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Associazione Italiana delle Aziende Familiari  
FAMILY BUSINESS NETWORK - ITALIAN CHAPTER



Building a better  
working world



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AIdAF-EY Chair  
in Strategic Management  
of Family Business  
in memory of Alberto Falck



Università Commerciale  
Luigi Bocconi

# 6 The AUB Observatory Report on Italian Family Businesses Edition

by Guido Corbetta, Alessandro Minichilli, Fabio Quarato

*Guido Corbetta,*  
4th December 2014



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# A look at Europe

Trends & Family Companies



**France**



**Germany**

**Italy**



**Spain**



**Sweden**



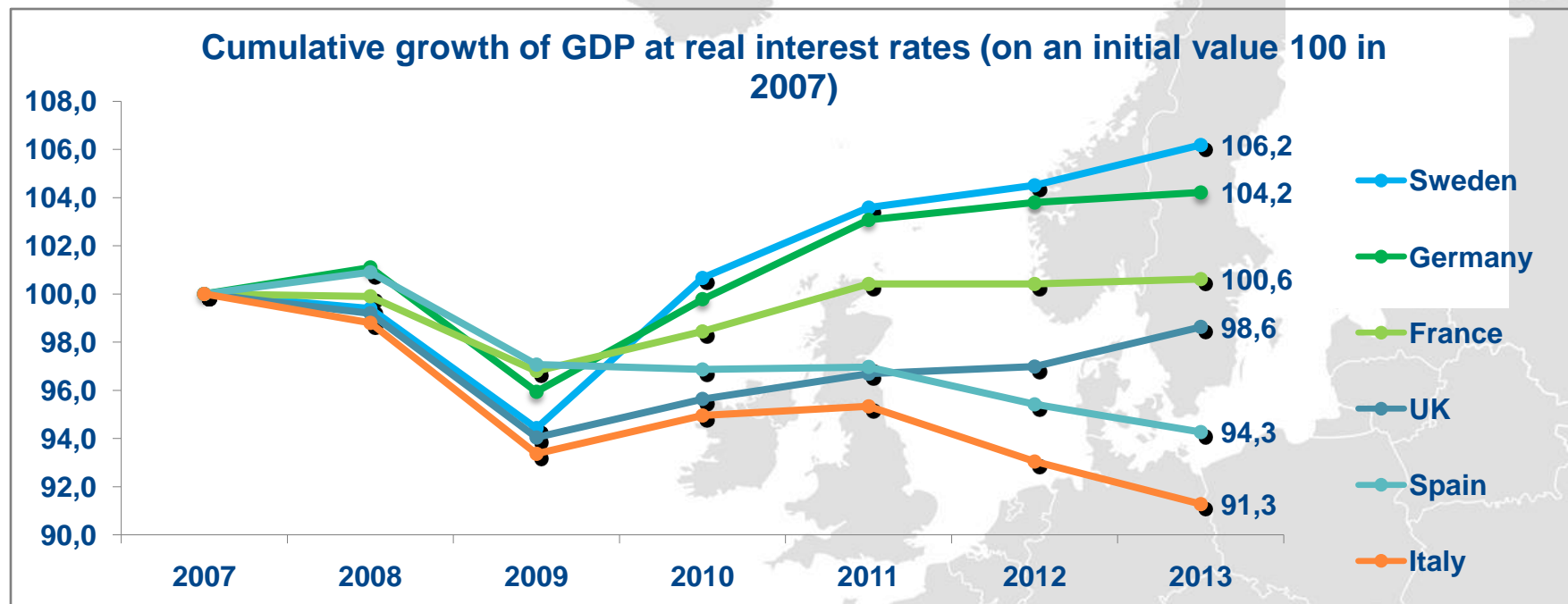
**UK**



We compared the first  
300 businesses by size  
in 6 European countries

# 2007-2013: GDP trend in the 6 countries analyzed

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Source: Eurostat.



**Italy**  
**- 8,7%**

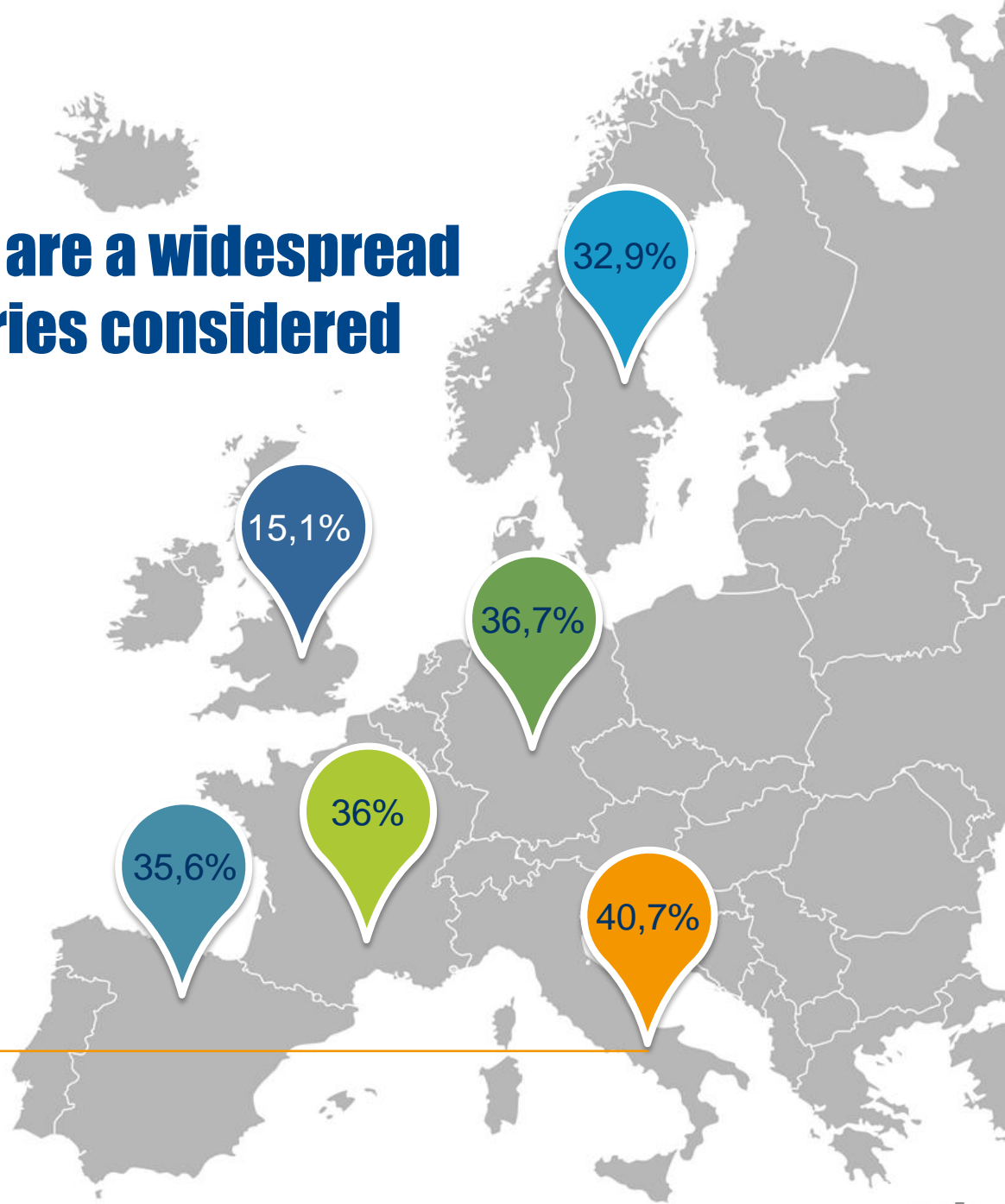


**Sweden**  
**+ 6,2%**

# Family businesses are a widespread model in the countries considered

## ITALIAN OWNERSHIP STRUCTURE

Coalitions	5,3%
Controlled by banks/insurance companies	1,0%
Controlled by investment/PE funds	1,3%
Cooperatives and consortia	5,7%
Family	40,7%
Branches of foreign companies	30,3%
Foundations	0,0%
Public Companies	0,0%
State or Local Authorities	15,7%



## Family companies are more open to the market.

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	Family	Non-Family	Total listed
France	46,3%	24,0%	32,0%
UK	26,7%	25,3%	25,5%
Sweden	36,1%	10,6%	19,0%
Germany	13,6%	20,5%	18,0%
Italy	22,1%	10,7%	15,3%
Spain	21,9%	10,5%	14,6%



# To grow, it's important to be international

Economic and Financial Performance

**The crisis can be overcome. Growth is independent of each country, and it is driven by the economy of the foreign countries in which each company operates.**

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	CAGR 2007-2012 Revenue growth	CAGR 2007-2012 GDP
UK	+8,0%	-0,6%
Sweden	+7,3%	+0,9%
Italy	+7,0%	-1,4%
Germany	+6,2%	+0,7%
France	+4,6%	+0,1%
Spain	+4,3%	-0,9%



# 2007-2012: Family and Non-Family businesses compared

Revenue growth	Family		Non-Family		Total	
	N	CAGR 2007-12	N	CAGR 2007-12	N	CAGR 2007-12
UK	46	11,4%	254	7,4%	300	8,0%
Sweden	99	8,7%	201	6,5%	300	7,3%
Italy	122	7,0%	178	6,9%	300	7,0%
Germany	110	6,7%	190	5,9%	300	6,2%
France	108	5,3%	192	4,2%	300	4,6%
Spain	107	3,5%	193	4,6%	300	4,3%

**Industrial systems with different-size businesses and (for this among other reasons) non homogeneous growth rates.**

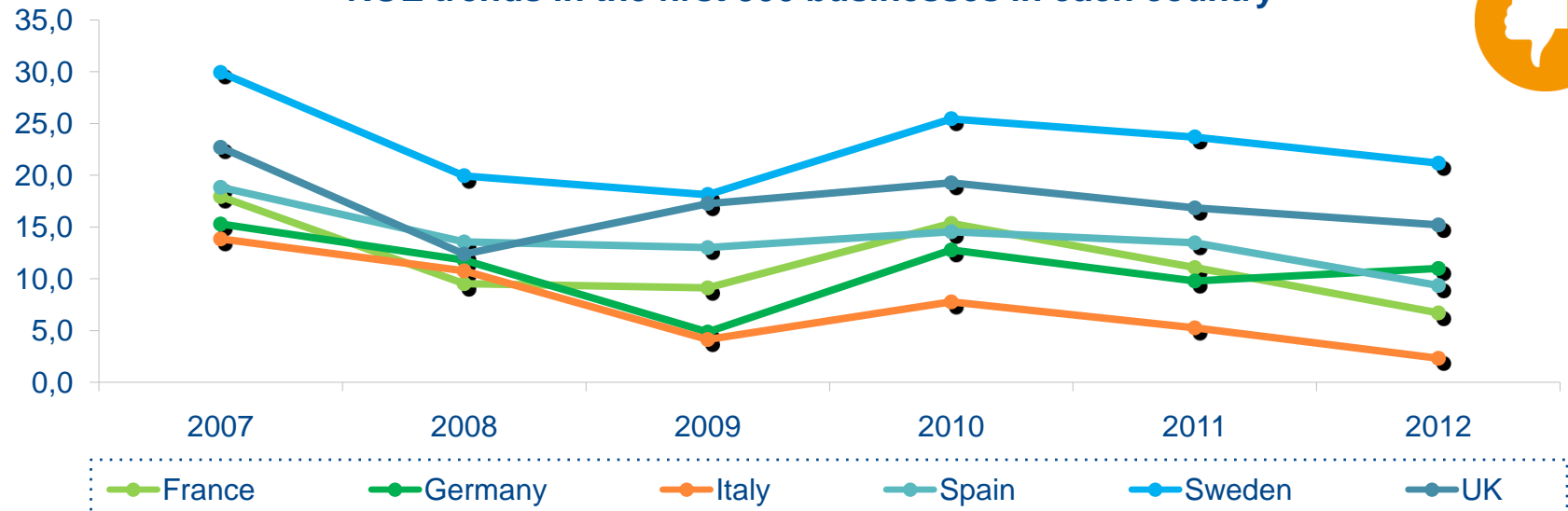
**Incidence of  
businesses  
with a  
revenue  
> € 5 billion**

> 40%		Germany	UK
20 – 40%	France		
< 20%	Spain		Italy Sweden
	< 30%	30 – 40%	> 40%

**Cumulative growth  
2007-2012**

# Net profitability in the businesses analyzed

ROE trends in the first 300 businesses in each country

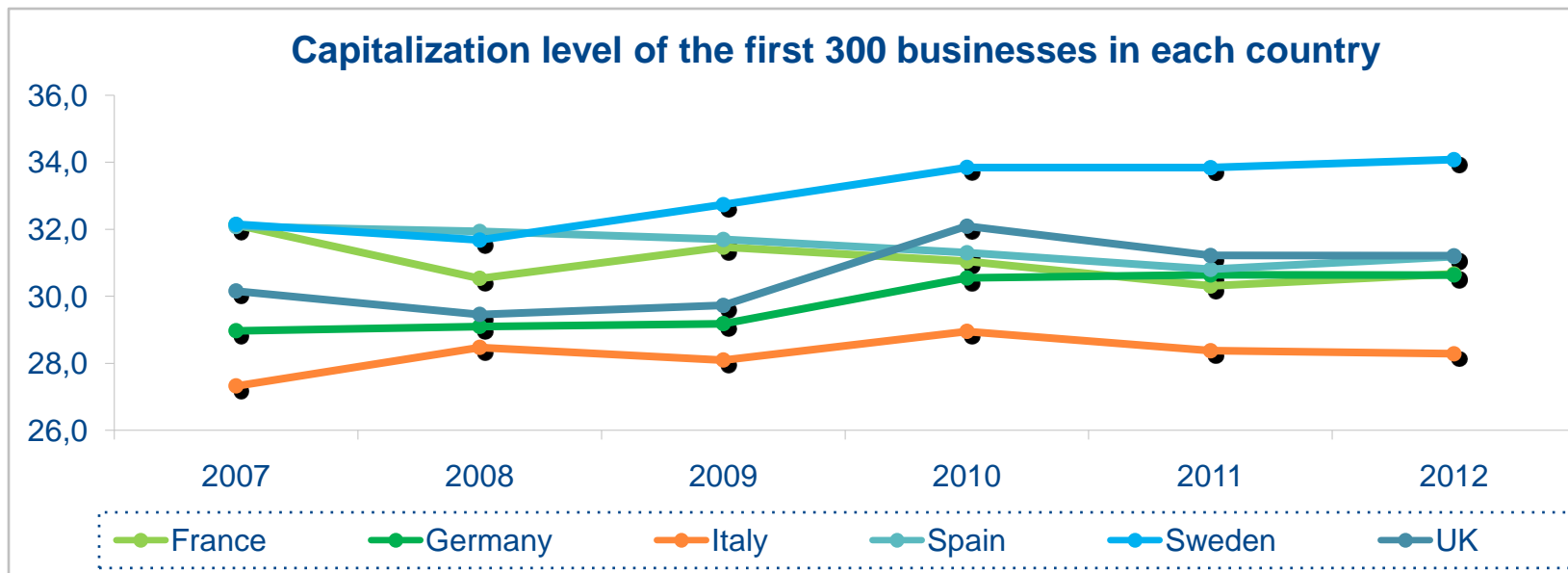


## Net profitability

ROE delta 2007-2012	Family	Non-Family	Total
Germany	-4,4	-4,1	-4,3
UK	-7,9	-7,5	-7,5
Sweden	-10,7	-7,1	-8,8
Spain	-15,6	-5,6	-9,5
France	-12,2	-10,7	-11,2
Italy	-13,2	-10,3	-11,5

