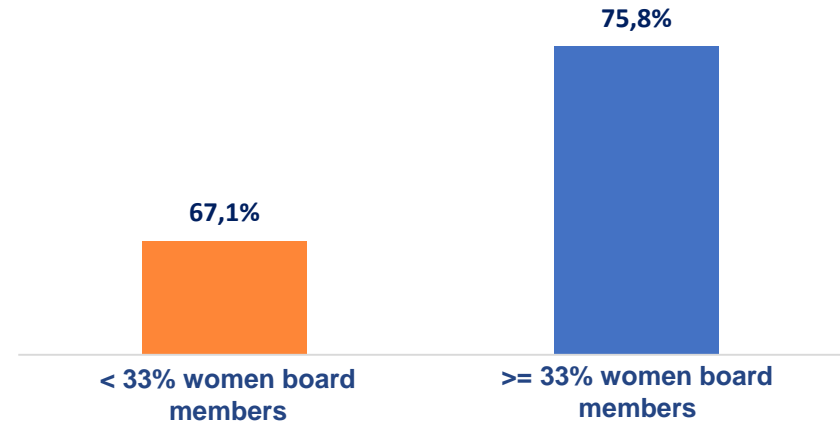
■ 2010 ■ 2020



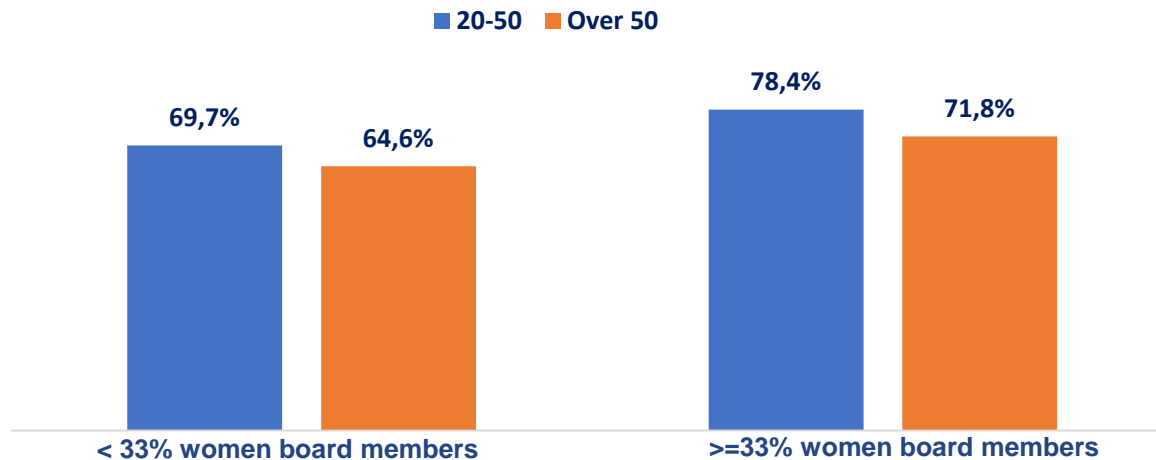
## Women family directors are about:

- 2 out of 3 when less than 33% of the board is composed of women directors
- 3 out of 4 when the board is composed of at least 33% women directors

Percentage of women directors who are family members



Percentage of women directors who are family members



## Family firms with at least 33% of women directors are most prevalent in the **Pharmaceutical** and **Furniture** sectors

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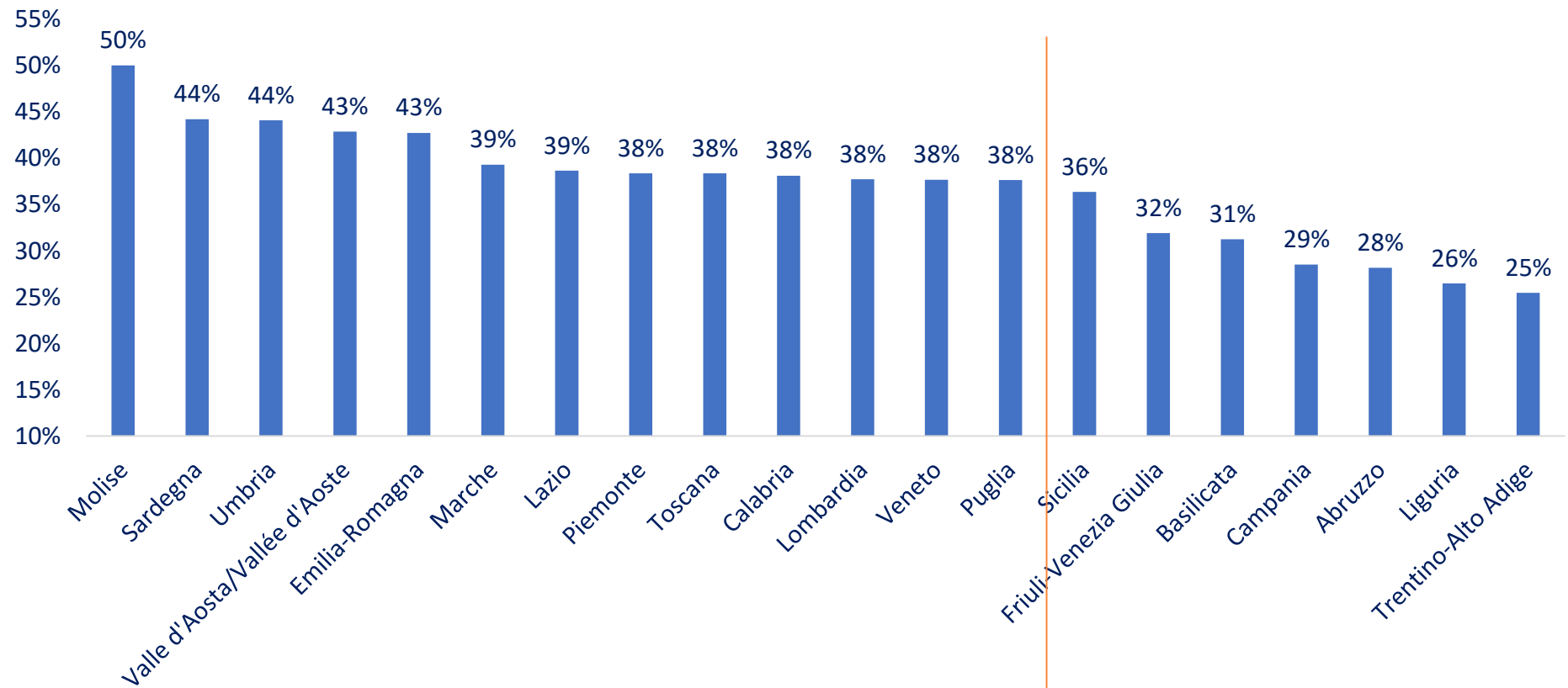
Macro sector	Total
Diversified holding	46,2%
Other services	41,1%
Manufacturing	37,9%
Automotive trade	37,6%
Wholesale trade	37,4%
Constructions	37,1%
Retail trade	36,9%
Energy and mining	35,1%
Business services	33,3%
Transport and logistics	28,2%
Total	37,6%



