The implementation of co-leadership in family firms undertaking management succession and financial performance: empirical evidences from Italian family firms

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The implementation of shared leadership as a succession mechanism in family firms has remarkably increased in the last decade. However, the existing literature on the topic is still in its infancy and on top of that, the available studies are mainly of qualitative nature. Therefore, this research thesis aims at filling the research gap identified by investigating this phenomenon from a quantitative standpoint, understanding its impact on performance. This research is based on a sample of Italian family firms undertaking co-leadership succession between 2012 and 2016. To test the hypotheses, a difference-in-difference (DiD) model estimated by means of fixed effects was employed. In order to provide a solid basis for results, two baseline models were executed: the first one employing as control group family firms that did not undertake succession; the second one employing as control group family firms that undertook individual succession in the period of interest. Both models provide empirical support for a positive relation between the event of co-leadership succession and firm's performance, proxied by ROE. Firms undertaking co-leadership succession shows on average higher performances after succession. Additionally, the moderating effect of BoD openness, co-CEOs families and firm size were tested. The conclusive result is that the positive impact of co-leadership succession on performance is reduced in presence of excessive family involvement in the firm and in case of large size family businesses. Having a governance structure composed by only family members it is likely to make non-economic goals prevail over economic ones, resulting the in the implementation of ineffective co-leadership structures that will worsen performance. On the other hand, co-leadership as a succession mechanism seems to be too complex for large family firms. Indeed, co-leadership appears to be an effective structure to manage transition in small firms, where informality of communication and decision-making permits coordination among co-CEOs, positively influencing performance.