**Businesses have not regained pre-crisis net profitability levels.**

**Swedish businesses have recorded an average ROE of over 23%.**



## Capitalization delta

Delta 2007-2012	Family	Non Family	Total
Sweden	6,1	0,5	1,9
Germany	3,5	1,3	1,7
UK	-2,4	1,5	1,1
Italy	2,0	0,5	1,0
Spain	0,0	-1,3	-0,9
France	0,2	-2,3	-1,5

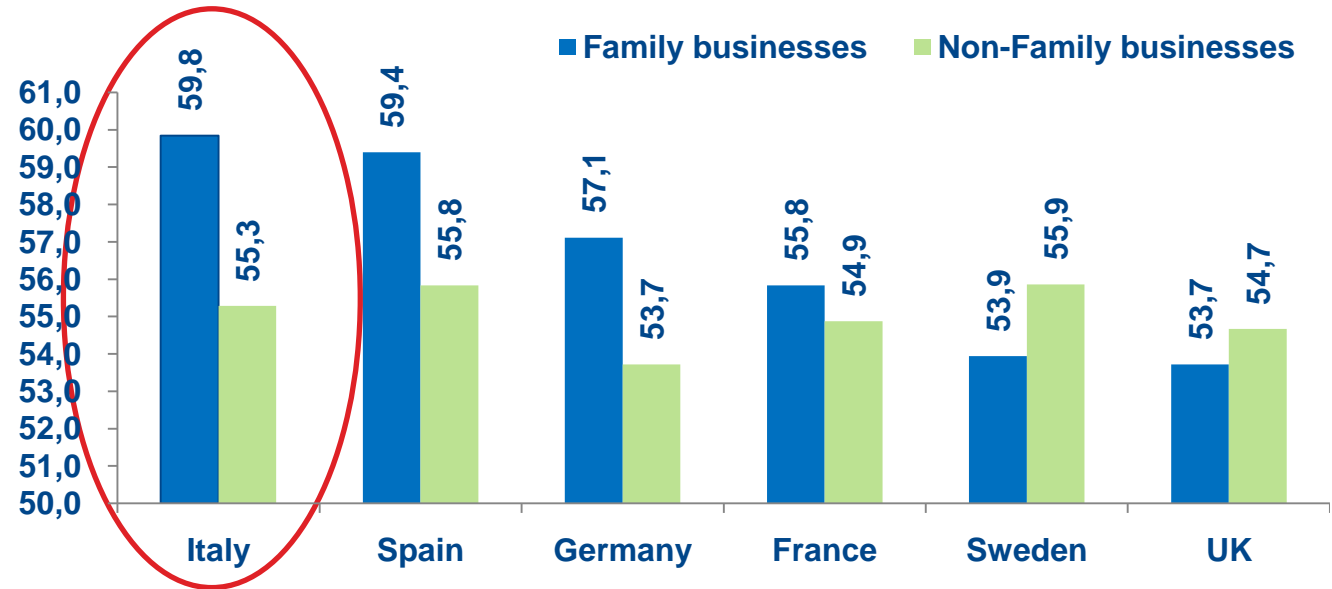
**Swedish companies have the highest levels of capitalization and Italian businesses the lowest.**

**The average level of capitalization in 2012 is better than the one recorded in 2007.**

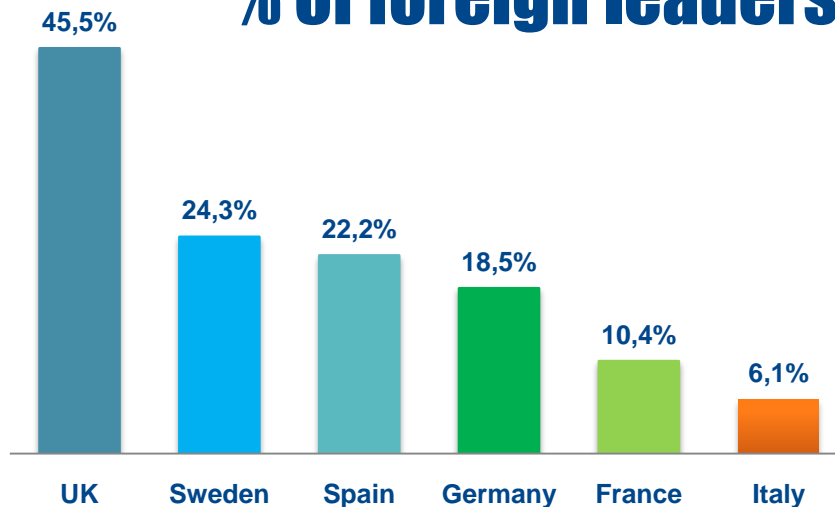
# **Leaders: senior, local, male, family members**

Leadership Structures

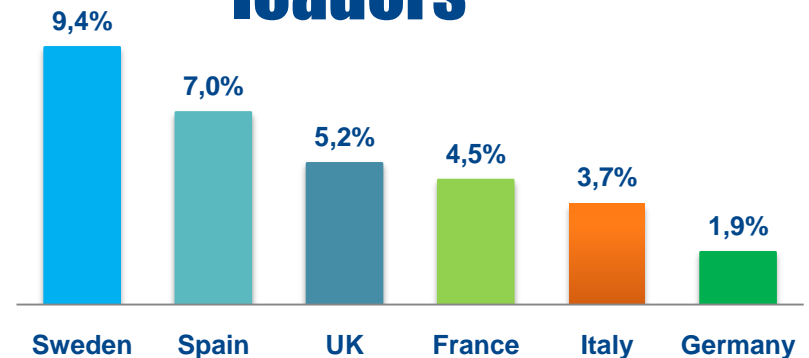
## Average age



## % of foreign leaders



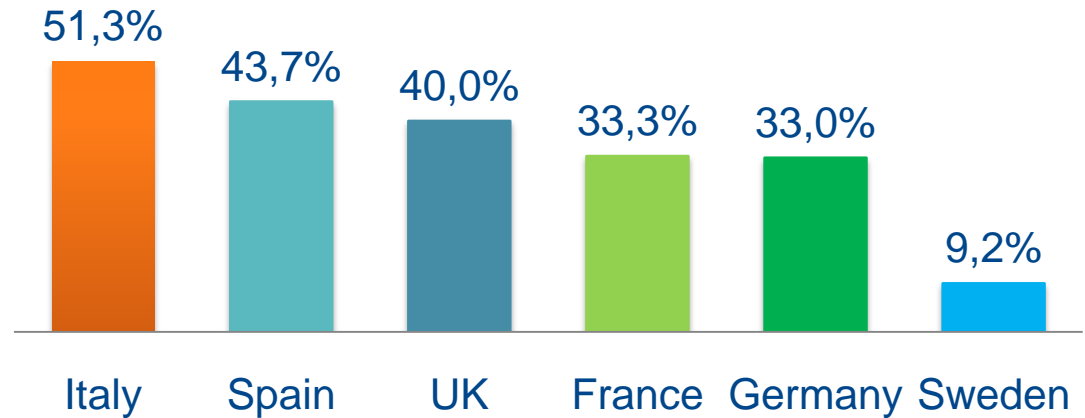
## % of female leaders





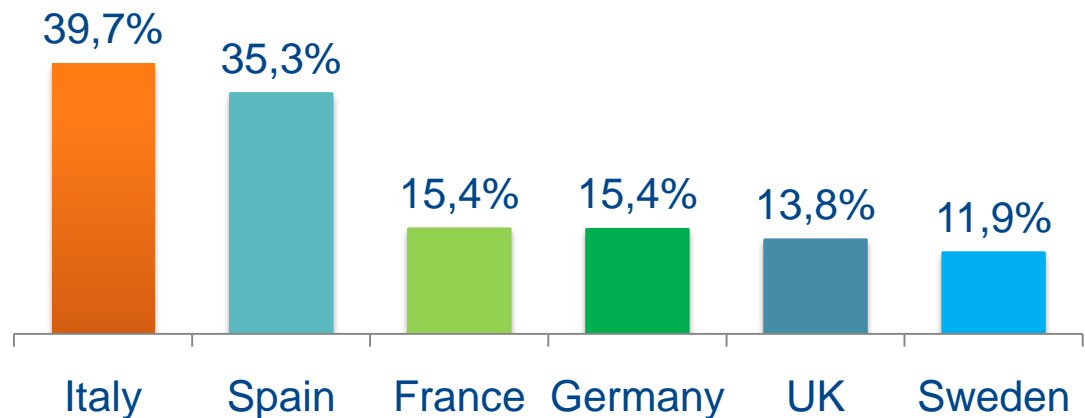
**In Italy, Spain and UK the leader is a family member.**

## FAMILY LEADERSHIP



**In Italy and Spain more than 1 board member out of 3 is a family member.**

## FAMILY MEMBERS IN BOARDS



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# **AUB Observatory 6th Edition**

The Population



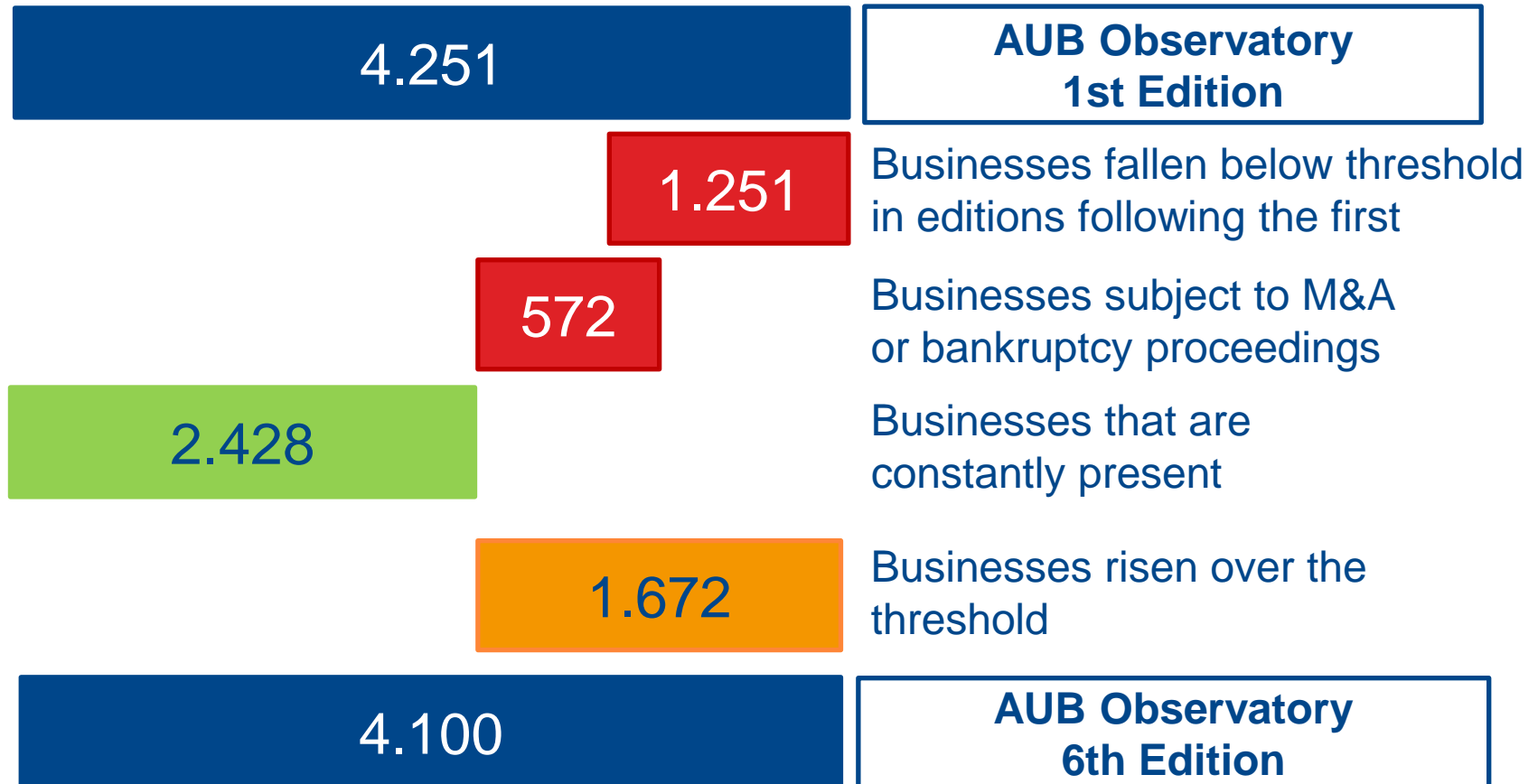
# The AUB research population 2007-2012

OWNERSHIP STRUCTURE	2007		2008		2009		2010		2011		2012	
	N	%	N	%	N	%	N	%	N	%	N	%
Family (*)	4.251	55,5%	4.221	55,1%	3.893	57,1%	4.077	57,4%	4.249	58,0%	4.100	58,0%
Branches of foreign businesses	1.817	23,7%	1.779	23,2%	1.449	21,3%	1.513	21,3%	1.544	21,1%	1.466	20,7%
Coalitions	694	9,0%	662	8,6%	596	8,7%	588	8,3%	609	8,3%	572	8,1%
Cooperatives and Consortia	423	5,5%	428	5,6%	396	5,8%	411	5,8%	407	5,6%	402	5,7%
State/Local Authorities	397	5,5%	411	5,4%	349	5,1%	357	5,0%	359	4,9%	353	5,0%
Controlled by investment/PE funds	-	-	84	1,1%	93	1,4%	118	1,7%	117	1,6%	142	2,0%
Controlled by banks	81	1,1%	75	1,0%	40	0,6%	41	0,6%	35	0,5%	34	0,5%
<i>Total</i>	<i>7.663</i>	<i>100%</i>	<i>7.660</i>	<i>100%</i>	<i>6.816</i>	<i>100%</i>	<i>7.105</i>	<i>100%</i>	<i>7.320</i>	<i>100%</i>	<i>7.069</i>	<i>100%</i>