Manufacturing sector	Total
Pharmaceutics	54,5%
Furniture	45,5%
Rubber and plastic	41,3%
Electronics	39,4%
Chemical	39,0%
Mechanics	38,6%
Food and Beverage	36,9%
Metal products	36,9%
Paper and printing	36,7%
Fashion	35,8%
Other manufacturing	34,8%
Means of transportation	29,3%

**Geographically, there are no regions where more than 50% of family firms have at least 33% of women directors**

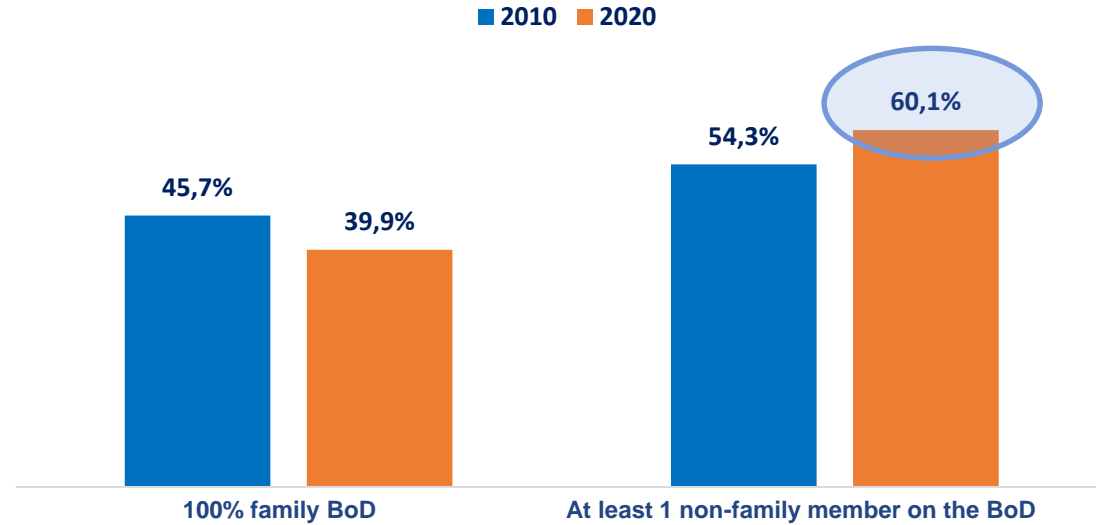
Percentage of companies with at least 33% women on the BoD



# Changes in BoD over the past decade: the presence of non-family members

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**Boards of family firms with the presence of at least one non-family director are 60%, up about 6 points over the past decade**

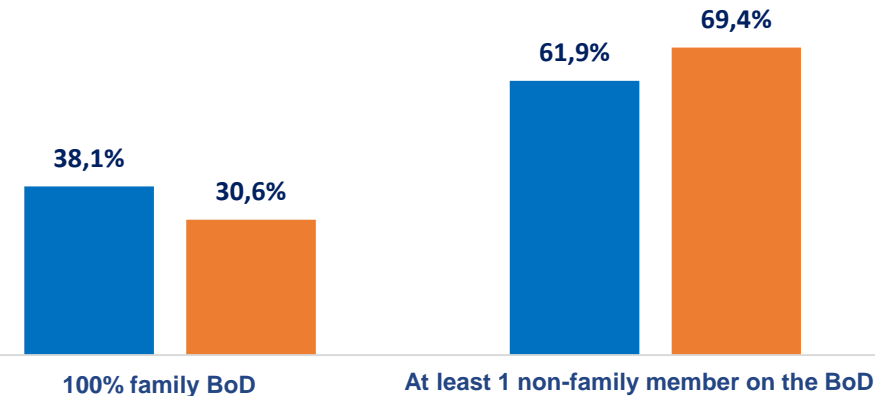
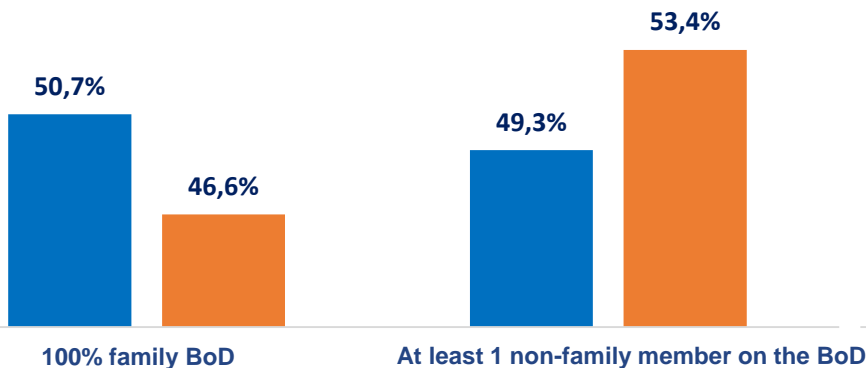


## Companies over 50

20-50

■ 2010 ■ 2020

■ 2010 ■ 2020



**Board familiarity is very heterogeneous across sectors, with Pharmaceutical companies showing the greatest openness to non-family members**

