Report 2012

AUB Observatory on all the medium and large Italian family firms

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CAMERA DI COMMERCIO MILANO

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The fourth edition of the Observatory on Family Firms, promoted by AIdAF (Italian Association of Family Firms), AIdAF–Alberto Falck Chair of Strategic Management in Family Business (Bocconi University), UniCredit Group and by the Chamber of Commerce of Milan, aims to carry on the most comprehensive monitoring of all Italian family firms. Consistent with the previous edition, the population includes all the family firms that, at the end of the fiscal year 2010, have exceeded the threshold of 50 million euro.

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Part I

Italian firms beyond the crisis:

a) Changes in the population

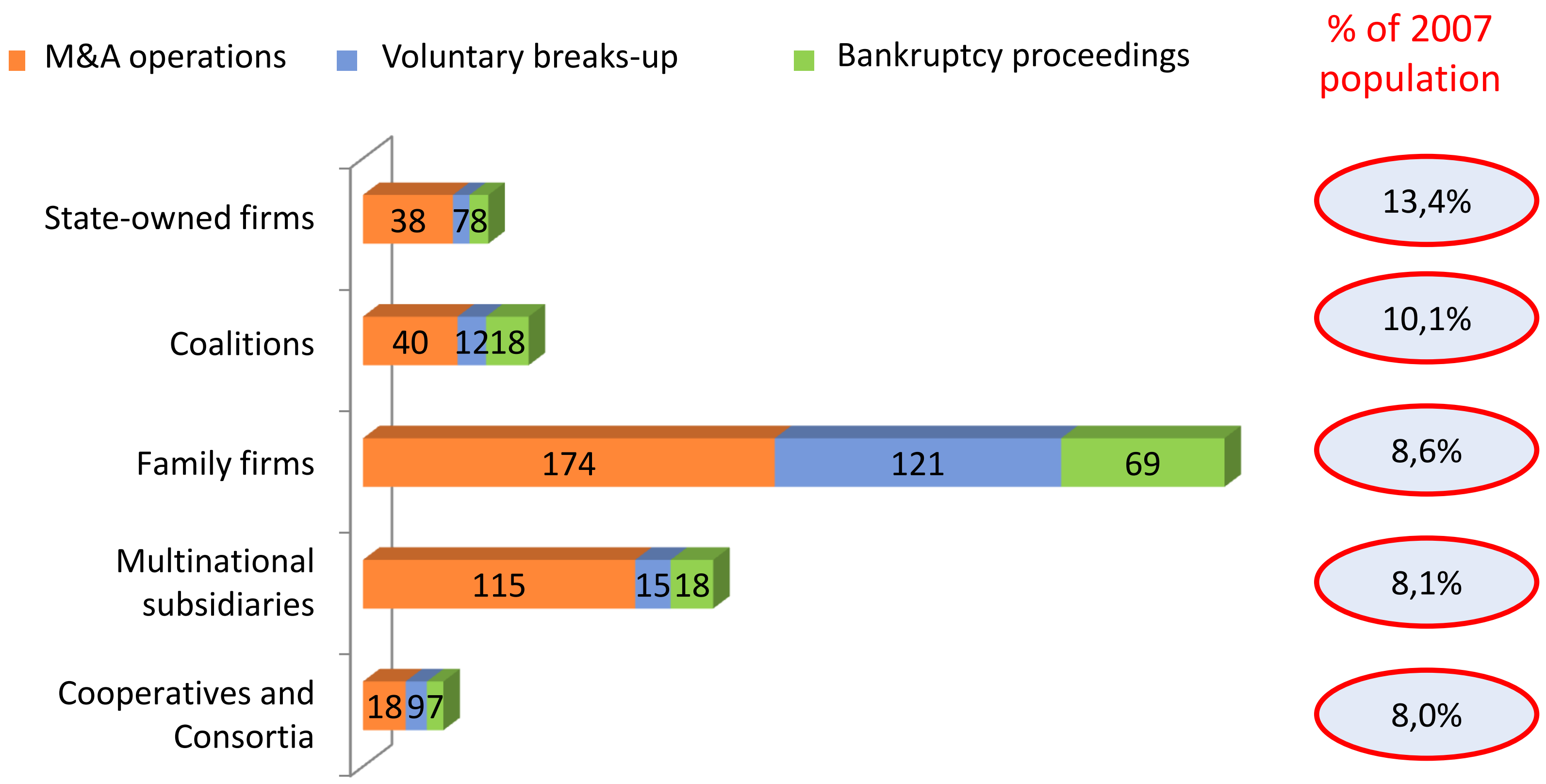
Population (1/2)

The population in the three-year period 2008-2010

Ownership structure (*)	2008		2009		2010	
	N	%	N	%	N	%
Family firms	**4.221**	55,1%	**3.893**	57,1%	**4.077**	56,9%
Multinational subsidiaries	**1.779**	23,2%	**1.449**	21,3%	**1.513**	21,1%
Coalitions	**662**	8,6%	**596**	8,7%	**588**	8,2%
Cooperatives and Consortia	**428**	5,6%	**396**	5,8%	**411**	5,7%
State-owned firms	**411**	5,4%	**349**	5,1%	**357**	5,0%
Controlled by P.E.	**84**	1,1%	**93**	1,4%	**118**	1,6%
Controlled by banks	**75**	1,0%	**40**	0,6%	**41**	0,6%
Total	**7.660**	**100,0%**	**6.816**	**100,0%**	**7.105**	**100,0%**

(*) Source: Aida.

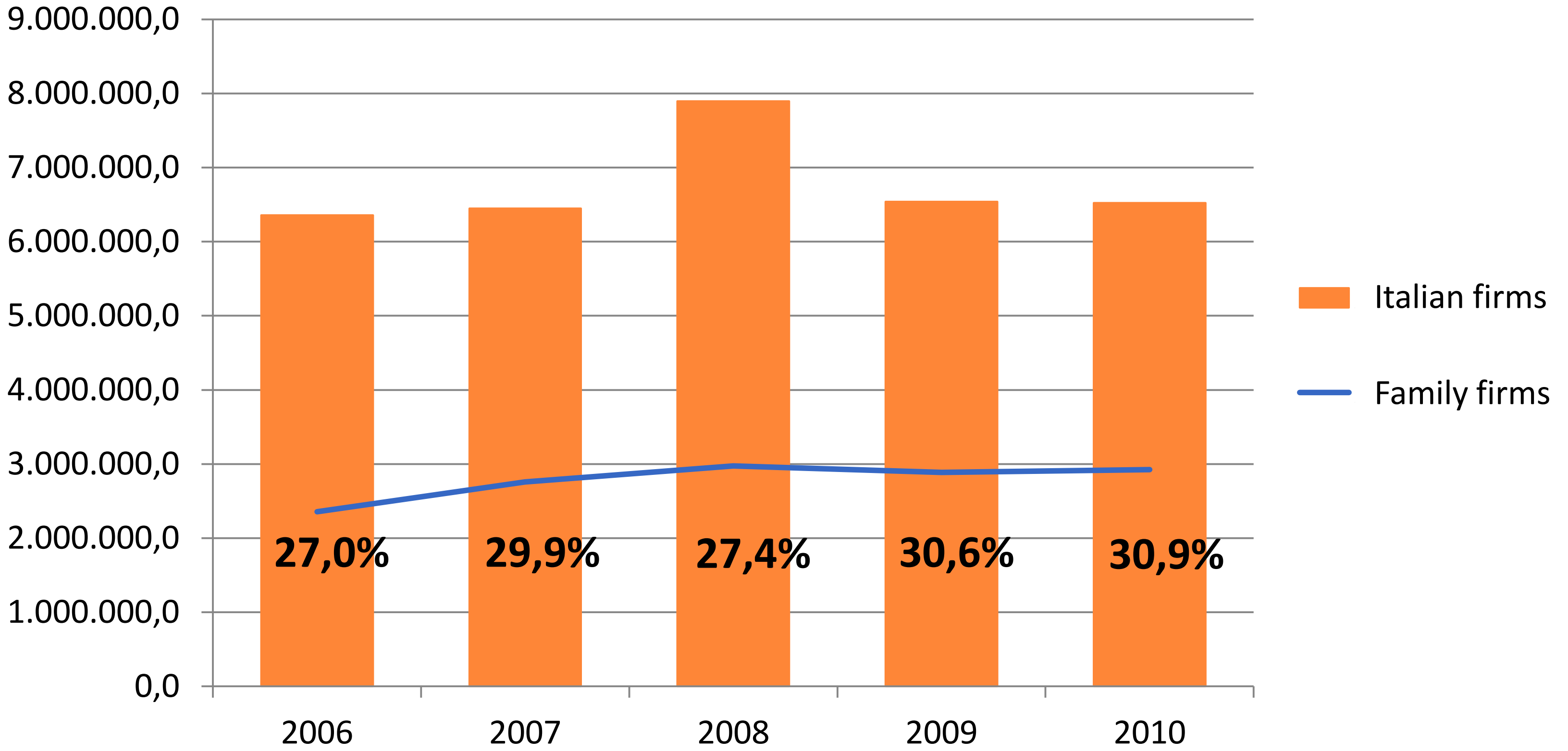
Firms undergoing extraordinary operations (*)



(*) Percentages are calculated as the number of firms excluded from the three previous editions of the AUB Observatory on the total number of firms monitored as at 31/12/2007.
(Source: Aida).

Employment

The weight of family firms on employees of Italian corporations (*)



(*) The percentage is calculated as the number of employees working in the 4.077 Italian family firms divided total employees of Italian corporate enterprises (Source: Aida).

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Part I

Italian family firms beyond the crisis:

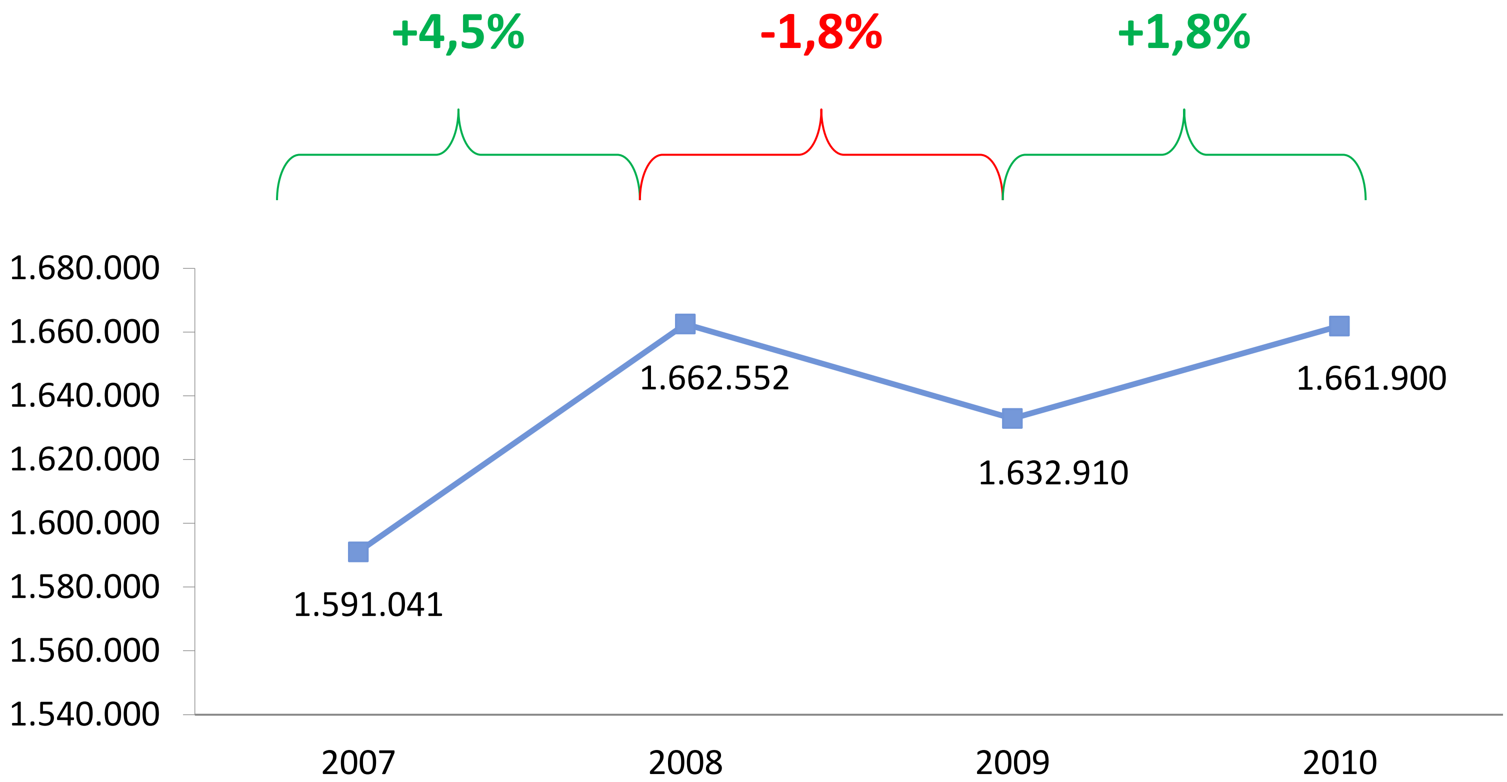
b) Analysis of economic and financial performance

* Family firms included in the IV° edition of the AUB Observatory are 2.582 (for further information see the Appendix 1);

** The 2011 figures are provisional estimates based on 65% of the population in 2010.

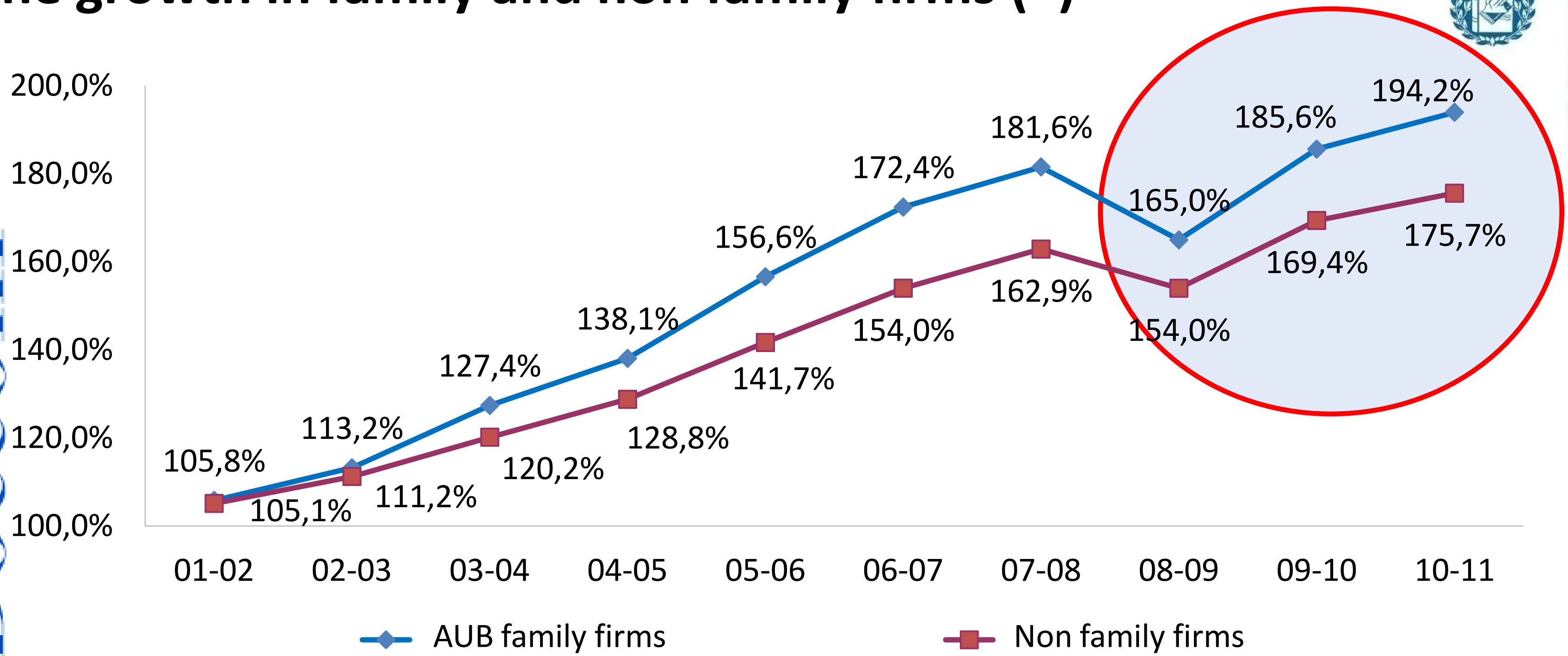
Employees

The total number of employees in the AUB Observatory family firms (*)



(*) Source: Aida.

The growth in family and non family firms (*)



Non family firms	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Coalitions	108%	117%	130%	142%	161%	177%	188%	179%	198%	207%
Cooperatives	107%	118%	128%	137%	148%	164%	179%	181%	195%	202%
State-owned firms	103%	113%	124%	138%	152%	162%	178%	180%	195%	202%
Controlled by P.E.	111%	115%	131%	140%	156%	171%	179%	160%	176%	187%
Multinational subsidiaries	104%	107%	115%	122%	133%	144%	149%	136%	150%	156%

(*) Compound growth 100-based (year 2001), calculated on sales revenues (Source: Aida).

Growth (2/3)

The growth of Italian family firms in front of the crisis

Ownership structure	Growth 2007-08	Growth 2008-09	Growth 2009-10	Growth 2010-11
AUB family firms	5,3%	-9,1%	12,5%	4,6%
Non family firms	5,8%	-5,5%	10,0%	3,6%

In particular, among non family firms:

Non family firms	Growth 2007-08	Growth 2008-09	Growth 2009-10	Growth 2010-11
Controlled by PE	4,5%	-10,2%	9,5%	6,0%
Coalitions	6,2%	-5,2%	10,8%	4,4%
Cooperatives	9,5%	1,0%	7,7%	3,6%
Multinational subsidiaries	3,6%	-8,7%	10,6%	3,3%
State-owned firms	9,8%	1,2%	8,7%	3,2%

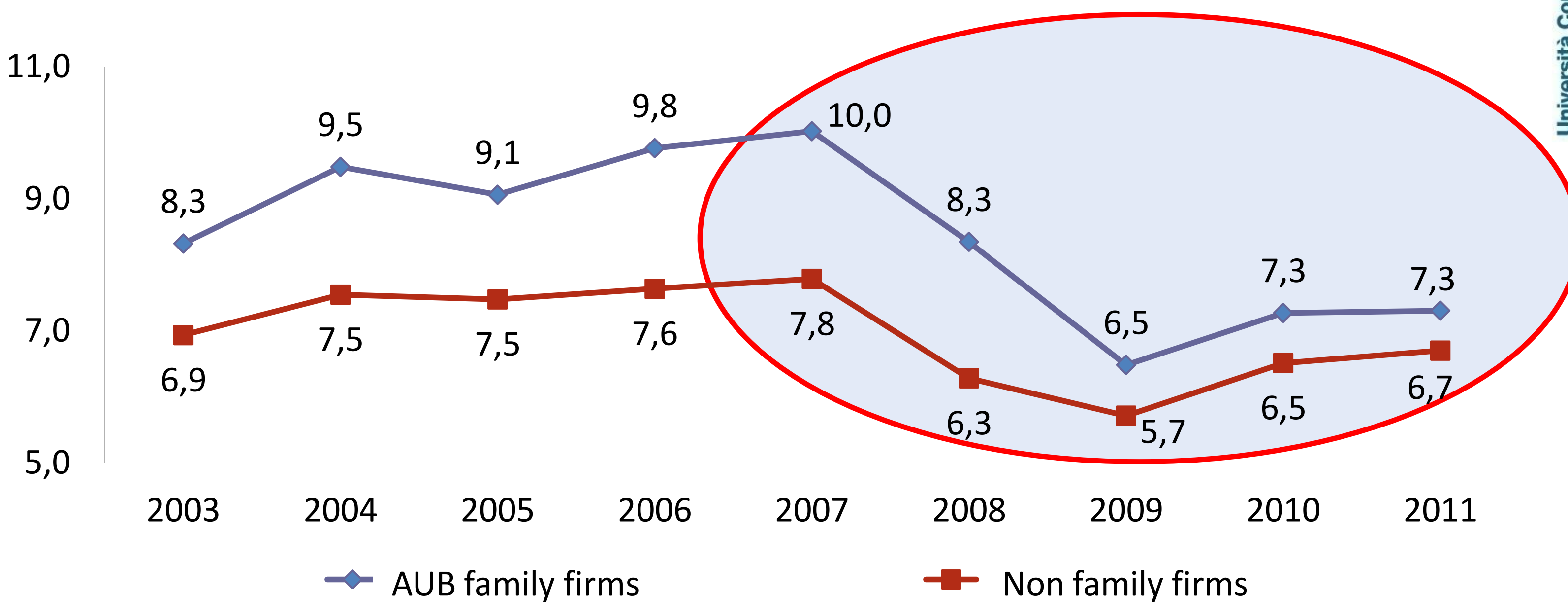
Growth (3/3)

The growth of AUB family firms by industry

Industry	Growth 2007-08	Growth 2008-09	Growth 2009-10
Transportation	9,9%	-12,2%	15,3%
Manufacturing	4,8	-12,6%	14,8%
Other services (*)	7,6%	-4,5%	11,4%
Commerce	5,5%	-4,9%	11,3%
Real Estate	2,7%	-10,3%	11,1%
Construction	3,0%	-1,3%	6,8%

(*) Media and Communication, Utilities, Food and Beverage service activities, Health Services and other services of public utility.

ROI of family and non family firms (*)



Non family firms	2003	2004	2005	2006	2007	2008	2009	2010	2011
State-owned firms	9,2	7,8	7,2	7,2	6,8	7,3	7,9	8,1	9,4
Multinational subsidiaries	6,9	8,3	8,2	8,4	9,1	6,6	6,1	7,5	7,5
Coalitions	7,7	8,0	8,1	8,8	8,3	7,1	5,3	6,6	6,2
Controlled by PE	22,2	3,3	4,3	4,9	7,8	5,2	3,4	3,6	5,4
Cooperatives	3,8	4,8	5,3	4,9	4,6	3,7	3,7	3,2	3,2

(*) Return on Investments = Operating Income/Total Investments (Source: Aida).

Profitability (2/3)

Ownership structure	Δ ROI 2001-11	Δ ROI 2009	Δ ROI 2010	Δ ROI 2011
AUB family firms	+1,5***	+0,8*	+0,8**	+0,6*
Non family firms	-1,5***	-0,8*	-0,8**	-0,6*

In particular, among non family firms:

Ownership structure	Δ ROI 2001-11	Δ ROI 2009	Δ ROI 2010	Δ ROI 2011
Multinational subsidiaries	0,0	+0,2	+0,8*	+0,6
Coalitions	-0,5**	-0,8	-0,4	-0,8
Cooperatives	-3,8***	-2,3***	-4,0***	-4,1***
State-owned firms	0,0	+2,1***	+1,3*	+2,8**
Controlled by PE	-3,0***	-2,6*	-3,3***	-2,6*

***The values of ROI** in the table show that firm performances are positively (+) or **negatively (-)** affected by the ownership structure compared to the national average and the figure is statistically significant with:*

**** High significance (p<.001) ** Medium significance (p<.01) * Acceptable significance (p<.10)*

Data processing is related to the period 2001-2011 (Source: Aida).

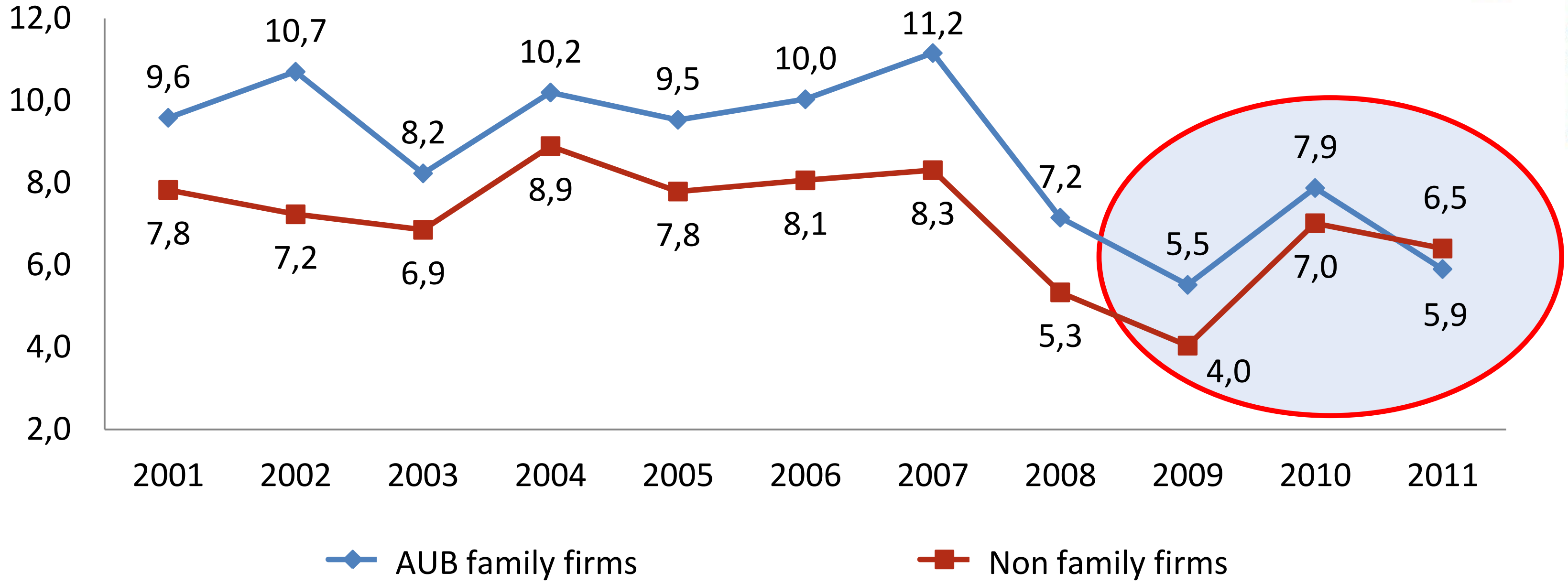
ROI of AUB family firms by industry

Industry	ROI 2007	ROI 2008	ROI 2009	ROI 2010	Δ ROI 2007-10
Commerce	10,0	8,4	7,3	7,8	**-2,2**
Other services (*)	10,2	8,3	7,9	7,8	**-2,4**
Construction	9,2	8,8	7,3	7,3	**-1,9**
Transportation	10,3	8,9	6,4	7,1	**-3,2**
Manufacturing	10,4	8,3	6,0	7,1	**-3,3**
Real Estate	8,3	7,6	5,0	6,4	**-1,9**

(*) Media and Communication, Utilities, Food and Beverage service activities, Health Services and other services of public utility.

Profitability (1/3)

ROE of family and non family firms (*)



Non family firms	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Multinational subsidiaries	7,9	6,8	7,3	9,4	8,3	8,9	9,2	6,0	3,9	9,4	8,6
State-owned firms	12,0	8,3	7,2	8,8	8,6	9,2	8,3	8,5	10,1	10,1	7,9
Coalitions	5,8	7,9	6,9	11,0	9,0	10,4	11,1	6,2	4,5	6,1	3,6
Cooperatives	6,7	6,5	4,3	5,8	6,0	2,9	4,2	1,4	3,3	1,6	3,3
Controlled by PE	4,5	6,7	3,8	-0,7	-2,6	-2,8	-4,8	-6,6	-15,1	-7,2	-6,9

(*) Return on Equity = Net Income/Shareholders' Funds (Source: Aida).

Profitability (2/3)

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Ownership structure	Δ ROE 2001-11	Δ ROE 2009	Δ ROE 2010	Δ ROE 2011
AUB family firms	**+1,7*** **	**+1,5***	+0,9	-0,6
Non family firms	**-1,7*** **	**-1,5***	-0,9	+0,6

In particular, among non family firms:

Ownership structure	Δ ROE 2001-11	Δ ROE 2009	Δ ROE 2010	Δ ROE 2011
Multinational subsidiaries	-0,1	-0,8	**+2,6** **	**+2,6***
Coalitions	-0,2	-0,1	-1,3	**-3,1***
Cooperatives	**-4,1*** **	-1,4	**-6,1*** **	**-3,1***
State-owned firms	**+1,3***	**+5,8*** **	**+3,0***	+2,6
Controlled by PE	**-13,3*** **	**-19,9*** **	**-14,7*** **	**-12,9***

***The values of ROE** in the table show that firm performance are **positively (+)** or **negatively (-)** affected by the ownership structure compared to the national average and the figure is statistically significant with:*

**** High significance (p<.001) ** Medium significance (p<.01) * Acceptable significance (p<.10).*

Data processing is related to the period 2001-2011 (Source: Aida).