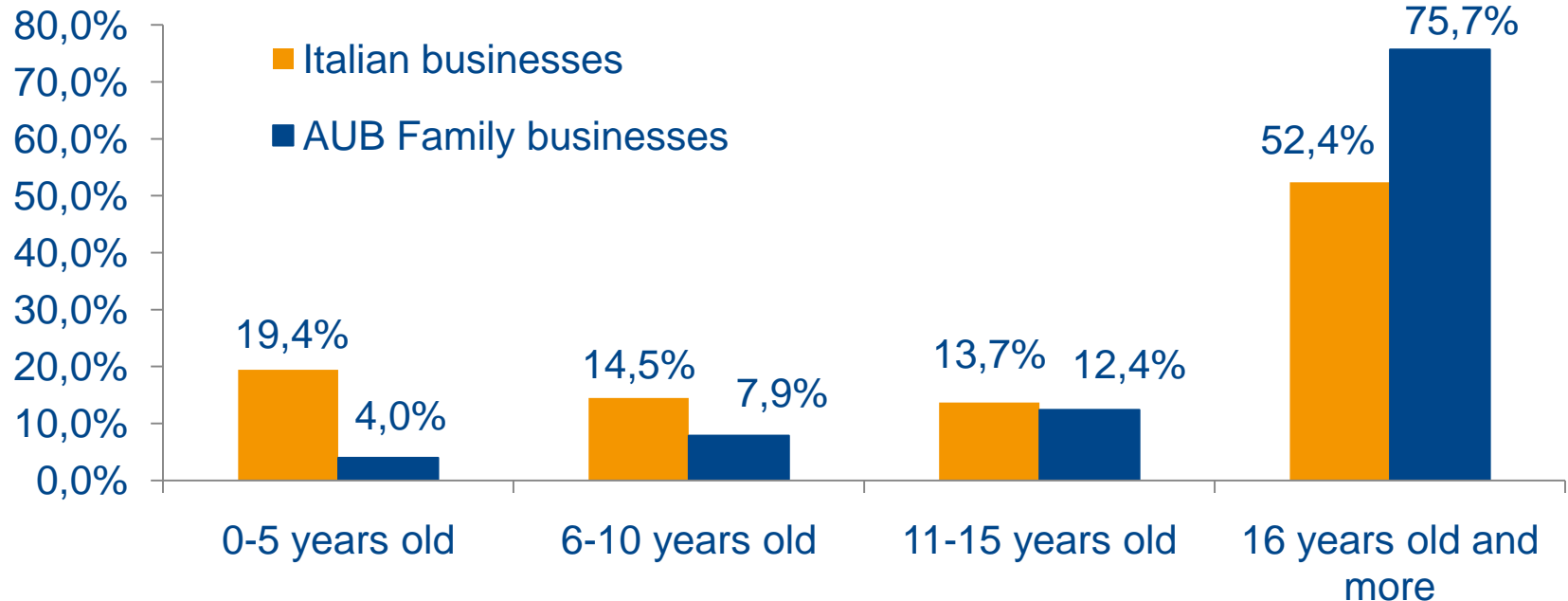
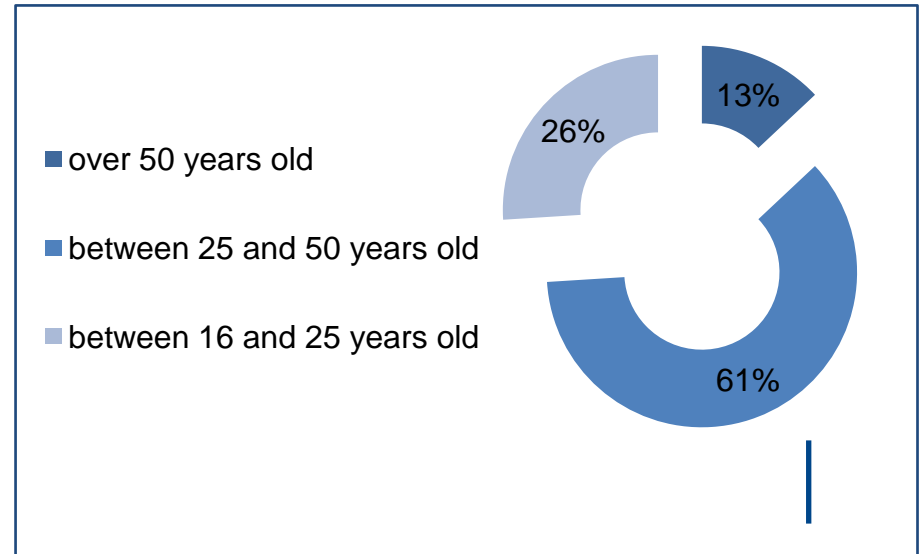
(\*) For the AUB analysis, out of the 4,100 family businesses existing in Italy at the end of 2012, 2,650 were selected, representative of the whole family businesses population (for more information see the note on methodology).

## 40% of businesses have changed.

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**AUB businesses are longer lasting and better structured. The newest businesses are in the South of Italy.**

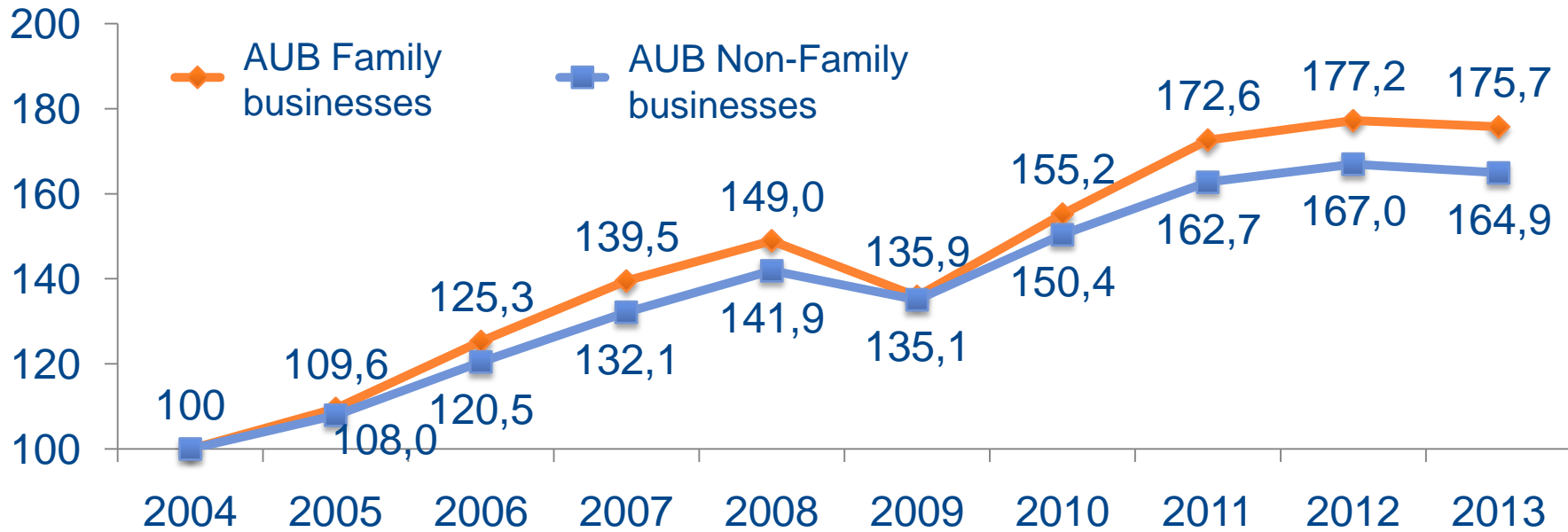




# Family businesses grow and become stronger

Economic and Financial Performance  
of the AUB Businesses: 5 Indicators



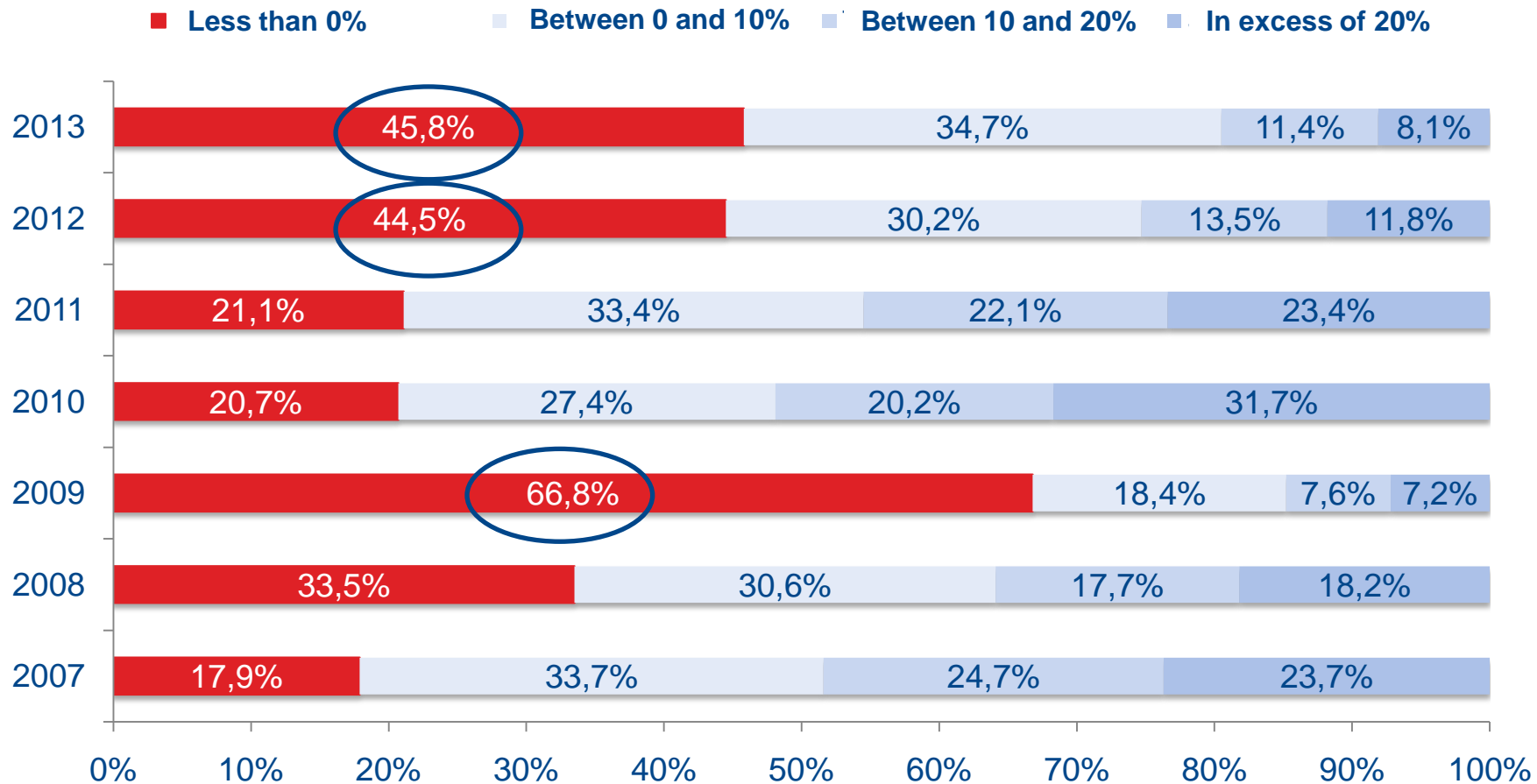


**On average, family businesses have grown more than non-family businesses.**

(\*) Cumulative growth on an initial value of 100 (2004), calculated on Sales Revenues (Source: AIDA). The cumulative growth of non-family businesses is a weighted average of the growth rates of companies with non-family ownership.

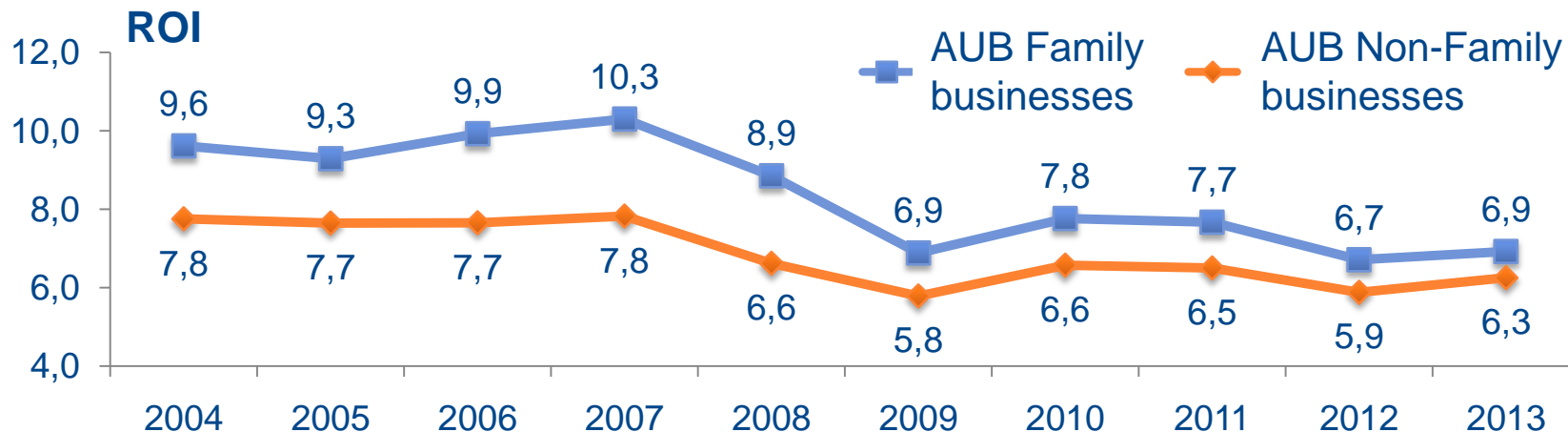
## In 2012-2013 one business in two recorded negative growth.