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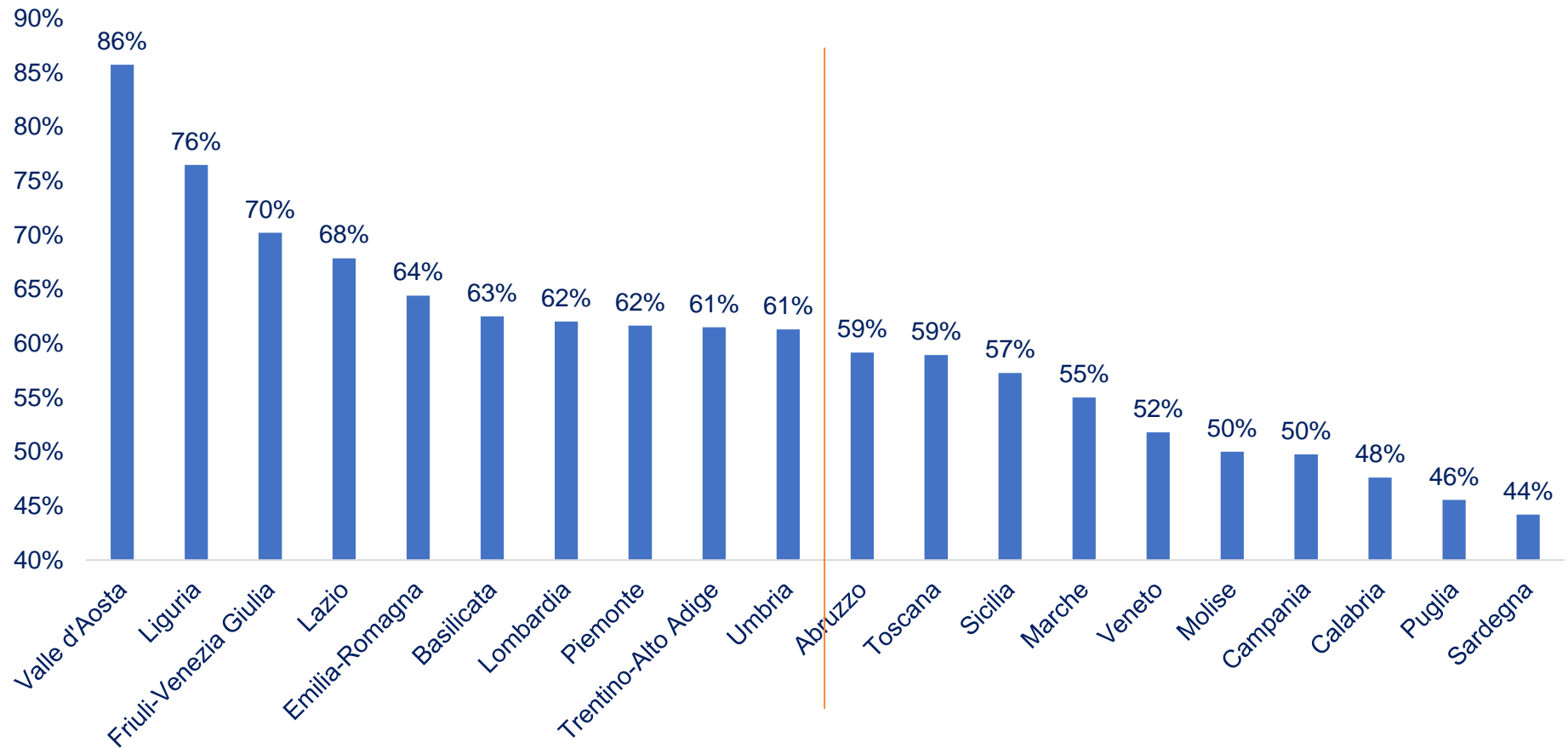
Macro sector	Total
Business services	74,7%
Other services	74,2%
Energy and mining	72,7%
Diversified holding	66,2%
Transport and logistics	66,1%
Manufacturing	61,4%
Constructions	60,4%
Wholesale trade	54,0%
Retail trade	50,0%
Automotive trade	47,3%
Total	60,1%



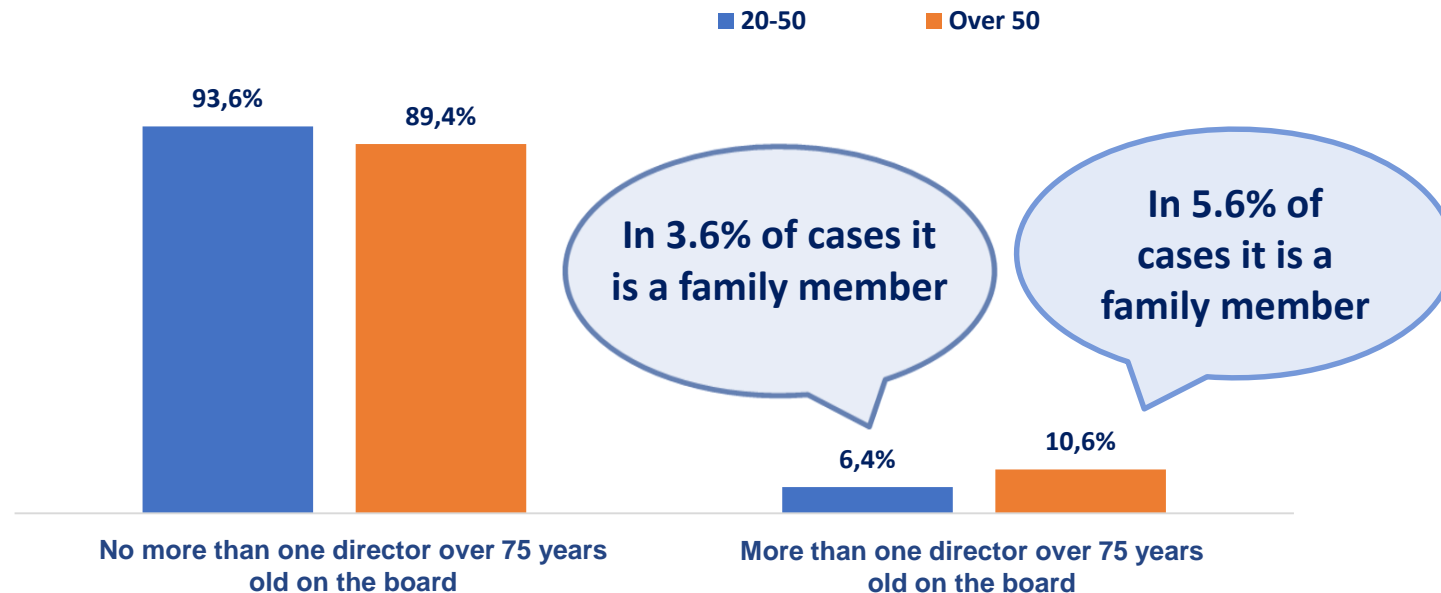
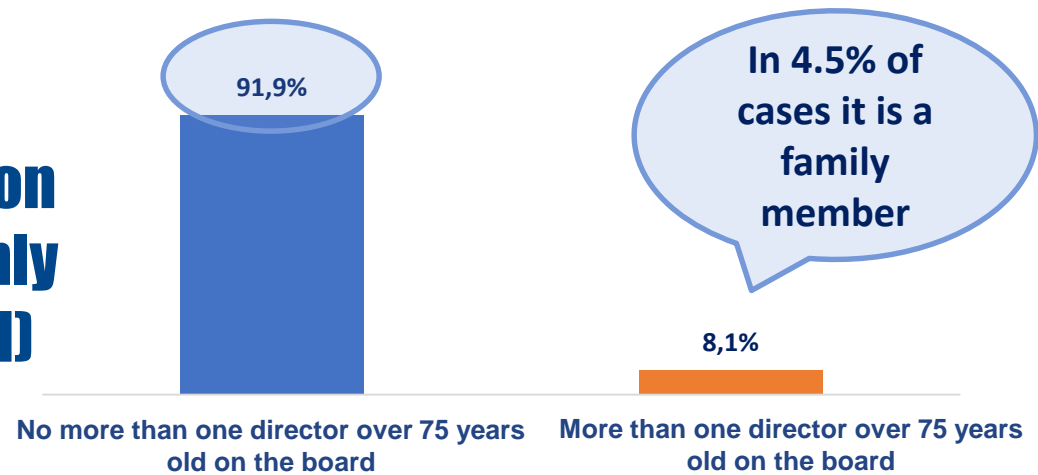
Manufacturing sector	Total
Pharmaceutics	87,3%
Means of transportation	76,8%
Chemical	68,2%
Electronics	65,6%
Fashion	62,6%
Other manufacturing	62,2%
Mechanics	61,9%
Metal products	61,5%
Rubber and plastic	60,6%
Paper and printing	58,6%
Furniture	55,4%
Food and Beverage	53,2%

