The guide to generational transitions: Conditions for success and errors to avoid

Guido Corbetta and Alessandro Minichilli

"Everything begins with a good definition"

Despite sharing certain characteristics, family businesses are not homogenous institutions. Their history, longevity, ownership, and control structures vary significantly. They might be first-generation companies or companies in which at least one generational transition has taken place. They might have a single family member or one sole shareholder, or they might have an ownership structure that is more diluted. They vary by size, with large firms being characterized by greater specialization and division of roles. There are also *multibusiness companies*—companies with "separable" *assets* (e.g., firms in the real estate and shipping sectors)—and *monobusiness companies*. Finally, there is enormous variance in the value of a company relative to the family's total wealth.

These differences lead some company leaders to believe, wrongly, that their cases are so exceptional, so different from the others, that the vast array of research on generational transitions conducted in the past 30 years will not apply. This guide is based, instead, on the strong conviction that there are common principles worth following and common errors to avoid. First, however, we need a common understanding of what a *generational transition* entails.

"A generational transition is an event which, while being instantaneous, occurs as the culmination of a process:

- *Involving different phases, which may last several years;*
- *Which begins when the children are still young;*
- *Involving, in most cases, a long period of cohabitation between parents and children;*
- *Coming to an end when the children become the owners of the company, gaining control over the governance structure of the firm, and the power to determine future strategies.*

Only a complete and profound understanding of what a *generational transition* involves—and how it might go wrong—allows the leaders of family businesses to plan a smooth and successful transition to new leadership.

The seven conditions for a successful generational transition

1. *Draw a clear line between the family and the company*

Family businesses are characterized by a company-family relationship in which: the number of shareholders is relatively limited; the relationships between the company and its owners, as well as among them, are strong and long-lasting and renouncing one's participation in the company is often complex, for economic as well as emotional reasons. The nature of these relationships may have both positive and negative consequences on the company. It is possible to distinguish two types of family businesses: on the one hand there are families (thereafter named *the responsible party*) who see the company as a distinct entity, relatively independent from the family itself. These families prioritize the continuity of the firm. On the other hand, there are families who see company as an instrument for pursuing the family's own interests. In these cases, family firms become more likely to (a) forgo developing future business plans that would require accepting non-family shareholders; (b) prioritize leadership by family members over external managers when filling for top management potions, regardless of the candidates' relative merit and skills; and (c) abuse company assets. Responsible ownership is an important condition for a successful generational transition, because while a satisfactory company performance contributes to a more united family, periods of distress almost always result in family frictions and divisions.

2. Implement a modern governance structure

An explicit manifestation of the will to support responsible ownership, and therefore to prioritize the continuity of the company rather than personal interests, can be demonstrated by implementing a modern and well-functioning governance structure, characterized by the following:

- Legal structures (for instance, a holding company placed between the individuals and legal entities) separating family from managerial issues at different levels of the business group;[1]
- A cleary defined accountability chain, in which the management team is accountable to the CEO; the CEO to the Board of Directors (BoD); the BoD to the shareholders;
- A clear definition of the Chairman's role and the responsibilities that come with that title: (a) being the point of reference for family members involved in the company, and keeping track of their expectations and needs[2]; (b) discussing all relevant topics with institutional leaders, including the expectations of shareholders; (c) organizing and leading the BoD;
- A sound approach to the formation and composition of the BoD, without prejudice against non-family members and shareholders not engaged in managerial roles.

3. Value competence before familiarity

The continuity of a family business is only possible when a generational transition prioritizes competence over personal bonds—in other words, when the culture of meritocracy is upheld. Given the nature of family businesses, it can be painful to adhere to a program of systematic merit-based evaluations of family members carried out without regard for emotions, and to use those evaluations as a basis for decisions. Such evaluations are, however, necessary and should be conducted with respect for certain criteria:

- Emphasis should be placed on the results achieved rather than on good intentions;
- Include an analysis of personal and professional inclinations and skills, and the extent to which they are compatible with the company's needs;
- They should be carried out by senior family members, striving to ensure an unbiased and impartial conclusion, perhaps through the participation of an independent "third party" (e.g., a consultant or external manager).