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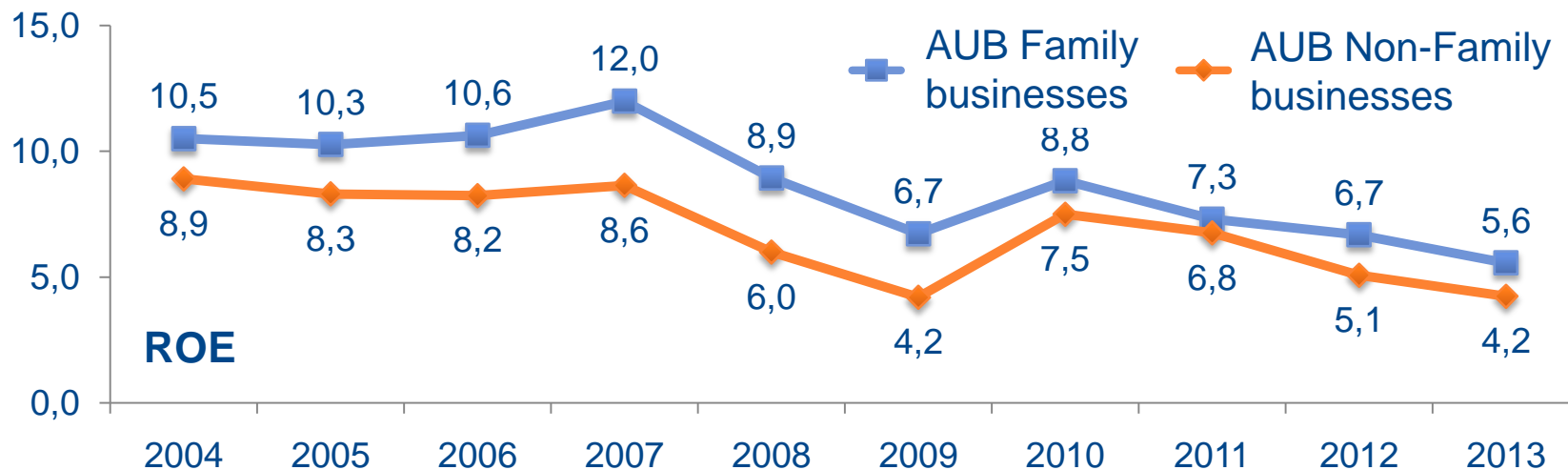


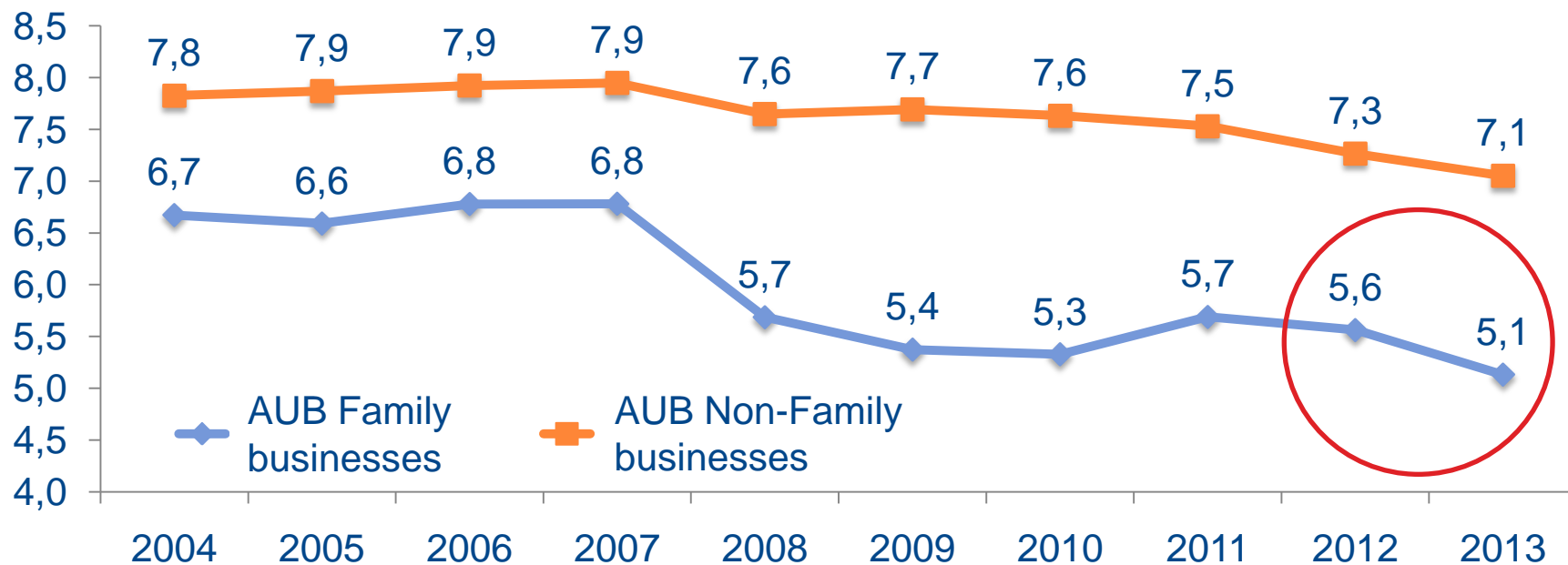
# Operating profitability and return on equity: ROI and ROE

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**Family businesses continue to maintain a positive profitability gap.**

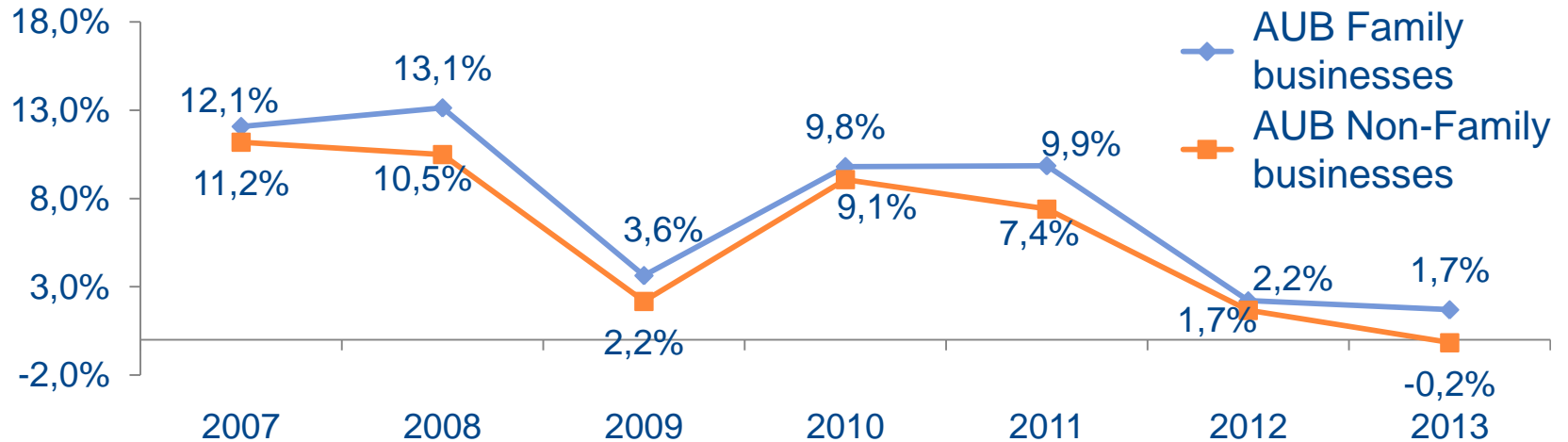




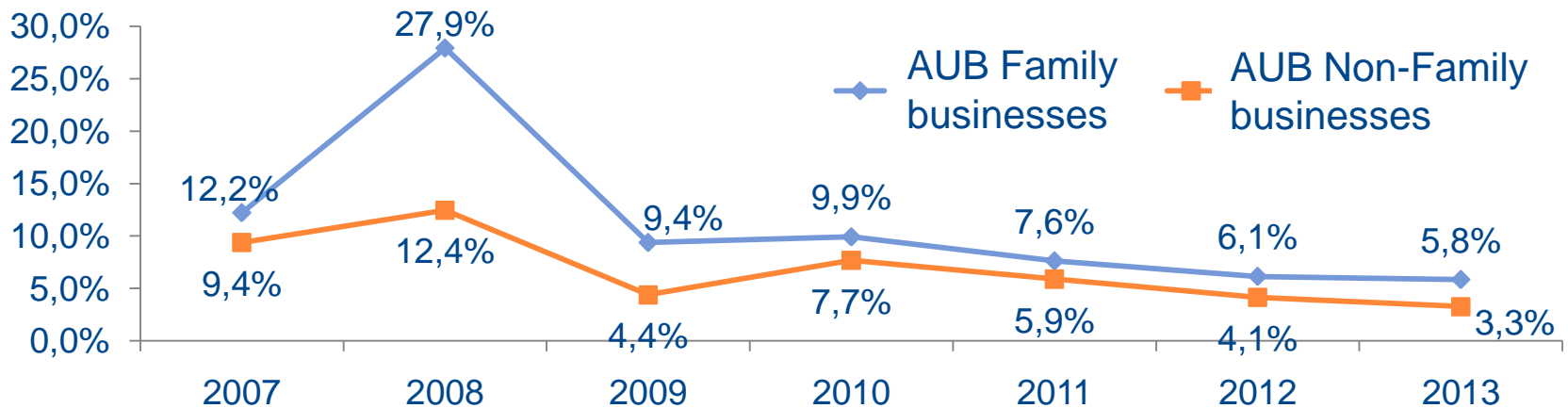
Debt ratio (RI) = Total Assets/Equity (Source: AIDA).

The debt ratio of non-family businesses is a weighted average of the businesses with non-family ownership.

## Variations in Net Assets

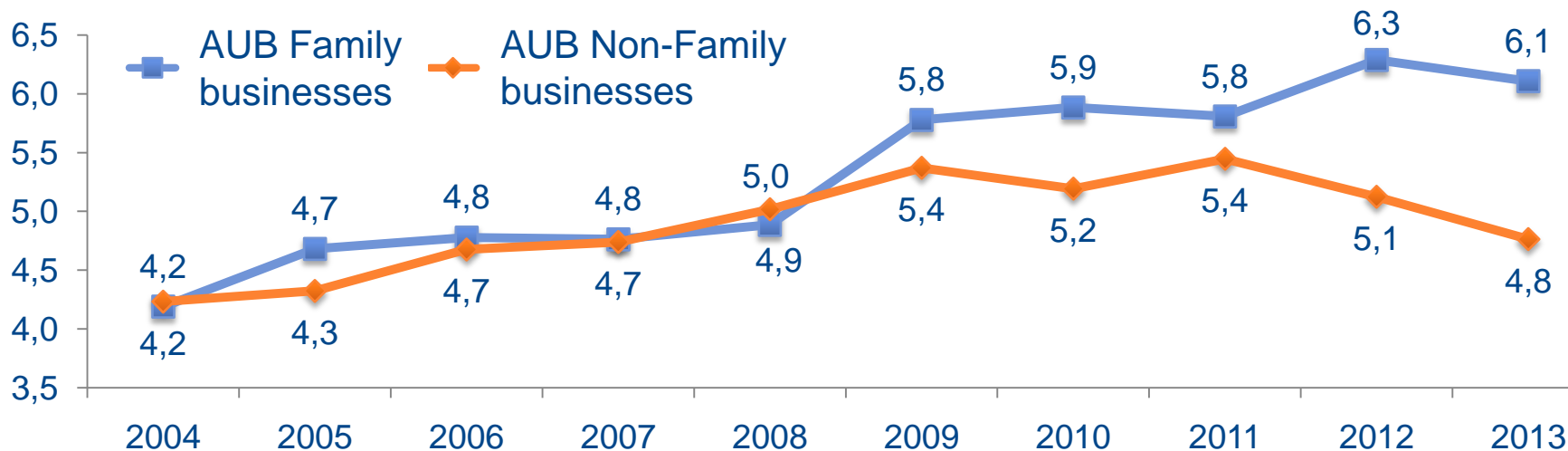


## Variations in Net Equity

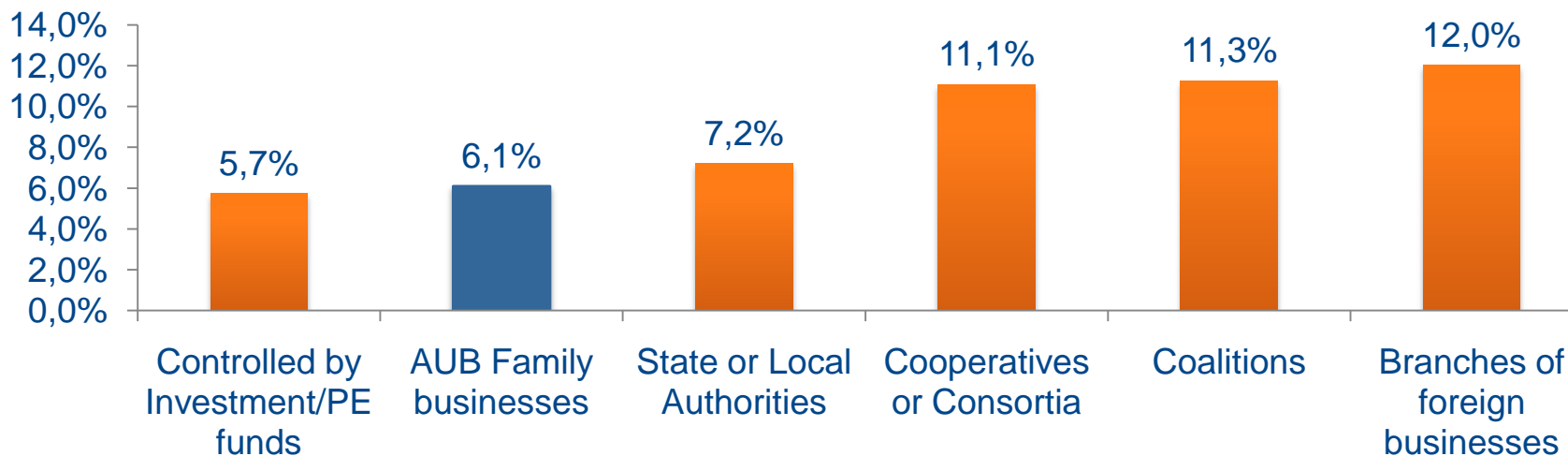


# Debt repayment capability: the NFP/EBITDA ratio

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## Businesses with negative EBITDA