Profitability (3/3)

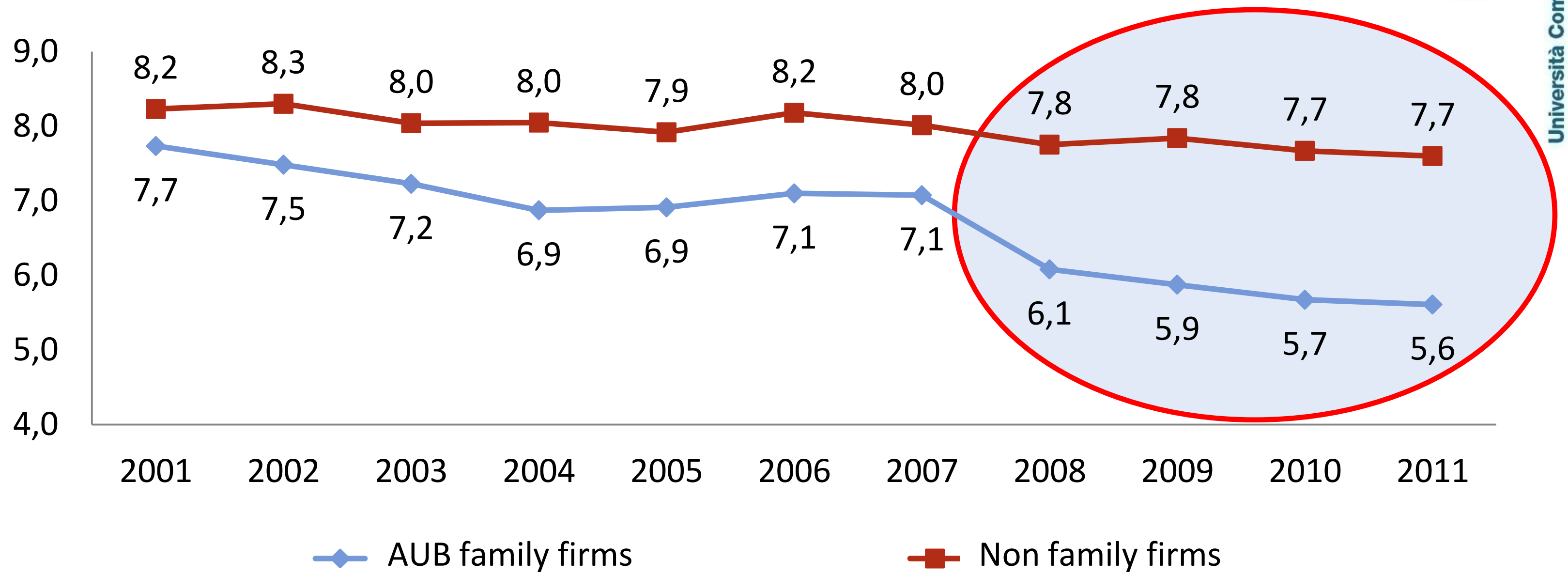
ROE of AUB family firms by industry

Industry	ROE 2007	ROE 2008	ROE 2009	ROE 2010	Δ ROE 2007-10
Commerce	11,8	9,2	8,3	10,6	**-1,2**
Construction	12,7	8,7	8,4	10,1	**-2,6**
Transportation	14,5	9,8	4,9	7,9	**-6,6**
Other services (*)	14,8	8,9	9,9	7,1	**-7,7**
Manufacturing	10,6	6,0	4,0	6,5	**-4,1**
Real Estate	5,0	-0,9	0,7	4,6	**-0,4**

(*) Media and Communication, Utilities, Food and Beverage service activities, Health Services and other services of public utility.

Leverage (1/3)

Leverage in family and non family firms (*)

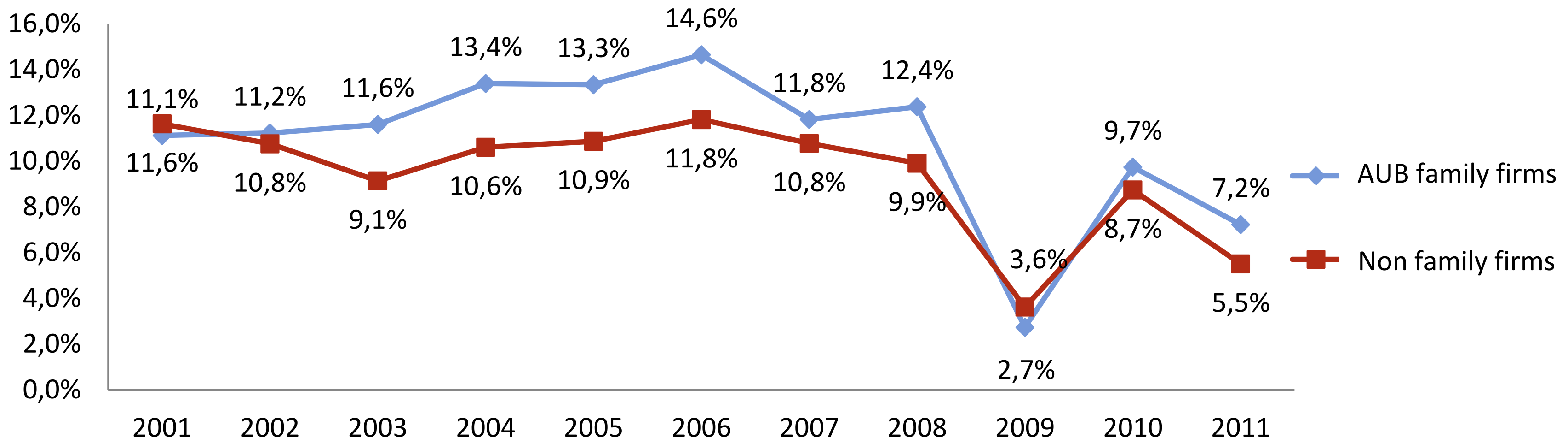


Non family firms	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cooperatives	10,0	10,4	9,8	10,7	11,0	10,9	11,4	10,9	11,4	11,1	10,1
State-owned firms	7,8	7,6	7,7	9,6	10,5	9,4	9,2	9,3	9,1	8,2	8,7
Controlled by PE	7,0	8,7	7,8	8,0	6,2	8,4	7,9	7,7	8,2	7,0	8,6
Coalitions	9,9	8,7	9,0	8,2	7,9	8,6	8,1	7,2	7,2	7,2	8,1
Multinational subsidiares	7,4	7,8	7,5	6,9	6,7	7,1	6,9	6,8	6,8	6,9	6,8

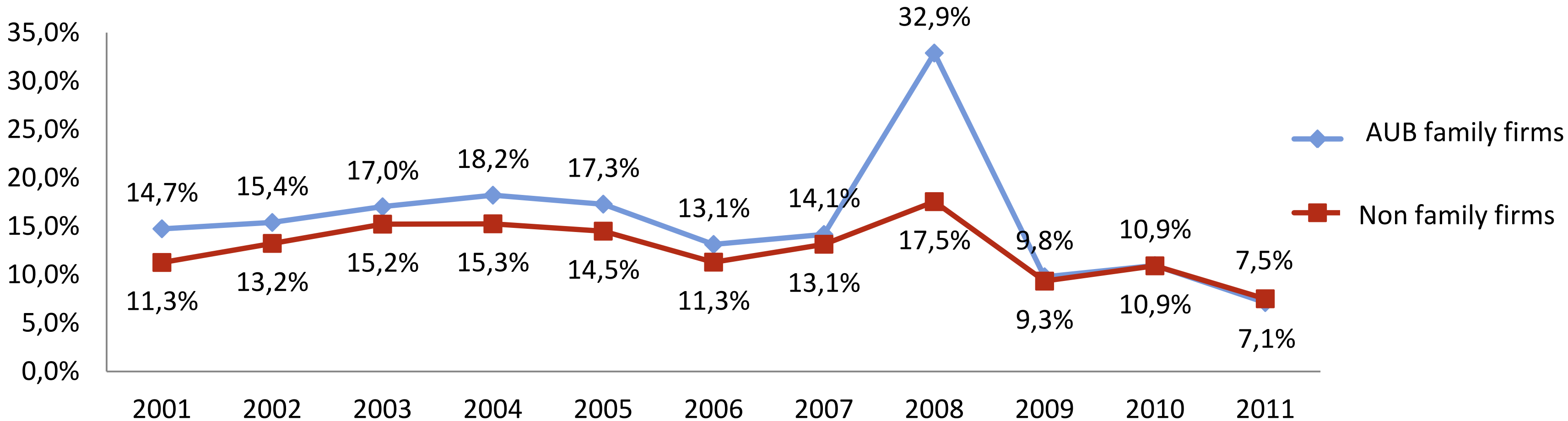
(*) Leverage = Total Assets/Shareholders' Funds (Source: Aida).

Leverage (2/3)

Variations in Total Assets (*)



Variations in Shareholders' Funds (*)



(*) The percentage values of Total Assets and Shareholders' Funds are referred to all firms for which data are available, so they could do not exactly coincide with the resultant variation.

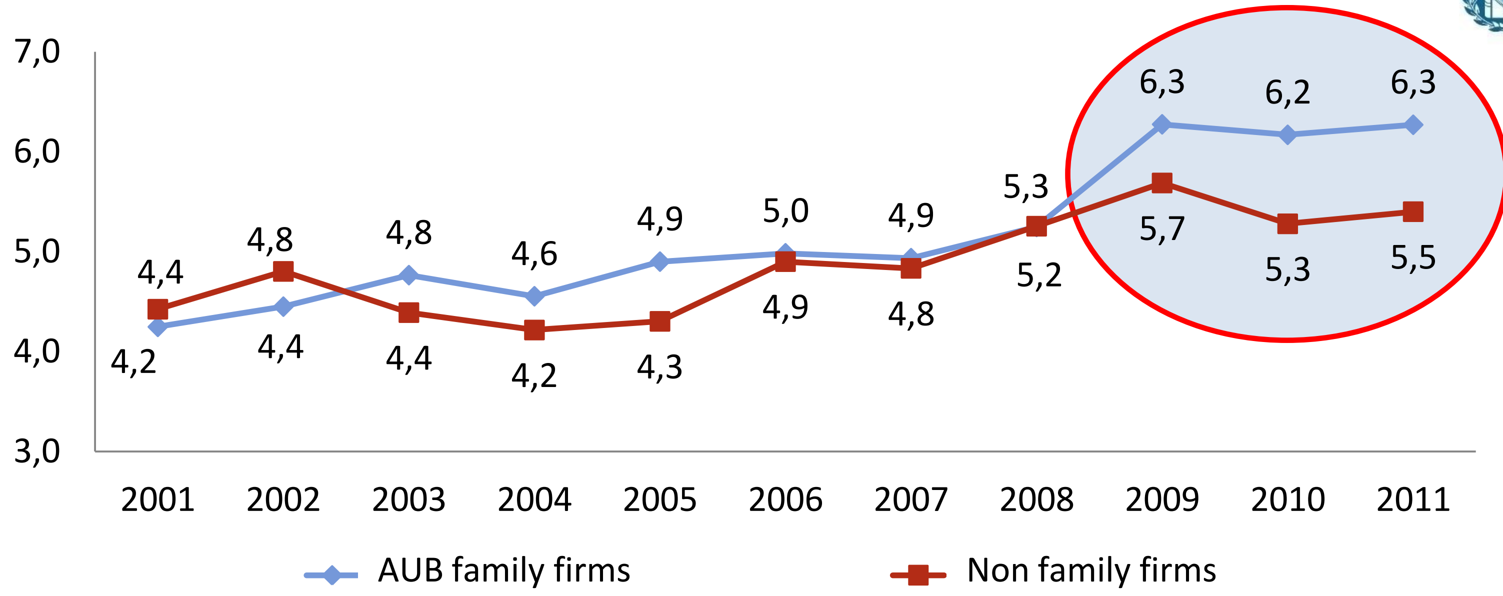
Leverage of AUB family firms by industry

Industry	Leverage 2007	Leverage 2008	Leverage 2009	Leverage 2010	Δ Leverage 2007-10
Construction	12,0	11,8	11,8	9,5	-2,5
Other services (*)	7,1	6,9	7,7	7,5	+0,4
Commerce	8,8	7,4	7,1	6,8	-2,0
Transportation	8,5	6,6	6,4	6,7	-1,8
Real Estate	7,2	7,6	6,2	6,0	-1,2
Manufacturing	5,3	4,5	4,2	4,2	-1,1

(*) Media and Communication, Utilities, Food and Beverage service activities, Health Services and other services of public utility.

The ability to repay debt (1/3)

NFP/EBITDA ratio of family and non family firms (*)



Non family firms	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cooperatives	6,4	7,6	7,3	7,2	7,7	7,9	8,6	8,5	7,5	8,9	10,4
Coalitions	4,8	5,5	5,1	4,2	4,3	4,9	4,7	5,4	6,4	5,4	6,1
Controlled by PE	3,0	3,7	4,9	4,9	4,6	4,3	4,6	6,2	6,0	6,9	5,0
Multinational subsidiaries	4,0	3,6	3,4	3,3	3,0	3,9	3,5	4,0	4,4	3,6	3,7
State-owned firms	3,3	5,5	3,6	3,3	4,1	4,4	4,4	4,4	5,4	4,4	3,3

Net Financial Position = Due to banks + Due to other lenders – Liquid funds.
(*) Calculations are based only on those firms with both positive values of NFP and EBITDA.
(Source: Aida).

The ability to repay debt (2/3)

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NFP/EBITDA: family firms in front of the financial crisis (*)

2009		2010		2011	
NFP< 0	19,0%	NFP < 0	18,5%	NFP < 0	18,7%
EBITDA < 0	5,6%	EBITDA < 0	3,6%	EBITDA < 0	5,2%
NFP/EBITDA (*)	**6,3**	NFP/EBITDA (*)	**6,2**	NFP/EBITDA (*)	**6,3**

2009		2010		2011	
NFP/EBITDA > 2	74,3%	NFP/EBITDA > 2	74,8%	NFP/EBITDA >2	75,7%
NFP/EBITDA > 3	62,4%	NFP/EBITDA > 3	62,4%	NFP/EBITDA >3	63,7%
NFP/EBITDA > 4	52,6%	NFP/EBITDA > 4	51,8%	NFP/EBITDA >4	51,6%

(*) Calculations are based only on those firms with both positive values of NFP and EBITDA. (Source: Aida).

The ability to repay debt (3/3)

NFP/EBITDA ratio of AUB family firms by industry

Industry	NFP/EBITDA 2007	NFP/EBITDA 2008	NFP/EBITDA 2009	NFP/EBITDA 2010	Δ NFP/EBITDA 2007-10
Real Estate	7,6	6,6	7,5	8,9	**+1,3**
Construction	6,4	5,7	7,2	7,5	**+1,1**
Transportation	4,8	4,6	6,4	7,1	**+2,3**
Commerce	5,8	6,1	6,8	6,8	**+1,0**
Other services (*)	5,2	4,9	5,1	6,1	**+0,9**
Manufacturing	4,2	4,9	5,8	5,6	**+1,4**

(*) Media and Communication, Utilities, Food and Beverage service activities, Health Services and other services of public utility.

Part I

Italian firms beyond the crisis:

c) Comparison with industrial firms monitored by Mediobanca and Cerved

Comparison methods

Mediobanca Report 2012:

▪ it monitors all industrial firms with over 500 employees and one-sixth of the medium sized firms (namely firms with less than 500 employees and revenues lower than 330 mio euro), for a total of 2.032 firms.

▪ the indicators that follow have been calculated on cumulated values of the balance sheets presented in the Mediobanca survey;

▪ this methodology, used also for AUB Observatory firms in order to allow comparisons, has led in some cases to results partially different from those presented in the previous section of the report.

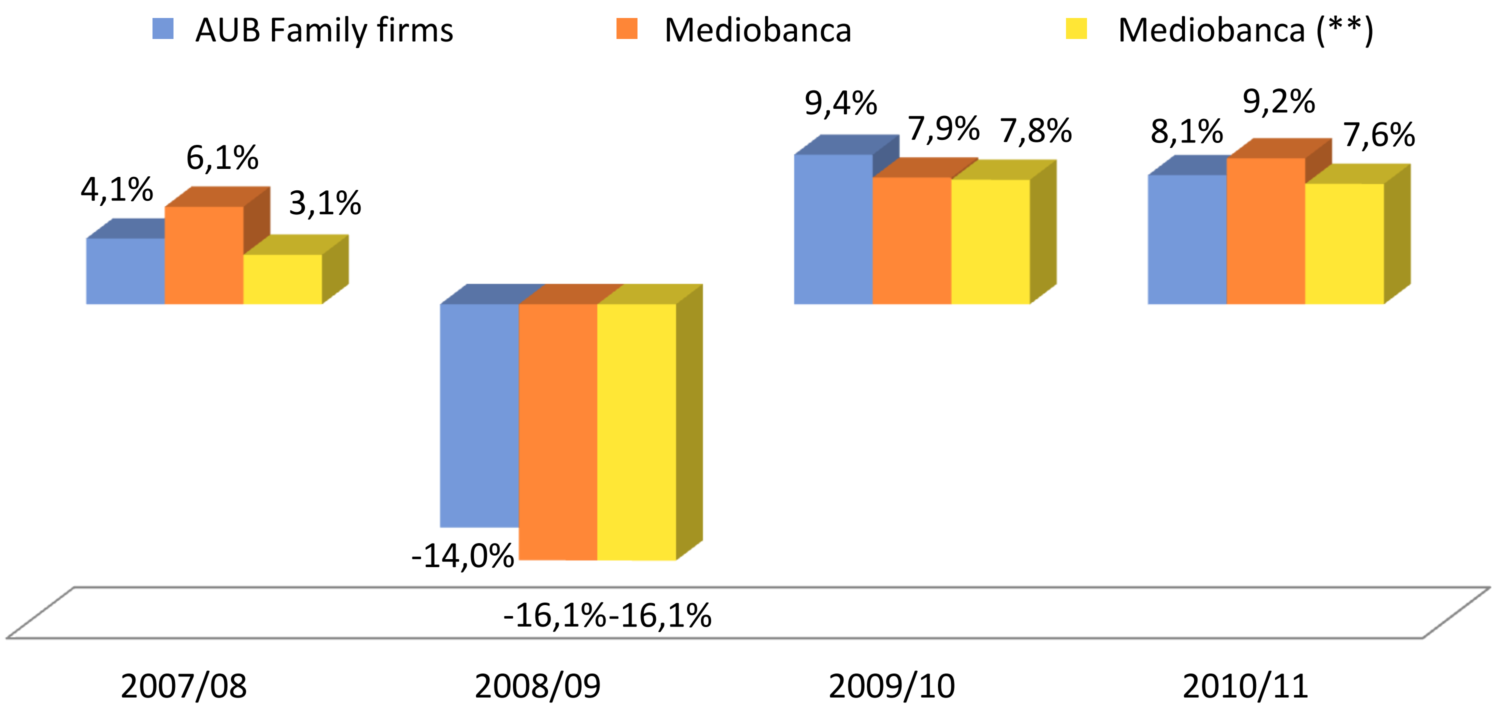
Cerved Reports:

▪ data published in Cerved reports refer to all balance sheets filled by corporations in the period 2008-2011. In particular, reports of the years 2008 and 2009 have been realized on about 70.000 balance sheets, the 2010 report on about 113.000 balance sheets and the 2011 report on about 128.000.

▪ to standardize the calculations, all data of this section are related to median values of AUB Observatory firms.

Comparison with Mediobanca (1/4)

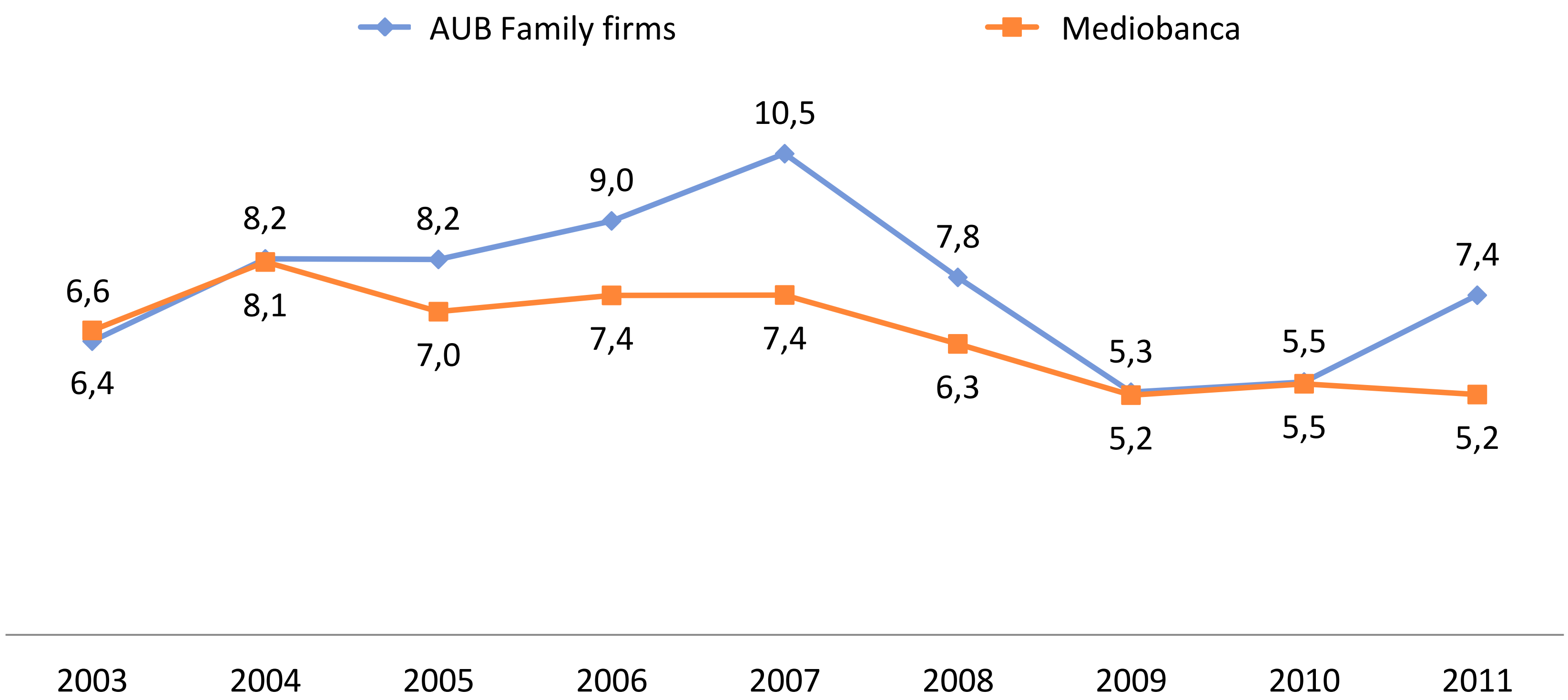
Growth of sales revenues in AUB Observatory and in Mediobanca report 2012 (*)



(*) Growth has been calculated as annual variation of cumulated values of sales revenues.
(**) Figures refer only to the (1.891) private firms monitored in the Mediobanca survey 2012 (excluding state-owned firms).

Comparison with Mediobanca (2/4)

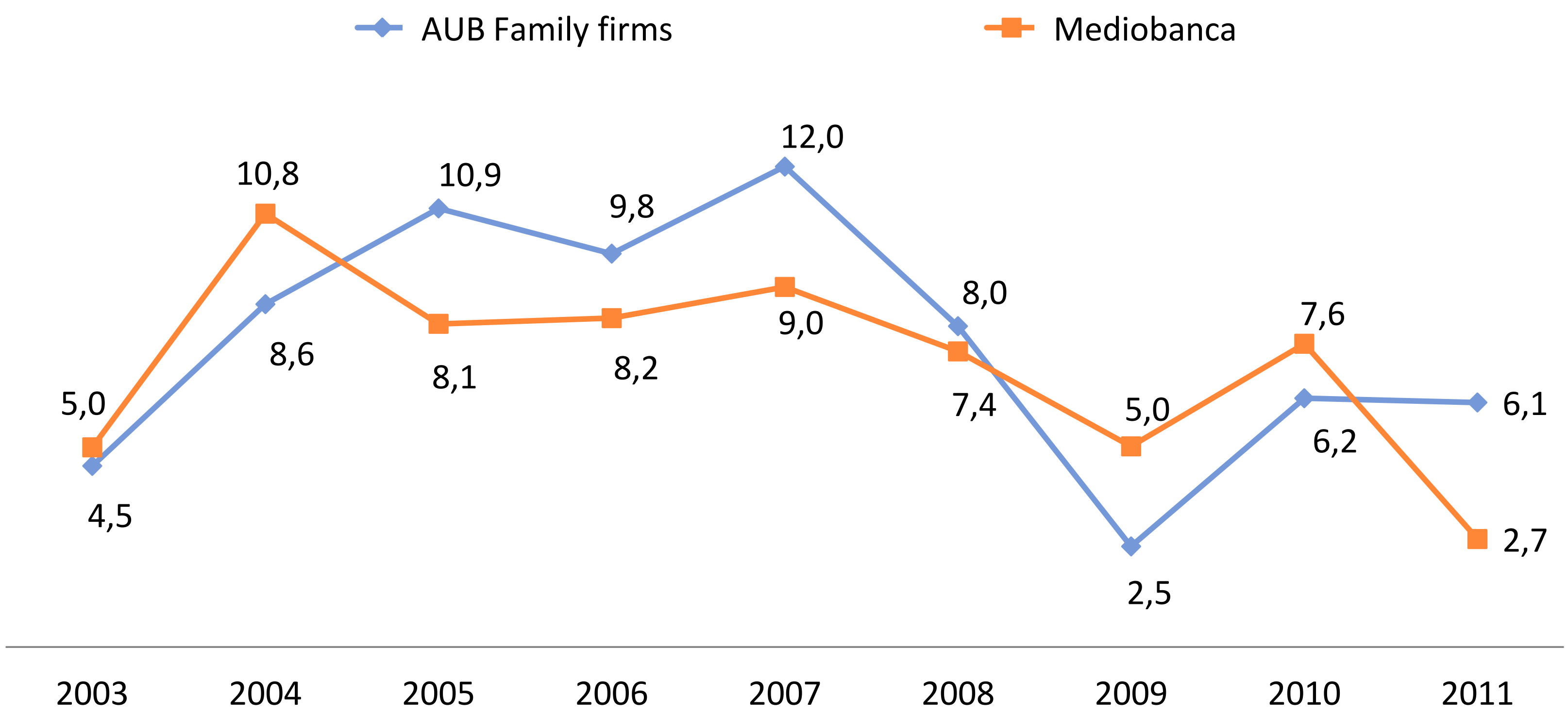
Profitability (Return on Investment) in the AUB Observatory and in Mediobanca report 2012 (*)



(*) ROI has been calculated as ratio between the cumulated values of Operating Income and Total Investments.

Comparison with Mediobanca (3/4)

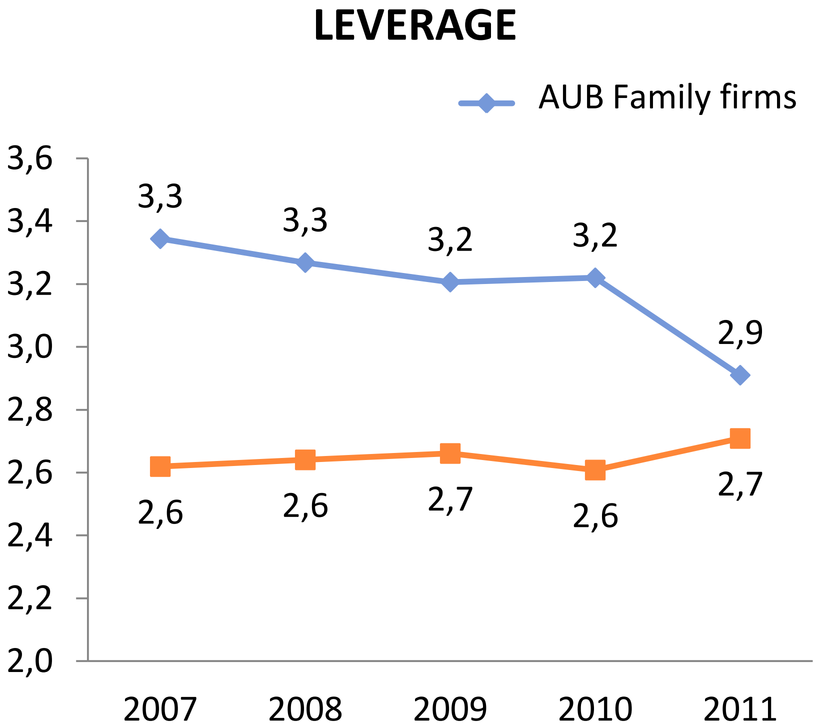
Profitability (Return on Equity) in the AUB Observatory and in Mediobanca report 2012 (*)

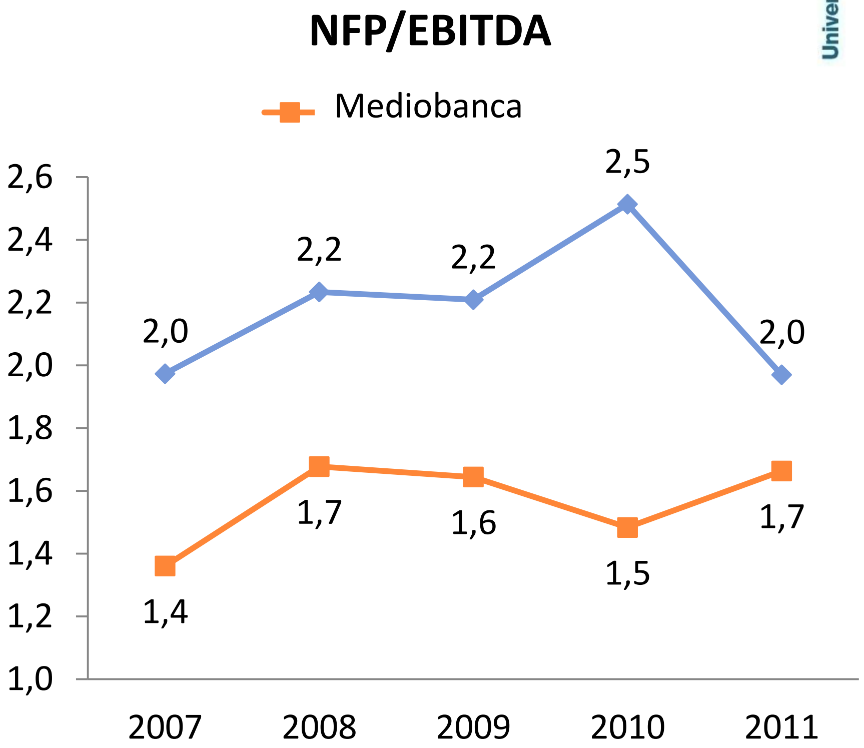


(*) ROE has been calculated as ratio between the cumulated values of Net Income and Shareholder's Funds.