In the absence of a merit-based culture, top management positions will end up in the hands of persons who are incompetent, unfit, and may lack the responsibility needed for such roles. This will have a negative impact on the new generation of family members who, sooner or later, will enter into conflict with non-family managers and non-family staff, who will become frustrated with reporting to incompetent supervisors, and with the company as a whole.

However, a business culture based on competence and meritocracy does not deny the birth-rights of children, as heirs of the company, even if they are unfit to take up managerial roles. On the contrary, it is aimed at instructing them how to exercise their rights and obligations as owners.[3]

---

[1] According to AUB Observatory (promoted by AIdAF-Unicredit-Bocconi and supported by the Chamber of Commerce of Milan and the Italian Stock Exchange), which monitors the performance and governance of medium and large family businesses since 2009, approximately 56% of family businesses with revenues over €250 million are controlled by a *Holding Company*.

[2] For this reason, According to the AUB Observatory, 80% of second and third generation family businesses have a family member as Chairman.

[3] The following are the skills a person should have to effectively exercise the role of company owner: (a) an inclination to learn about current legislation; (b) awareness of the company's mission statement; (c) ability to separate personal and corporate interests, prioritizing the latterr; (d) knowledge of the key principles guiding the proper functioning of a business enterprise; (e) ability to evaluate the competences and skills of persons to be placed in top management positions; and (f) ability to comprehend and interpret balance sheets.

4. *Quickly and clearly define the rules of change*

When faced with a process involving significant change, it is helpful to define a clear set of conditions rules, and obligations. A careful assessment of the family's composition and its expectations, coupled with an evaluation of the company, and in particular its ownership structure, are also needed. These conditions need to meet certain benchmark criteria: (a) all feasible options should be identified in a timely manner, and unfeasible ones disregarded; (b) the company's objectives should be given priority over family goals; (c) the family's dimension and the company's ownership structure should be carefully analyzed, selecting the type of company that favors a majority holding, enabling smooth decision making and an easy procedure for dissenting family members.

Many families, to support smooth generational transitions, prefer to rely on a set of shared values rather than on legal acts and procedures. Defining these shared values, however, may lead to inadequate results unless done in a timely manner. Planning for the various phases of a generational transition, and determining the procedures to be applied in its course, can be efficient only if done at the right time; that is to say, when the young generation is most capable of taking leadership positions in the company.

5. *Prepare for the unexpected: capital*

A further condition favoring successful generational transitions is related to the availability of capital. The economic situation of the company and the families involved should be carefully examined, together with civil and tax rules. The following three golden rules should be applied when dealing with generational transitions:

i. Part of the capital should be put aside to deal with unexpected events, such as the tax burdens following a family member's death;
ii. Instruments should be made available to facilitate the withdrawal of dissenting or undesired shareholders;
iii. Assets should be split as soon as possible to reduce the effect of tax burdens resulting from a generational transition, in case of death of one of the family members.

6. *Setting objectives and processes*

The secret behind a successful generational transition often lies with the approach chosen to deal with it; a "process" perspective is preferred to a "goal-oriented" one. A "goal-oriented" approach is often problematic when unexpected events take place, given that no contingency plan for such circumstances exists. On the contrary, a "process" perspective is characterized by the continuous updating of plans and actions, taking into account new information that becomes available. The "process" perspective is therefore particularly important in the case of generational transitions, given that, as mentioned before, they can take decades to be completed.

7. *Involve "third parties"*

Cases where companies have successfully managed one or more generational transitions are nearly always marked by the presence of third parties, who contribute to overcoming difficulties in delicate phases of the transition.

These third parties primarily serve the following purposes: (a) provide knowledge/expertise that is needed but cannot be found inside the family; (b) to counter the responsible party's belief that his or her situation is highly exceptional or unusual; (c) limit the role of emotions and emphasize the importance of technical and economic issues. To be efficient, a third party (especially in the case of a consultant) needs to have certain characteristics:

- Have the trust of all players, and in particular of those in leadership positions in the business or family; show technical skills, promote transparency and unbiasedness;
- Share the values deemed most important by the persons directly involved in the process;

- Be patient, so as not to become discouraged by the frequent change of pace of generational transitions;
- Be capable of recognizing and acknowledging family members' personal views and convictions and hear out their opinions and suggestions, even cases where there are significant discrepancies among them.