## Geographically, **10 regions** have **more than 60%** of family firms with **at least 1 non-family member on board**

Companies with at least 1 non-family member on the board of directors



**More than 90% of family firms have no more than 1 director over 75 years old on the board (and 1 out of 4 only 1 director over 75 years old)**





**The incidence of companies with no more than 1 director over 75 years old is lower than the national average in 5 sectors of the manufacturing industry**

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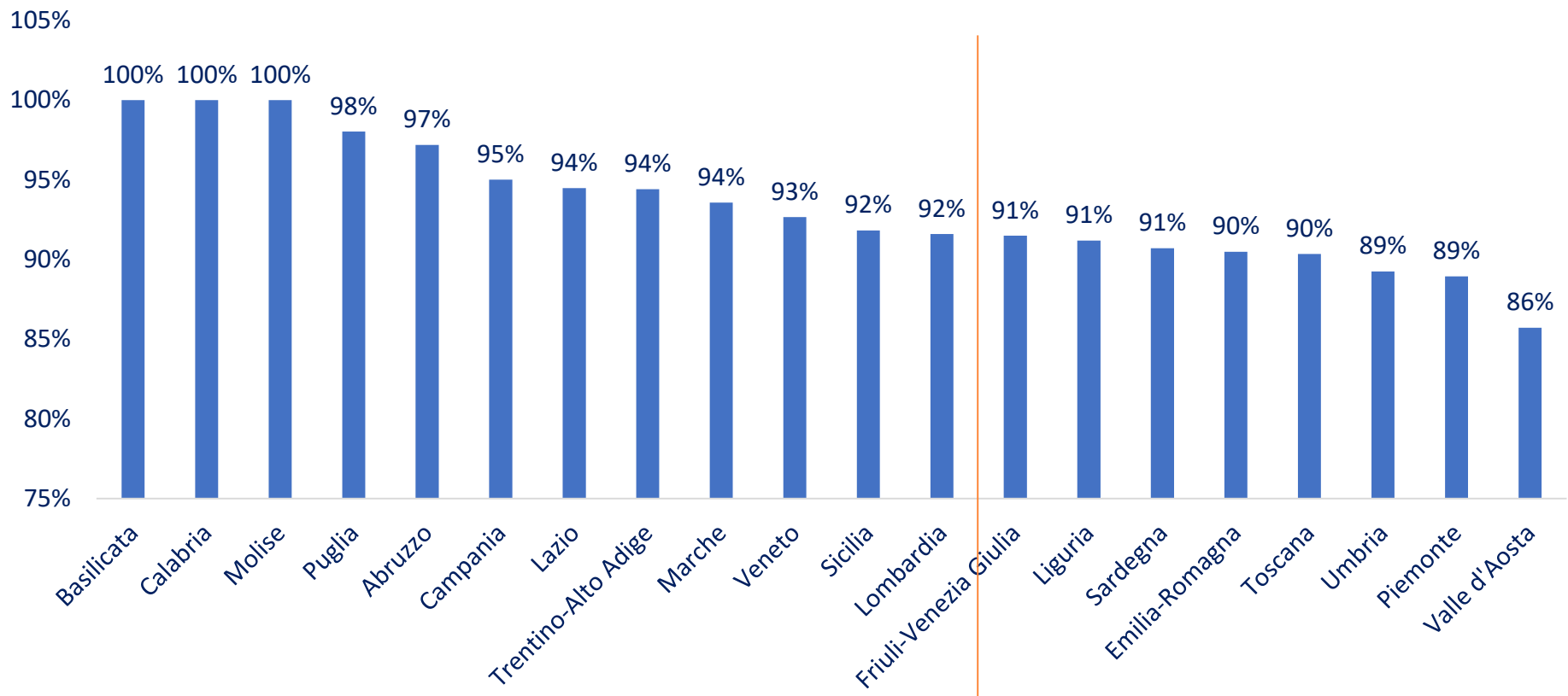
Macro sector	Total
Business services	95,7%
Diversified holding	95,2%
Automotive trade	94,9%
Other services	93,9%
Wholesale trade	93,5%
Constructions	92,5%
Energy and mining	92,2%
Retail trade	91,6%
Transport and logistics	91,0%
Manufacturing	90,4%
Total	91,9%



Manufacturing sector	Total
Furniture	95,9%
Means of transportation	92,9%
Metal products	92,0%
Electronics	91,7%
Paper and printing	91,4%
Rubber and plastic	90,9%
Other manufacturing	90,1%
Food and Beverage	89,8%
Fashion	89,3%
Chemical	88,7%
Mechanics	88,5%
Pharmaceutics	83,6%

**Geographically, in all regions only a limited number of family firms have BoD with 2 or more directors over 75 years of age**

Percentage of companies with no more than 1 director over 75 years old



**The only sectors that exceed the average of all 4 diversity requirements in board composition are Diversified holding and Other services**

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Macro sector	At least 1 NF	Women directors ≥33%	At least 1 director < 40	No more than 1 director > 75
Other services	74,2%	41,1%	26,9%	26,9%
Diversified holding	66,2%	46,2%	27,6%	27,6%
Constructions	60,4%	37,1%	27,5%	27,5%
Energy and mining	72,7%	35,1%	33,8%	33,8%
Business services	74,7%	33,3%	30,2%	30,2%
Wholesale trade	54,0%	37,4%	27,3%	27,3%
Automotive trade	47,3%	37,6%	23,8%	23,8%
Manufacturing	61,4%	37,9%	25,2%	25,2%
Transport and logistics	66,1%	28,2%	27,3%	27,3%
Retail trade	50,0%	36,9%	33,4%	33,4%
National average	60,1%	37,6%	26,4%	91,9%

## None of the manufacturing sectors has companies that exceed the average of all 4 diversity requirements on the BoD

Manufacturing sector	At least 1 NF	Women directors ≥33%	At least 1 director < 40	No more than 1 director > 75
Pharmaceutics	87,3%	54,5%	30,9%	83,6%
Other manufacturing	62,2%	34,8%	30,9%	90,1%
Chemical	68,2%	39,0%	22,6%	88,7%
Electronics	65,6%	39,4%	22,8%	91,7%
Rubber and plastic	60,6%	41,3%	23,6%	90,9%
Mechanics	61,9%	38,6%	23,8%	88,5%
Means of transportation	76,8%	29,3%	20,2%	92,9%
Furniture	55,4%	45,5%	22,3%	95,9%
Metal products	61,5%	36,9%	25,9%	92,0%
Food and Beverage	53,2%	36,9%	27,0%	89,8%
Fashion	62,6%	35,8%	25,1%	89,3%
Paper and printing	58,6%	36,7%	23,4%	91,4%
<b>National average</b>	<b>60,1%</b>	<b>37,6%</b>	<b>26,4%</b>	<b>91,9%</b>