Comparison with Mediobanca (4/4)

Leverage and debt repayment ability in the AUB Observatory and in Mediobanca report 2012

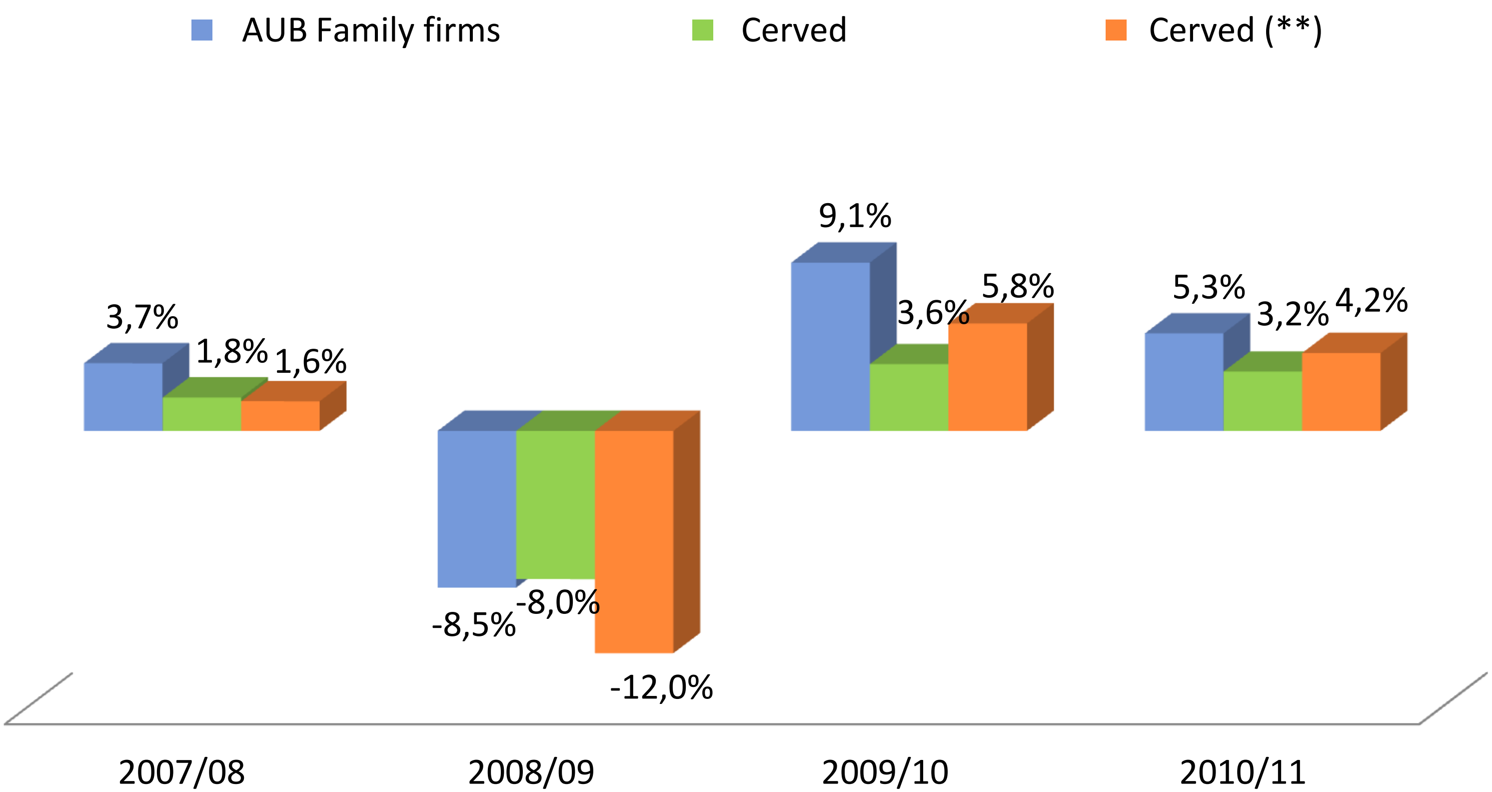




(*) Leverage has been calculated as ratio between cumulated values of Total Assets and Shareholder's Funds.
(**) The NFP/EBITDA has been calculated as ratio between the cumulated values of Net Financial Position and EBITDA.

Comparison with Cerved (1/4)

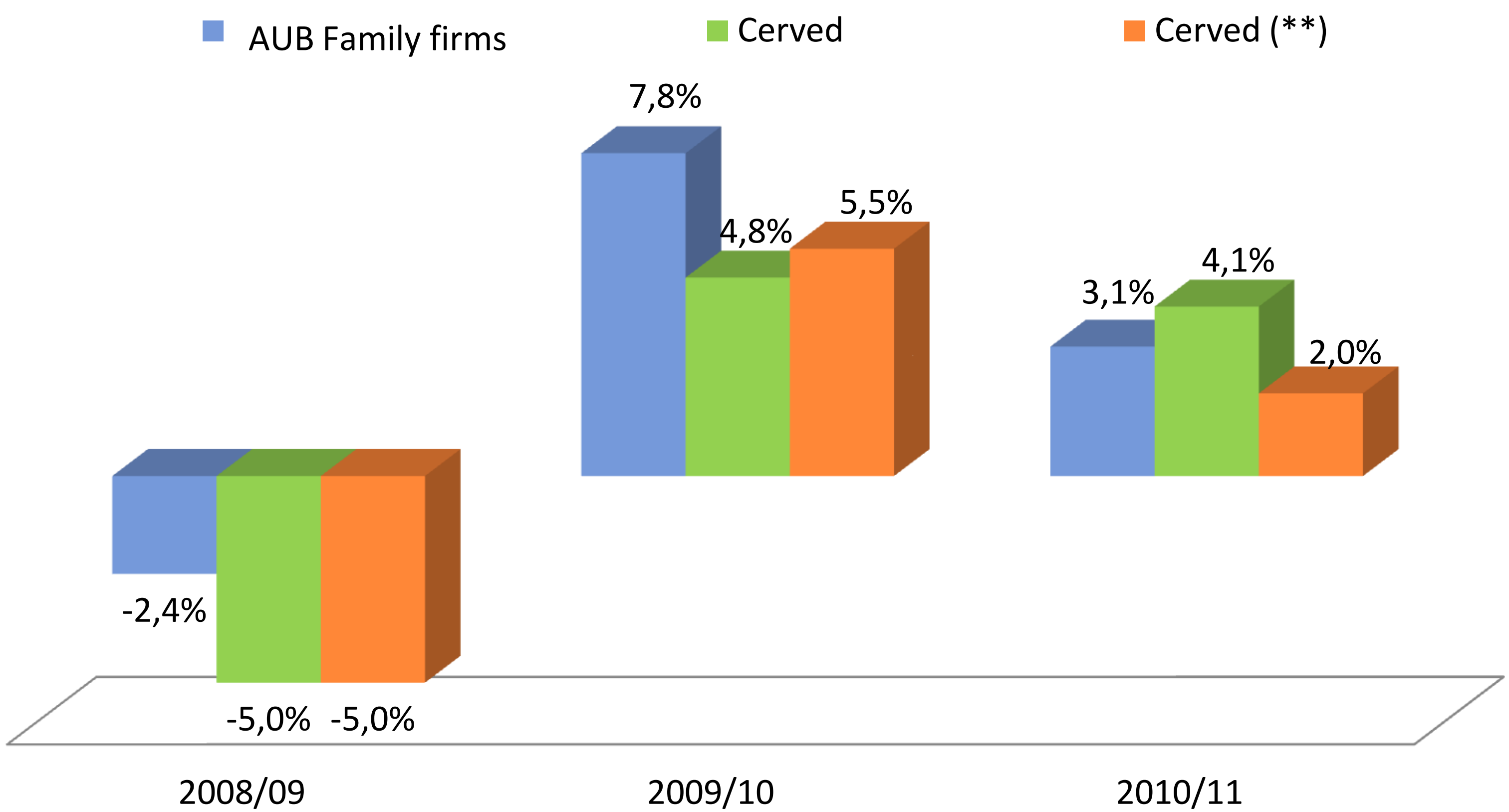
Growth of sales revenues in the AUB Observatory and in Cerved reports (*)



(*) The growth rates of sales revenues have been calculated on median values.
(**) Figures refer to all firms monitored by Cerved with a turnover higher than 50 millions euro.

Comparison with Cerved (2/4)

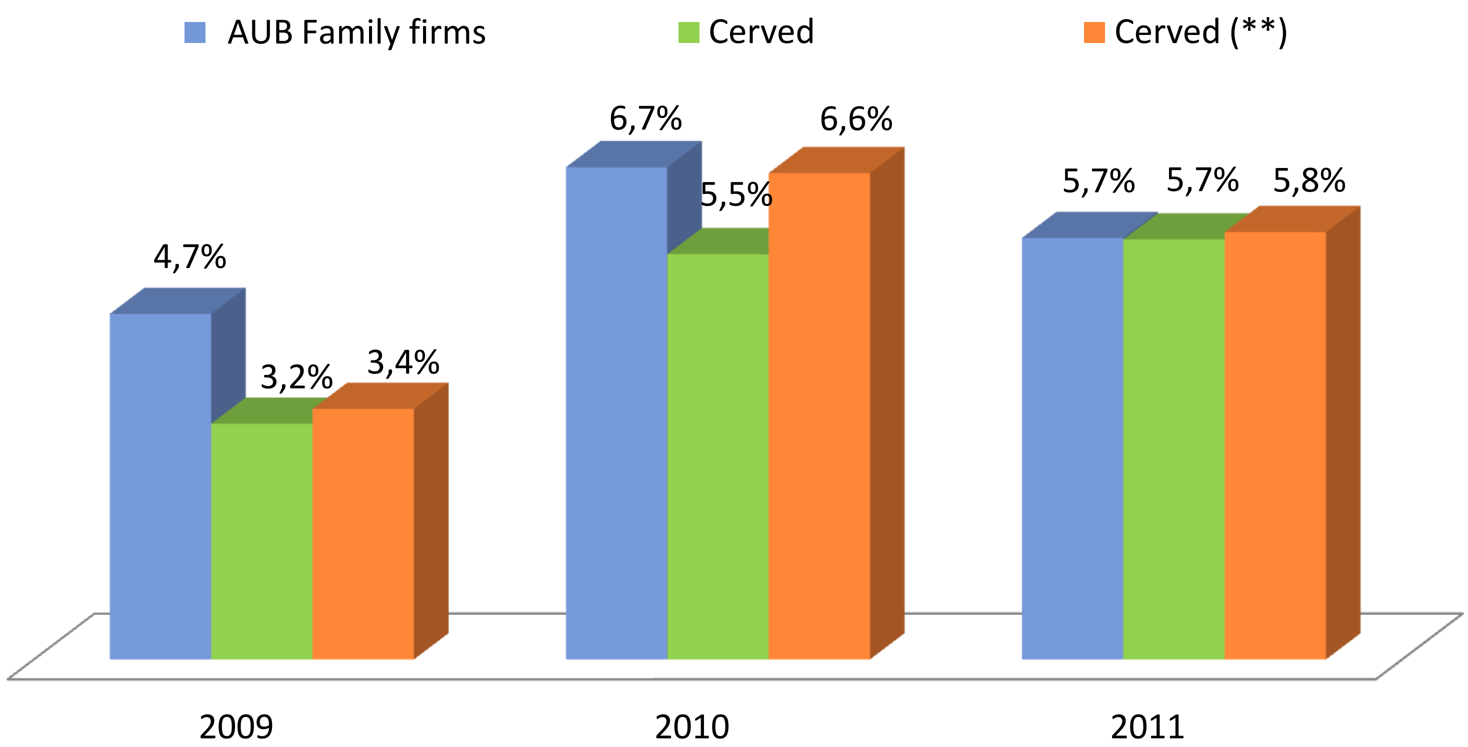
Growth of value added in the AUB Observatory and in Cerved reports (*)



(*) The growth rates of value added have been calculated on median values.
(**) Figures refer to all firms monitored by Cerved with a turnover higher than 50 millions euro.

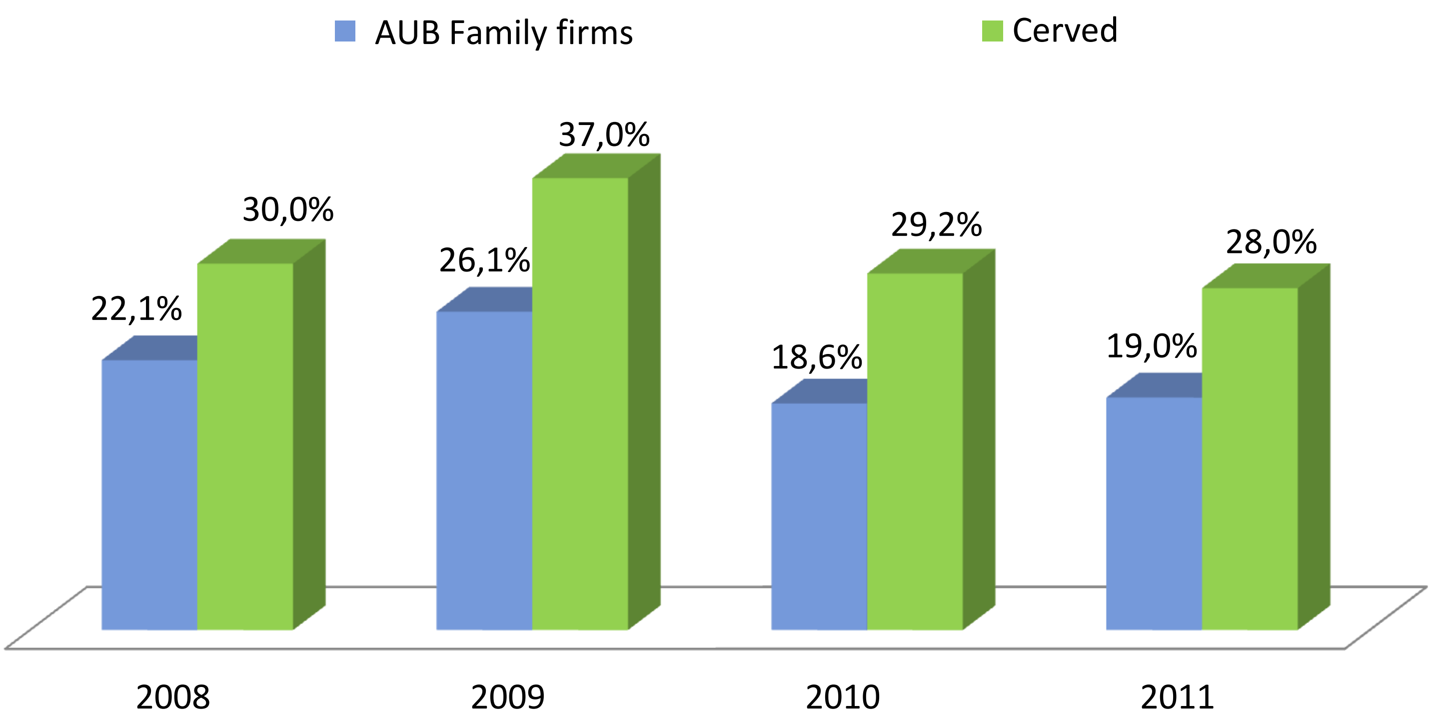
Comparison with Cerved (3/4)

Profitability (Return on Equity) in the AUB Observatory and in Cerved reports (*)



(*) ROE has been calculated on median values.
(**) Figures refer to all firms monitored by Cerved with a turnover higher than 50 millions euro.

Loss-making firms in the AUB Observatory and in Cerved reports



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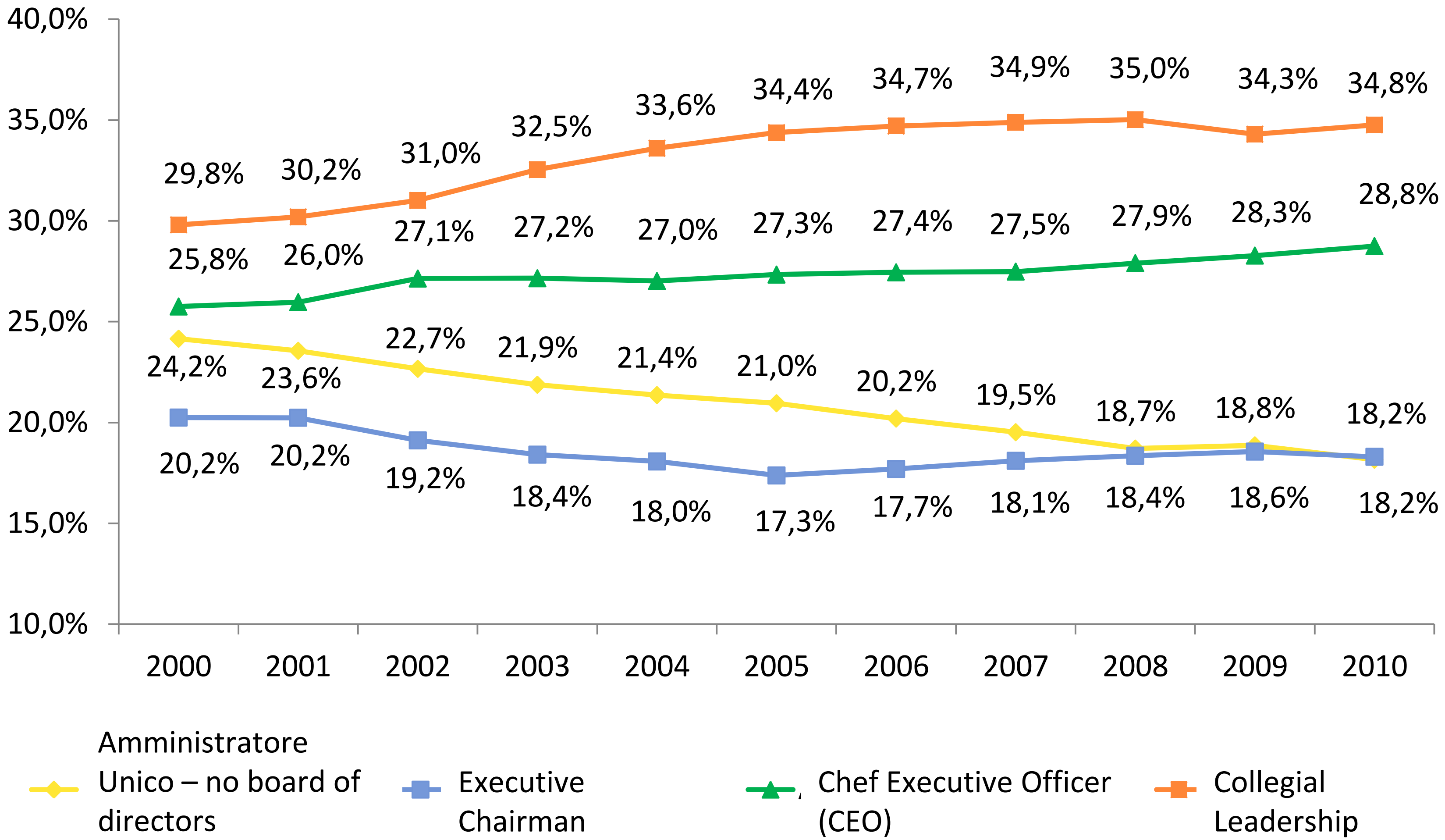
Parte II

Leadership models and performance: evidences from the AUB Observatory

Leadership models

The evolution of the leadership models in the last decade



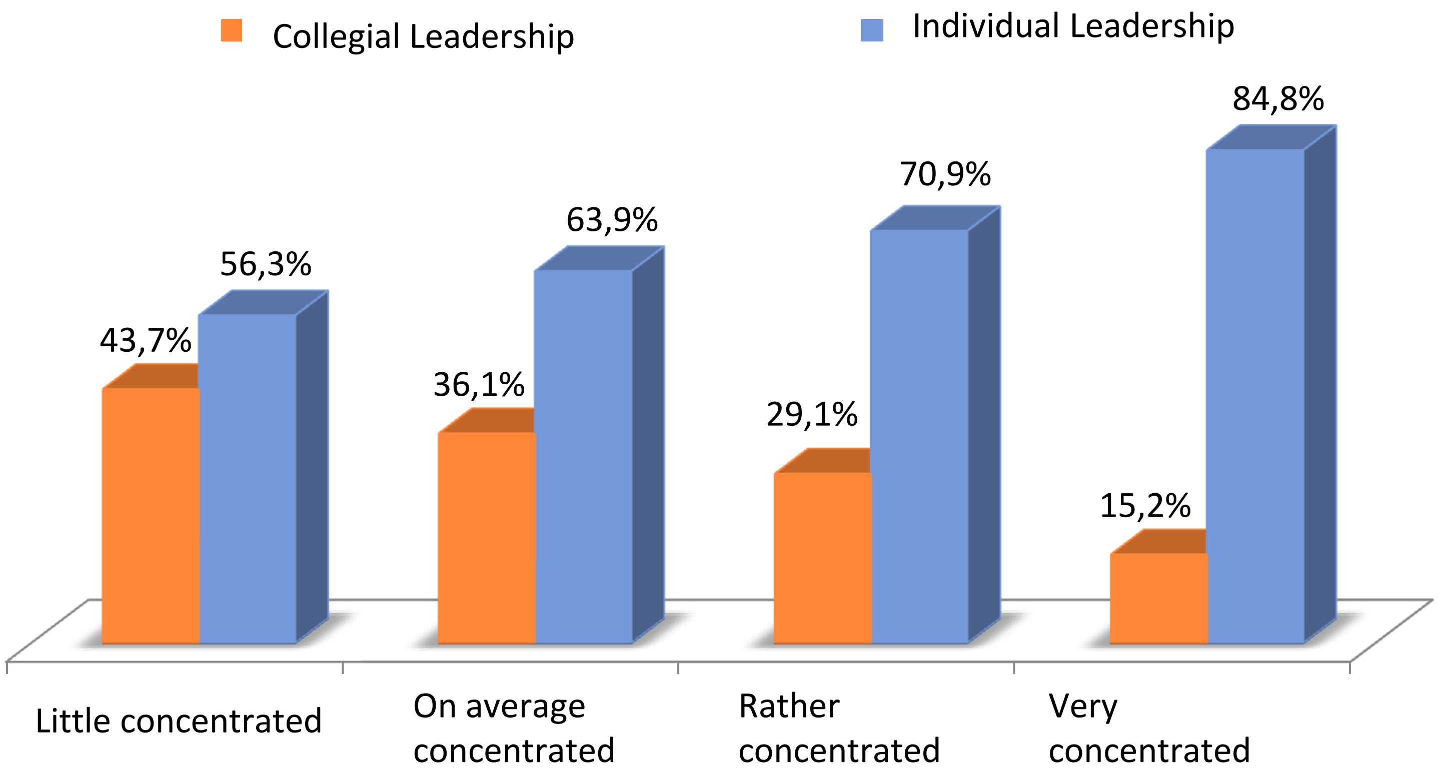
Main features of leadership models

Main features	"Amministratore Unico"	Individual Leadership (*)	Collegial Leadership
Average sales revenues (mio euro)	120,6	274,3	162,2
Share of the first shareholder	69,1%	65,4%	62,3%
Average number of Directors	2,9	5,2	8,3
Board of Directors with at least one outside member	n.s.	69,4%	61,3%
Average age of the leader/leaders	56,7	57,4	54,7
Family leadership (**)	87,1%	77,5%	57,5%
ROE (average 2001-2010)	12,1%	8,1%	8,1%
ROI (average 2001-2010)	9,2%	8,3%	8,6%
Growth (average 2001-2010)	9,4%	6,4%	6,6%

(*) Chef Executive Officer and Executive Chairman.
(**) In cases of collegial leadership, only firms with all CEOs belonging to the controlling family have been considered.

Leadership models and ownership concentration

The choice between the two main leadership models is also influenced by the different level of ownership concentration



(*) The division into four parts was made taking the quartiles of the index of ownership concentration (excluding firms controlled by an holding company).

Overview on collegial leadership

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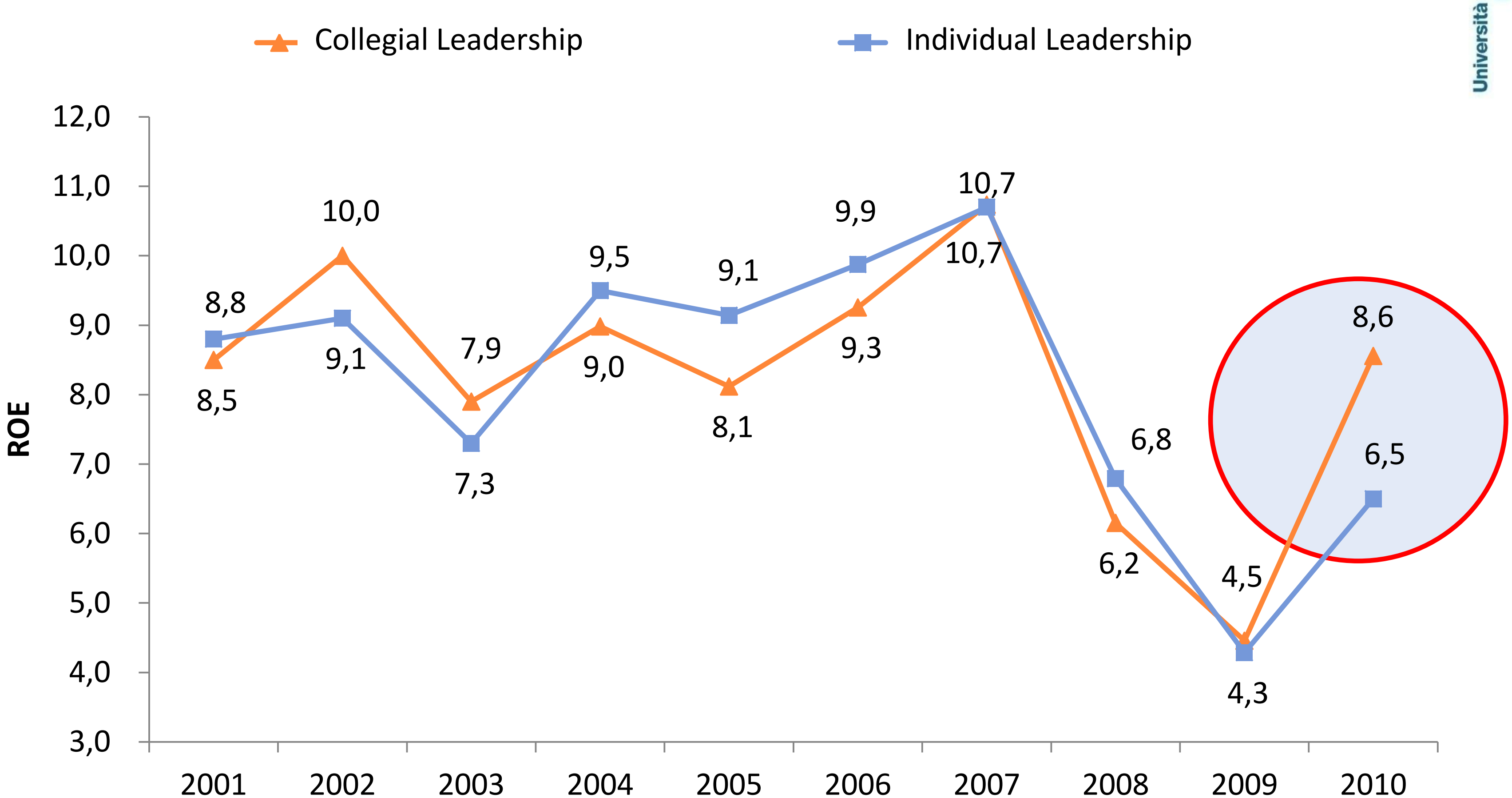
The compositions of co-CEOs teams

Types of collegial leadership	N	%
Owners and non-family members	302	**33,7%**
Father, sons, daughters, sons-in law, daughters-in law	209	**23,3%**
Different branches of the family	117	**13,0%**
Husband and wife	105	**11,7%**
Two controlling families	77	**8,6%**
Brothers and sisters	56	**6,2%**
Non family members only	31	**3,5%**
Total	**897**	**100,0%**

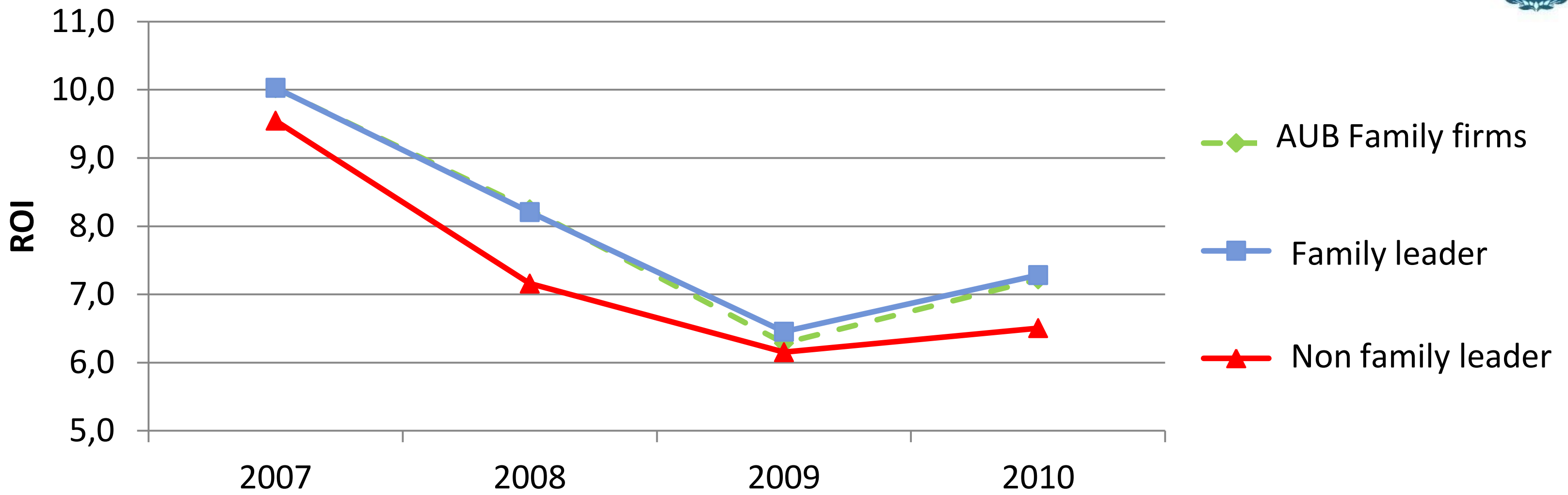
Comparison between two different models

Performance of individual *vis-a-vis* collegial leadership

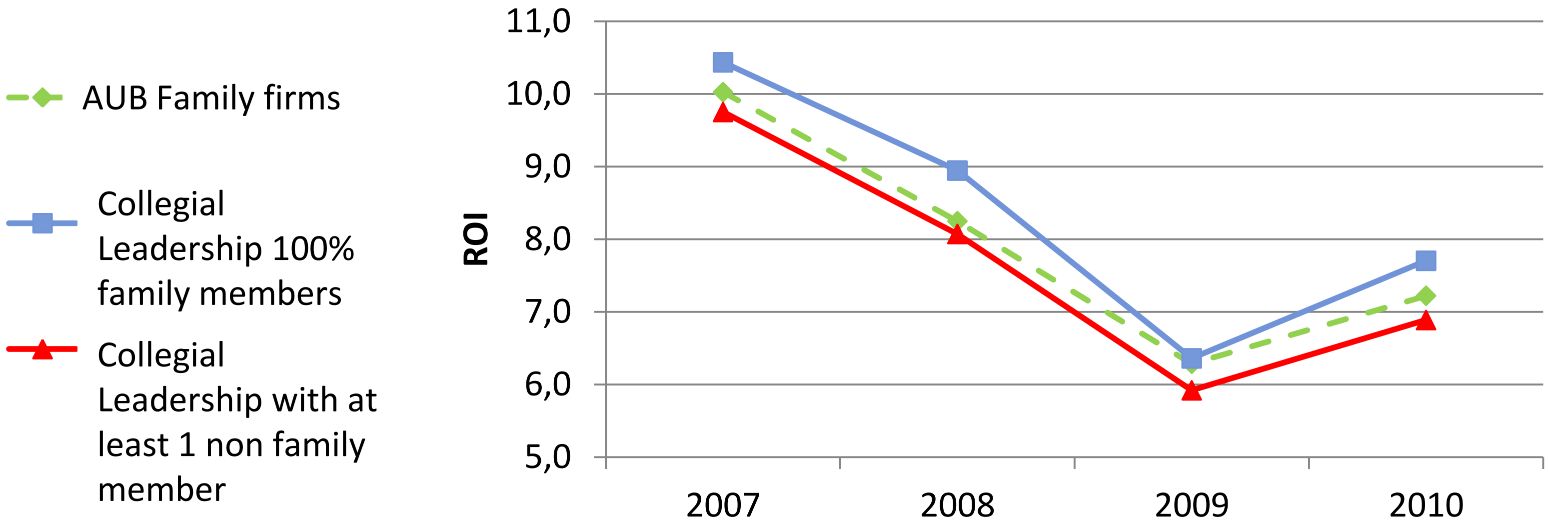


Family leadership and performances

The importance of a family leader in the individual leadership



… and a family team in the collegial leadership



Leadership succession and familiarity (1/2)

Also in 2010, the turnaround in favor of incoming leaders not belonging to the family has been going on (*)

Year	Family leaders			Non family leaders		
	Outgoing	Ingoing	Balance	Outgoing	Ingoing	Balance
2001	47	44	-3	45	48	3
2002	46	42	-4	26	30	4
2003	43	57	14	45	31	-14
2004	45	49	4	40	36	-4
2005	52	52	0	36	36	0
2006	36	37	1	41	40	-1
2007	51	47	-4	25	29	4
2008	58	44	-14	32	46	14
2009	60	57	-3	42	45	3
2010	54	49	-5	33	38	5
Total	492	478	-14	365	379	14

(*) Figures on leadership successions refer only to individual leadership models.