Table 1 summarizes the main "conditions for success" in case of a generational transition and lists some general suggestions to be followed.

The phases of a generational transition

A generational transition starts when parents realize they would like to pass their business on to their offspring. Age, illness, the presence of grown up children are some of the motives that can drive the responsible party to begin thinking about succession. Then, a multi-stage planning of the generational transition starts; the presence of family members with adequate characteristics to run the company is assessed. If no family member possesses the desired qualities, a person outside of the family needs to be sought.

1. *Children's development: Education, character, and professional experience*

Though higher education is not strictly necessary to lead a family company, choosing an area of study is a landmark moment in a child's formation. Nowadays a well-rounded education and general knowledge are often more important than specific, technical skills. It is therefore advisable to encourage children to pursue their own interests at the university level. Also, the value added by international experiences, such as study abroad programs and work experiences abroad, should be taken into account.

After finishing one's studies and before entering the family business, it is advisable for children to gain professional experience in different companies in order to:

- Develop personally and professionally, possibly in bigger companies;
- Prove one's capabilities, thereby increasing one's self-esteem;
- Develop a realistic view of one's potential and future expectations;
- Receive unbiased evaluations.

For a generational transition to be successful, it is also desirable that parents instill certain values and characteristics in their potential successors, such as:

- The ability to adapt quickly in modern business environments;
- A positive attitude marked by the ability to see the good side in every situation and event, to pursue goals with determination and persistence, and and not to give up when faced with difficulties;
- The ability to listen, so as to be able to share professional experiences with other entrepreneurs and their children, as well as professionals and consultants involved in the generational transition.

2. *Entering and making a career in the family company*

Introducing a new generation to the family business marks a crucial moment of any generational transition. It requires the old generation to concentrate on the future, not on the past, and to give successors the possibility to follow their professional experiences in their own personal way. It is unreasonable to require children to live exactly the same experiences as current leader lived 15 or 20 ago, given the changing business world. Also, while it can be beneficial for children to be involved for a period of time in low-skill jobs and practice in non-managerial positions, those experiences should not be extended indefinitely. Adequate planning to facilitate a rotation of jobs and responsibilities is necessary. It is advisable to entrust successors with a limited number of clearly stated objectives and responsibilities, and to held them accountable to a manager who is not a family member. In the case of family holdings, or companies with many *subsidiaries*, one viable option is to introduce successors in either a smaller enterprise or in a subsidiary abroad, where they will have more opportunities for growth and development. On the other hand, it is not advisable to place newcomers in roles with ambiguous objectives and responsibilities, or that are below their level of expectation, for a prolonged time.

3. *Intra-generational cohabitation*

The next phase of a generational transition often consists of a period of 'cohabitation' between the two generations, sometimes for a prolonged period. In this stage the interactions between parents and children become crucial. The absence of sound and constructive interactions, and an aversion to confrontation, can produce negatively impact personal relationships and, in extreme cases, lead to a complete lack of dialogue.

Current leaders should not be reluctant to accept criticism or be convinced that their own model is flawless. At the same time, potential successors should not regard their parents' model as inappropriate or be unwilling to give them credit, if deserved, for what works well.

4. *Handing over the reins*

The final phase of a generational transition is marked by the successor taking power, after having proven his/her abilities and demonstrated his/her fitness for the leadership role. This stage is often very emotional; for parents it is a sign of ageing, for children the realization of an aspiration. Consequently, many parents tend to delay this moment, while children cannot wait to take the lead. This final phase can be made less traumatic by adhering to the following guidelines:

- Both sides should communicate their expectations;
- Parents should systematically decrease their range of responsibilities;
- Successors should locate an in-company occupation for the parents, so they need not be completely detached from the company;
- The old generation is conscious about and supportive of the fact that, together with new leadership, a fresh business model will probably be implemented.

Table 2 summarizes the four phases described above and the key principles to be followed during each phase.

Types of generational transition

Having clarified the conditions for a successful generational transition, we would like to look more closely at the various types of generational transitions. Observing hundreds of generational transitions has allowed us to identify the most common ones, and to a certain extent differentiate them into the following categories:

1. A generational transition with a family member as the only successor;
2. A generational transition with multiple family-members as successors;
3. A generational transition with a non-family member as the only successor;

4. A generational transition with ownership reorganization (and possible involvement of external shareholders);
5. A generational transition with sale of the company;
6. A generational transition that occurs unexpectedly.