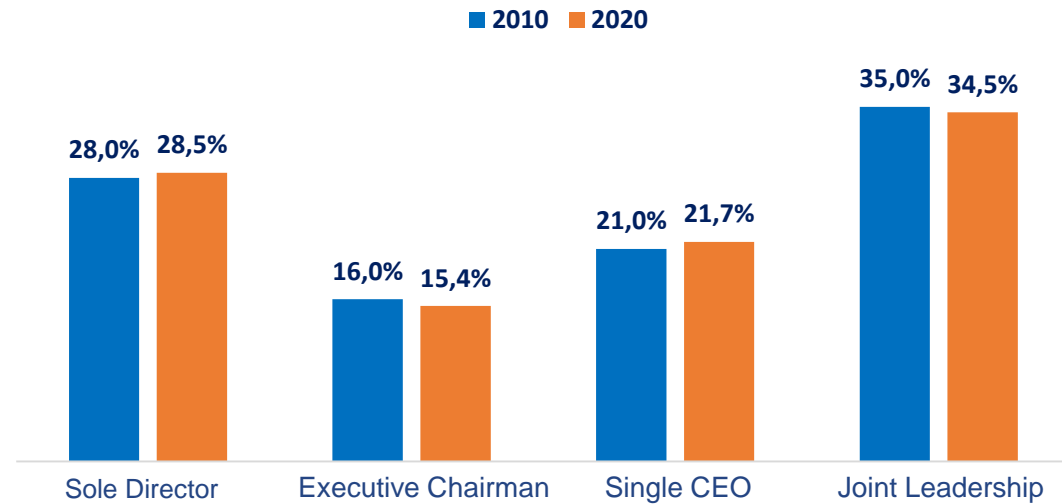
**Lazio is the only region that exceeds the average of all 4 diversity requirements in board composition**

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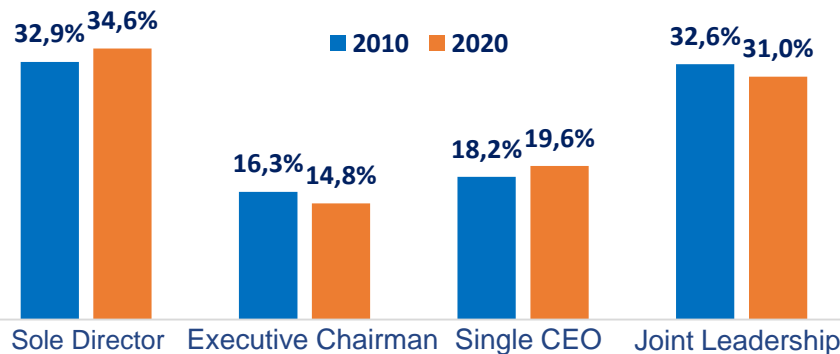
Region	At least 1 NF	Women directors ≥33%	At least 1 director < 40	No more than 1 director > 75
Lazio	67,9%	38,6%	31,8%	94,5%
Lombardia	62,0%	37,7%	26,5%	91,6%
Molise	50,0%	50,0%	50,0%	100,0%
Piemonte	61,6%	38,4%	26,9%	88,9%
Trentino-Alto Adige	61,5%	25,5%	37,3%	94,4%
Umbria	61,3%	44,1%	31,2%	89,2%
Valle d'Aosta	85,7%	42,9%	57,1%	85,7%
Basilicata	62,5%	31,3%	18,8%	100,0%
Calabria	47,6%	38,1%	23,8%	100,0%
Campania	49,8%	28,5%	30,5%	95,0%
Emilia-Romagna	64,4%	42,7%	23,0%	90,5%
Friuli-Venezia Giulia	70,2%	31,9%	27,0%	91,5%
Marche	55,0%	39,3%	24,3%	93,6%
Puglia	45,5%	37,6%	25,7%	98,0%
Veneto	51,8%	37,7%	25,7%	92,7%
Abruzzo	59,2%	28,2%	21,1%	97,2%
Liguria	76,5%	26,5%	20,6%	91,2%
Sardegna	44,2%	44,2%	25,6%	90,7%
Sicilia	57,3%	36,4%	27,3%	91,8%
Toscana	58,9%	38,4%	24,1%	90,3%
National average	60,1%	37,6%	26,4%	91,9%

**Leadership models in family firms have remained essentially stable over the past decade**

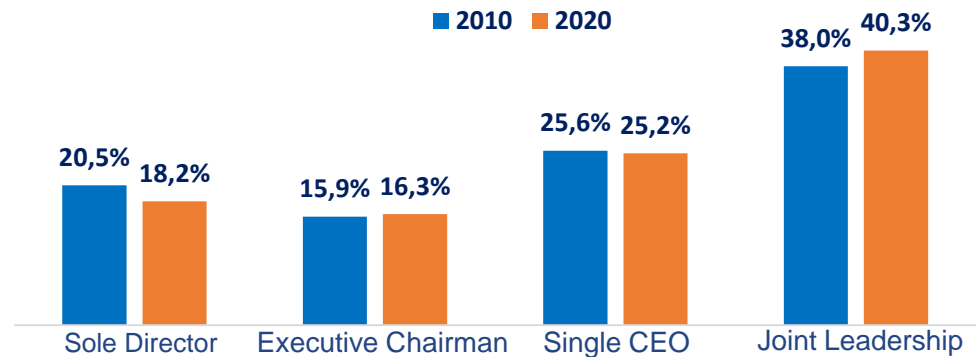
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Companies 20-50