Leadership succession and familiarity (2/2)

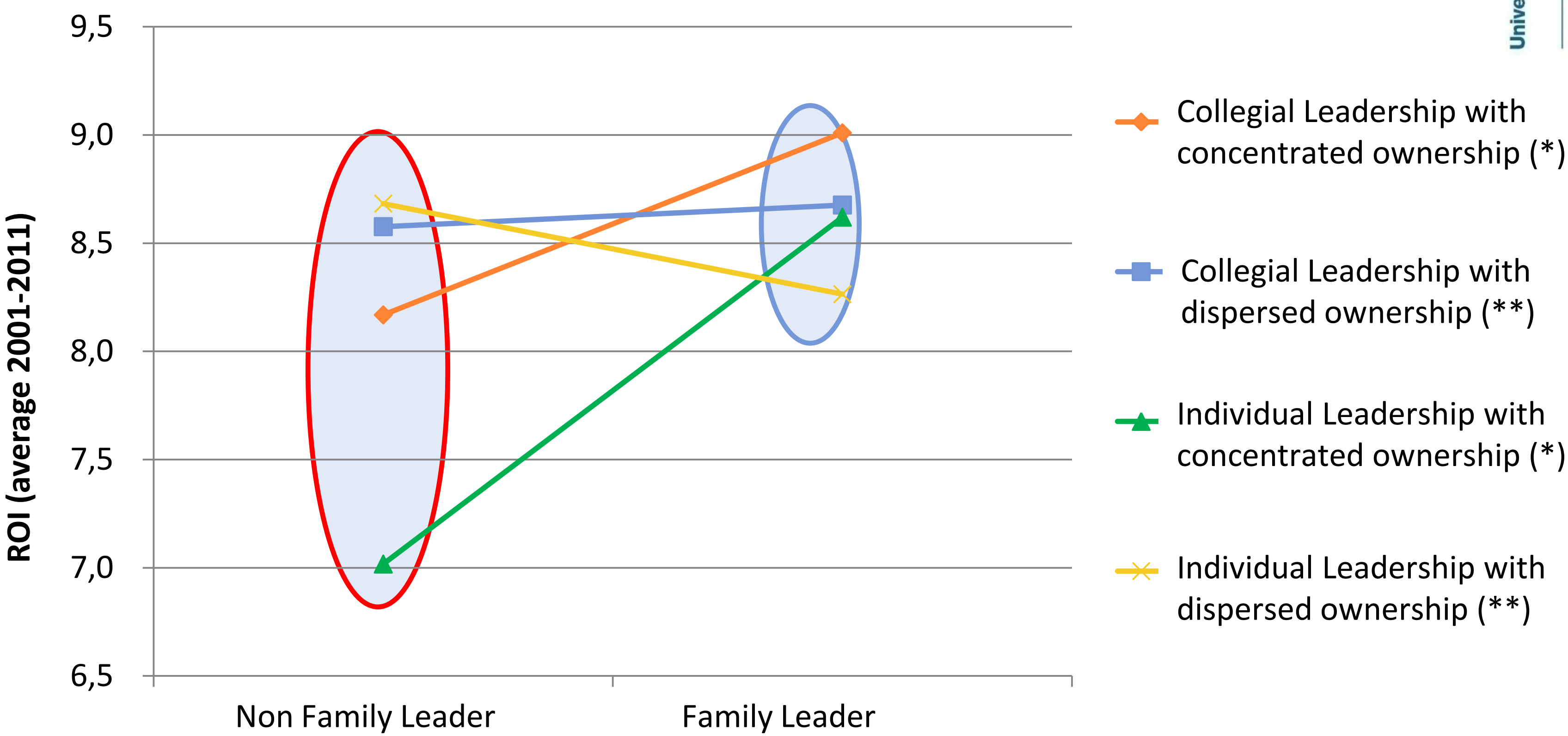
But… when a non family leader replaces a family leader, the succession can be "traumatic"

Succession models	ROI T-2	ROI T-1	ROI T	ROI T+1	ROI T+2	Δ Pre - Post
Outgoing F - Ingoing F	9,5	8,4	7,7	8,7	9,3	=
Outgoing F - **Ingoing NF**	8,4	8,9	8,2	7,9	7,4	↓
Outgoing NF - Ingoing F	7,2	7,3	7,7	8,6	9,3	↑
Outgoing NF - Ingoing NF	5,0	3,6	4,9	5,5	5,4	↑

(*) The upward (downward) arrow indicates that the average ROI in the two years after the succession is higher (lower) compared to the average ROI of the previous two years.

Ranking of models

Non family leaders can have a different impact on performances



(*) Concentrated ownership: firms with an index of ownership concentration higher than the median.
(**) Dispersed ownership: firms with an index of ownership concentration lower than the median.

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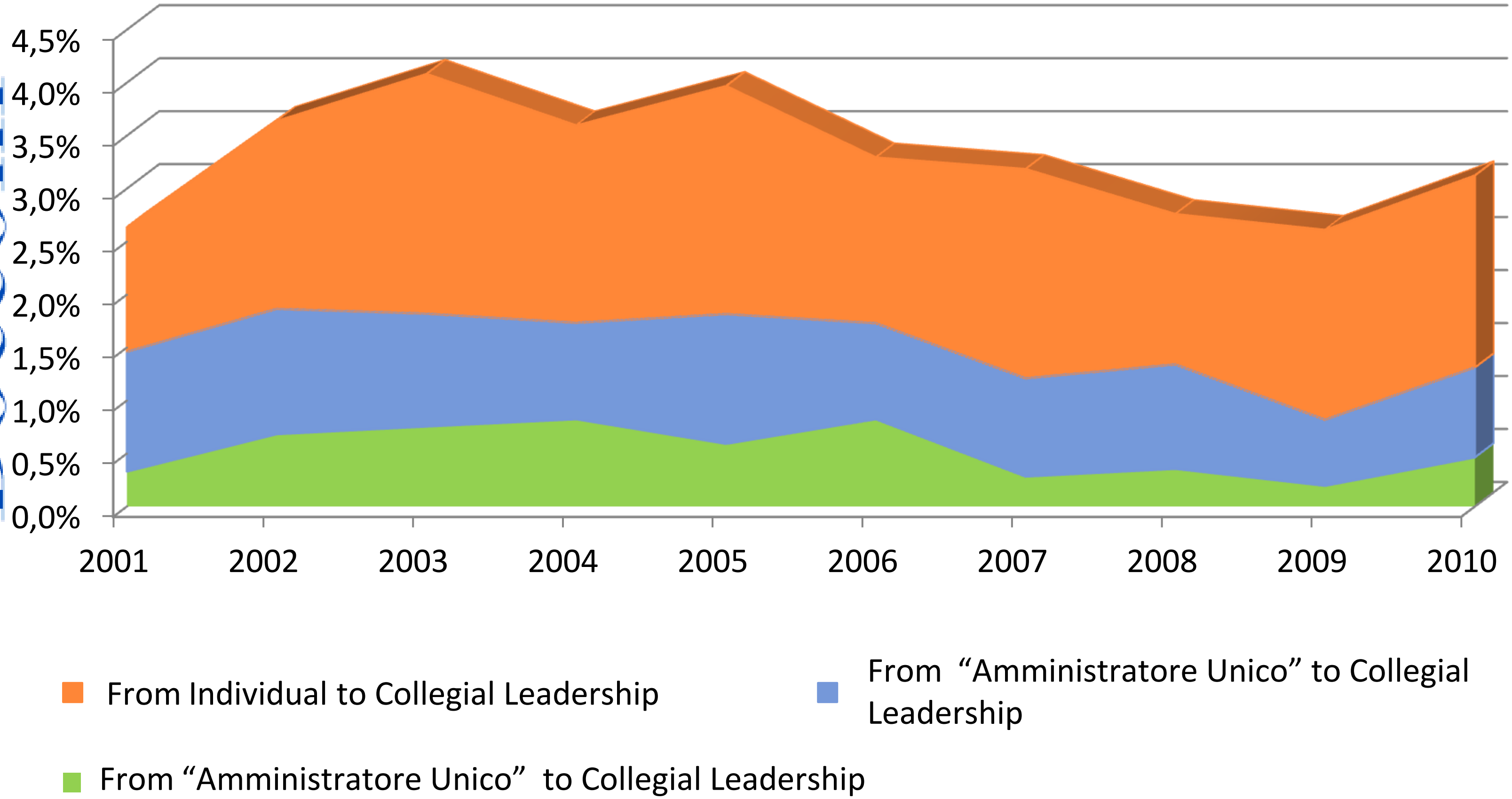
Part III

The "required transitions" for family firms:

a) Monitoring the complexity of the leadership model

Evolution towards more complex models

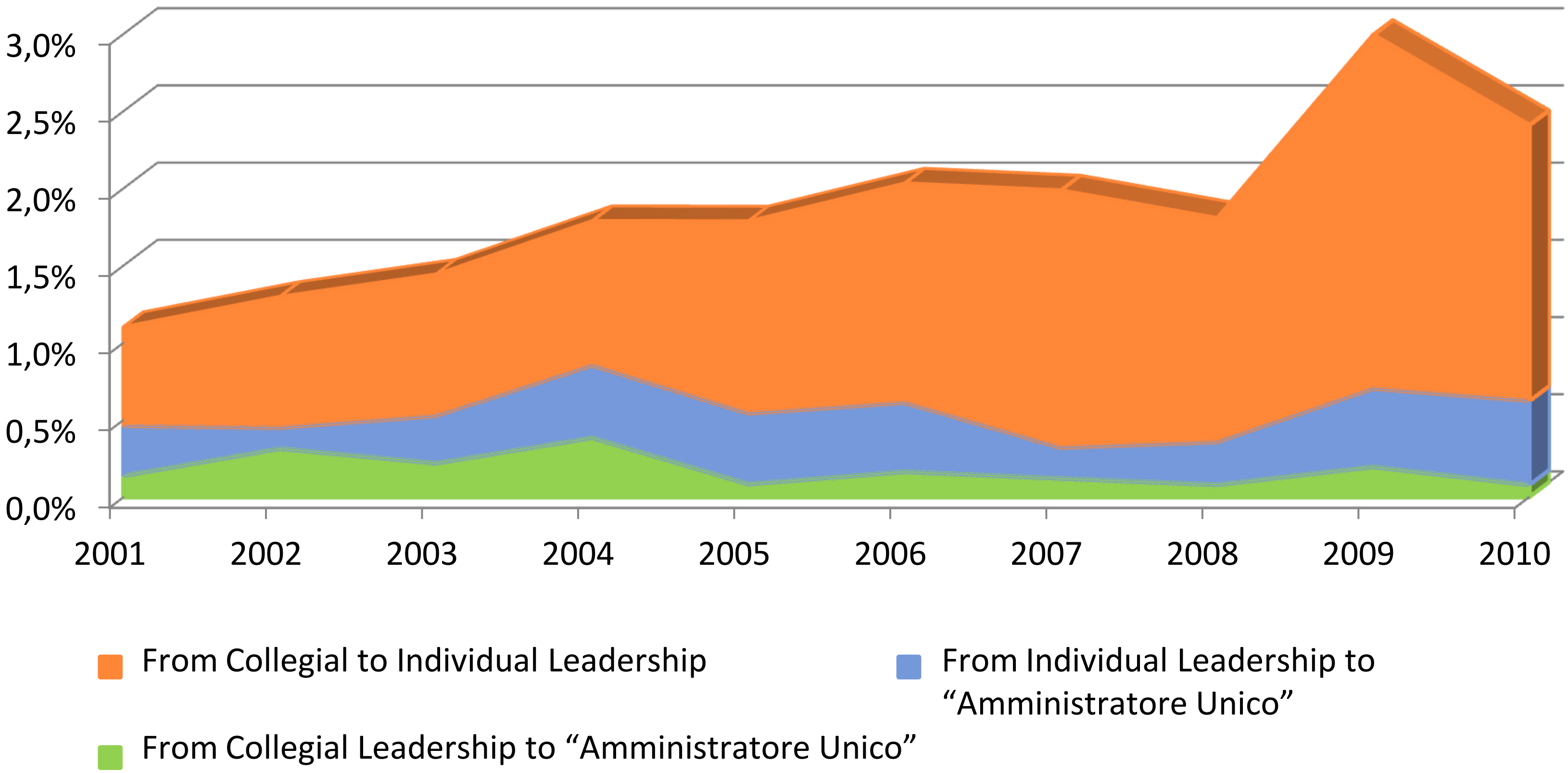
In the past 10 years, 32,2% of firms changed towards a more "complex " leadership model (*)



(*) Some firms could have changed leadership model more than once over the decade.

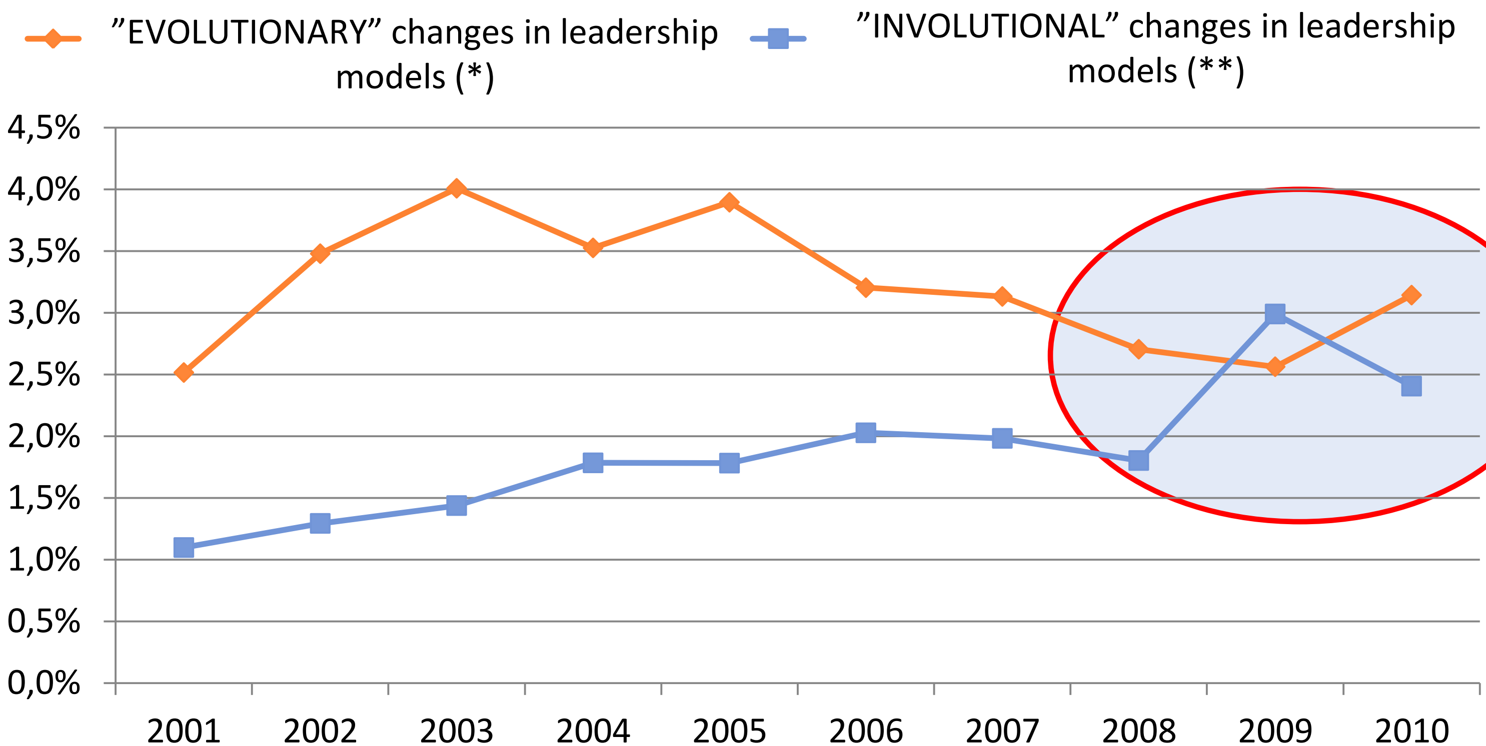
Trends towards simpler models

In the past 10 years, 18,6% of the firms changed towards a "simpler" leadership model (*)



(*) Some firms could have changed leadership model more than once over the decade.

The gap between evolutionary and "involutional" changes in leadership models has been recently filled up



(*) ”Evolutionary” changes in leadership models = firms that moved towards a more complex leadership model (from "AU" to individual/collegial leadership or from individual leadership to collegial leadership).
(**) "Involutional" changes in leadership models = firms that moved towards a simpler leadership model (from collegial leadership to individual leadership/”AU" or from individual leadership to "AU")

Changes and opening to the outside

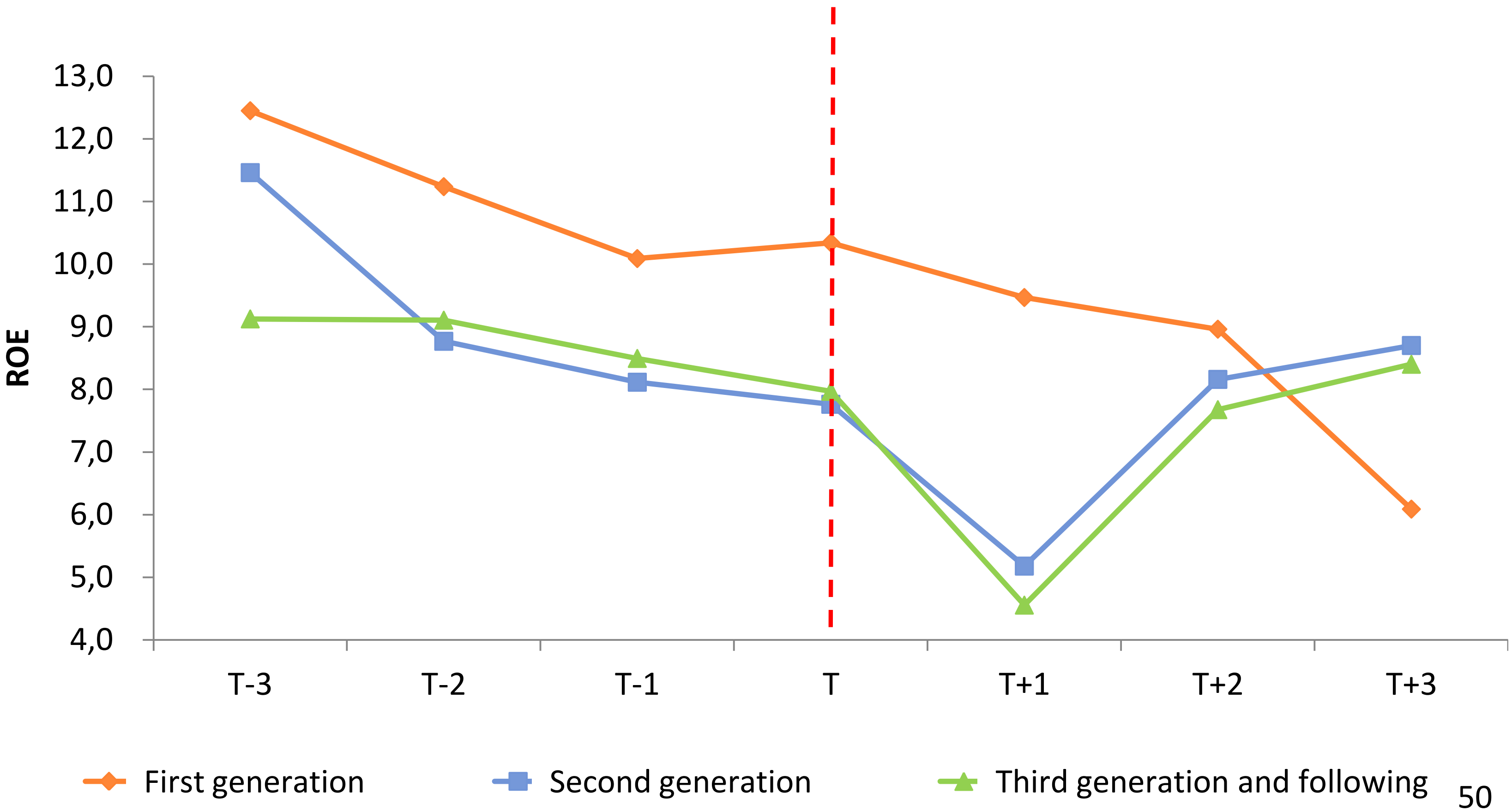
In over one-third of cases, the transition towards collegial leadership has brought non family leaders at the helm of the company

Changes in leadership models (*)	N	Family leader T-1	Non family leader T	Balance of firms that have inserted (at least) a non family leader
From individual leadership to collegial leadership	424	342	196	+146
From "Amministratore Unico" to individual leadership	228	181	176	+5
From "Amministratore Unico" to collegial leadership	124	94	64	+30
From collegial leadership to individual leadership	325	155	239	- 84
From collegial leadership to "Amministratore Unico"	42	22	36	-14
From individual leadership to "Amministratore Unico"	89	70	72	-2

(*) In cases of collegial leadership, only firms with all CEOs belonging to the controlling family have been considered.

Changes in leadership models and generation

In the transition from individual to collegial leadership, there is no always evidence of a benefit in terms of performance: in particular, <u>in first generation firms</u>



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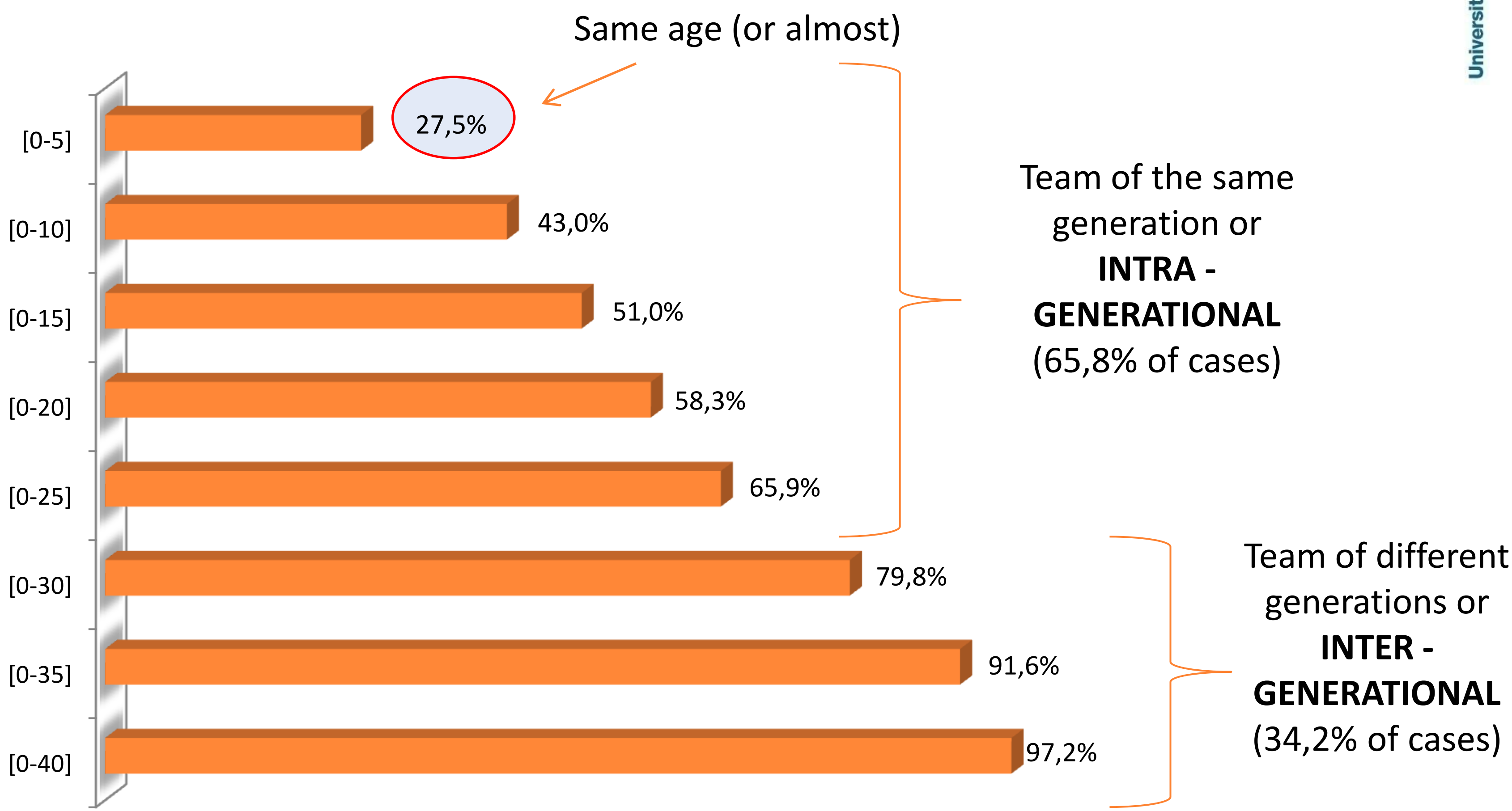
Part III

The “required transitions” for family firms:

b) Avoiding the coexistence (at all costs) between different generations

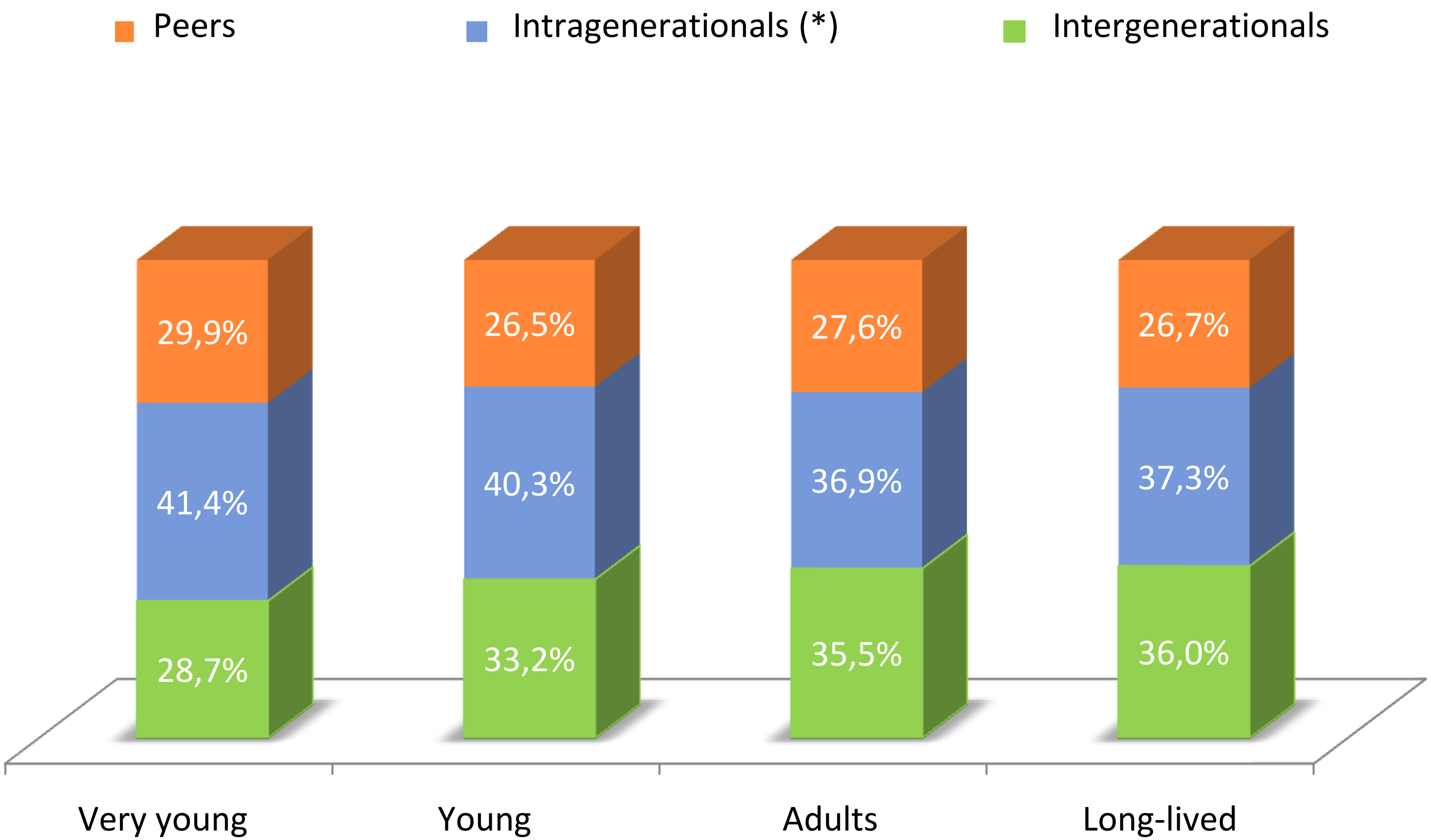
Generations in the team of co-CEOs

The age difference between the oldest and the youngest CEO in the team can be very large



(*) Generations have been defined by checking the age of the company with respect to the tenure of the leader in charge, and assuming a time period of 25 years as a splitting line between one generation and the following one.