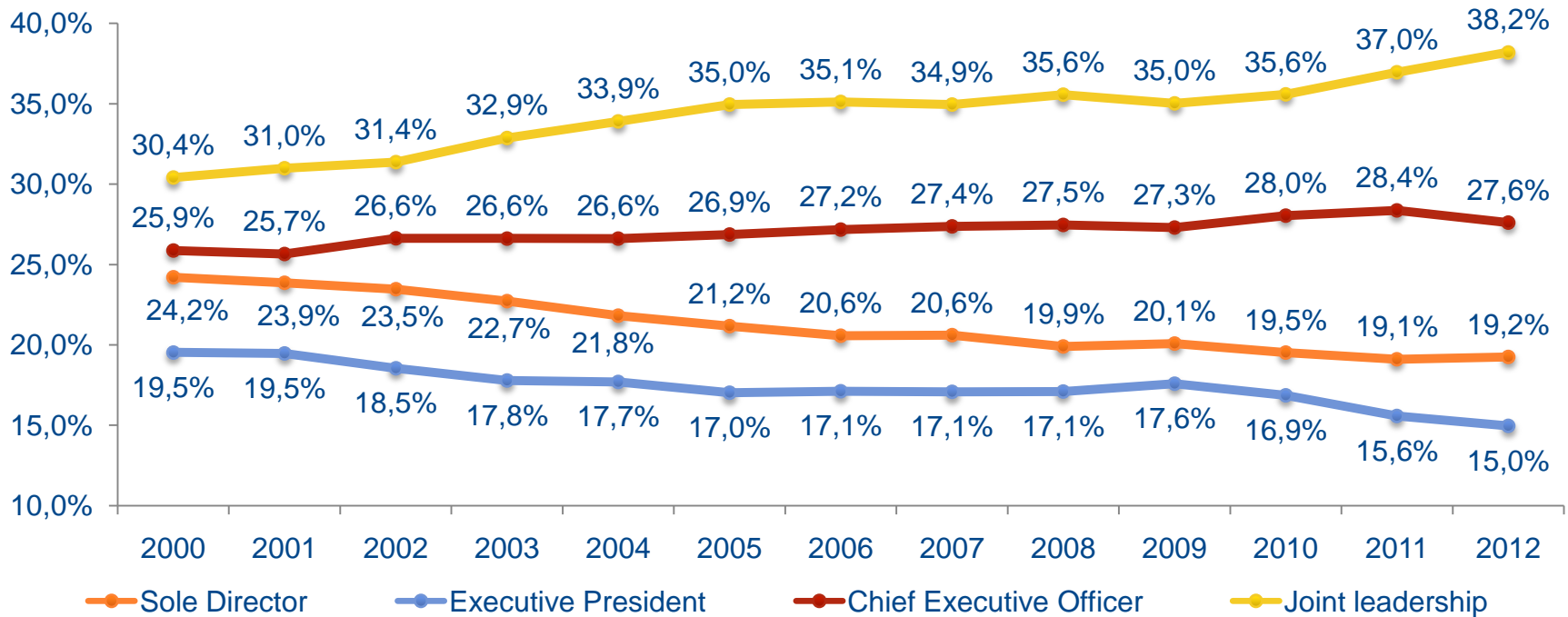


A photograph of three business professionals in a meeting. An older man with glasses and a blue shirt is smiling and leaning over a desk. A woman with blonde hair is sitting at the desk, looking up at him. A younger man in a suit is also leaning over the desk, looking at some papers. The background is a brick wall.

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# **Learn to manage joint leadership (or change model)**

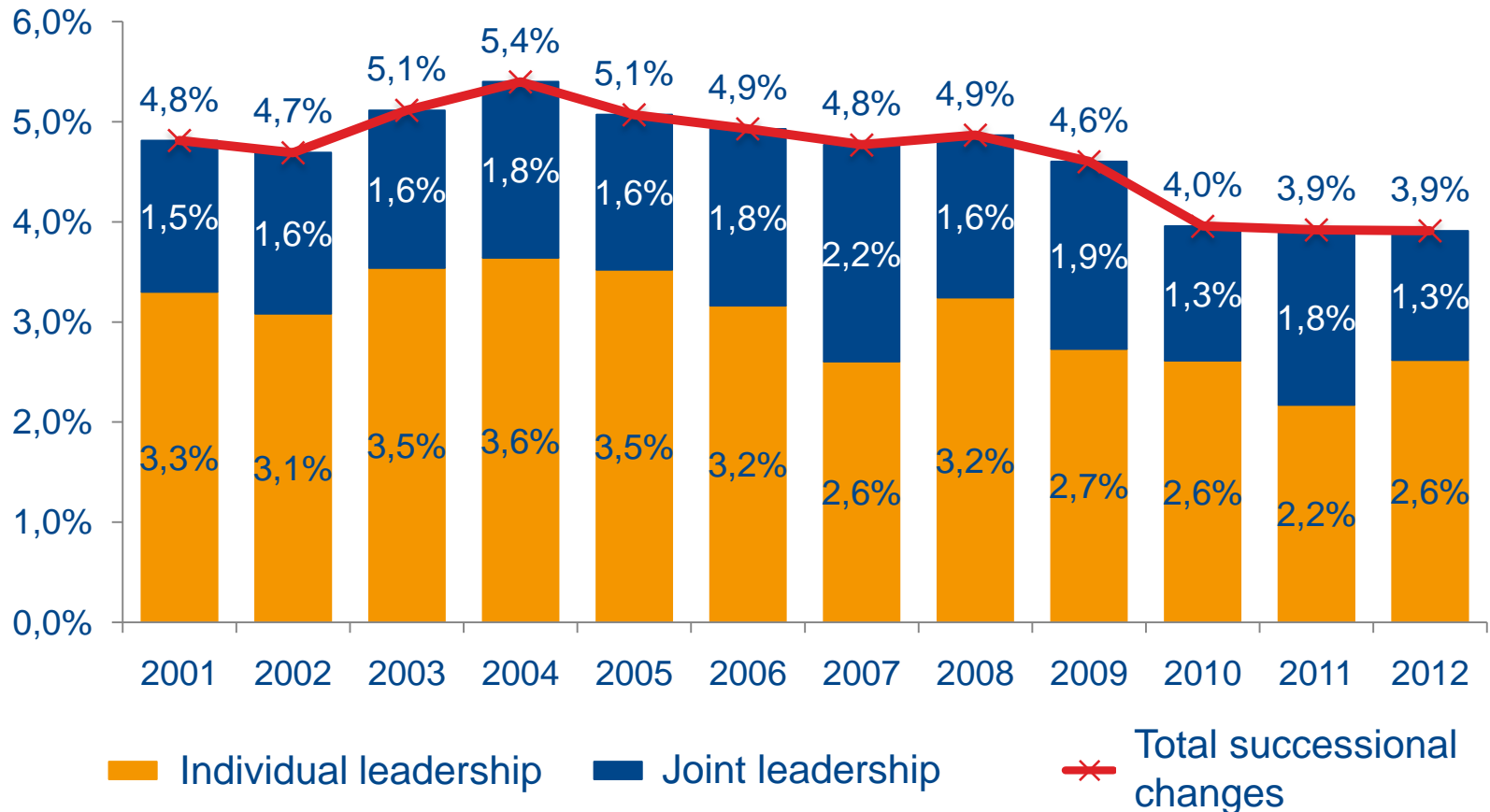
Leadership Models in AUB Family Businesses



**On average individual leadership performance was higher than that of joint leadership.**

**This result indicates that joint leadership is a more complex model to manage.**

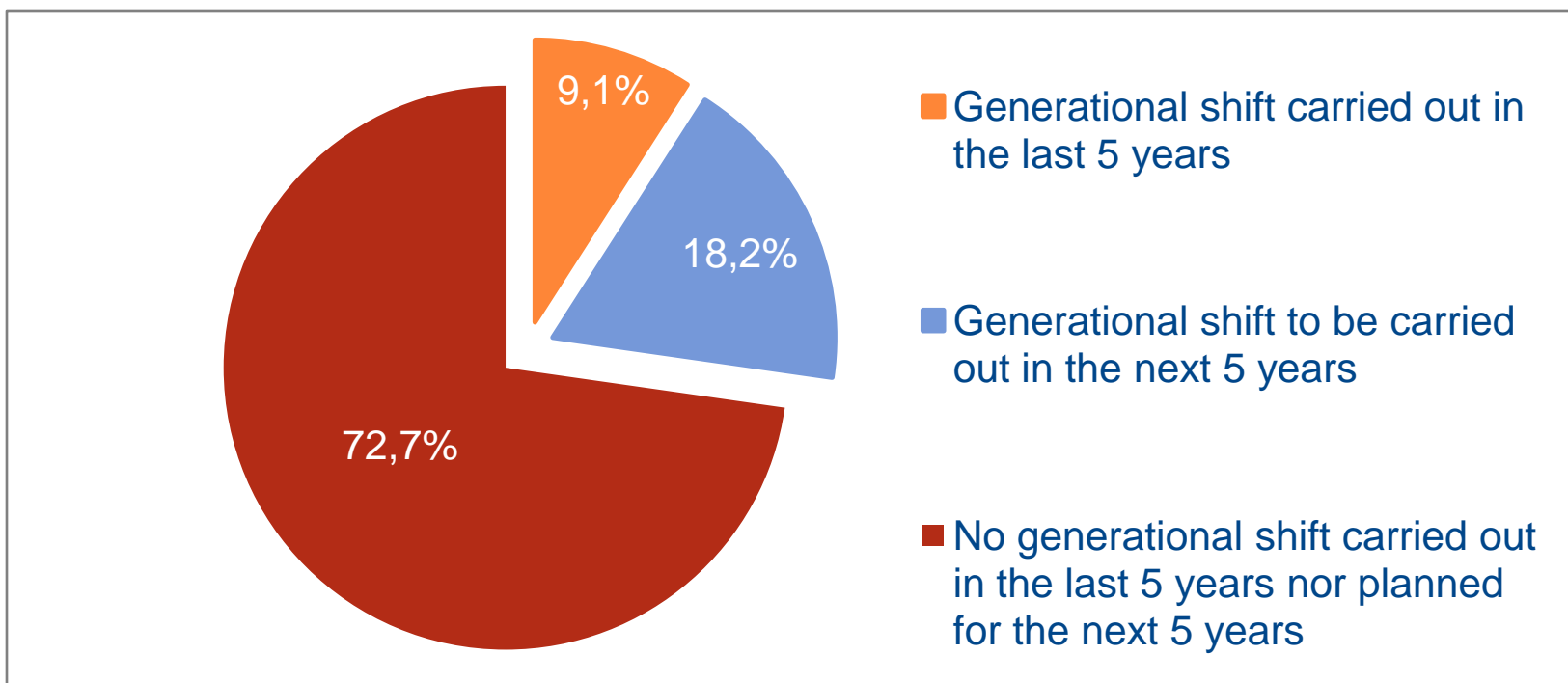
**In the past 10 years, one AUB family business in two has carried out a change at the top.**



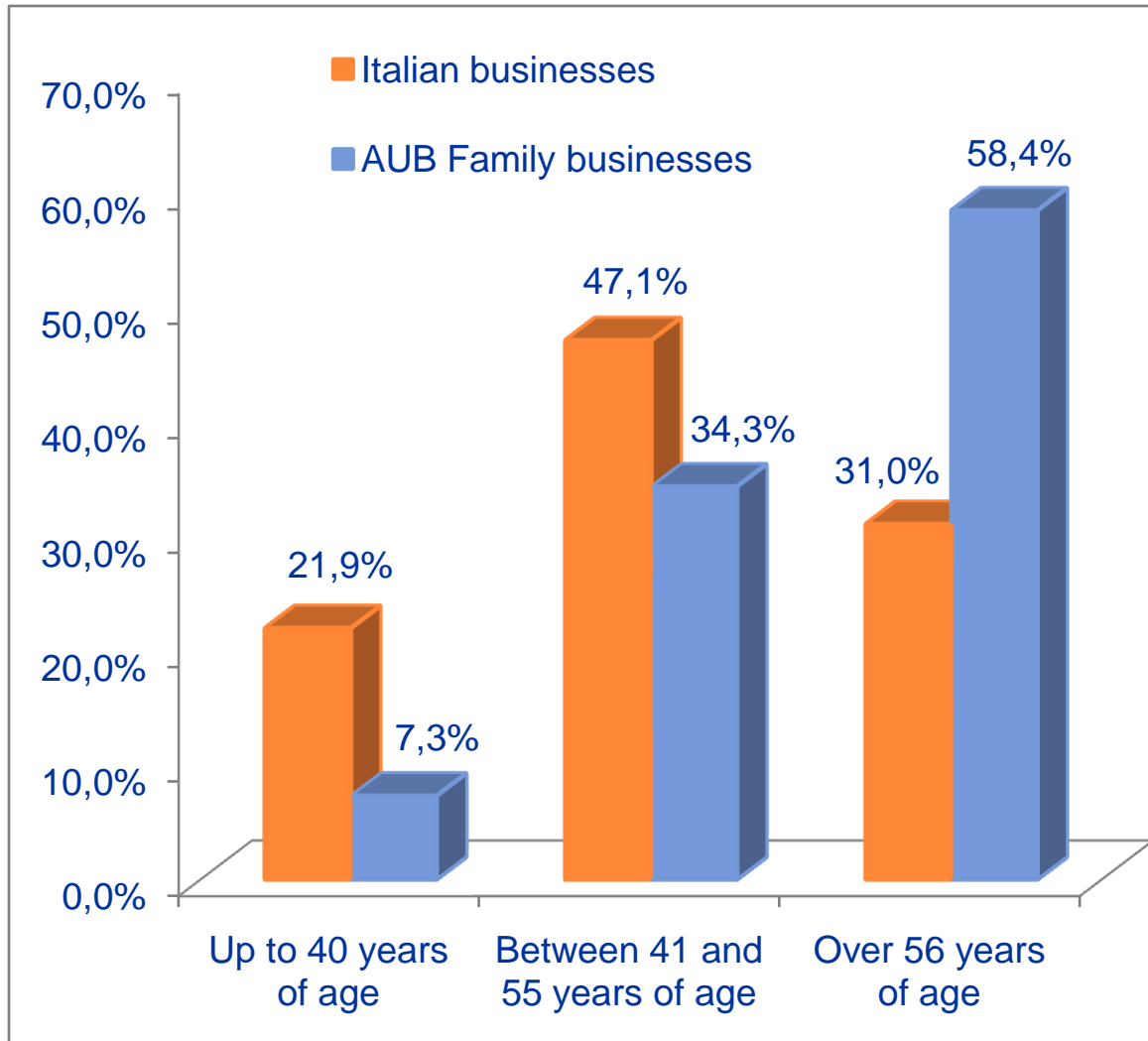
## Continuity at the top: succession must be planned.