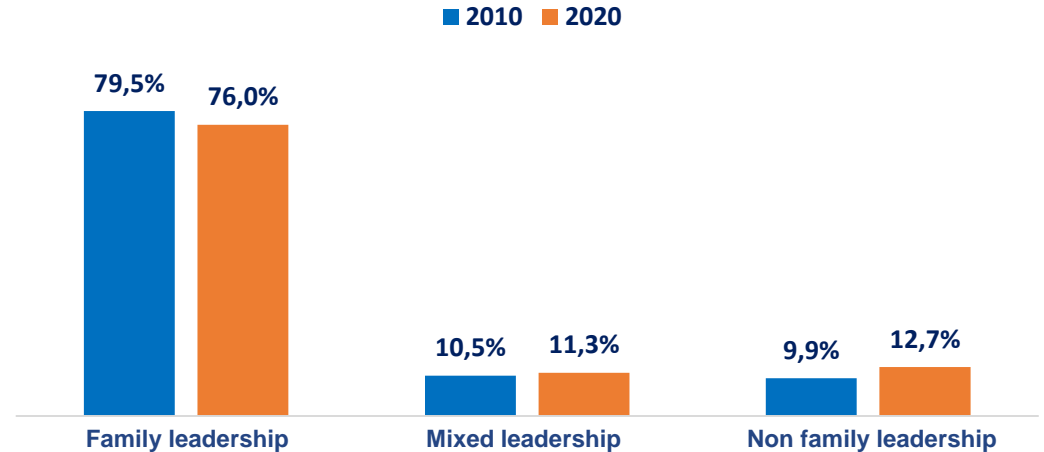


Companies > 50

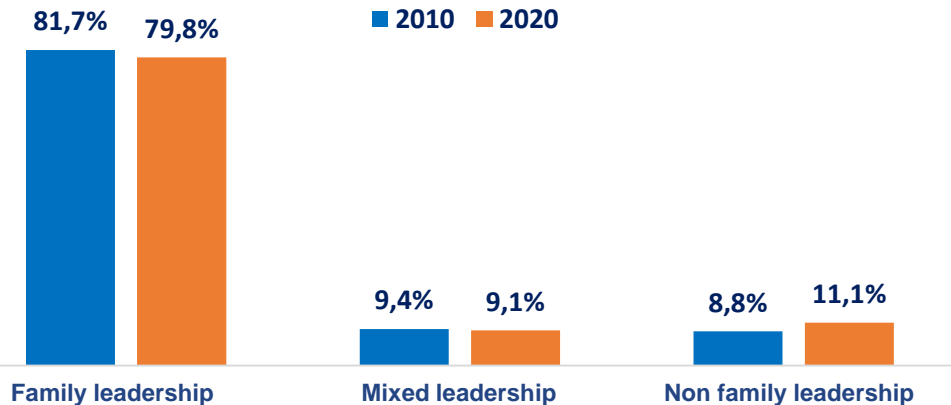


**The incidence of family leadership has declined by 4 points over the past decade with non-significant differences in firms of different sizes**

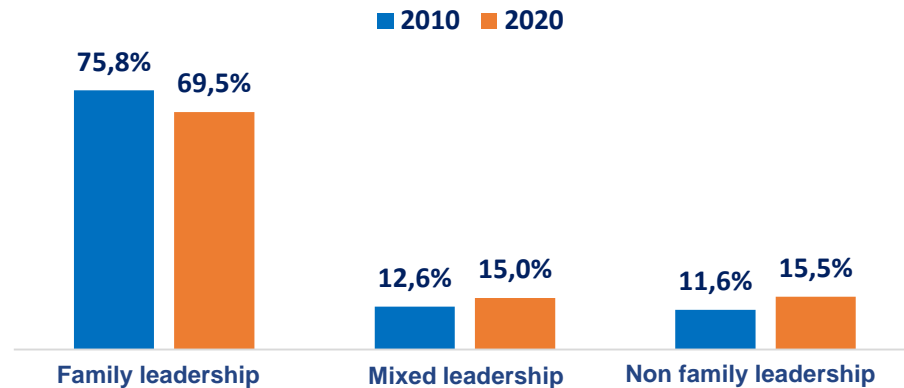
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Companies 20-50



Companies >50



**The presence of family leadership has a fair amount of heterogeneity across sectors, and in manufacturing, furniture and food and beverage have the highest incidence**

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Macro sector	Total
Automotive trade	83,4%
Retail trade	81,7%
Wholesale trade	81,1%
Diversified holding	76,1%
<b>Manufacturing</b>	<b>74,6%</b>
Constructions	72,7%
Business services	72,6%
Transport and logistics	71,8%
Energy and mining	66,7%
Other services	62,6%
Total	76,0%

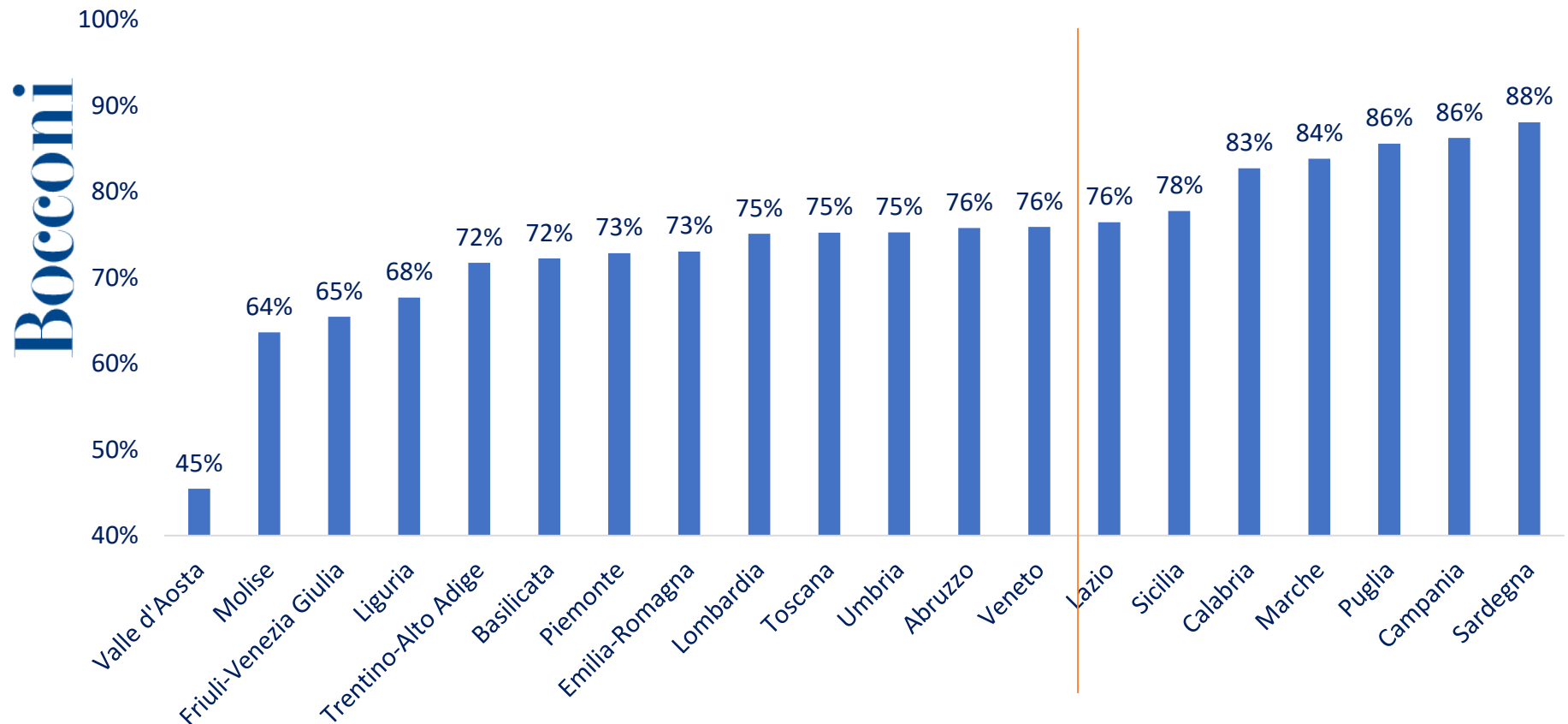


Manufacturing sector	Total
Furniture	82,5%
Food and Beverage	80,8%
Paper and printing	78,3%
Rubber and plastic	75,3%
Metal products	74,4%
Fashion	73,8%
Chemical	72,1%
Mechanics	72,0%
Electronics	71,8%
Other manufacturing	69,9%
Pharmaceutics	64,2%
Means of transportation	58,7%