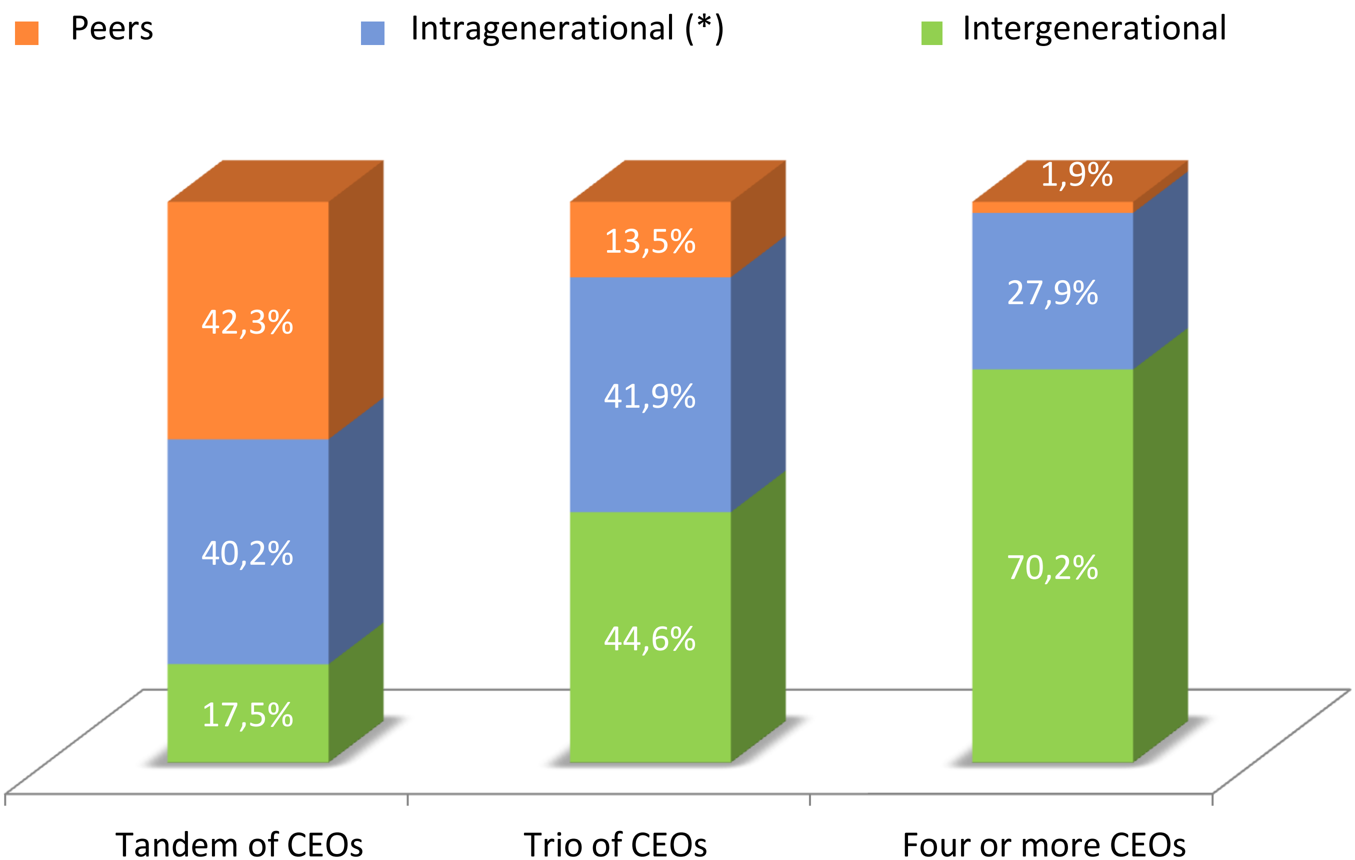
The probability of having different generations that coexist in the same team increases with the longevity of the firm



(*) In intragenerational teams were excluded cases of CEOs with the same age.

Generation and types of collegial leadership

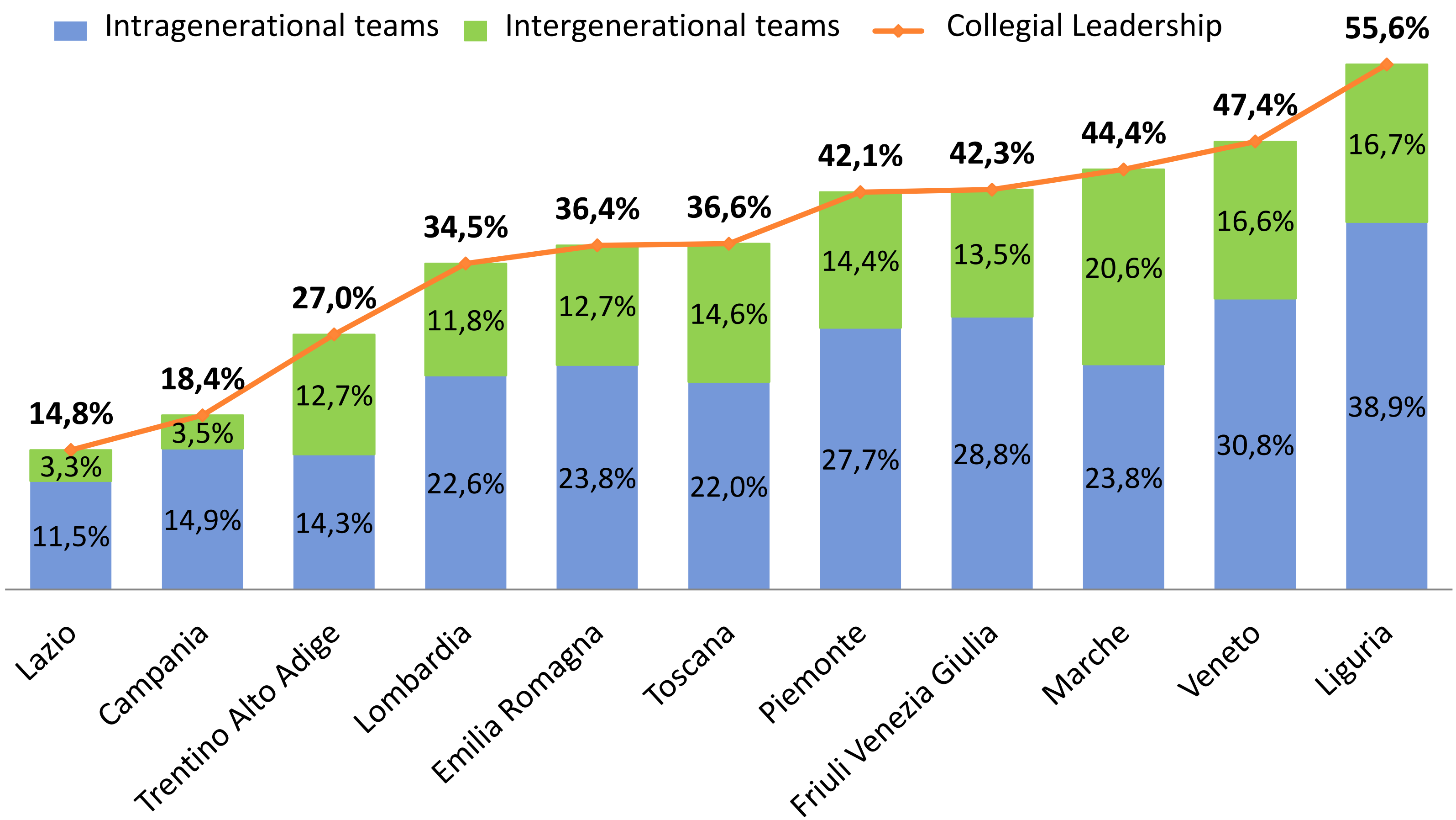
… but especially with the numerosity of the team of CEOs



(*) In intragenerational teams were excluded cases of CEOs with the same age.

Generations in the team of co-CEOs (1/2)

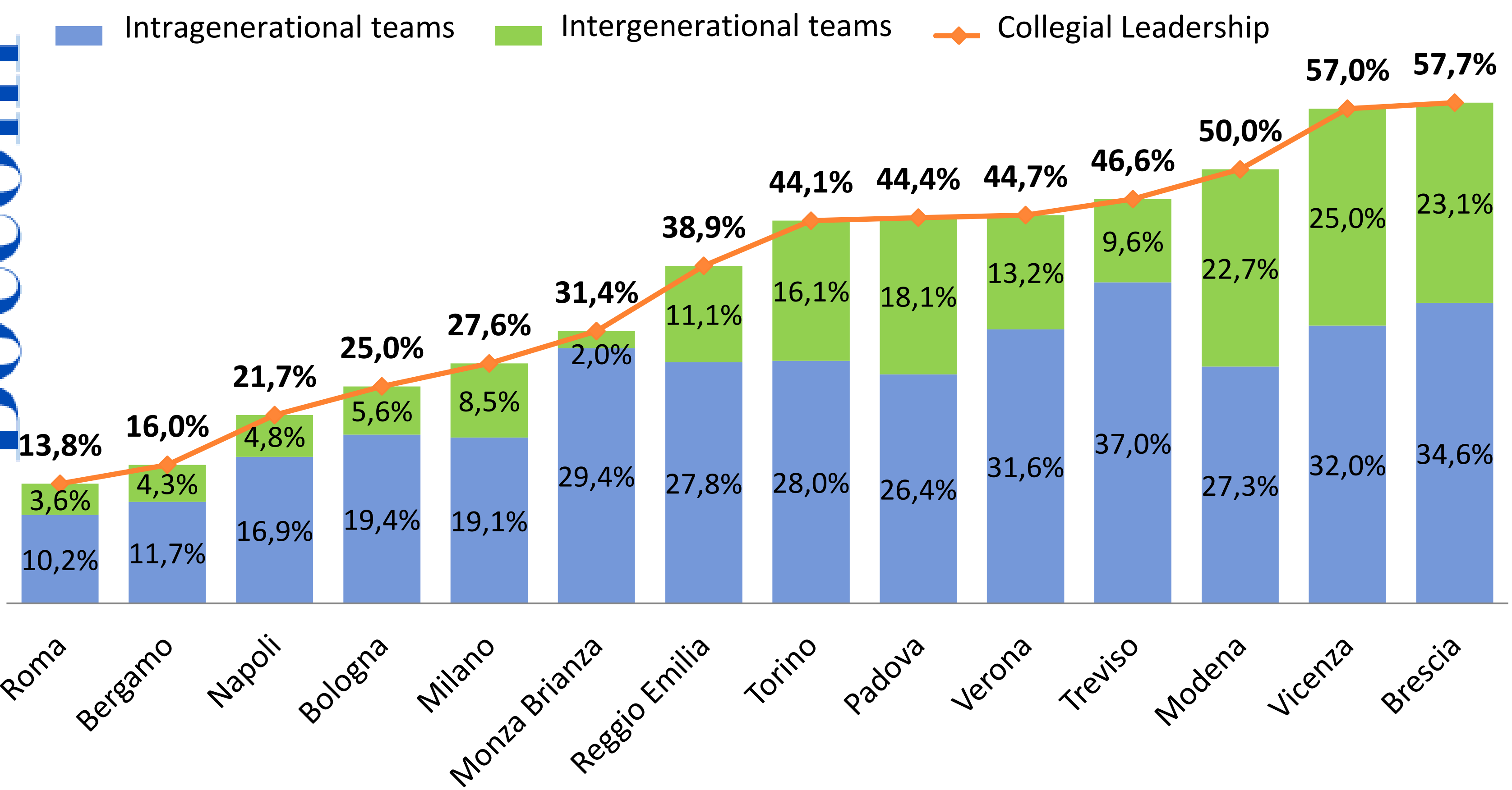
The coexistence between different generations in the team is very different in the Italian Regions (*)



(*) Regions with at least 20 family firms with a collegial leadership.

Generations in the team of co-CEOs (2/2)

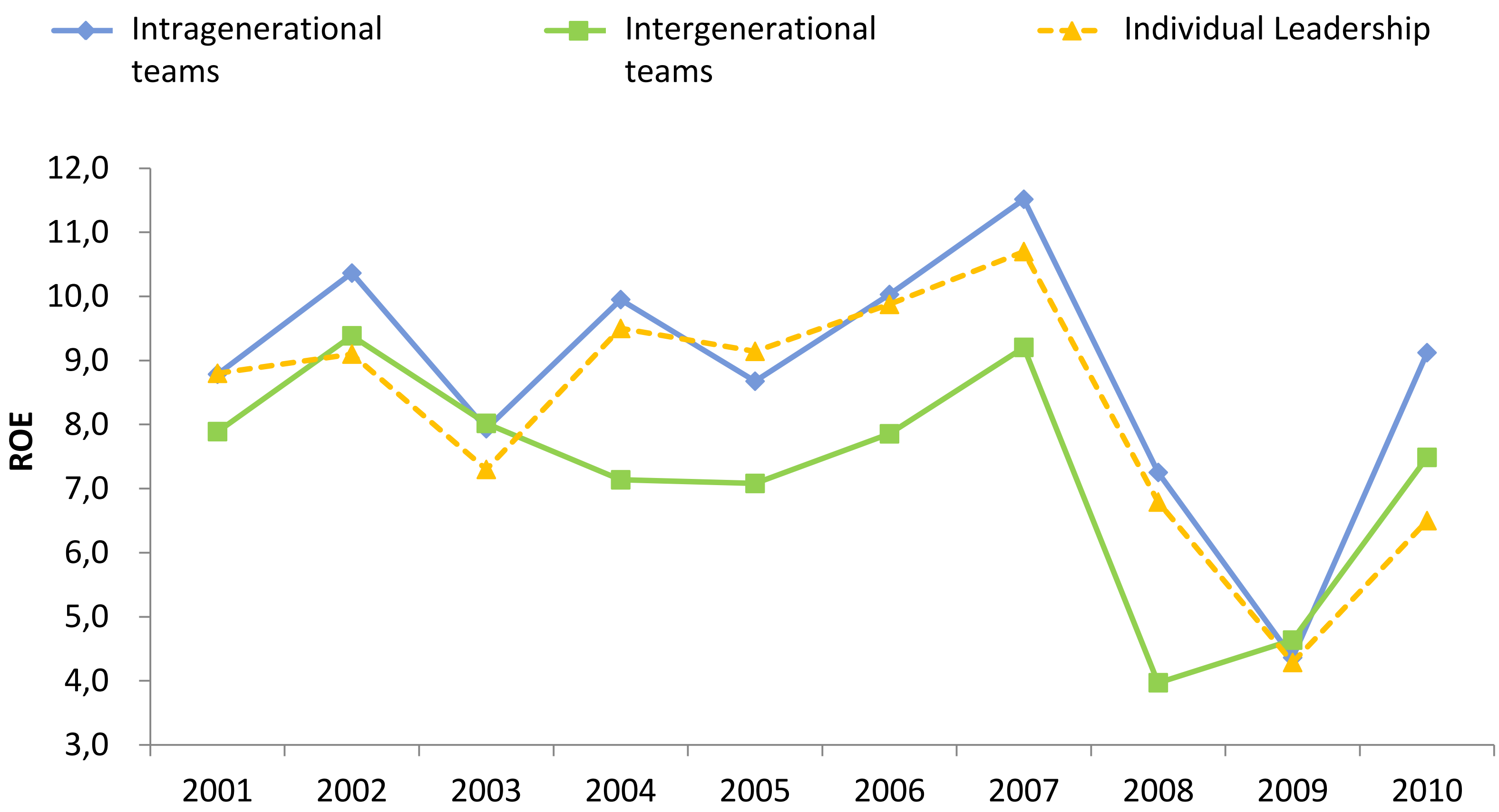
The coexistence between different generations in the team is very different in the main Italian Provinces (*)



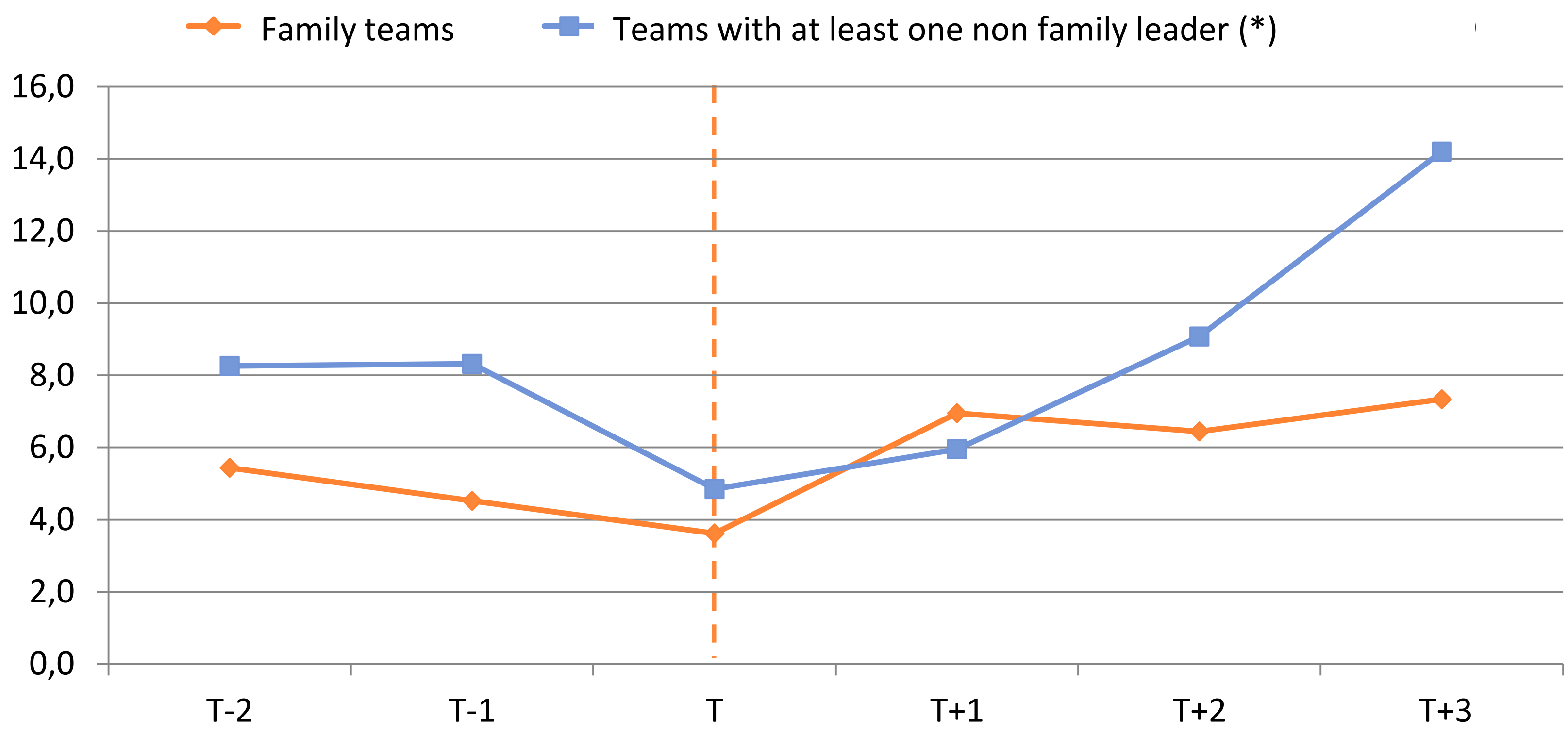
(*) Provinces with more than 50 family firms in the area.

Generations in the team and performance

The coexistence between different generations in the team generates less favorable results



The importance of outsiders to “help” co-existence between generations



(*) Intergenerational teams that hired at least one non family leader at time T.

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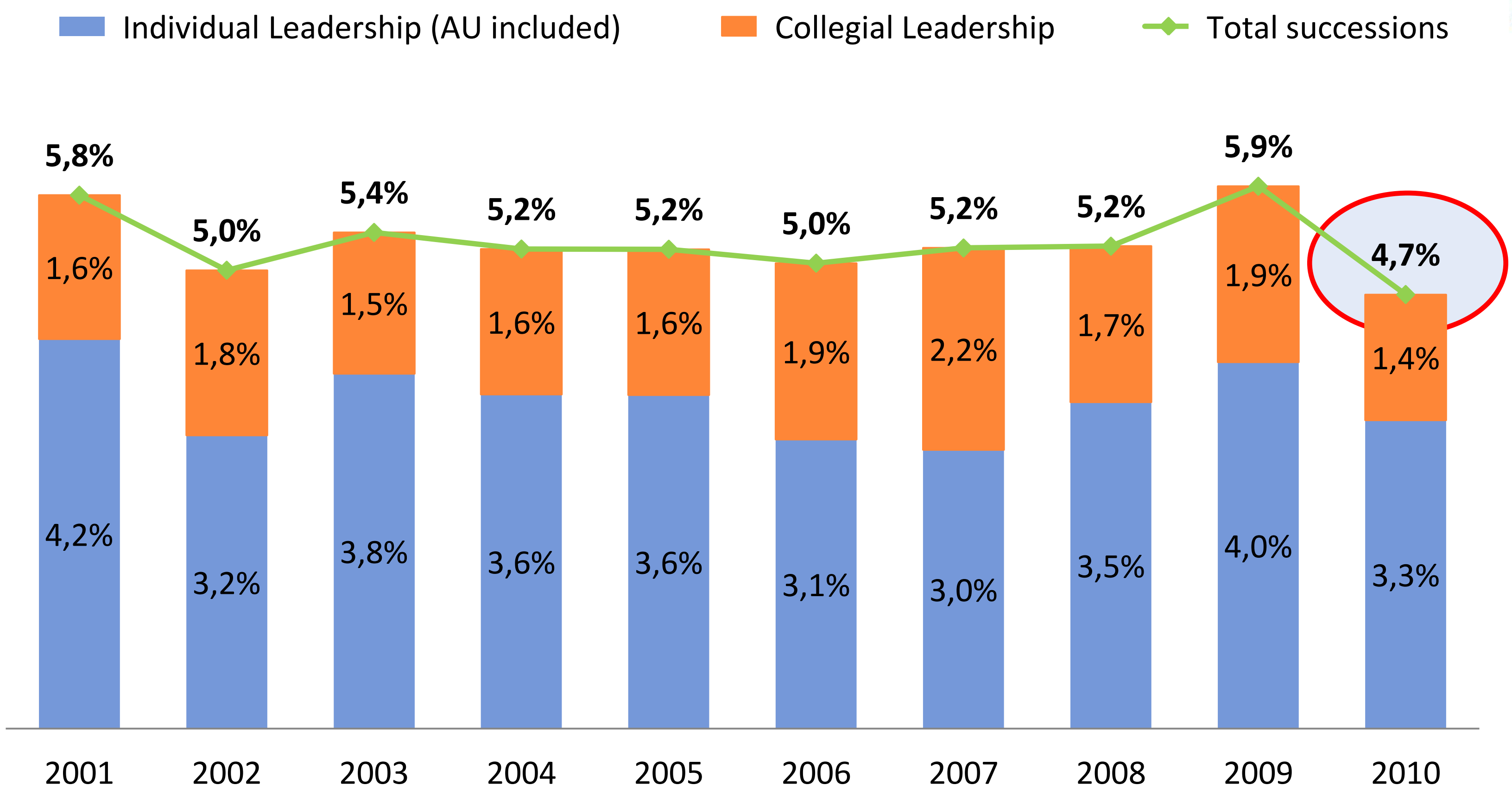
Part III

The “required transitions” for family firms:

c) Planning the leadership succession (before it is too late)

Leadership successions

After the peak in 2009, leadership successions have reached in 2010 the lowest value of the decade.