More than 7 out of 10 Italian businesses claim not to have been involved in a generational shift in the last 5 years (2006-2011) and say that they will not be in the next 5 years (up to 2016).

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Processing on 2011 Census of Industry and Services data (Source: Istat).  
Question designed to reveal any generational shifts occurring since 2006.



**Become more open to the younger generation**

Over 20% of Italian entrepreneurs are under 40 years old, against 7.3% in the AUB Observatory.

**Younger  
leaders,  
higher  
performance.**

Leader's age	$\Delta$ ROI	$\Delta$ ROE	$\Delta$ growth
Under 40	+0,01	+3,7***	+4,7***
Between 40 and 50	+0,03	+0,8*	+1,5***
Between 50 and 60	+0,2	-0,1	-0,1
Between 60 and 70	+0,2*	-0,7*	-1,2**
Over 70	-0,6***	-1,8***	-2,1***

**18,8%** of AUB entrepreneurs  
are over 70.

The values pictured for ROI, ROE and Growth indicate that company leaders with different ages have higher or lower performance by "x" points compared to the average of the population. Values such as \*\*\* (or alternatively \*\*) indicate high significance ( $p < .001$ ); \*\* (or \*) average significance ( $p < .01$ ); \* (or \*) moderate significance ( $p < .10$ ).

For this table data were used concerning the period 2000-2012 (Source: AIDA)



A close-up photograph of a chessboard with several pieces, including a king, queen, and pawns. The image is overlaid with a semi-transparent blue rectangle that serves as a background for the text.

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# Learn to grow

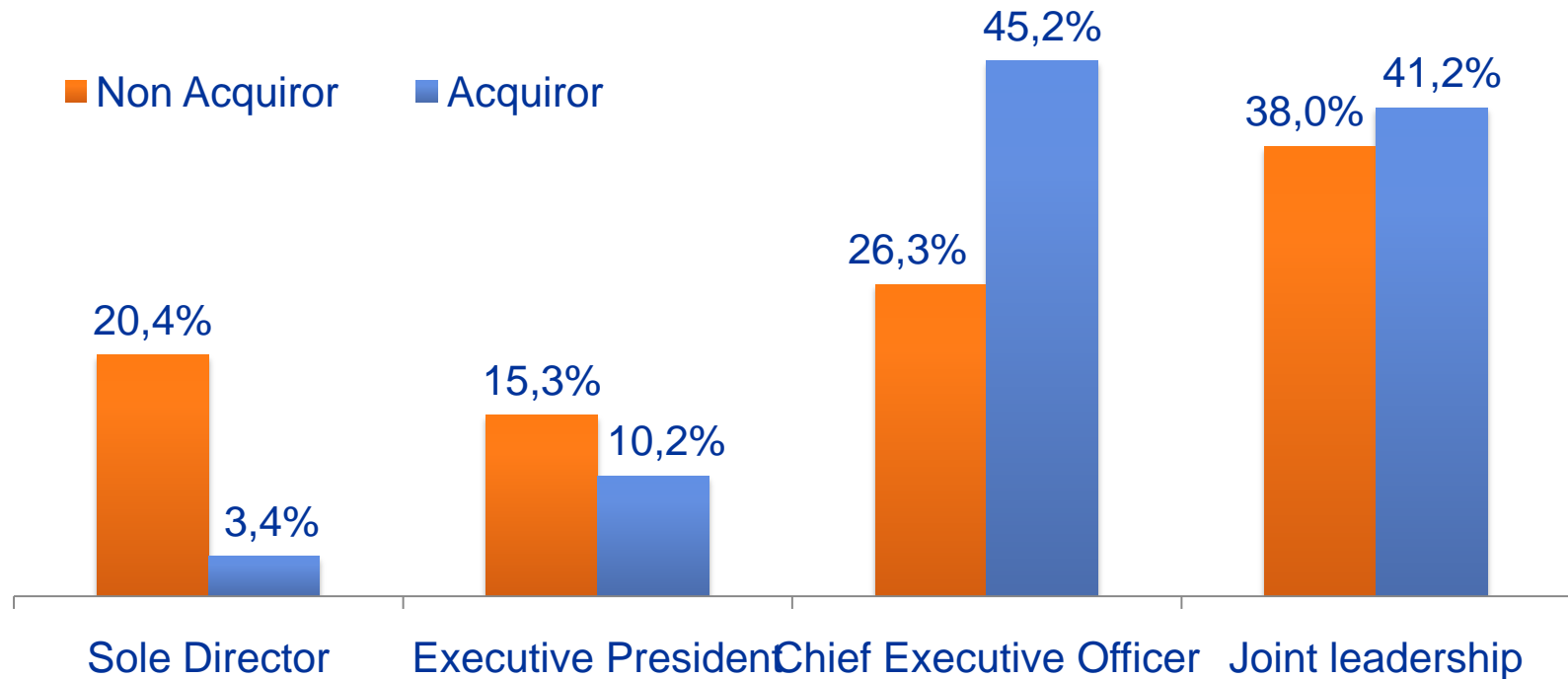
Growth Strategies: Acquisitions

# ACQUISITIONS - The scale of the phenomenon

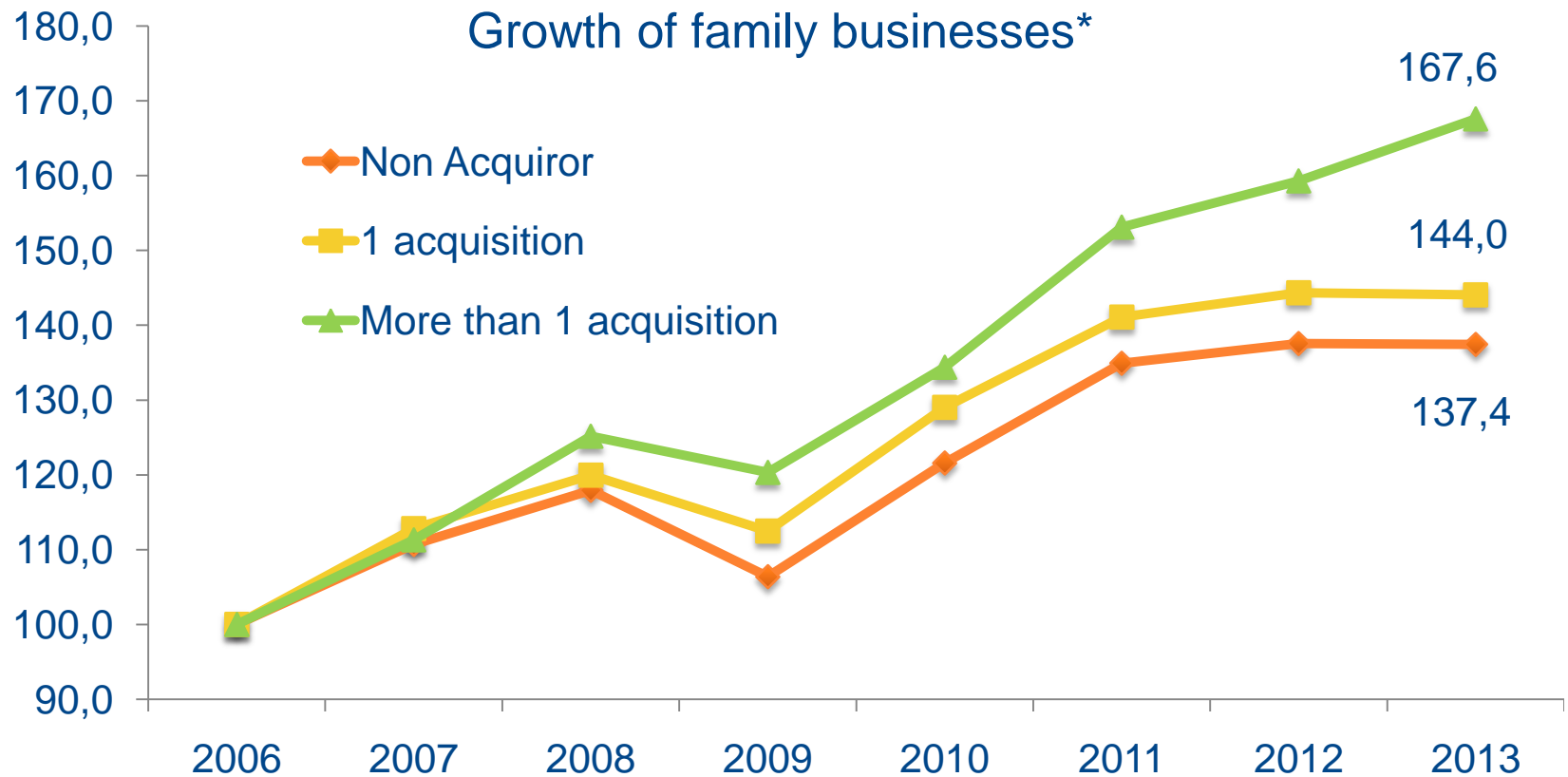
	Nr. of Acquiror companies	% of Acquiror companies	Total nr. of acquisitions	% of acquisitions	Average nr. of acquisitions
<b>Family</b>	419	10,2%	858	55,1%	2,0
<b>Non-Family</b>	300	10,1%	698	45,1%	2,3
<b>Coalitions</b>	74	12,9%	195	12,5%	2,6
<b>Controlled by banks</b>	3	8,8%	8	0,5%	2,7
<b>Controlled by Investment/PE funds</b>	36	25,4%	83	5,3%	2,3
<b>Cooperatives or Consortia</b>	29	7,2%	61	3,9%	2,1
<b>Branches of multinationals</b>	106	7,2%	177	11,4%	1,7
<b>State or Local Authorities</b>	52	14,7%	174	11,2%	3,3
<b>Total</b>	<b>719</b>	<b>10,2%</b>	<b>1.556</b>	<b>100,0%</b>	<b>2,2</b>

**Businesses that have made at least one acquisition have more structured leadership models.**  
**The Sole director model does not invest in the future.**

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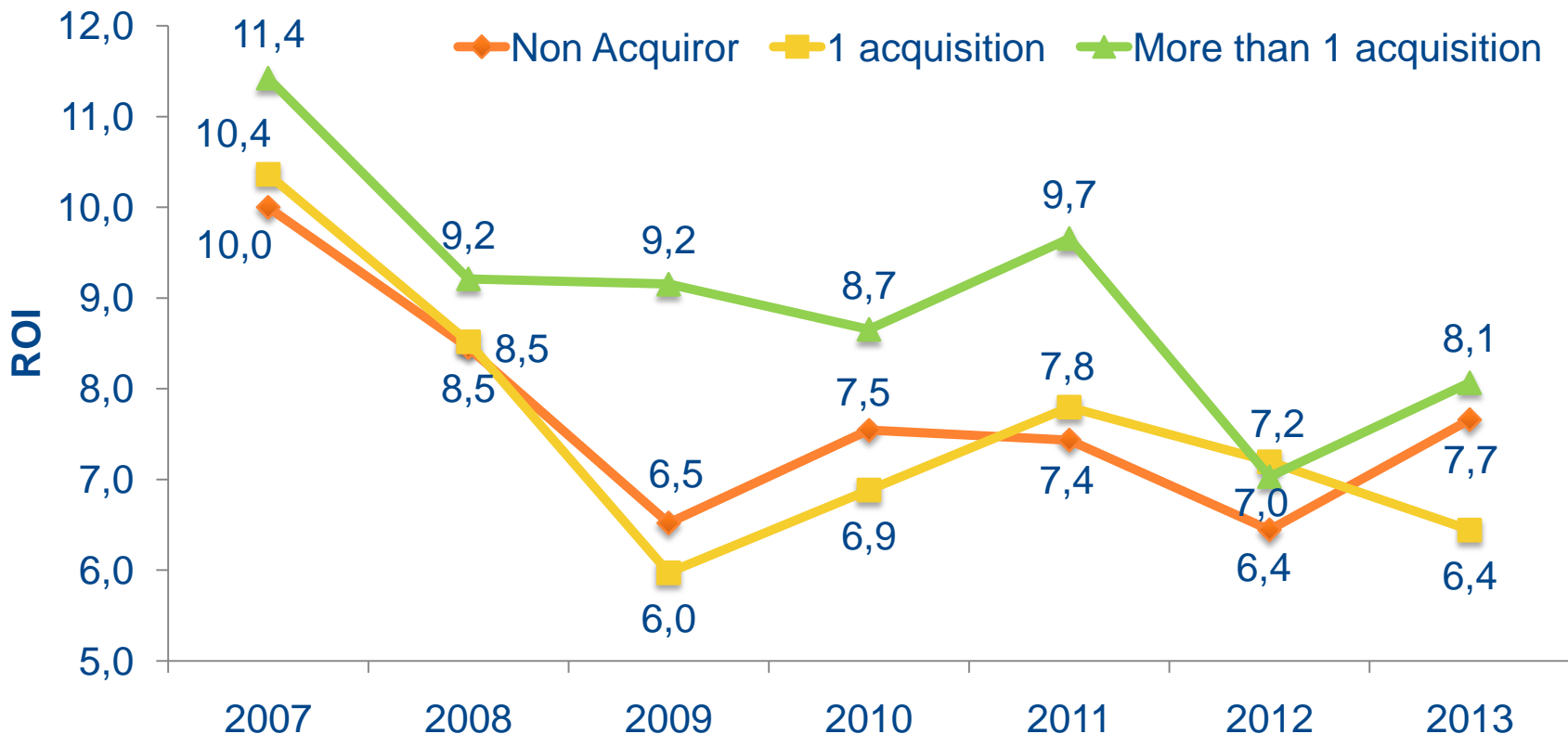
## Acquisitions: a complex process, but one which allows accelerated growth.



(\*) Cumulative growth on an initial value of 100 (2006), calculated on Sales Revenues (Source: AIDA).