**Geographically, there is a greater prevalence of family firms with family leadership in the southern regions**

The percentage of Family leadership



**Considering the youngest leader on the top management team, in family firms leaders under 40 years of age are 1 out of 10, while at the beginning of the decade they were nearly 17 percent**

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	20-50		> 50		Total	
	2010	2020	2010	2020	2010	2020
Less than 40 years old	17,6%	10,4%	15,6%	9,4%	16,9%	10,0%
Between 40 and 60 years old	54,7%	56,1%	54,8%	55,9%	54,7%	56,0%
Between 60 and 70 years old	17,8%	20,3%	19,3%	20,5%	18,4%	20,4%
Over 70 years old	9,9%	13,2%	10,3%	14,2%	10,0%	13,6%

**Considering the most senior leader on the top management team, the number of leaders under 40 years of age has more than halved in family firms over the past decade**

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	20-50		> 50		Total	
	2010	2020	2010	2020	2010	2020
Less than 40 years old	9,8%	4,7%	7,7%	2,6%	9,0%	3,9%
Between 40 and 60 years old	50,2%	45,3%	46,7%	40,3%	49,0%	43,5%
Between 60 and 70 years old	23,8%	25,9%	26,0%	27,8%	24,5%	26,6%
Over 70 years old	16,2%	24,1%	19,6%	29,2%	17,5%	26,0%

**The presence of leaders under 40 years old shows no significant differences between sectors, showing very low % in all cases**

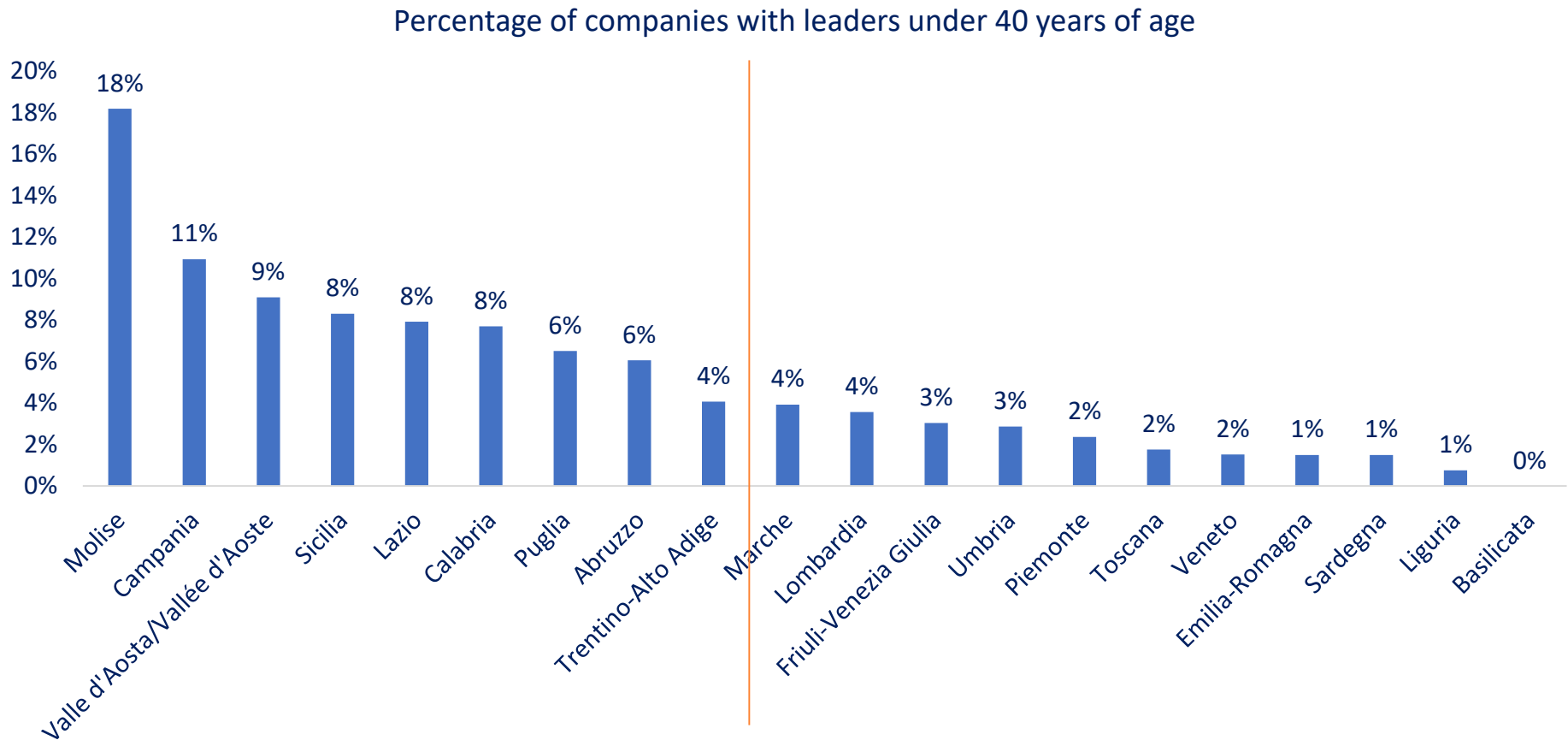
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Macro sector	Total
Retail trade	7,9%
Energy and mining	7,5%
Constructions	6,9%
Wholesale trade	5,5%
Business services	5,3%
Diversified holding	5,0%
Transport and logistics	4,4%
Other services	4,4%
Automotive trade	3,3%
Manufacturing	2,1%
Total	3,9%