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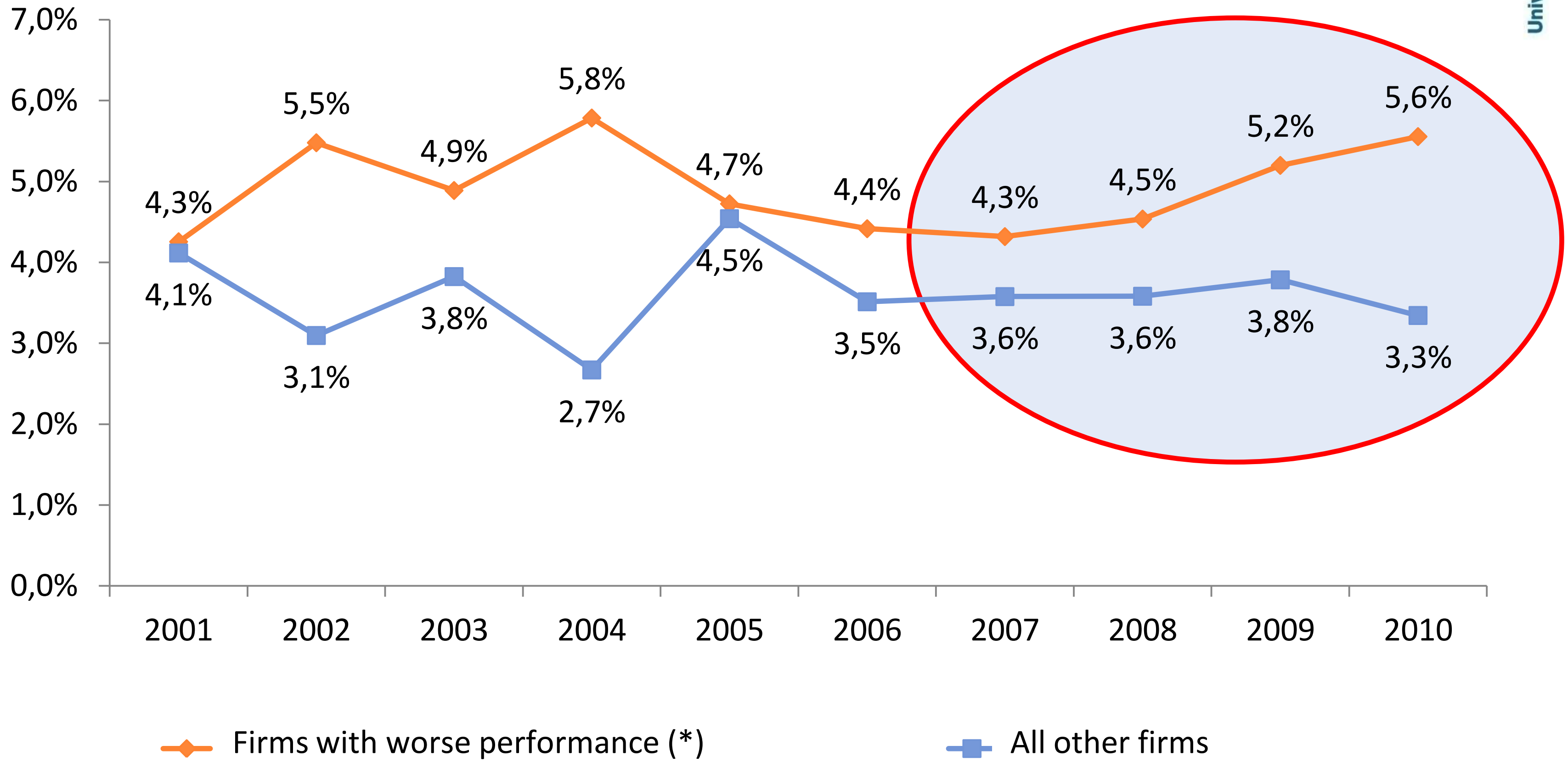
An "unplanned" process

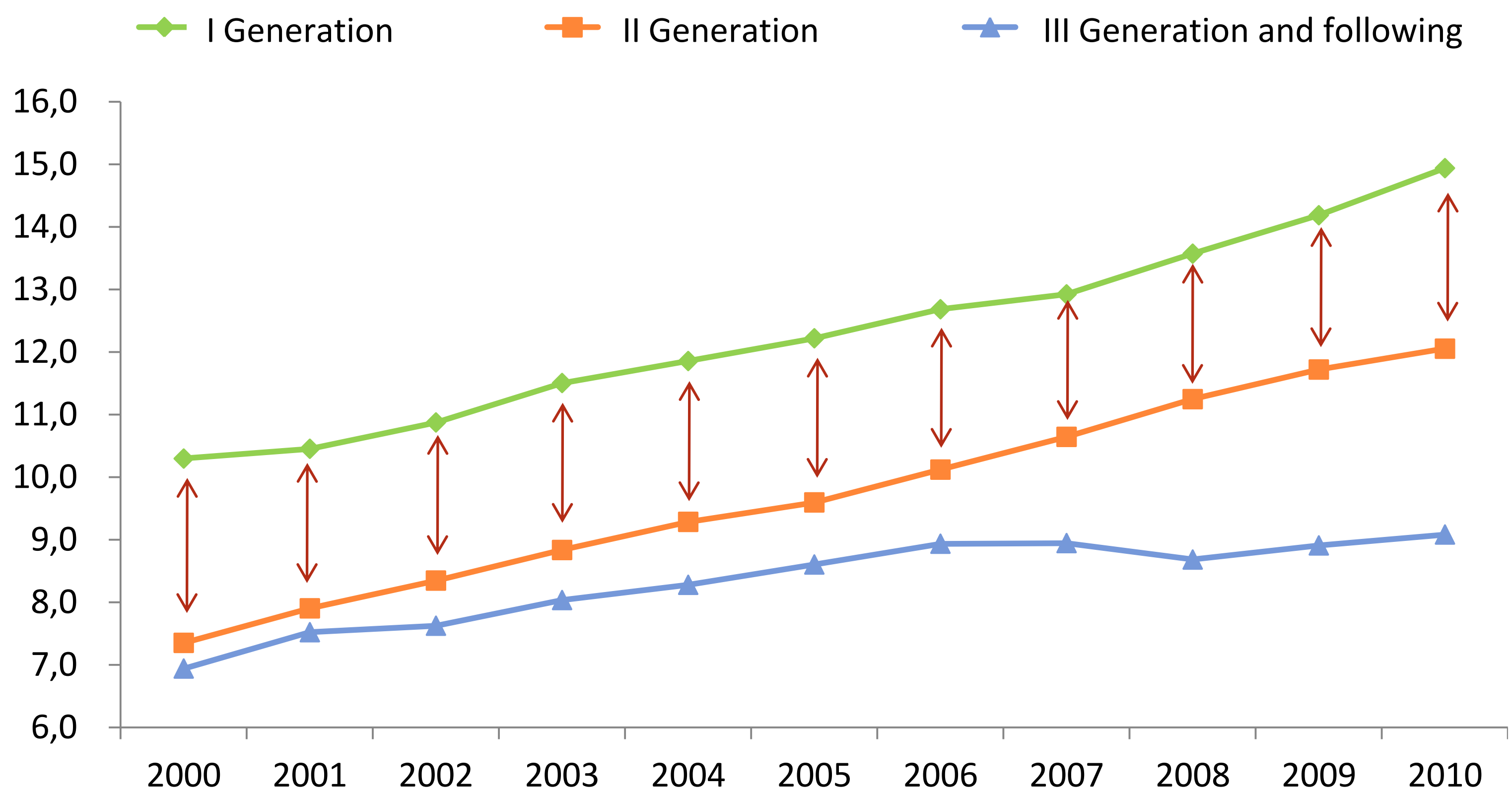
Leadership successions have been more frequent in firms experiencing troubles



(*) Firms with negative Return on Equity (ROE)

Leader tenure and generation

In first generation firms the tenure of the leader is higher, highlighting how the generation change occurs later



Leader age and performance

Age of the firm leader	Δ Growth		Δ ROE	
Founder	no	yes	no	yes
Less than 40	+2,9***	+8,9***	+1,6**	+10,2***
[40-50]	+0,5	+3,2***	+0,2	+2,5**
[50-60]	-0,1	+3,2	-0,2	-0,4
[60-70]	-0,8*	-1,8**	-0,2	-1,6**
More than 70	-1.6**	-3,0***	-1,0*	-3,3***

***GROWTH** and **ROE** values in the table show that firm performance are positively (+) or **negatively (-)** affected by the firm leader age compared to the national average and the figure is statistically significant with:*

****High significance (p<.001)*

***Medium significance (p<.01)*

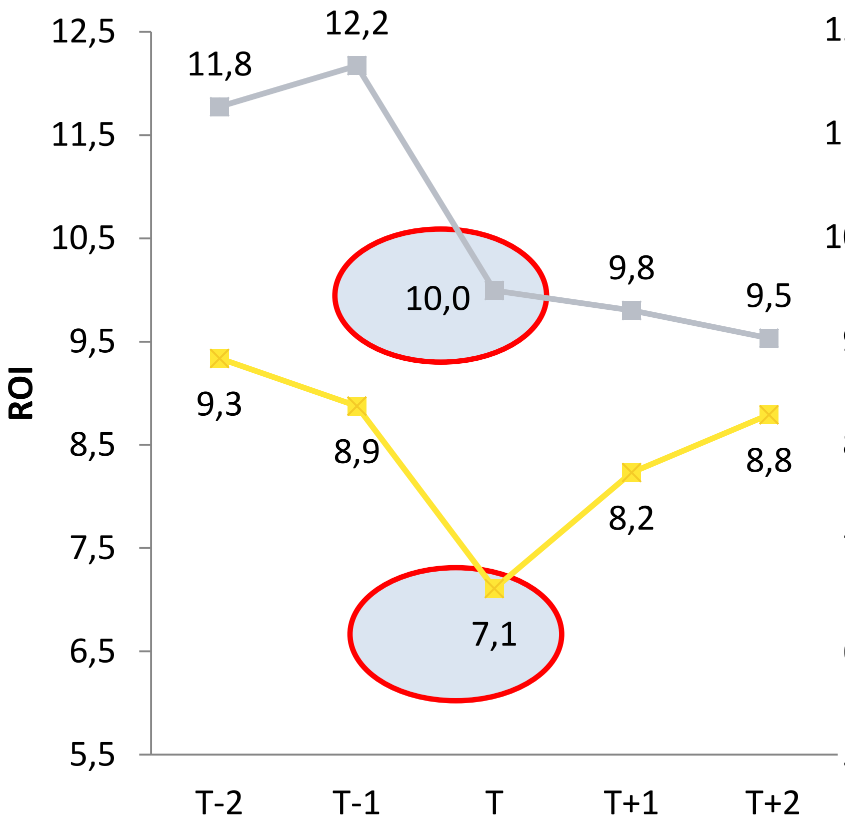
**Acceptable significance (p<.10)*

Data processing is related to the period 2001-2011 (Source: Aida).

Succession in different generations

A family leader "succession" is more complicated in first generation firms

First generation firms



Firms of following generations

Outgoing F - Ingoing F Outgoing F - Ingoing NF

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Part III

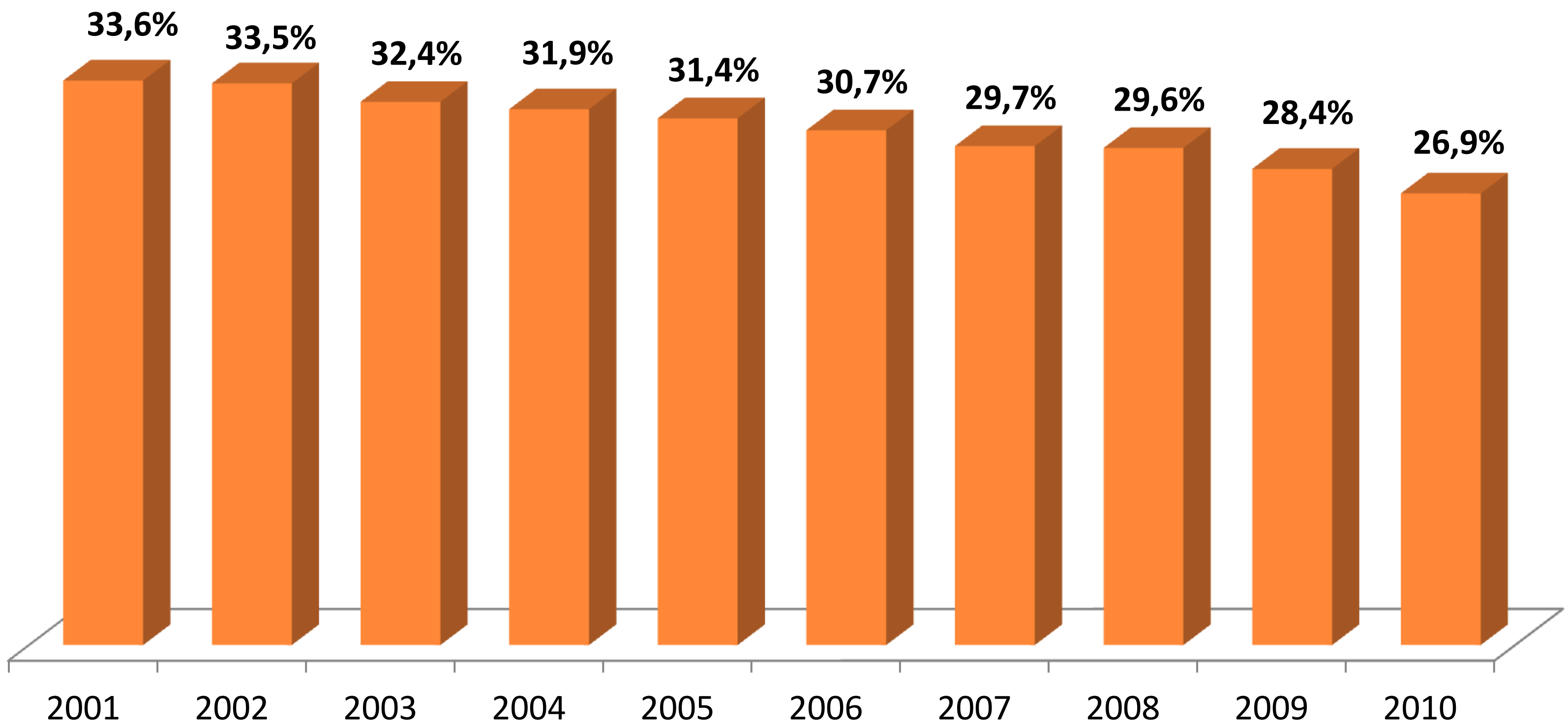
The "required transitions" for family firms:

d) Opening to young leaders

- A leader is considered «young» if he/she has less than 50 years.

The opening towards young leaders in the last decade

The (decreasing) presence of young leaders in the last decade

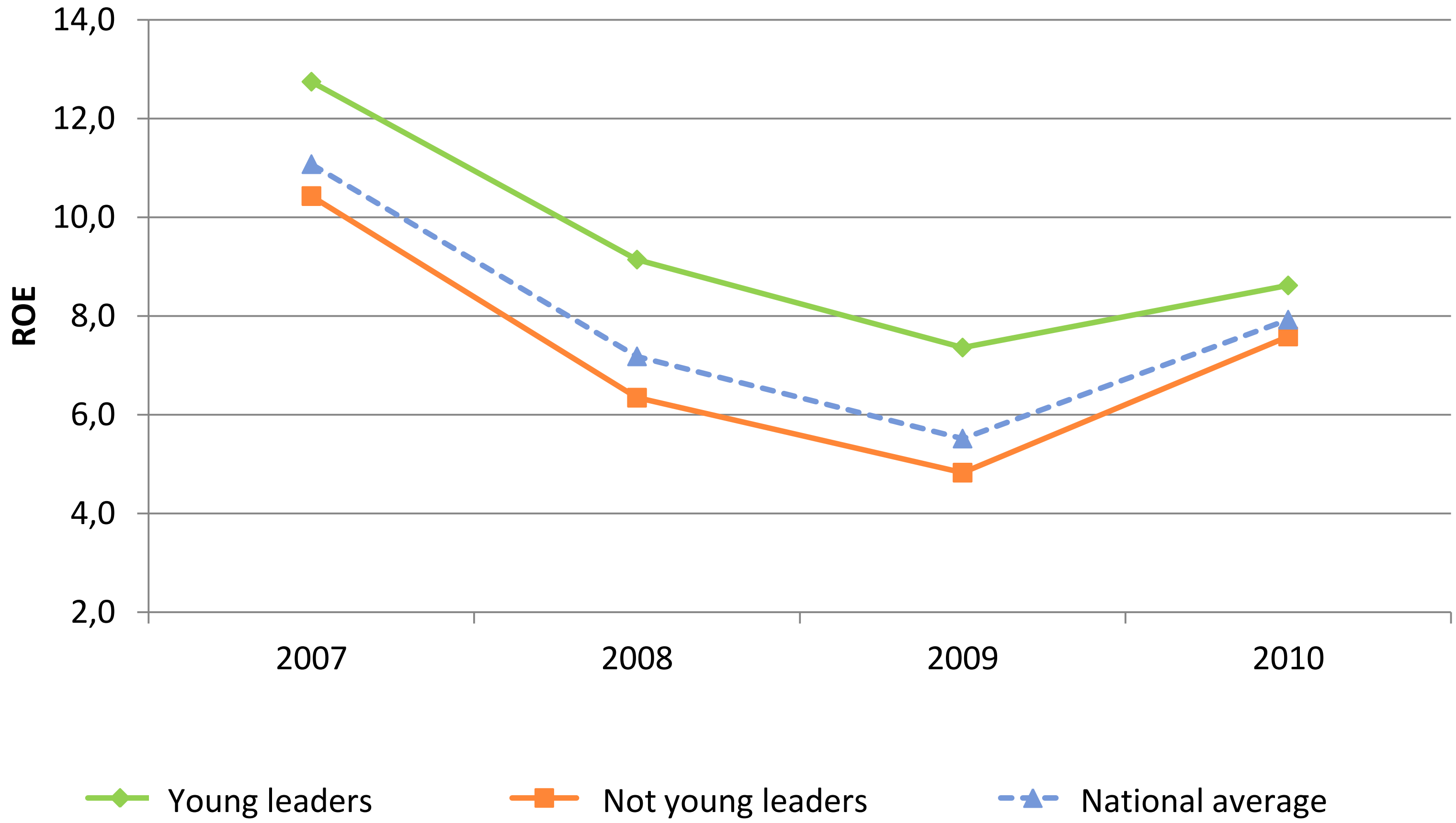


Some evidences from firms led by young leaders

	Individual leadership		Collegial leadership	
	Young	Not young	Young (at least 1)	Not young
Median of sales revenues (mio euro)	87,0	95,7	88,0	103,1
Average age of the firm	26,6	30,2	28,0	31,8
% first generation firms	21,5%	35,0%	37,1%	37,0%
Share of the first shareholder	68,9%	64,0%	63,3%	60,5%
Average number of shareholders	4,6	5,4	9,0	7,0
ROE (average 2001-2010)	8,5%	8,0%	8,7%	7,0%
Growth (average 2001-2010)	6,0%	4,8%	6,0%	4,8%
Leverage (average 2001-2010)	7,4	6,1	6,1	5,2

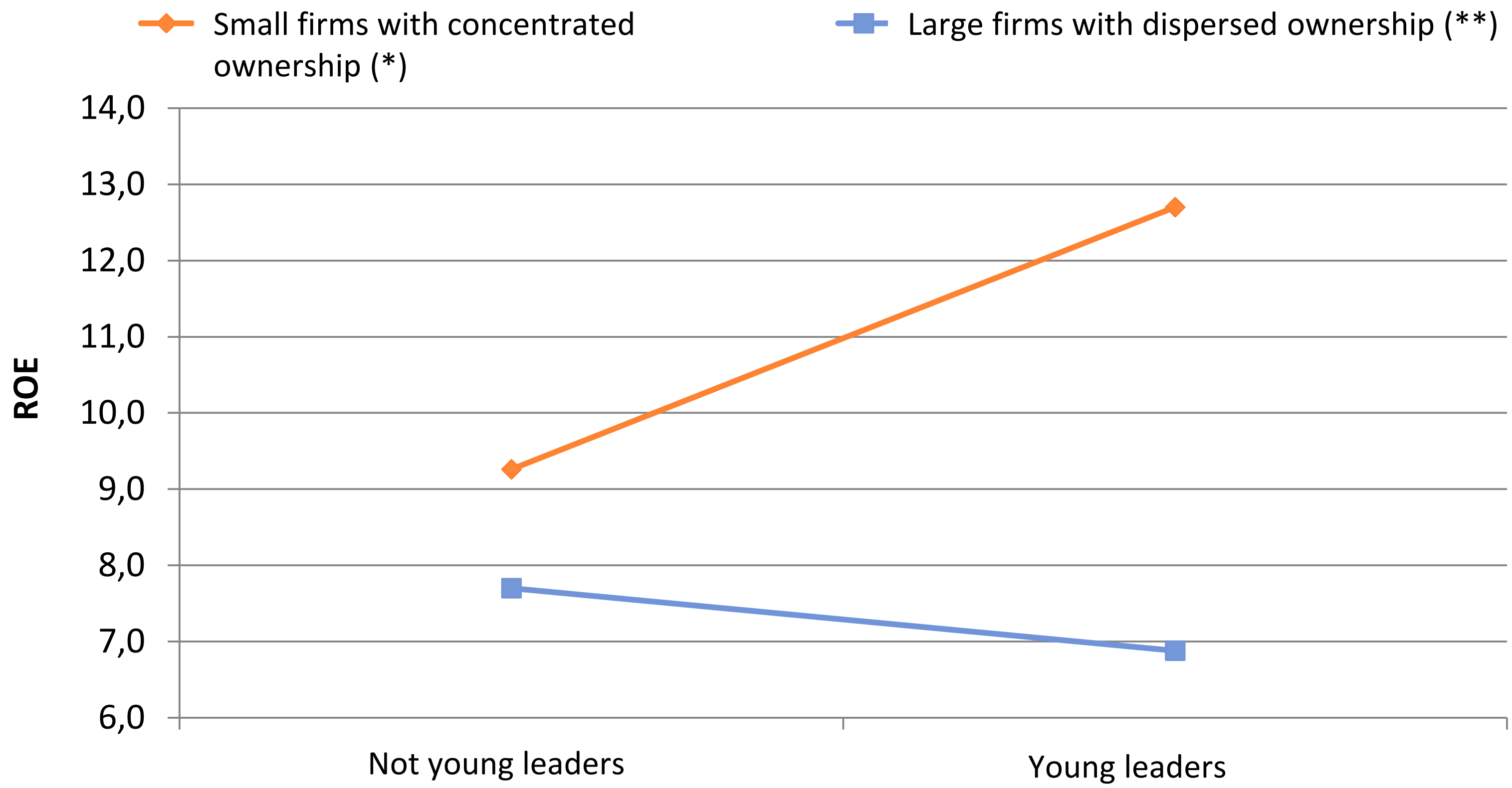
Young leaders and reaction to the crisis

Performance of firms led by young leaders



Young leaders and performance

Performances of young leaders are higher in less “complex ” environments



(*) Small firms with concentrated ownership: firms with sales revenues lower than the median and index of ownership concentration higher than the median.
(**) Large firms with dispersed ownership: firms with sales revenues higher than the median and index of ownership concentration lower than the median.

Part III

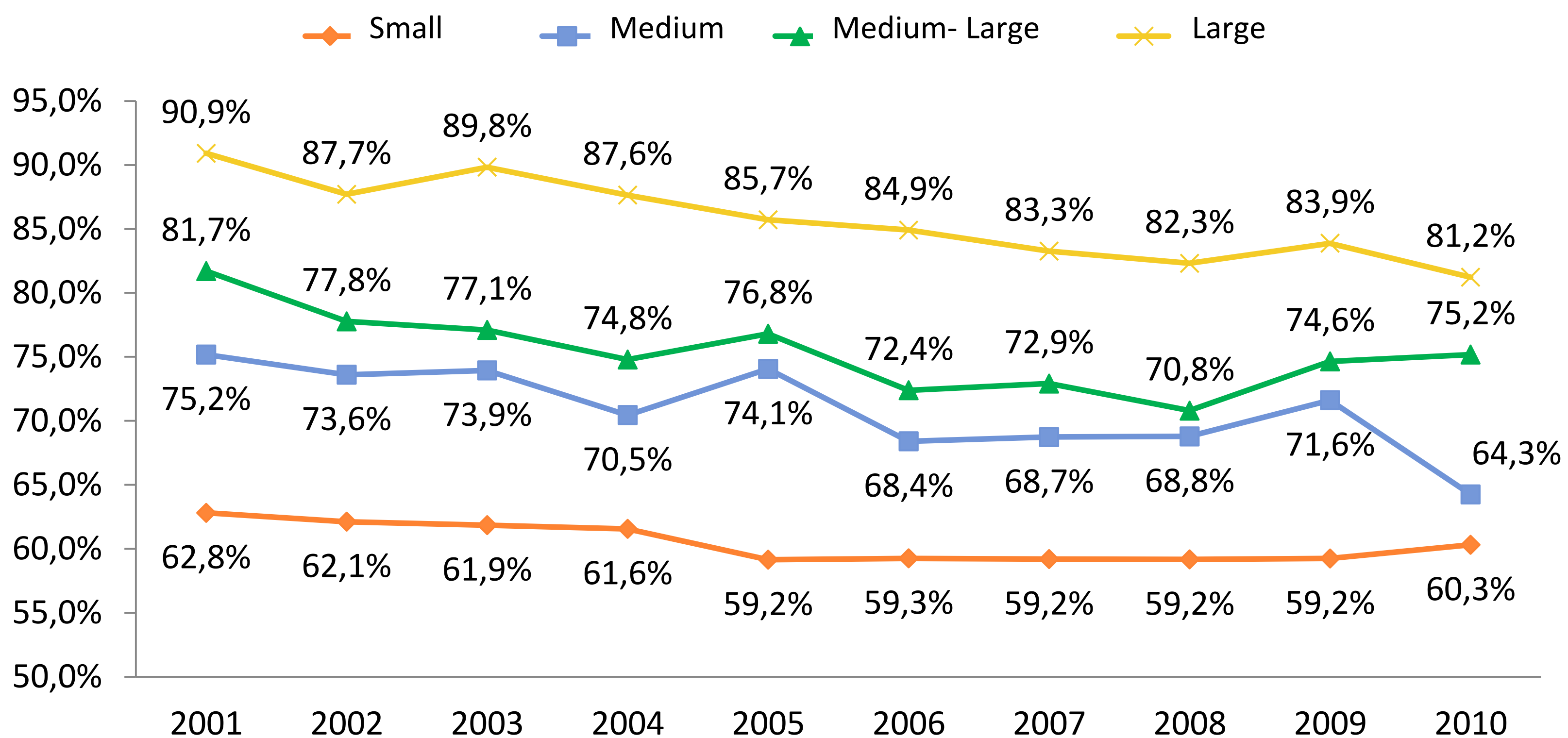
The "required transitions" for family firms:

e) Opening to non family directors (at least in some contests)

- The familiarity of the Board of Directors has been detected on the affinity with the family surname of the controlling owner.

Opening towards outsiders and firm size

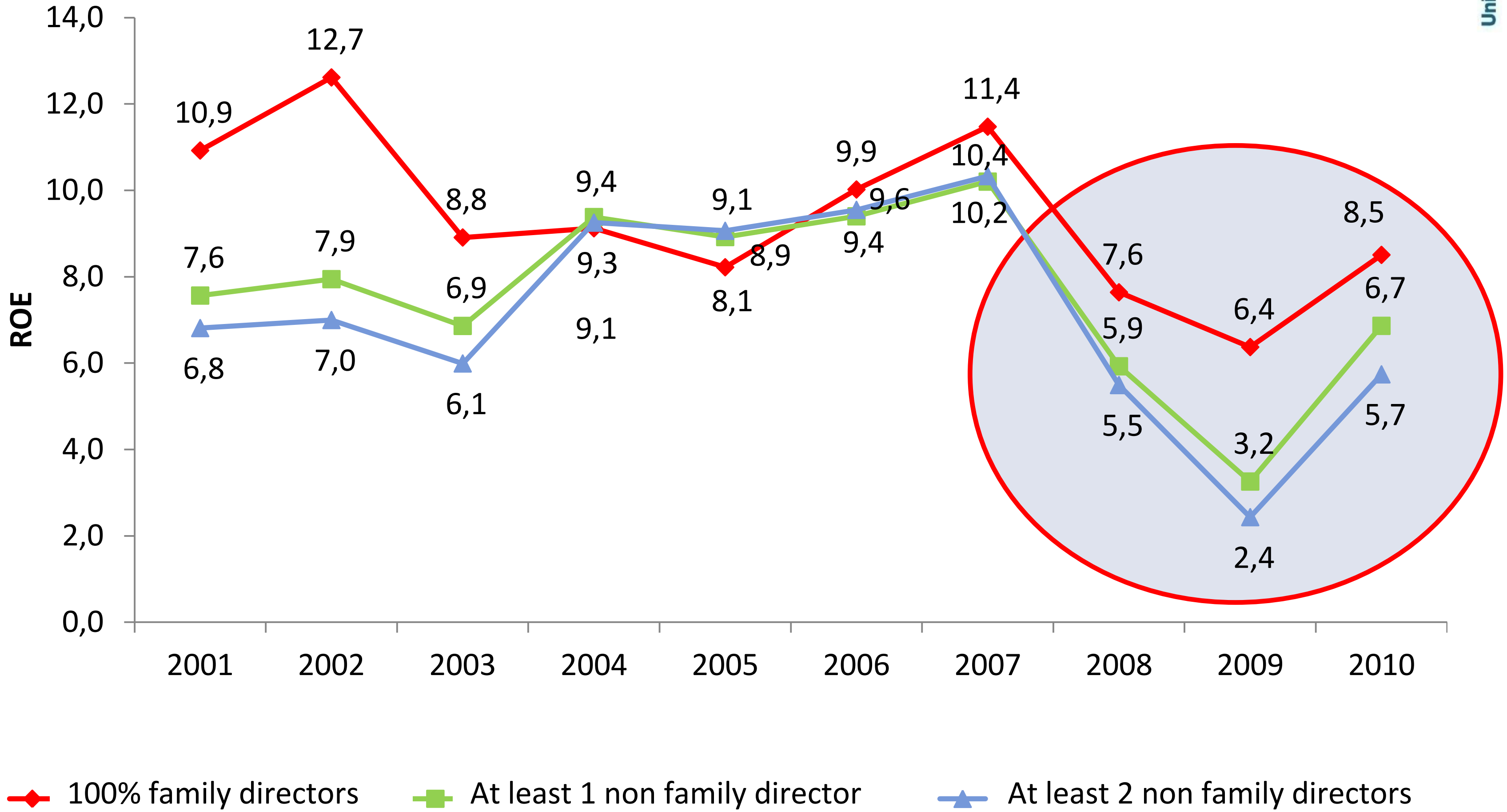
Firms with at least one non family director are about 66% - on average - with some differences across sizes (*)



(*) Figures on the presence of at least one non family director refer only to those firms for which information about sales revenues are available.