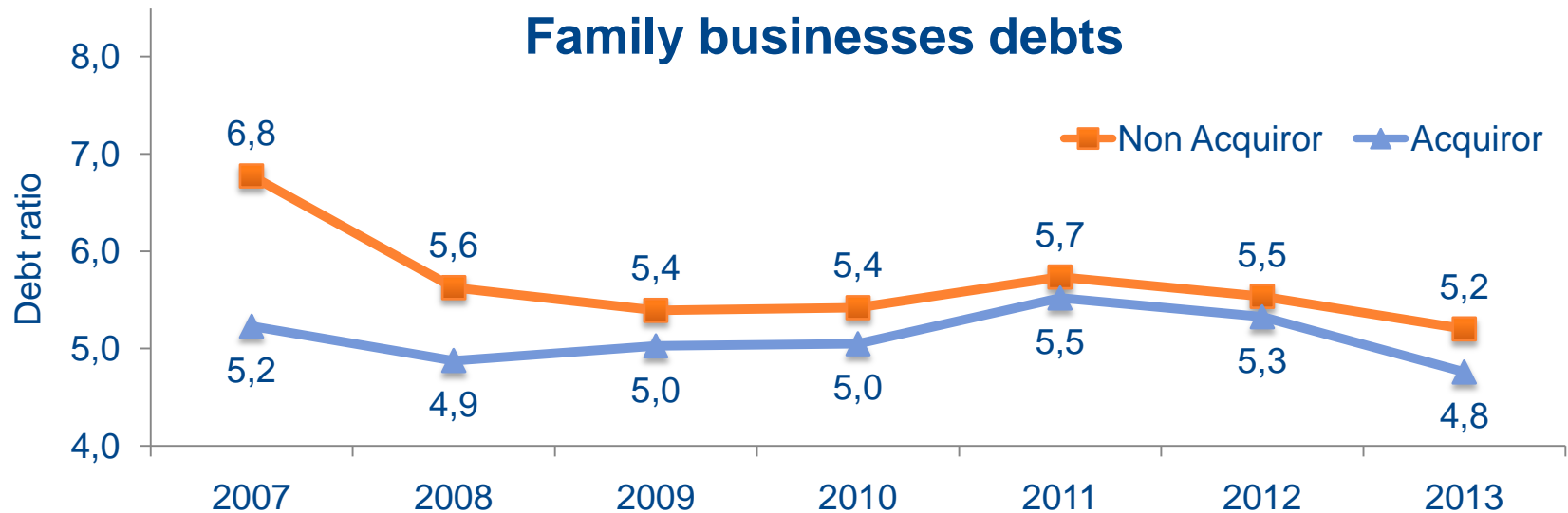
**Family businesses that have made more than one acquisition show higher profitability rates: M&A imply a learning process.**

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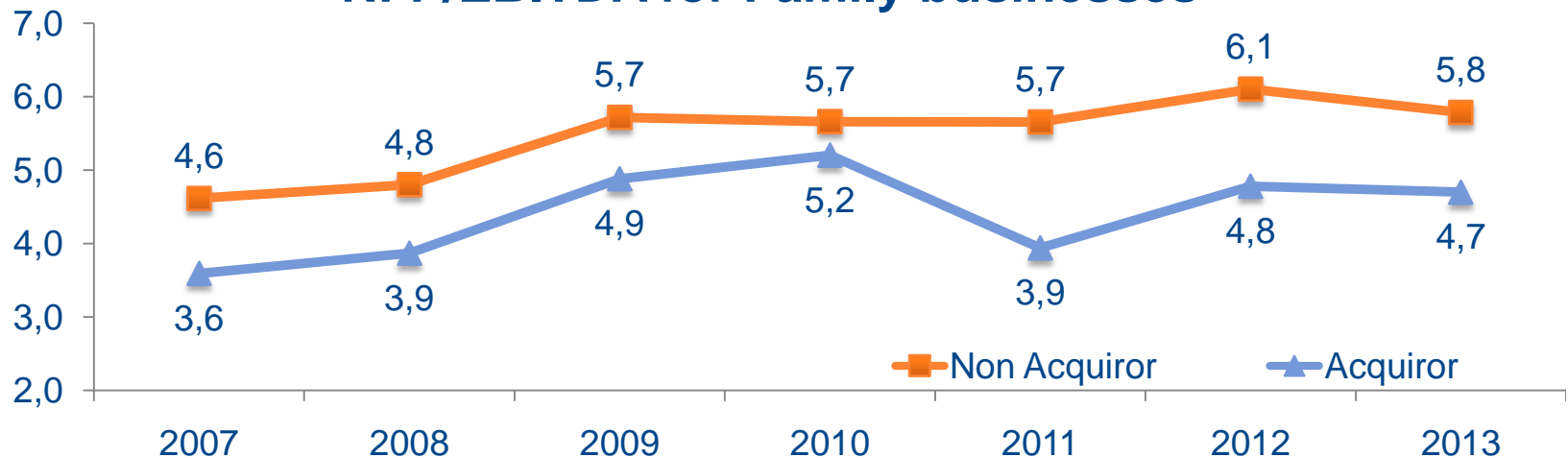


ROI = Operating Income/Capital Invested (Source: AIDA).

## Family businesses debts



## NFP/EBITDA for Family businesses



Debt ratio (RI) = Total Assets/Equity (Source: AIDA).

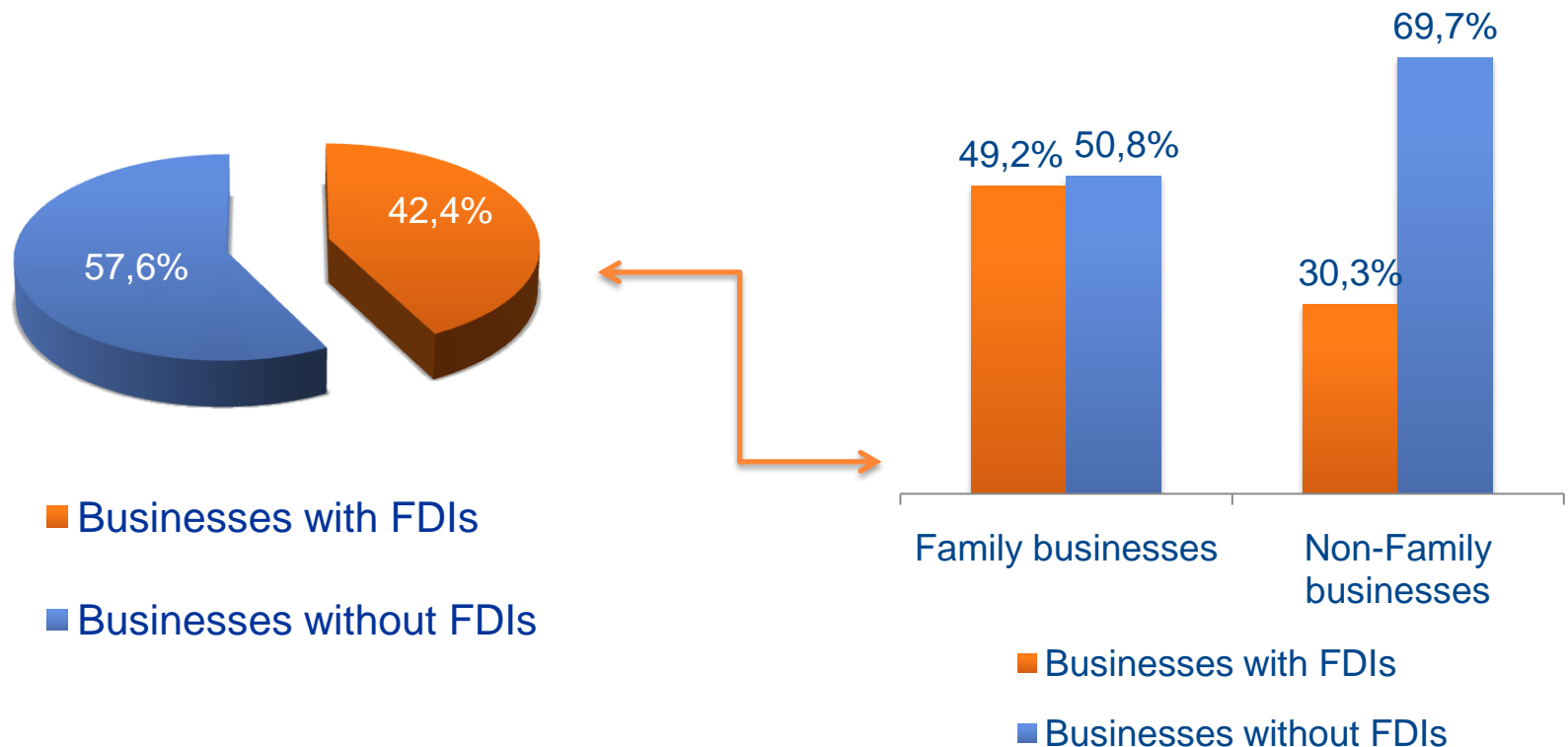
# **Internationalizing Family businesses: a way to revitalize Italy**

Growth Strategies: Foreign Direct Investments



## Family businesses show a greater tendency towards internationalization through FDIs.

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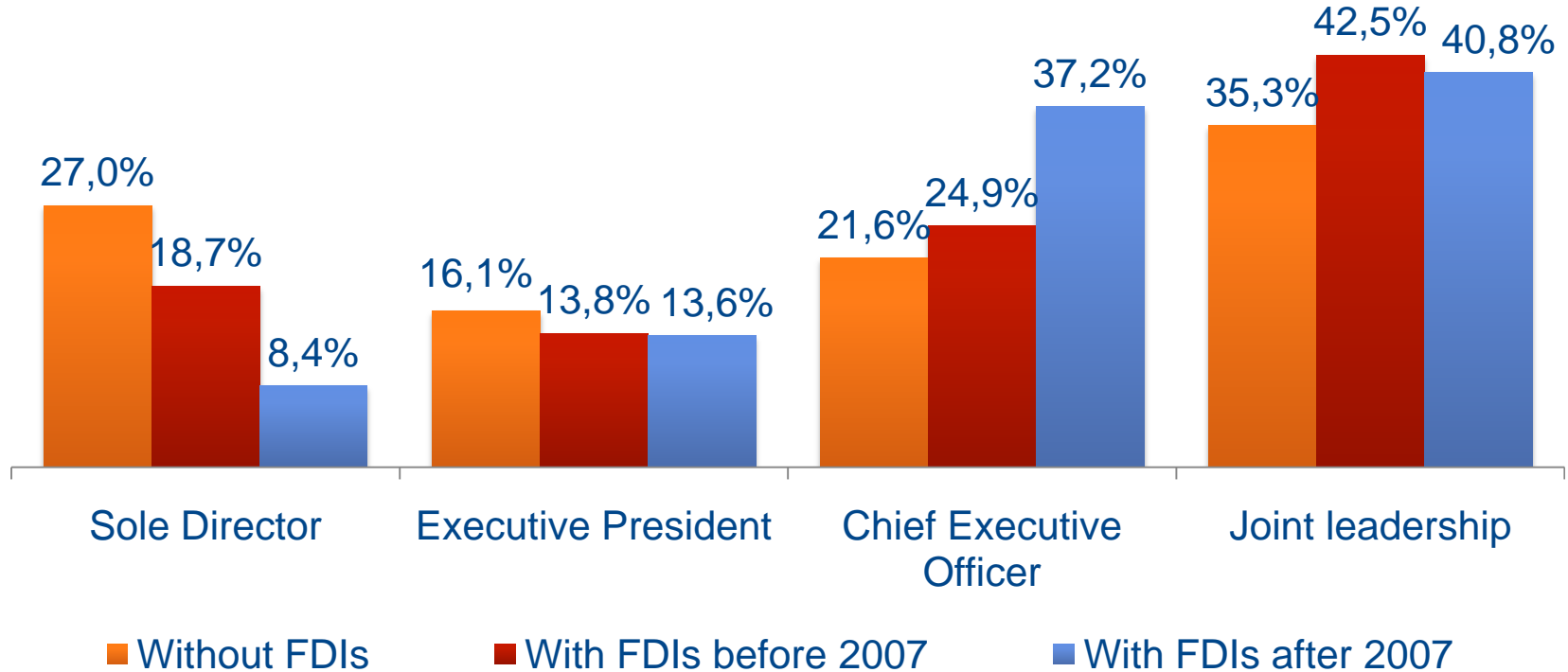
All information regarding FDIs is as of 31.12.2012 (source: Orbis). Branches of foreign businesses have not been included in the population of Italian businesses with a turnover exceeding € 50 million.

**Italian businesses have approximately 17,500 FDIs:  
out of these, over 75% have been made by family businesses.**

Ownership structure	Nr. companies with FDIs	Nr. FDIs	% FDIs	Average nr. FDIs
AUB Family businesses	1.304	13.212	75,6%	10,1
Coalitions	223	1.801	10,3%	8,1
State or Local Authorities	79	1.525	8,7%	19,3
Controlled by Investment/PE funds	73	658	3,8%	9,0
Cooperatives or Consortia	70	237	1,4%	3,4
Controlled by banks	10	33	0,2%	3,3
Total	1.759	17.466	100,0%	9,9