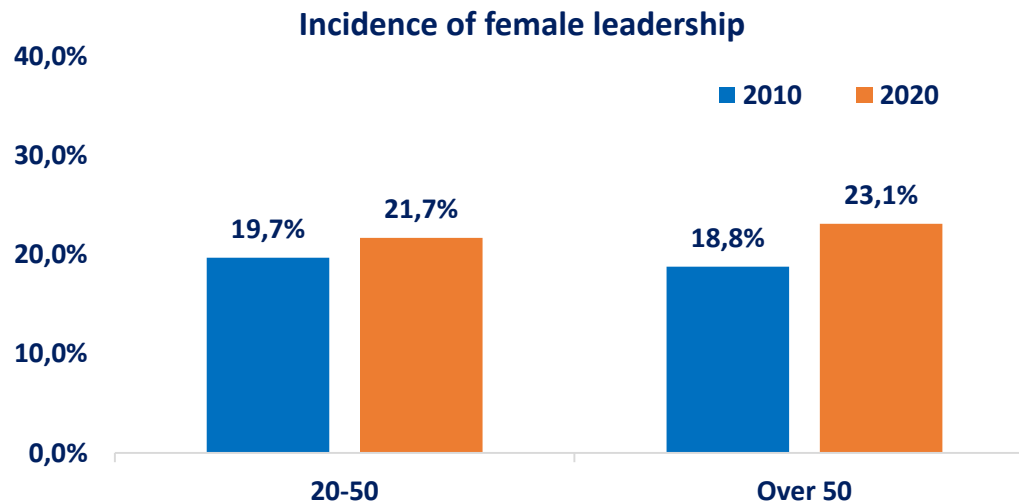
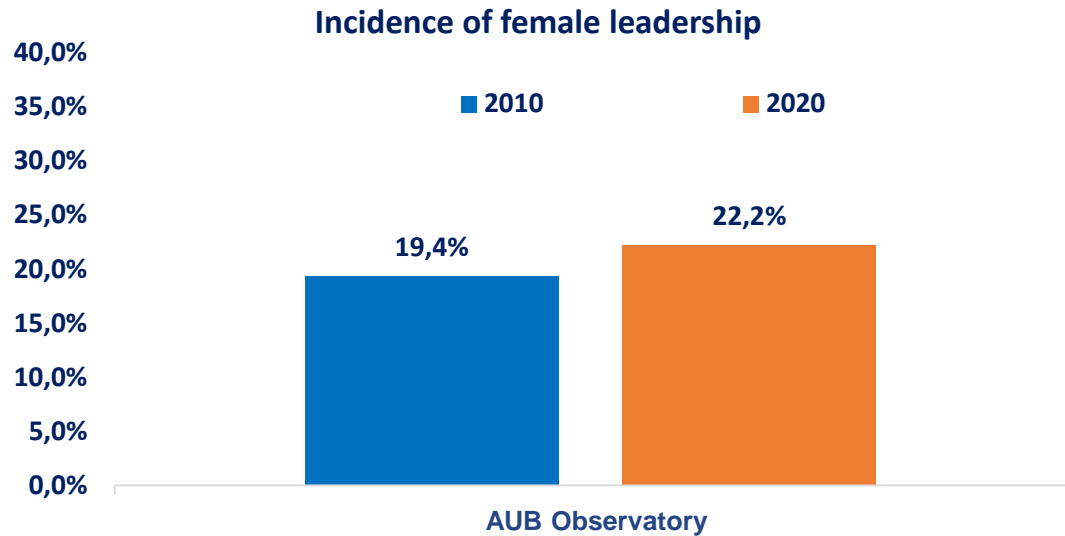


Manufacturing sector	Total
Metal products	2,7%
Food and Beverage	2,5%
Rubber and plastic	2,3%
Other manufacturing	2,1%
Electronics	1,9%
Paper and printing	1,9%
Furniture	1,8%
Chemical	1,8%
Mechanics	1,7%
Means of transportation	1,7%
Pharmaceutics	1,5%
Fashion	1,5%

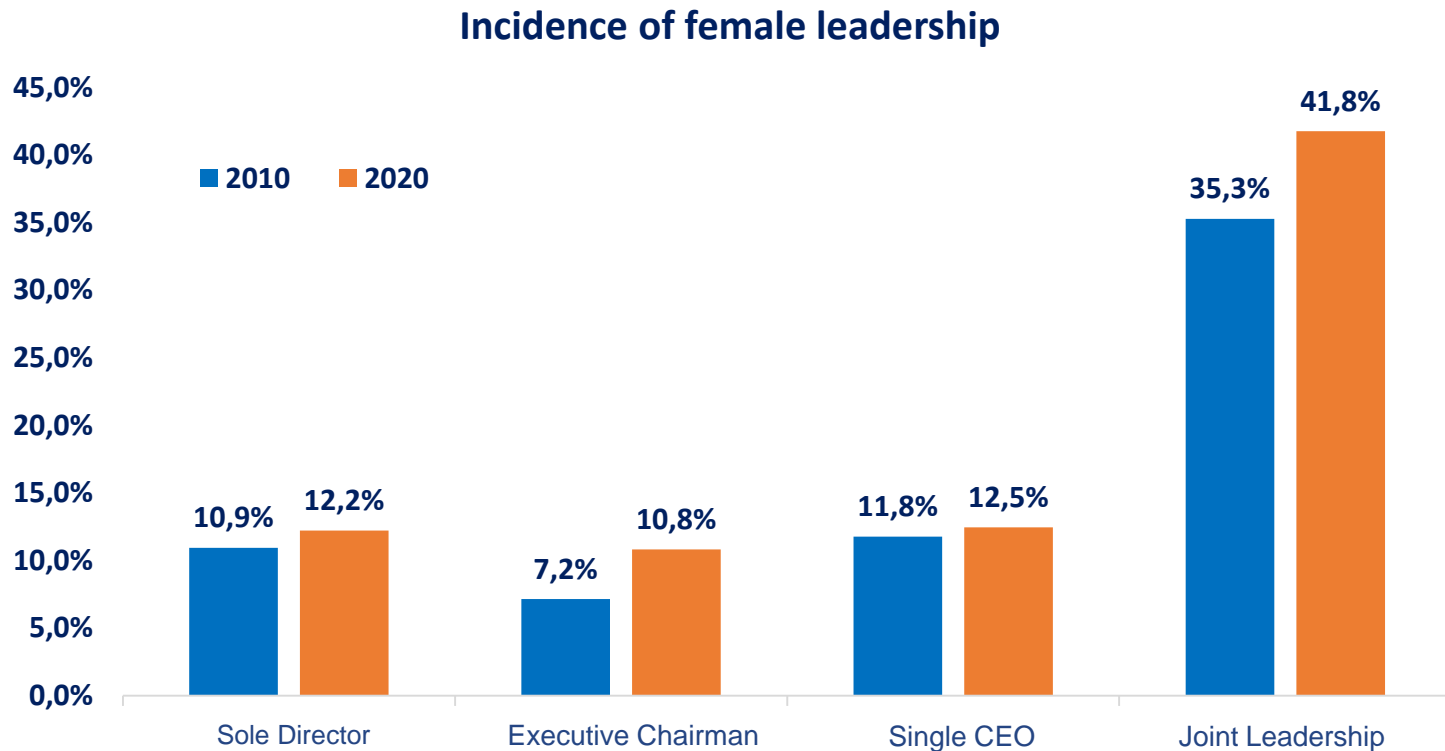
**Geographically, the percentage of family firms with leaders under 40 years old are very low**



**The incidence of female leadership has increased by about 3 points over the past decade, and this increase has been slightly greater in larger companies**



**The increase in female leadership has been driven by the presence of women in joint leadership models**



**The presence of family firms with female leaders shows heterogeneity across sectors, although it never exceeds 30%**

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Macro sector	Total
Manufacturing	25,1%
Automotive trade	21,9%
Constructions	21,8%
Business services	21,7%
Other services	20,2%
Retail trade	19,9%
Wholesale trade	19,4%
Diversified holding	18,9%
Transport and logistics	17,4%
Energy and mining	16,7%
Total	22,2%



Manufacturing sector	Total
Paper and printing	28,0%
Chemical	27,5%
Electronics	27,2%
Mechanics	27,1%
Rubber and plastic	26,6%
Metal products	25,0%
Pharmaceutics	23,9%
Fashion	23,8%
Other manufacturing	23,4%
Food and Beverage	23,4%
Furniture	22,9%
Means of transportation	21,5%



**Geographically, in 19 regions, the presence of family firms with female leaders is less than 30 percent**