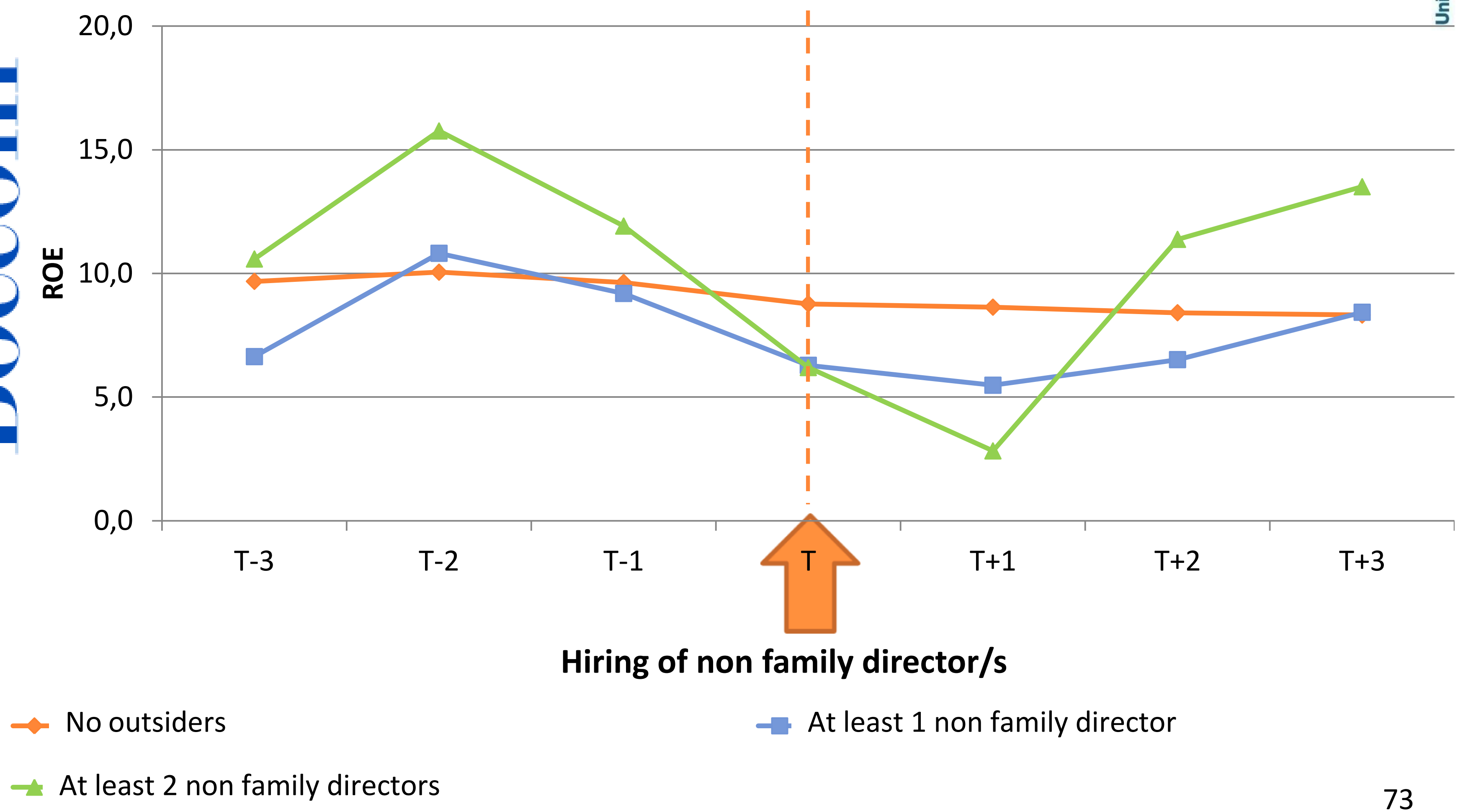
Non family directors and performance

Firms with Boards of Directors more open to non family members show, on average, a lower profitability



The (real) impact of non family directors

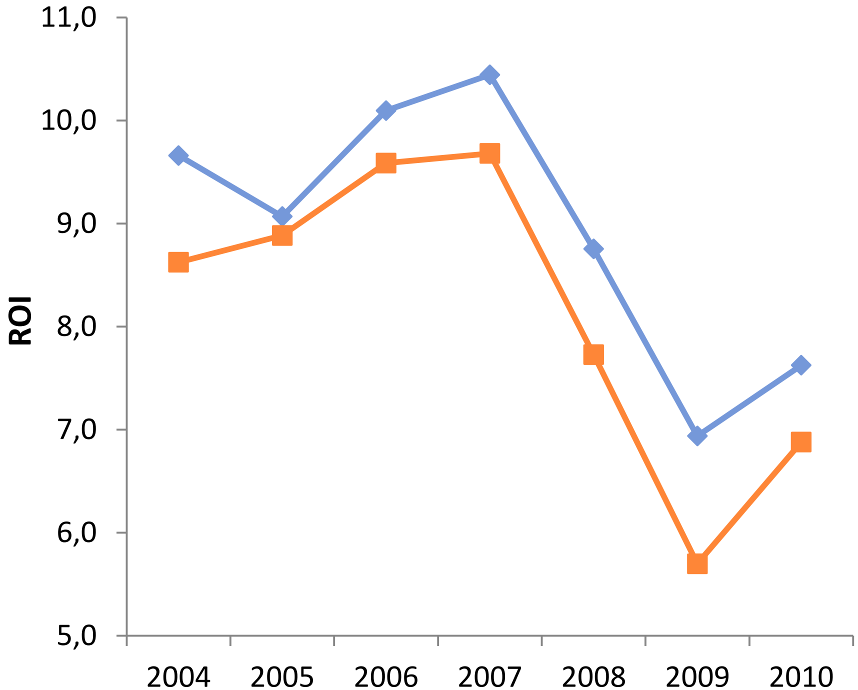
The choice to hire non family members in the board is often the consequence of long-lasting decreasing performance



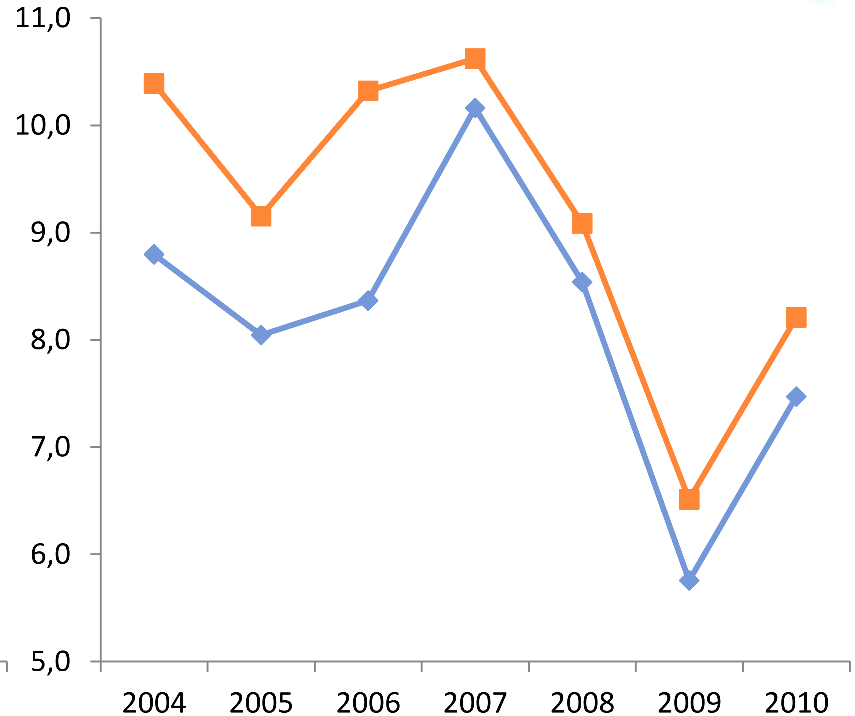
Contextual conditions: firm size

Open Boards of Directors show higher profitability (*):
1) in larger firms

Smaller firms (**)



Larger firms (***)



100% family members in the BoD   At least 1 non family member in the BoD

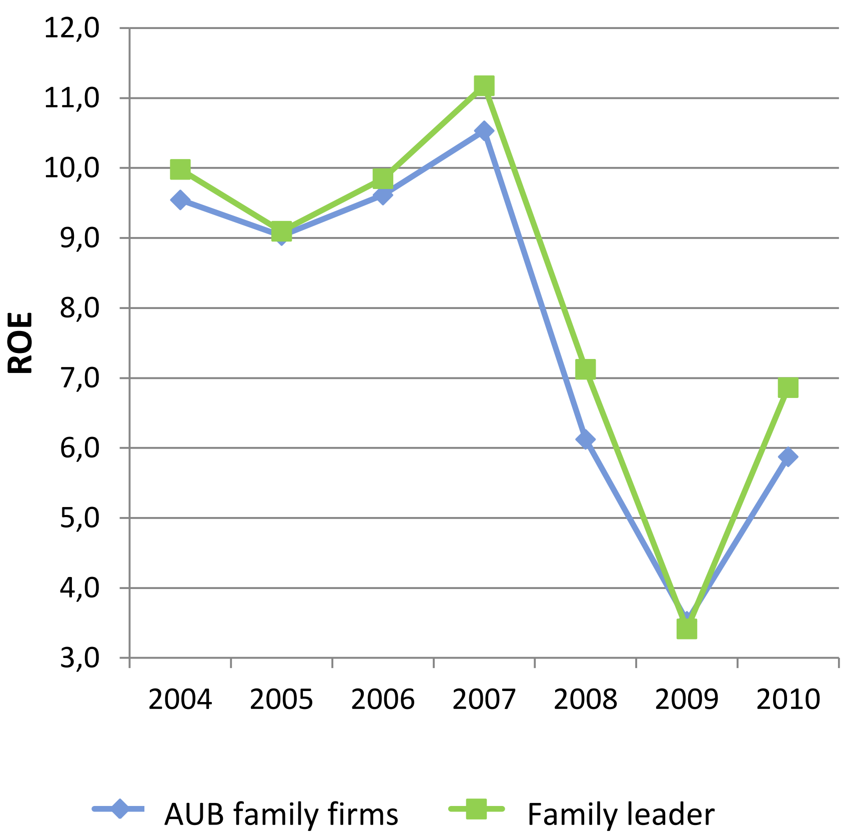
(*) It was considered as «open» the Board of Director in which there is at least one non family director.
(**) Smaller firm: with sales revenues between 50 and 100 mio euro.
(***) Bigger firms: with sales revenues over 250 mio euro.

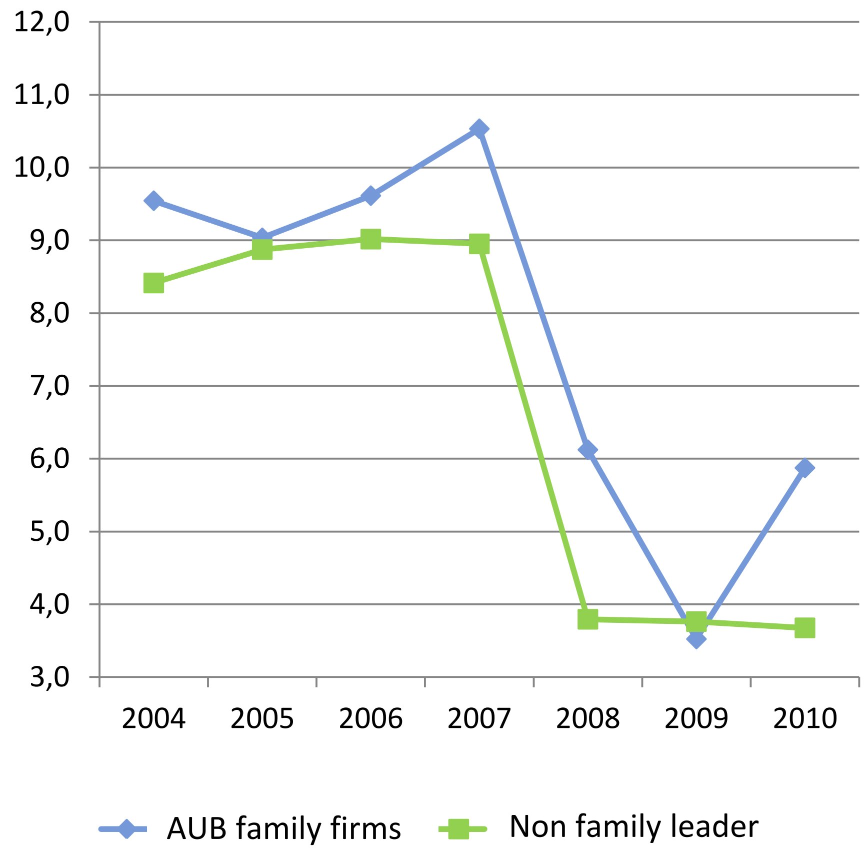
Contextual conditions: family leadership

Open Boards of Directors show higher profitability (*):

1) in larger firms

2) in firms led by family leaders (**)





(*) It was considered as «open» a Board of Director in which there is at least one non family director.
(**) Individual leadership models.

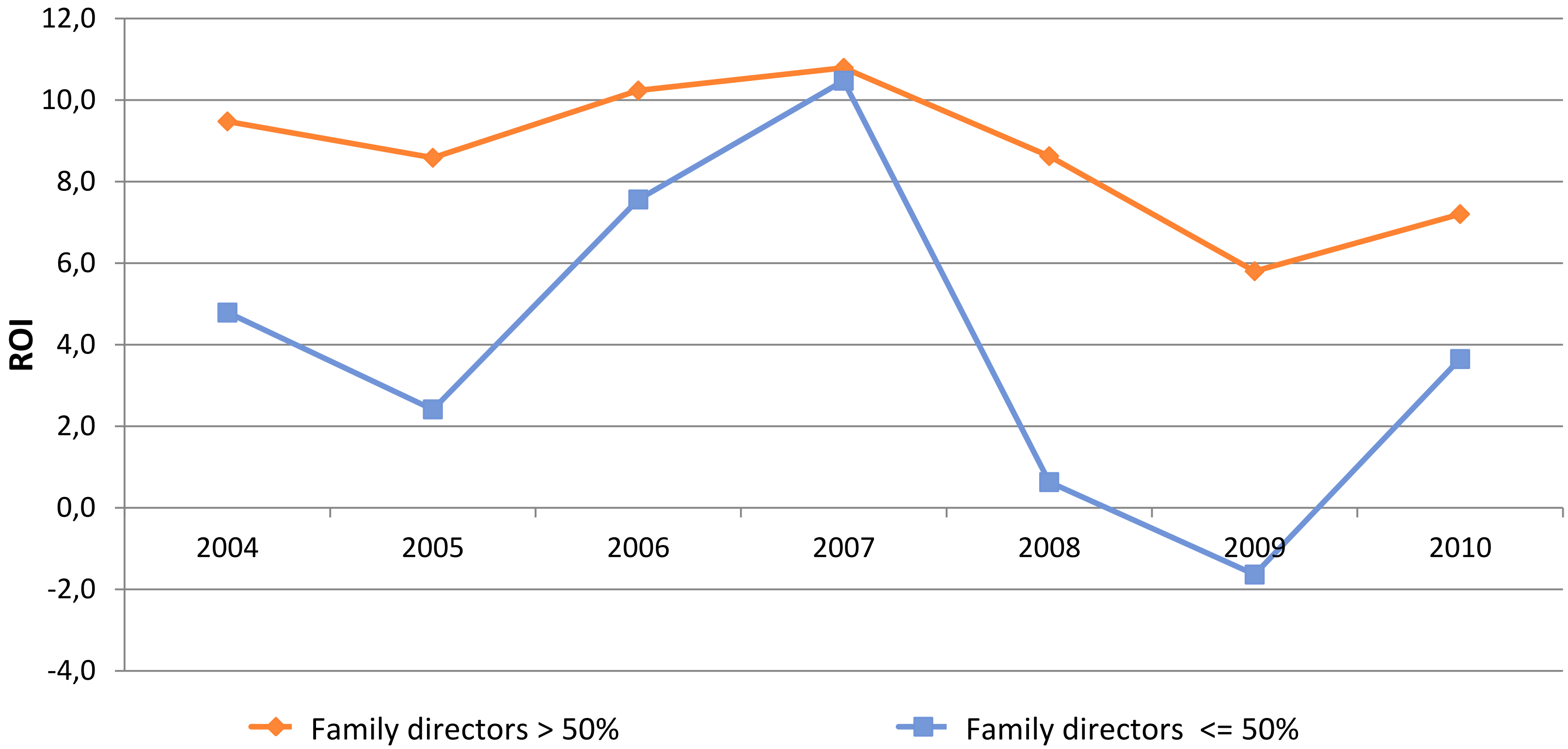
Contextual conditions: listing

Open Boards of Directors show higher profitability (*):

1) in larger firms

2) in firms led by family leaders (**)

3) in listed firms



(*) For listed firms the treshold has been increased to 50% of the board.

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Part III

The "required transitions" for family firms:

f) Overcoming the "*glass ceiling*"

Women and performance (1/2)

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Women have a positive impact on firm performance, both as directors…

Women in the Board	% of firms	Δ ROI	Δ ROE	Δ R.I.
No women	**45,3%**	**-0,7*****	**-0,5***	**+1,0*****
At least 1 woman	**54,7%**	**+0,7*****	**+0,5***	**-1,0*****
At least 2 women	**23,0%**	**+0,3***	**+0,4**	**-1,0*****

… and as leaders

Women leaders	% of firms	Δ ROI	Δ ROE	Δ R.I.
Single woman leader	**9,1%**	**+0,2**	**+2,5*****	**+0,8***
At least one woman in the team of CEOs	**35,6%**	**+0,7****	**+0,6**	**-0,6***

***ROI**, **ROE** and **R.I.** in the table show that firm performance are **positively (+)** or **negatively (-)** affected by the presence of women compared to the national average and the figure is statistically significant with:*

****High significance (p<.001)*

***Medium significance (p<.01)*

**Acceptable significance (p<.10)*

Data processing is related to the period 2001-2011(Source: Aida).

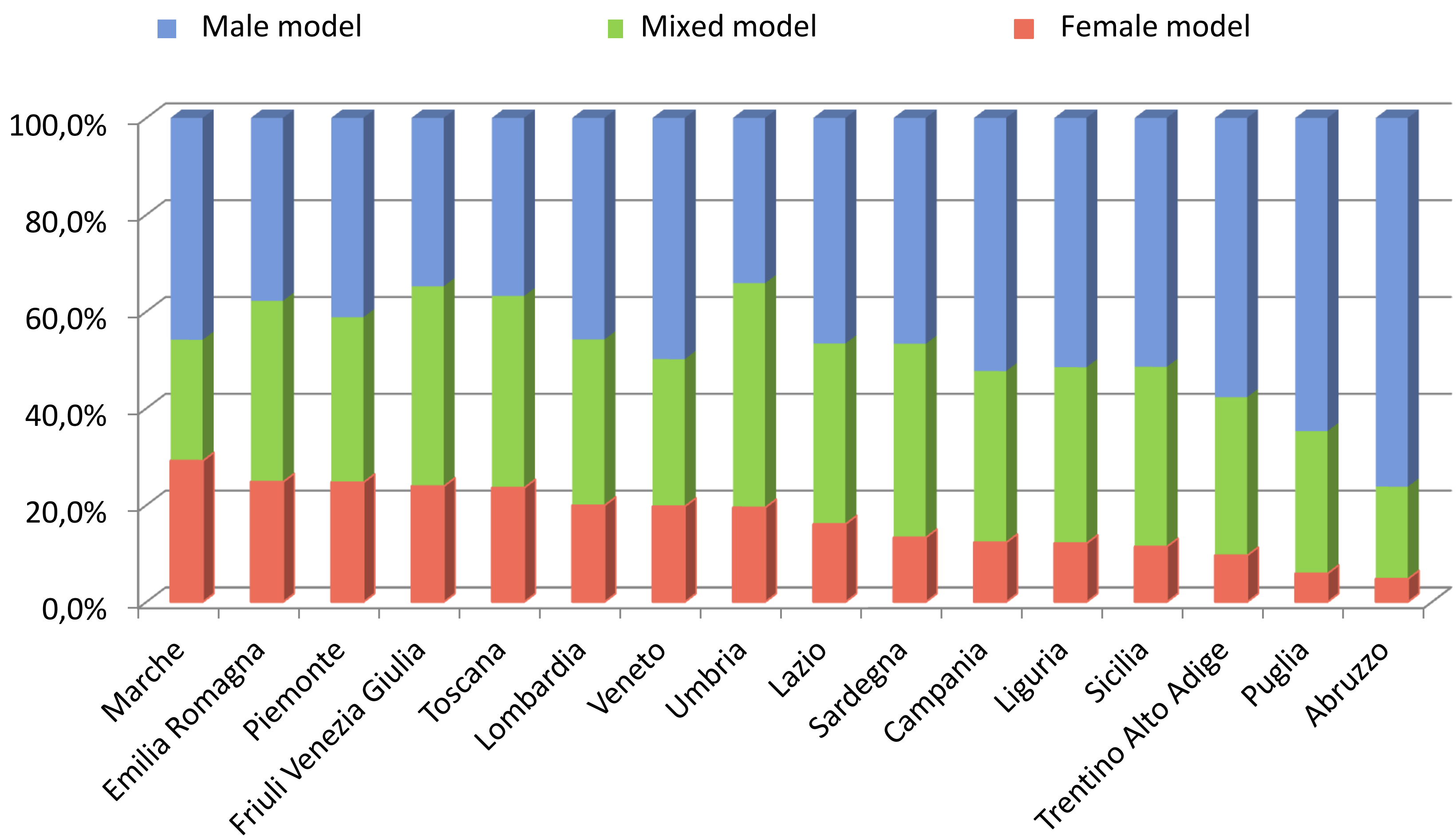
Women and performance (2/2)

Combining women leaders and women directors, the performance of the firm increases

Leadership models	ROE (average 2001 - 2010)	
	Individual Leadership	Collegial Leadership
Female model (*)	**10,0%**	**8,6%**
Mixed model (**)	7,7%	7,9%
Male model (***)	7,4%	8,0%

(*) Models in which there is at least one woman director and a woman in a leadership position (at least one woman in collegial leadership models*)* were considered "F*emale*";
(**) Models in which there is at least one woman directors but without any role in the leadership position were considered "*Mixed*";
(***) Models in which there is no presence of women neither in the Board of Directors nor in leadership position were considered "*Male".*

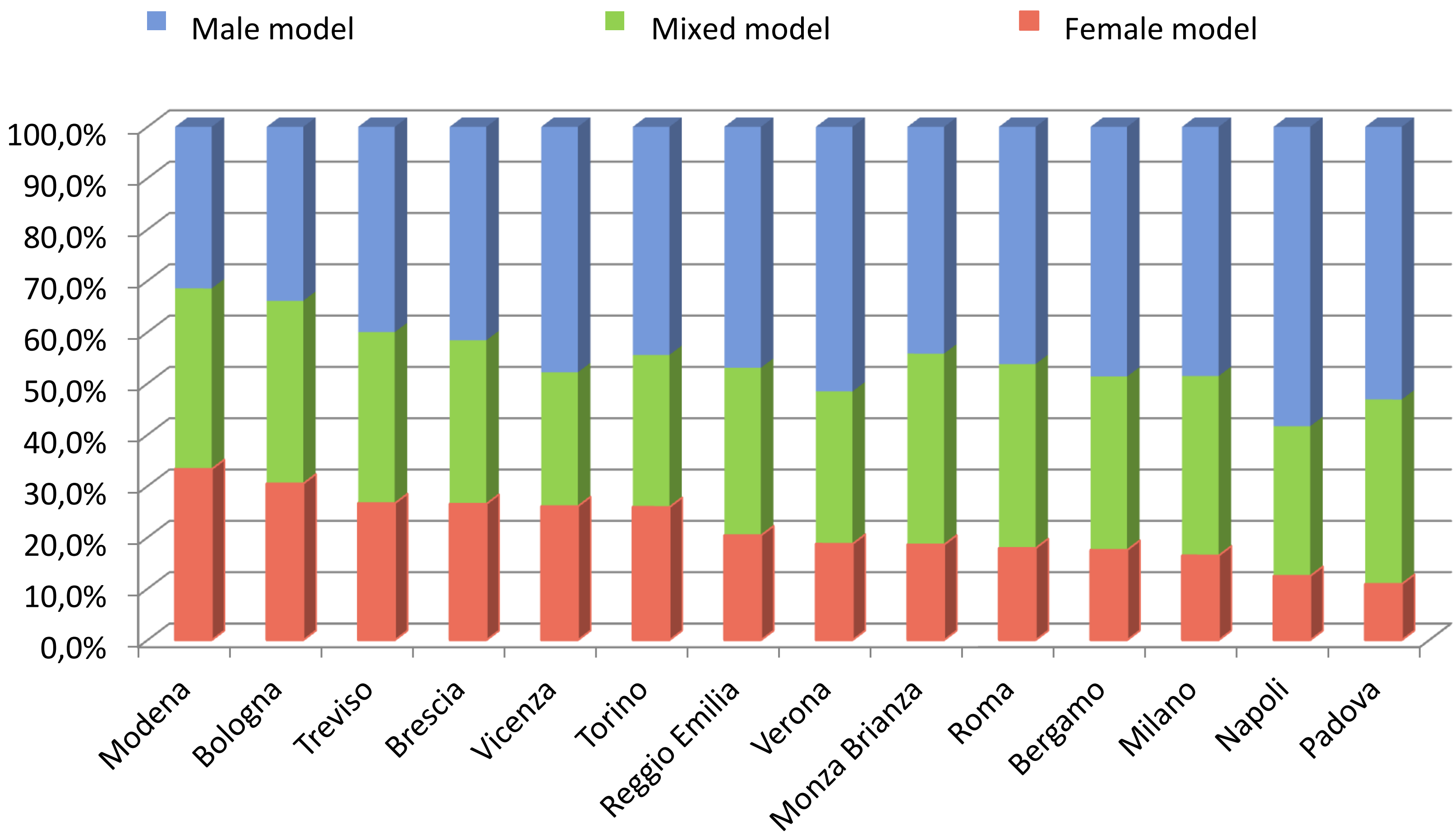
Opening towards women by Region (*)



(*) Regions with at least 10 family firms in the area.

Opening towards women (2/2)

Opening towards women by Province (*)



(*) Provinces with at least 50 family firms in the area.

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Part IV

Additional analyses:

a) Comparison with firms associated with AIdAF

- There are 111 firms associated with AIdAF in AUB Observatory

Peculiar characteristics of firms associated with AIdAF (1/2)

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Dimension, age and ownership	AUB Family firms	AIdAF Associates
Average sales revenues (mio euro)	207,2	910,6
Median sales revenues (mio euro)	88,2	211,3
Average firm age	27,9	38,1
Index of ownership concentration (median)	0,50	0,59
Average number of shareholders	5,8	7,4
% of family ownership (average)	93,1%	91,3%
Share of the first shareholder (average)	65,0%	71,5%
Firms controlled by an holding company	42,0%	70,0%

Peculiar characteristics of firms associated with AIdAF (2/2)

Leadership Model	AUB Family firms	AIdAF Associates
Firms with “Amministratore Unico”	18,2%	4,5%
Firms with individual leadership	47,0%	52,3%
Firms with collegial leadership	34,8%	43,2%
Family individual leadership	77,5%	67,1%
Firms with at least 1 non family director	66,0%	82,1%
Firms with at least 2 non family directors	44,0%	63,2%

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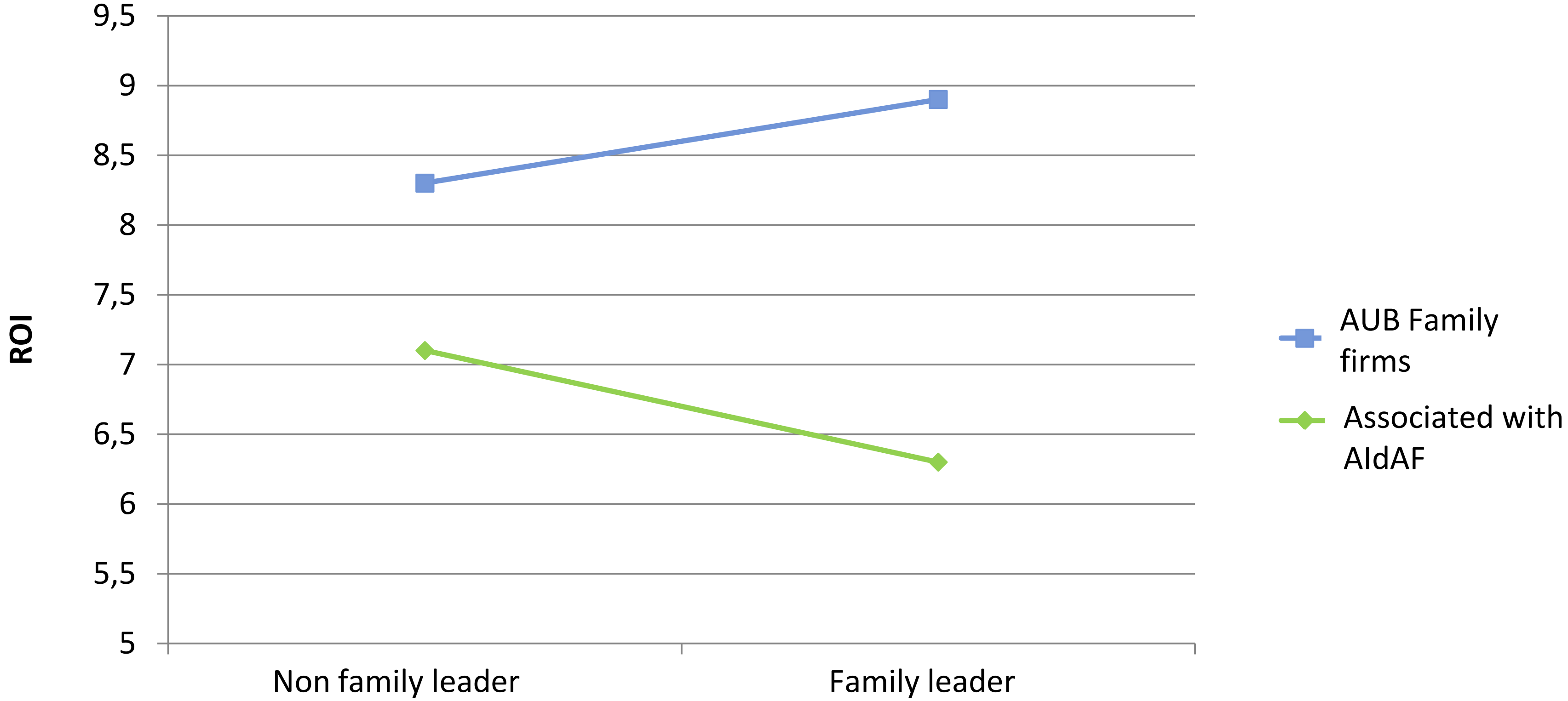
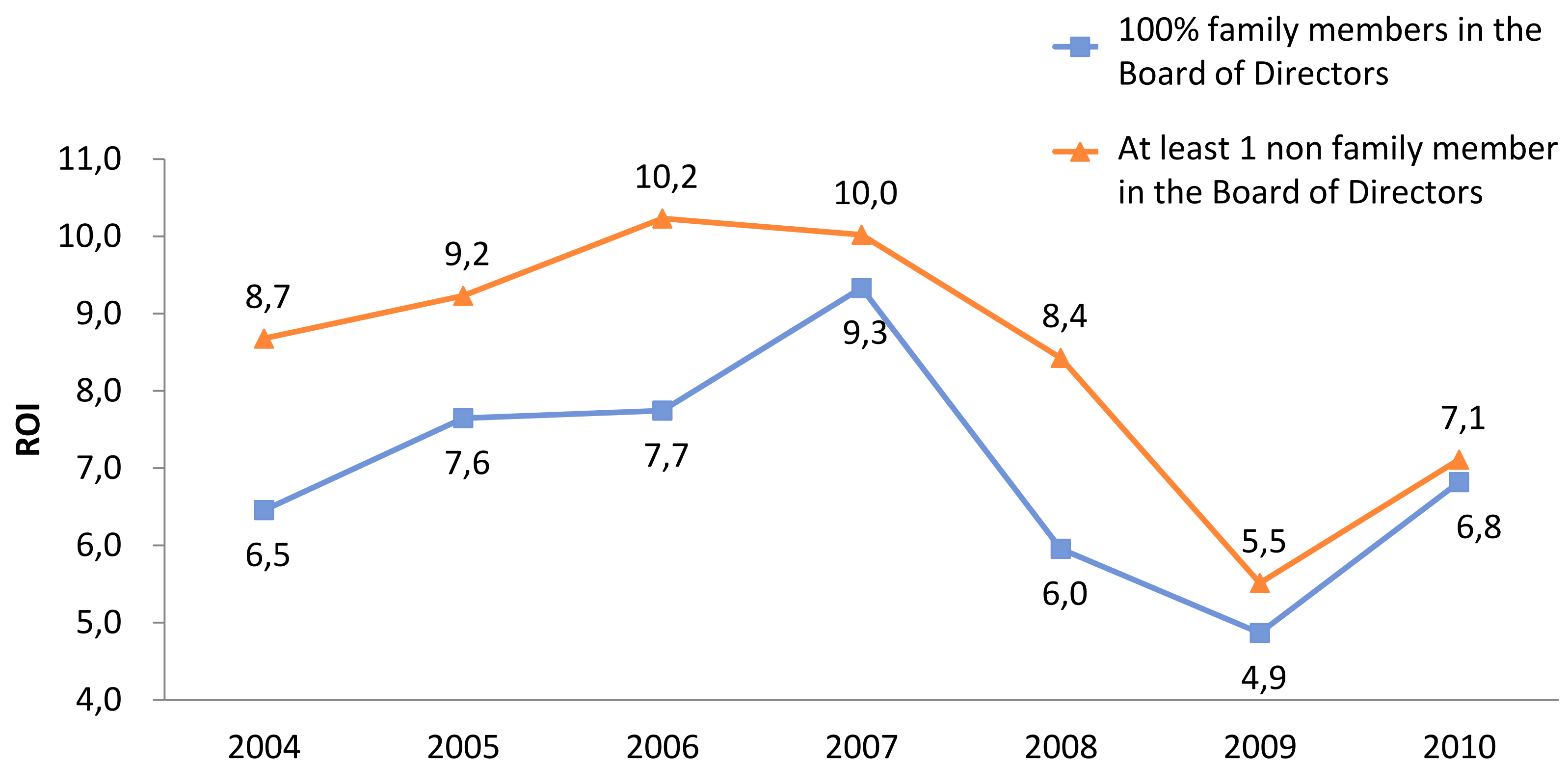
In firms associated with AIdAF, a non family leader shows better performance also in less "complex" firms (*)



(*) Less "complex" firms: small (with sales revenues lower than the median) and with concentrated ownership (index of ownership concentration higher than the median).