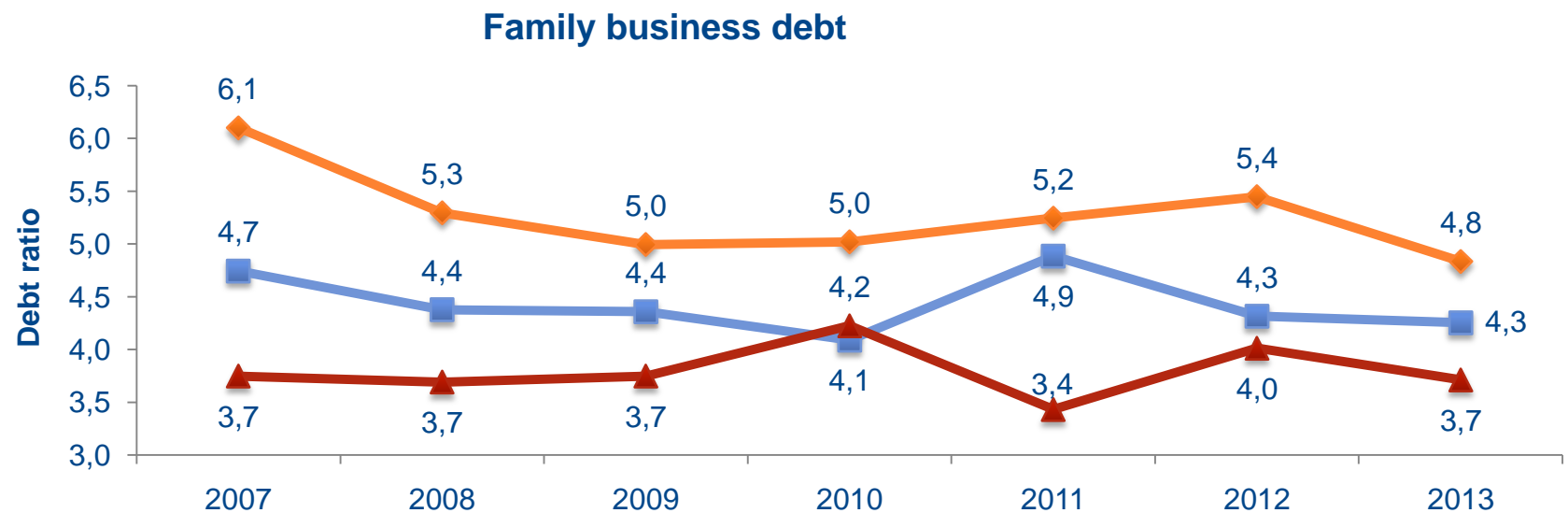
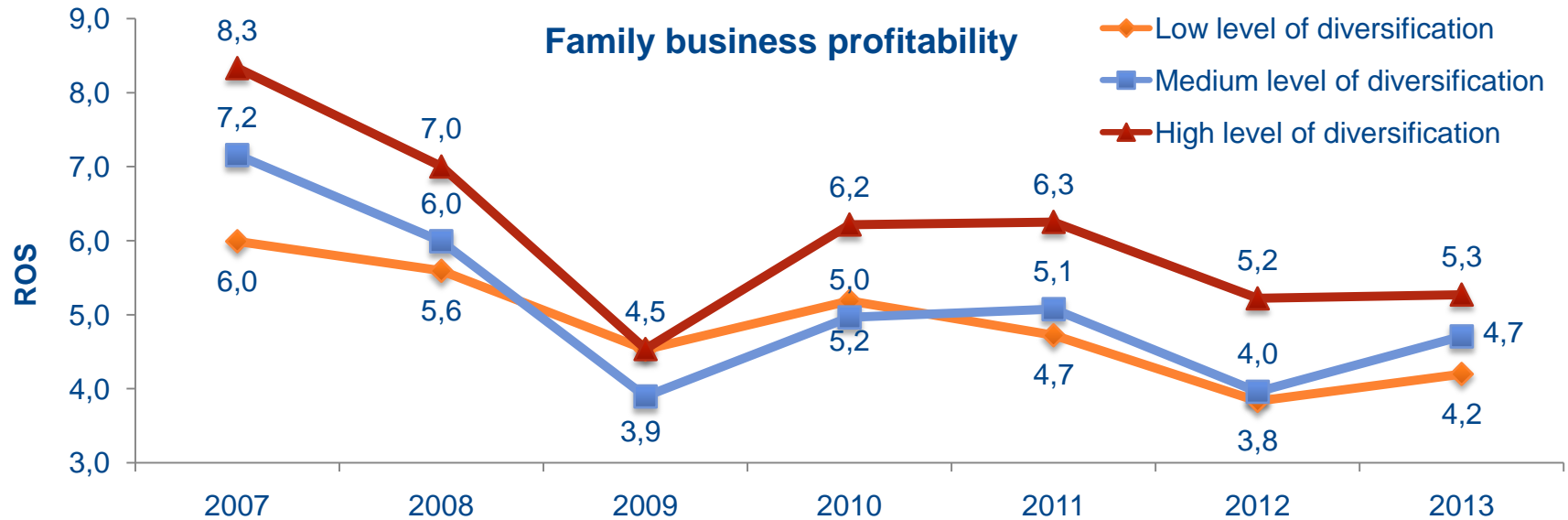
## The Sole Director model does not promote growth through FDIs.

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## Family businesses have moved quickly towards growing markets.

Geographic macro-area	Family businesses				Non-Family businesses			
	Prior to 2005	2005-07	After 2007	Total	Prior to 2005	2005-07	After 2007	Total
Western Europe	55,7%	41,9%	34,0%	40,8%	48,7%	42,9%	39,1%	42,1%
Eastern Europe	15,3%	16,2%	18,0%	16,9%	9,6%	13,1%	16,7%	14,3%
Asia	6,6%	13,0%	17,5%	14,0%	6,8%	10,0%	14,4%	11,7%
North America	10,9%	13,0%	12,7%	12,3%	9,4%	10,8%	11,0%	10,6%
South America	6,0%	6,8%	6,8%	6,6%	10,9%	12,9%	7,6%	9,5%
Africa	2,4%	3,5%	4,8%	3,9%	7,1%	6,0%	5,7%	6,1%
Central America	2,0%	2,9%	2,4%	2,5%	4,2%	1,9%	2,3%	2,6%
Oceania	1,0%	1,8%	1,6%	1,5%	1,7%	1,0%	1,2%	1,3%
Middle East	0,2%	1,0%	2,2%	1,5%	1,7%	1,3%	2,1%	1,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

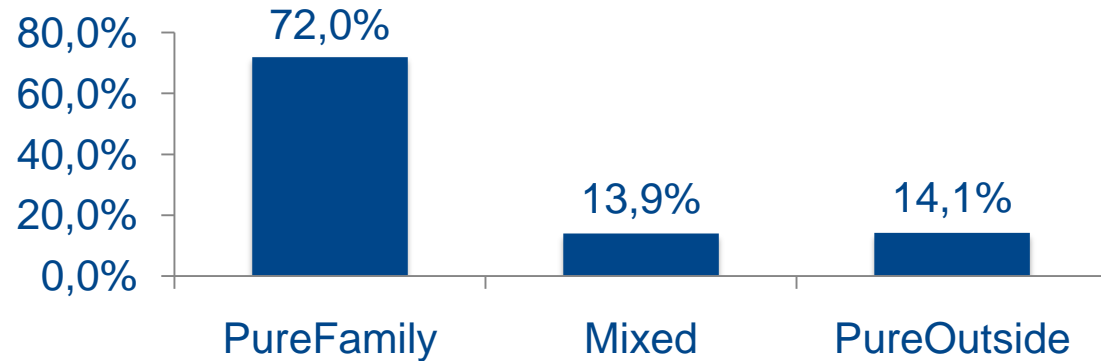


# Will family models perform also in the future?

Governance and Leadership Models  
in AUB Family Businesses



**The "pure family" leadership model gives superior performance.**



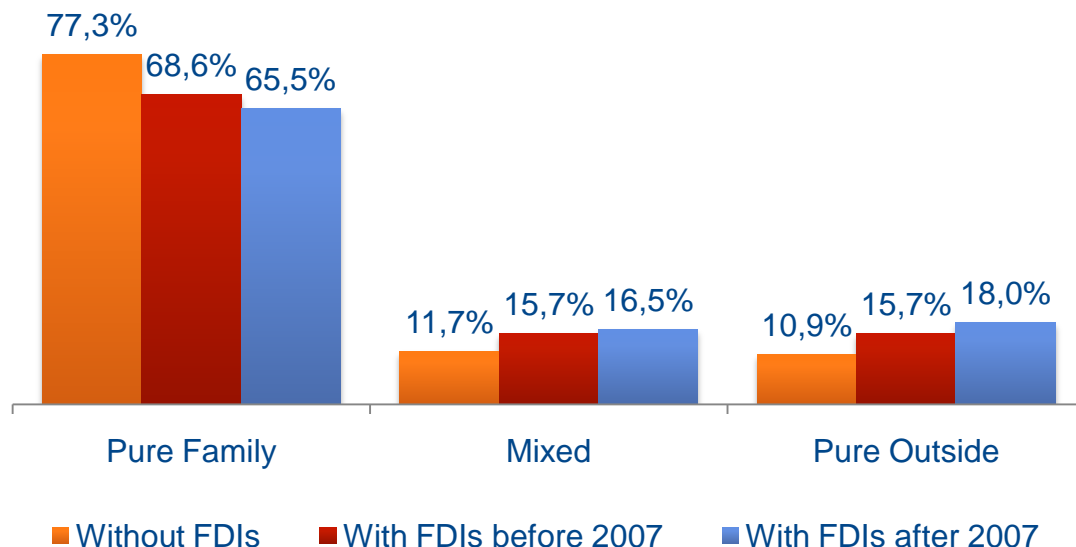
Leadership model	ROI	ROE	Growth
Pure Family	+0,6***	+1,6***	+1,7***
Mixed	-0,3*	-0,9*	-1,1*
Pure Outside	-0,8***	-1,9***	-2,0***

The values for ROE, ROI and Growth indicate that the different leadership models have performances that are higher or lower by "x" points compared to the average of the population, and that the data are statistically significant, with \*\*\* (or alternatively \*\*\*) high significance ( $p < .001$ ), \*\* (or \*\*) average significance ( $p < .01$ ), \* (or \*) moderate significance ( $p < .10$ ).

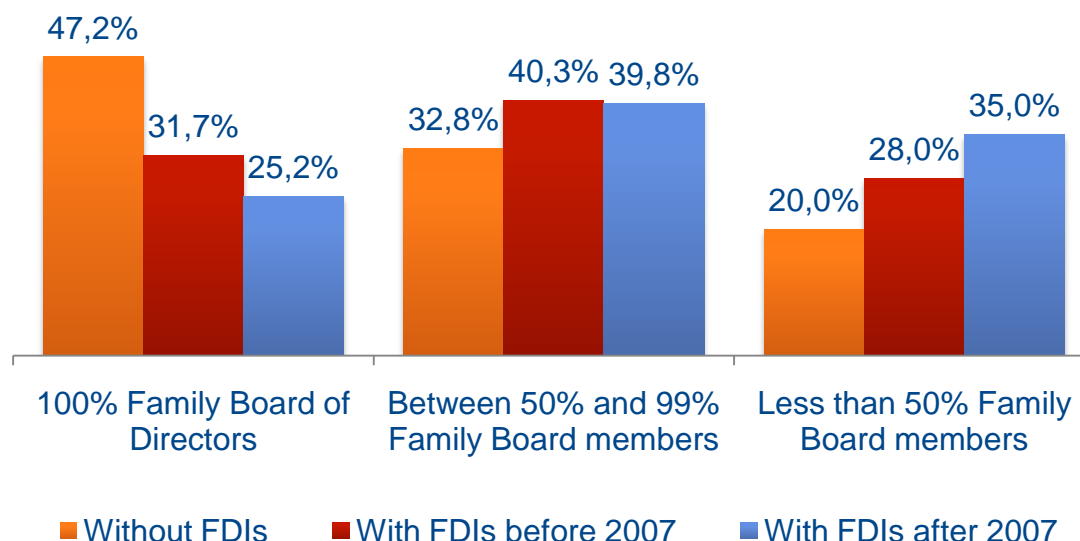
For this table data were used concerning the period 2000-2012 (Source: AIDA).



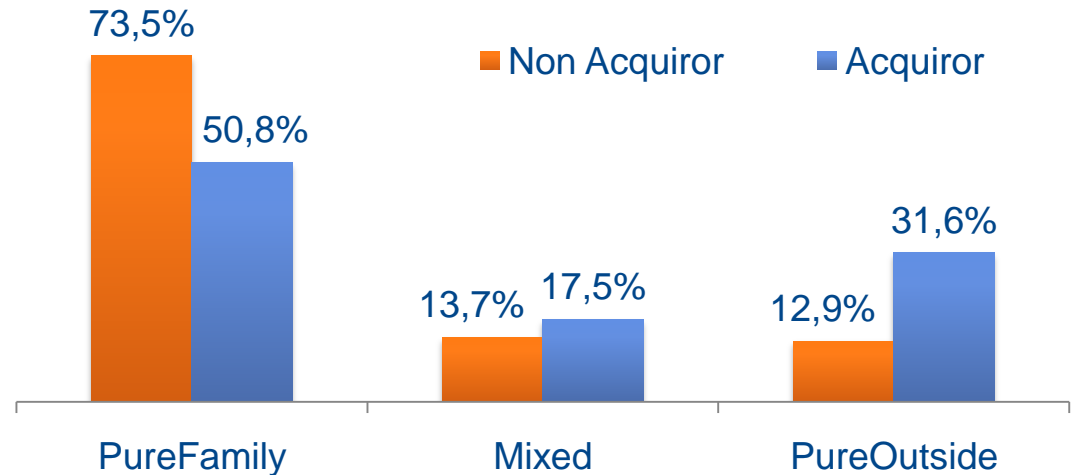
**Businesses with non-“Pure family” leadership models show a greater tendency to internationalize via FDIs**



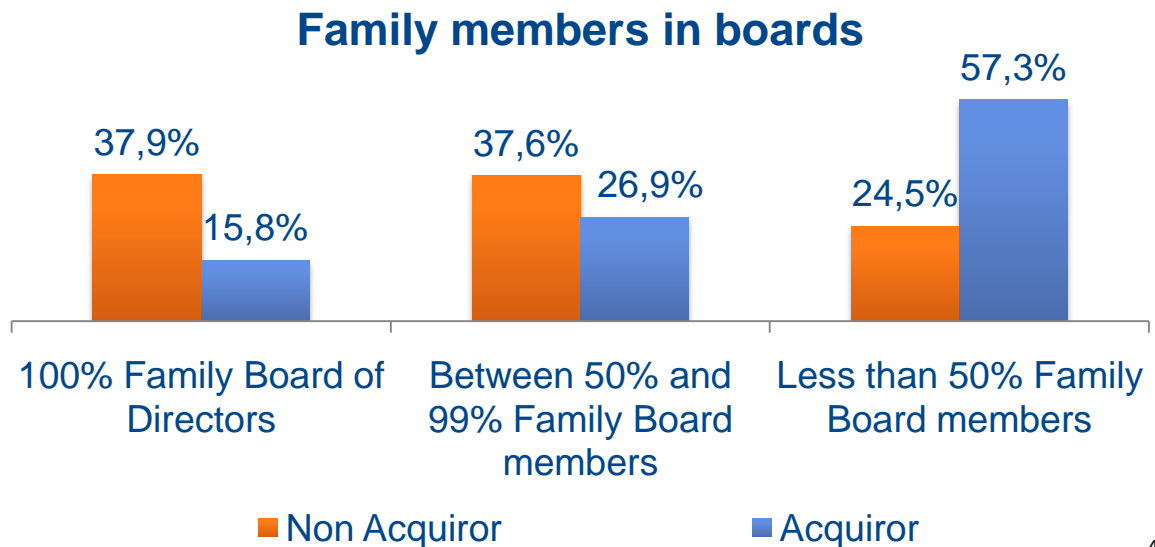
**Businesses with FDIs demonstrate a board that is more open towards non-family members**



**Businesses with non-“Pure family” leadership models show a greater tendency to make acquisitions.**



**Acquiror family businesses show a board that is more open towards non-family members.**



# 6 The AUB Observatory Report into Italian Family Businesses Edition

by Guido Corbetta, Alessandro Minichilli, Fabio Quarato

# Thank you