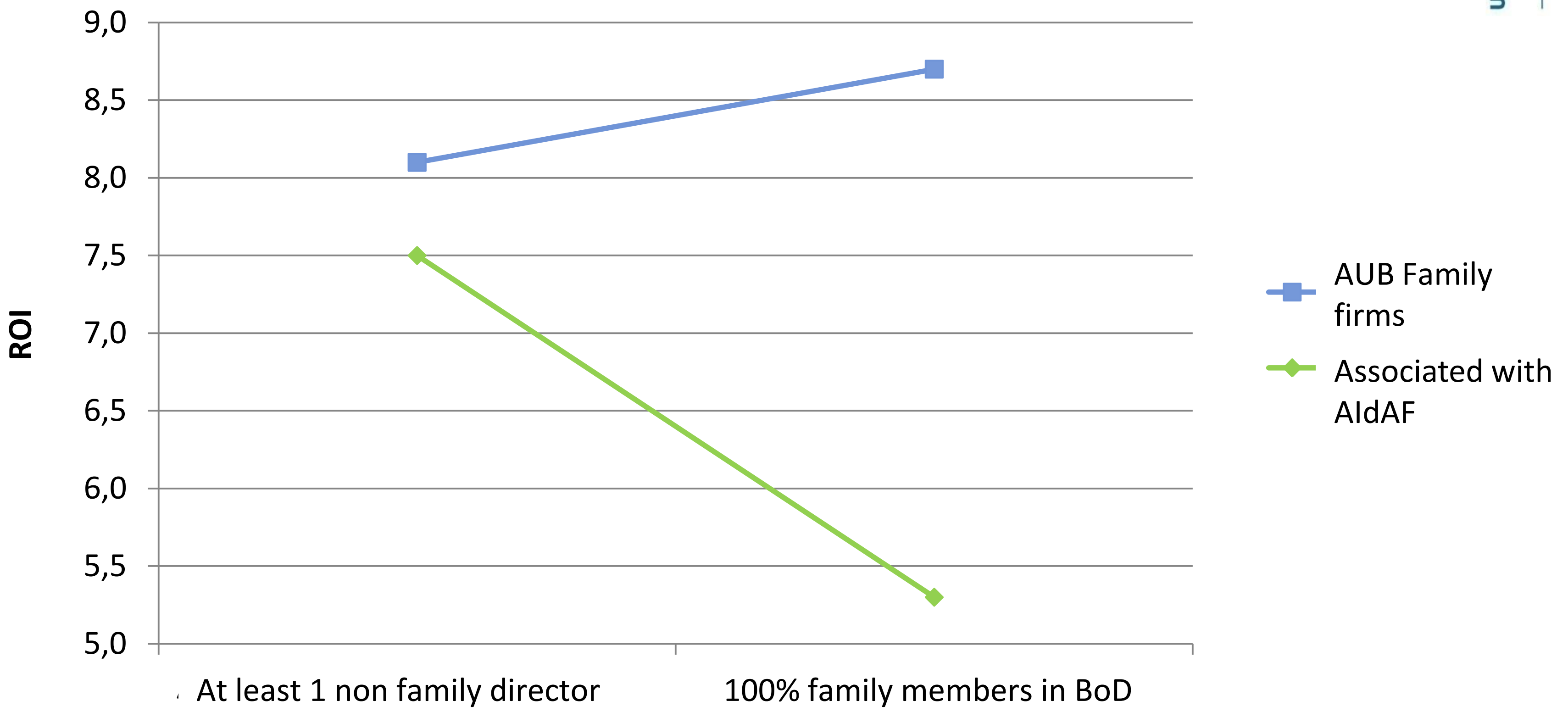
Non family directors and performance (1/2)

Firms associated with AIdAF and with an open board show better performance



❖ In the entire period considered, the percentage of firms with at least one non family director is relatively stable and higher than 80%.

The opening to outsiders is also beneficial for less "complex" firms (*)



(*) Less "complex" firms: small (with sales revenues lower than the median) and with concentrated ownership (index of ownership concentration higher than the median).

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Part IV

Additional analyses:

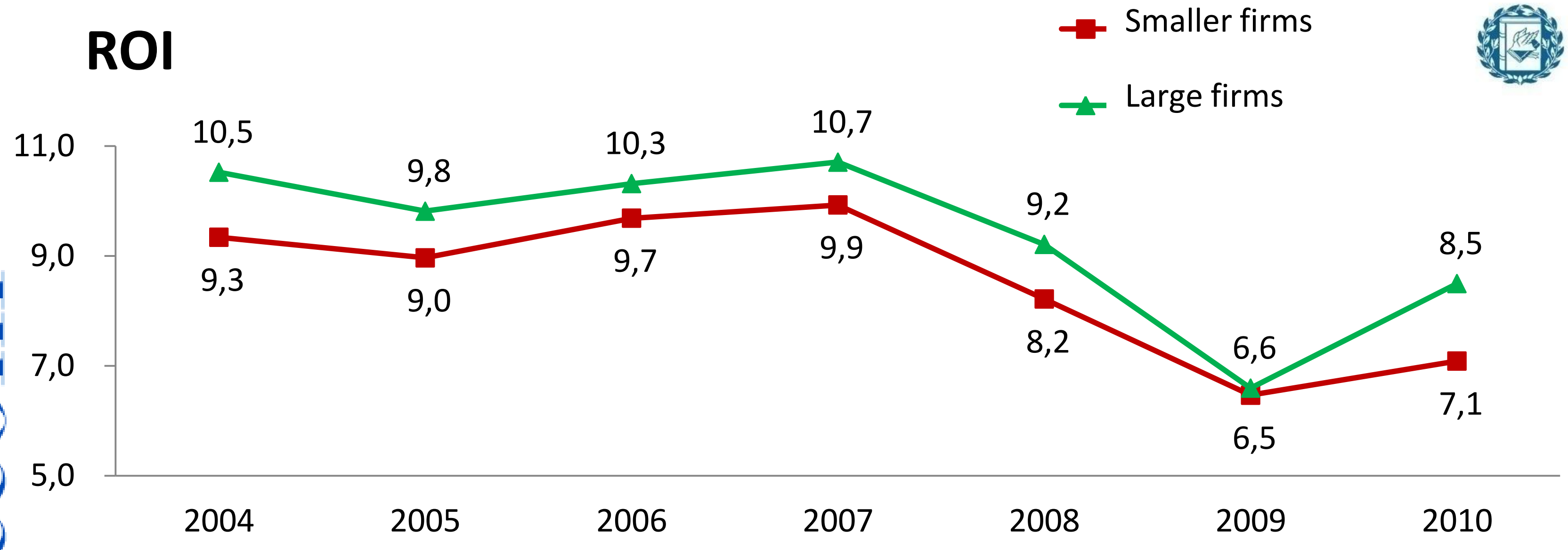
b) Comparison with large firms*

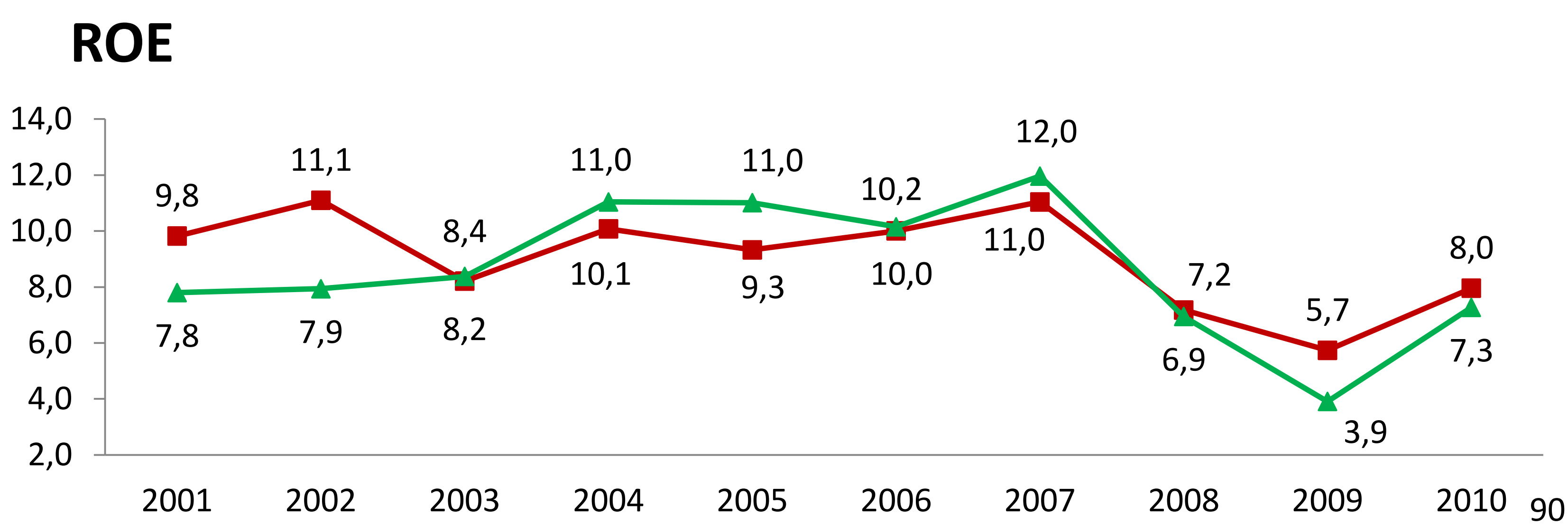
- There were considered as large firms the 324 firms with a turnover higher than 240 mil € and with more than 200 employees at 31/12/2010.

Characteristics of large firms

Leadership models	Non large firms	Large firms
100% family members in the Board of Directors	36,5%	18,2%
Firms with at least 1 non family director	63,5%	81,8%
Firms with at least 2 non family directors	40,7%	68,4%
Average number of directors	4,5	6,7
Firms with at least 1 woman on the Board	55,0%	53,0%
Firms with individual leadership	46,0%	53,8%
Firms with "Amministratore Unico"	19,0%	11,8%
Firms with collegial leadership	35,0%	34,4%

Profitability of large firms





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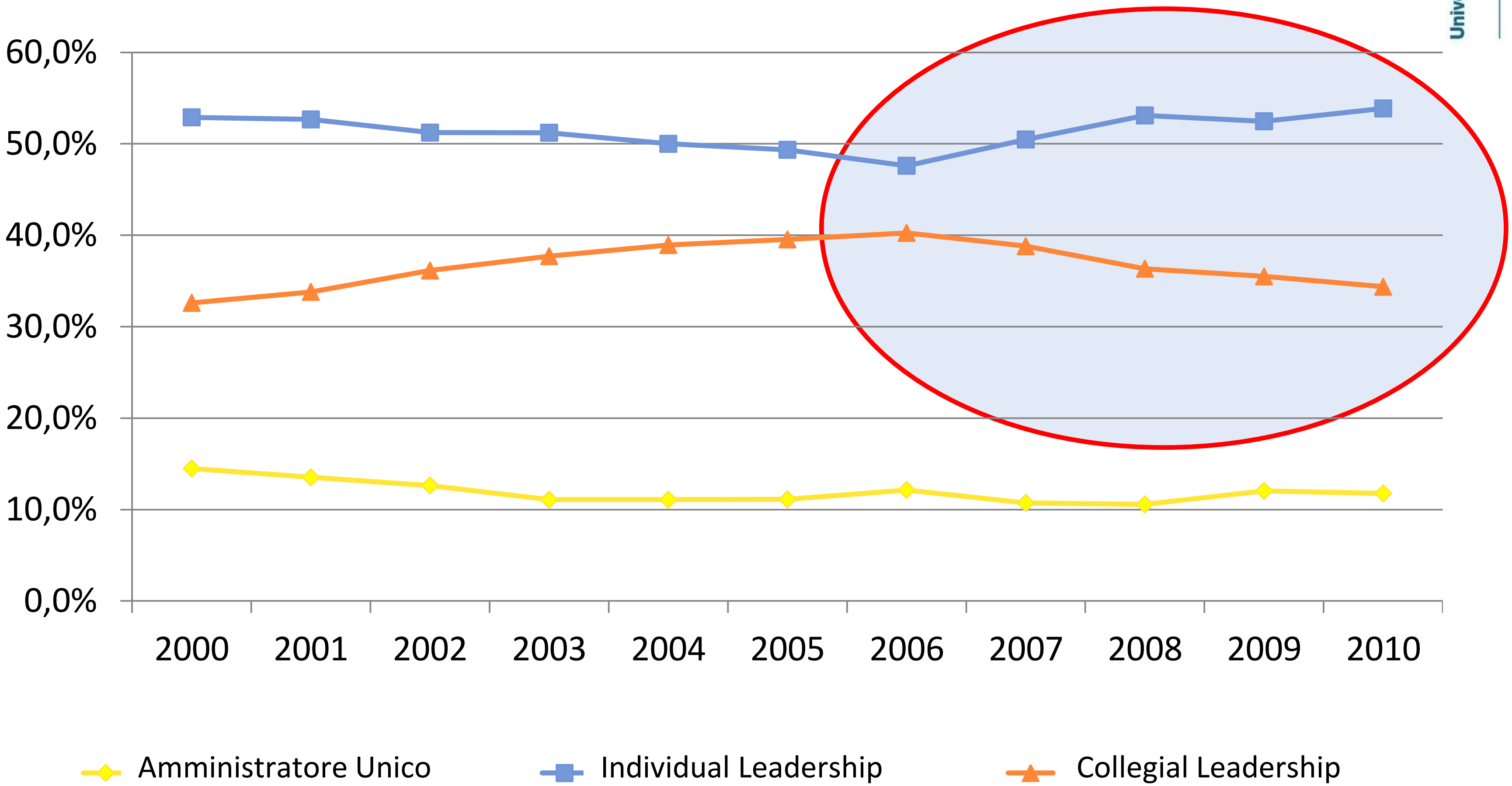
Leadership models in large firms

In large firms there is evidence of a gradual shift towards individual leadership models



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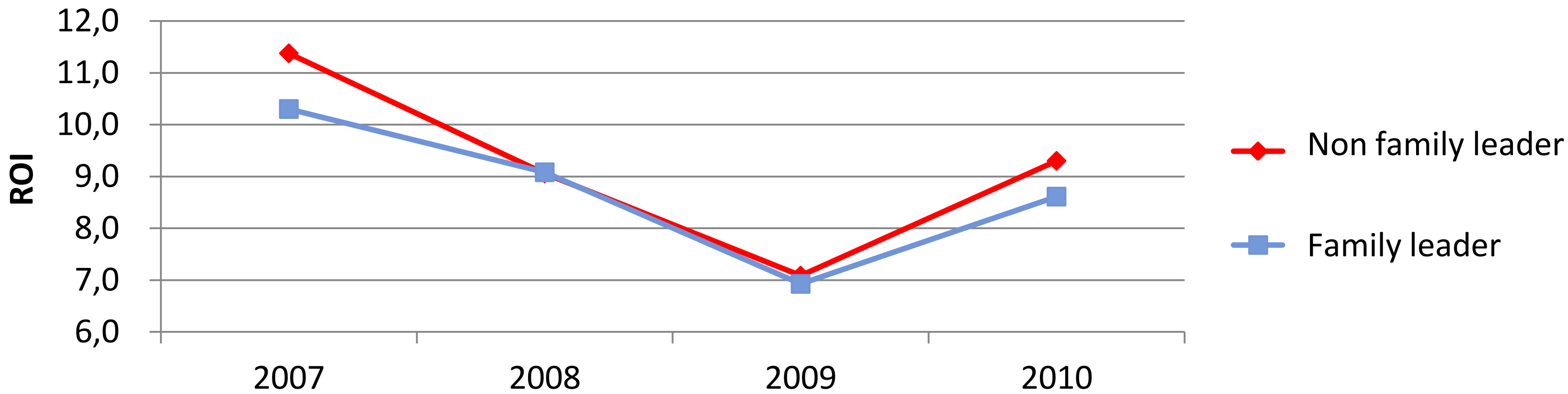
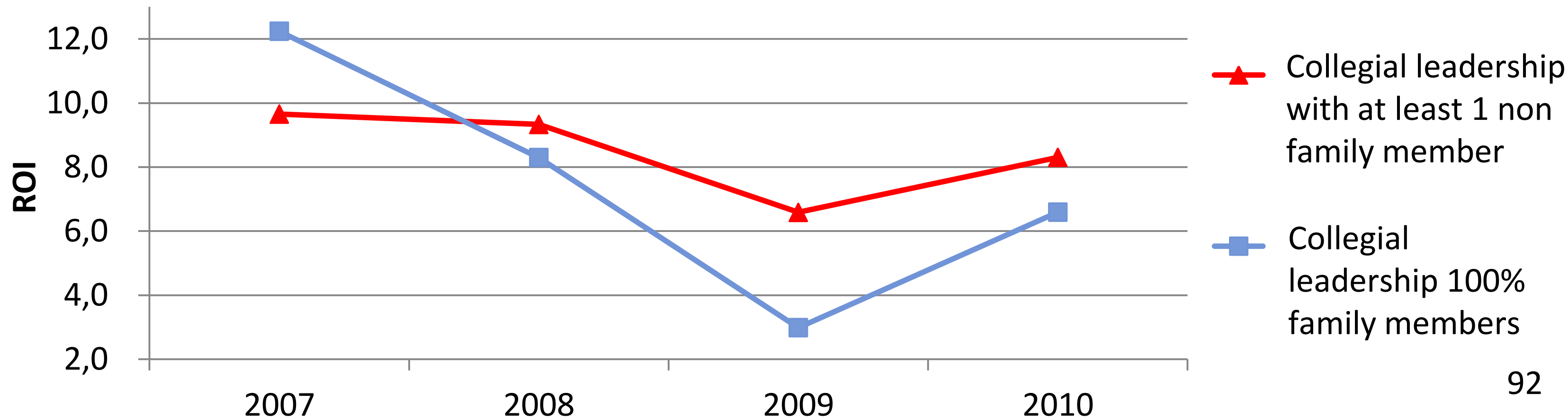
Familiarity of leadership models and performance

In large firms, the presence of a <u>non</u> family leader seems to be successful both in firms with individual leadership… (*)



… and in firms with collegial leadership



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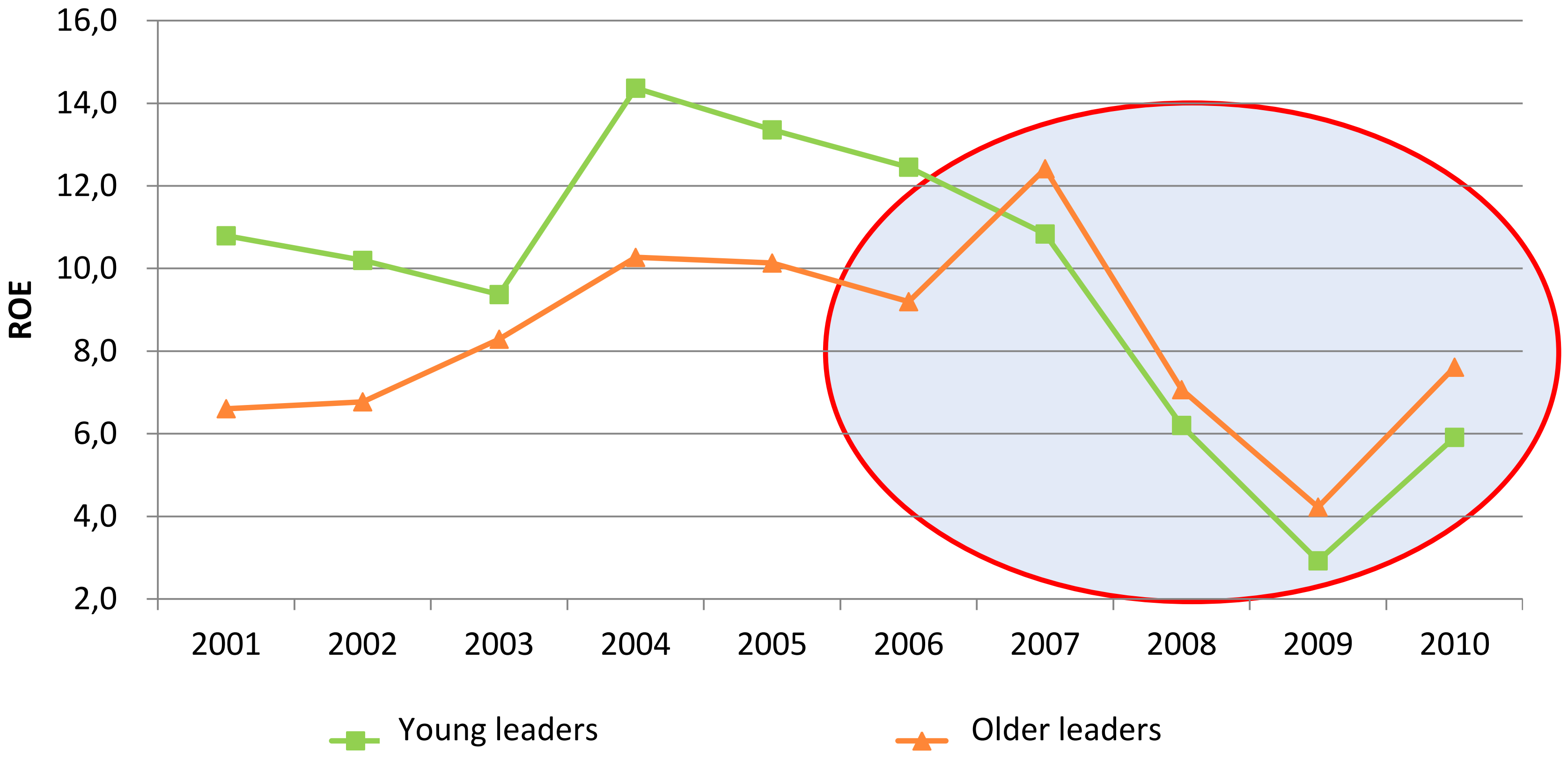
Young leaders and reaction to the crisis

In large firms, lower experience of young leaders has determined worse performance during economic crisis (*)

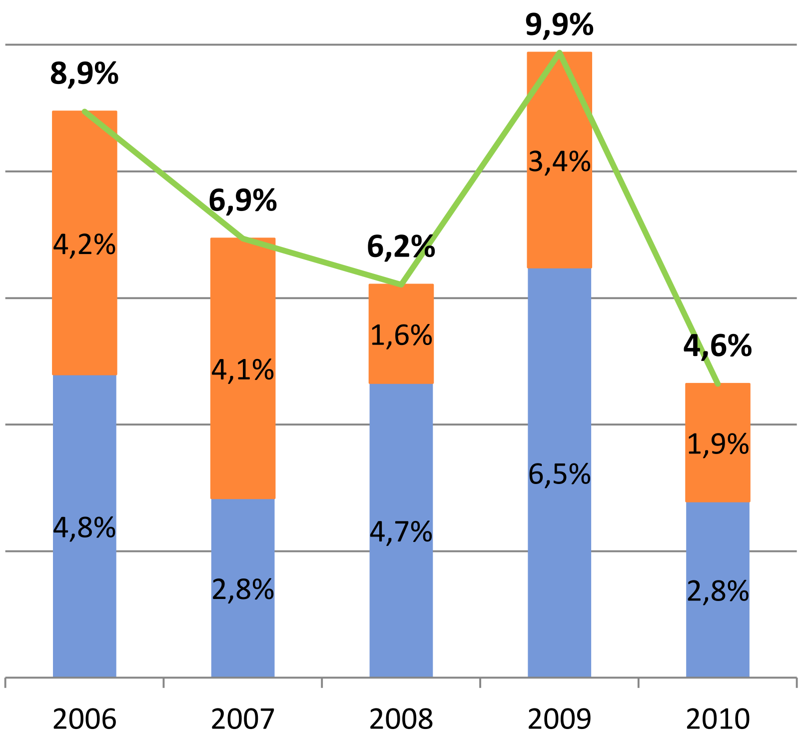


(*) It was considered «young» a leader with less than 50 years.

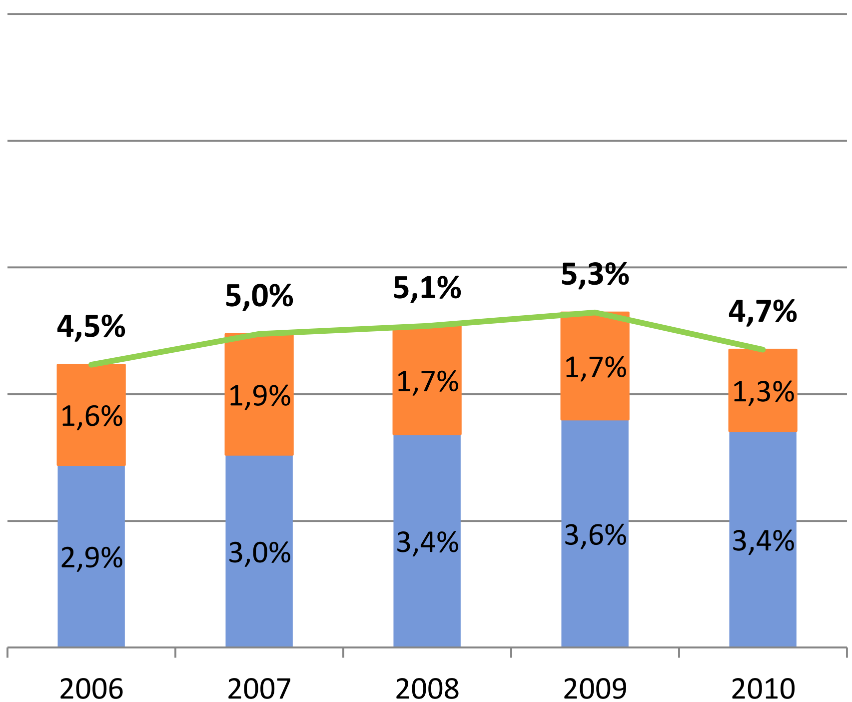
Leadership succession

Until 2009 leadership successions seems to be mostly in large firms

Large firms



Smaller firms



Collegial Leadership Individual Leadership (AU included) Total successions

Methodological note (1/3)

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A company is considered as a family-controlled firm if:

- One or two families hold at least 50% of the capital (if not listed);
- One or two families hold at least 25% of the capital (if listed);
- The firm is controlled by another legal entity which satisfies one of the two criteria stated above.

In case of mono-business groups :

It was considered to include the controlling company if:

i) the controlling firm is just a financial holding;
ii) there is only one relevant (operating) subsidiary satisfying our criteria (revenues higher than 50 million €);
iii) the consolidation area of the controlling company substantially equal the dimension of the larger controlled firm.

All the controlling firms were excluded, both on the first level (in case of inclusion of the parent company in the list) and on the subsequent levels.

Methodological note (2/3)

In case of multi-business groups:

In case of multi-business groups:

- The parent companies were excluded (often holding)
- The controlled operating companies on the second level of the control chain have been included.
- Financial holding on the second level (sub-holding, identified through the 2007 ATECORI code) were included in the following cases:

  ✓ companies controlled by them at least at 50% and with revenues higher than 50 million €, which operate in the same industry;

  ✓ there is only one company controlled at least at 50% and with revenues higher than 50 million €.

- It was decided to exclude also the controlled firms at third and higher level of the control chain, since the information are comprised in the consolidated balance-sheet of their second-level controlling company.

Methodological note (3/3)

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Data and information collection about the governing bodies and firm leaders was conducted through encoding the "Company Profile", which is an official filing registered at the Italian Chamber of Commerce (Source: Chamber of Commerce, Industry, Agriculture and Artisanship of Milan). For this reason, it has been necessary to make some methodological choices to guarantee the analyzability of the data. In particular:

- The familiarity of "Amministratore Unico", Chairman, CEOs, and all members of the Board of Directors has been detected on the affinity with the family name of the controlling owner. As a matter of fact, data could be slightly underestimated;
- The same procedure was followed for the individuals belonging to the family owner that hold stock shares.

Appendix 1

The transition from 2.423 family firms of the third edition to 2.582 of the fourth edition

2.423	III° Edition of the AUB Observatory
141	Firms that feel below the threshold of 50 mio € in 2010
30	Firms subjected to M&A
72	Firms subjected to insolvency, dissolution or liquidation procedures
402	Firms that have exceeded the threshold of 50 mio € in 2010 (*)
+159	Entry/exit balance of firms
2.582	IV° Edition of the AUB Observatory

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(*) Among the companies that in 2010 have exceeded the threshold of 50 mio € are included also the newly established firms.