Table 3 summarizes the above-mentioned variants.

1. *A generational transition with a family member as the only successor.* This is the simplest example of a generational transition. It is important, however, to distinguish between the case when there is only one potential successor and the case where the current leader has additional children.

1.1 *One child.* In this case the main difficulty derives from a divergence in expectations between the current leader and the successor. On the one hand, the current leader will need to pass on interests and passions to the child. On the other hand, the successor will face pressure to keep up with the parent's expectations, even when doing so requires personal sacrifices. Therefore it is useful for parents to plan the child's professional formation, and for the child to comprehend it and accept periodical evaluations by both parents and third parties.

1.2 *More than one child.* In this case, we can further differentiate between the following situations:

1.2.1 Only one of the children expresses interest in the family business;
1.2.2 Only one of the children is suited for a significant leadership position;
1.2.3 The current leader believes that it is in the best interest of the company to have only one child in charge of the family business.

In all the above-mentioned cases, it is crucial to separate the issue of ownership from the assignment of leadership roles in the company. In this respect, two settings can be identified:

a) Only one child inherits 100% of the company and takes on the leadership role (even in the presence of siblings). In this case it is crucial that the siblings are compensated, through money or other goods and/or assets; for example, through an ownership reorganization that provides for the participation of non-family members in the ownership (see below);
b) Only one child takes on the leadership position but ownership is split among siblings, who can either become non-managing directors or assume some minor roles. It is then important that the governance structure allows the leader to make decisions smoothly, while at the same time ensuring minority shareholders' protections.

2. *Multiple family members as successors*

When the entrepreneur has more than one child, and at least two of them are (a) interested in the family-business, and (b) capable of taking on top management positions, their ability to co-exist in those positions must be judged by the parent. If co-existence is possible, there can be more than one successor, such that top management responsibilities (and, presumably, ownership) are split between successors.

We can further differentiate between two cases:

2.1 All or some of the children interested in the family business are placed in top management positions, resulting in a more fragmented leadership structure (co-CEOs);
2.2 All or some of the children interested in the family business occupy top management roles but only one of them is the company's leader with executive powers ("Amministratore Unico",

CEO, Executive Chairman, or director with full powers), while others will be engaged in leadership roles, possibly with only partial powers (e.g. sales management, administration, finance, etc.).

Since a collegial leadership structure is quite complex, our observations lead us to believe is only efficient the following circumstances:

- The collegial model is not applied simply because parents are unable to select the single most suitable candidate.
- The distribution of powers respects the principle of functional specialization (e.g., with different powers in the commercial and production/R&S areas) or *business* specialization (with several children to oversee the different business areas of the company);
- The specialization respects the complementary knowledge and skills of the new generation members involved in the leadership of the company;
- Joint leadership is chosen based on a high degree of mutual respect and esteem, similar levels of commitment, willingness and ability to work together.

3. *Ownership passed on to the offspring but management taken up by a person outside of the family*

In the case in which none of the children is capable /willing to take up the company's leadership, it can be put in the hands of an external manager. If the company strongly identifies with the family or with the founder, this choices is likely to create conflicts and tensions. However, it should be treated as a valid alternative under the following circumstances:

- None of the children have the interest, inclincation, capacity or will to be directly involved in the family business, or they prefer to fill an ownership role exclusively;
- None of the children are ready to hold a *leadership position*; hence, an external manager can facilitate successors' formation;
- The company's size suggests involving a non-family manager. Even without evidence that external managers outperform family members, it is true that: (a) they are selected from a much wider pool of candidates (when compared to the family); (b) they will be more capable of neutralizing conflicts taking place inside the family, ensuring that management is less "emotional" and more goal-oriented.[4]

4. *Ownership reorganization (and the possible entrance of external shareholders)*

In all of the circumstances described previously, the processes associated with a generational transition may be accompanied by operations of ownership reorganization. By doing so, one of the most frequent outcomes of the generational transition is to clearly define the separation between ownership and governance, enabling the ownership structure to immediately adapt to any governance changes implemented by the outgoing generation.

With reference to this objective, the paramount goal is to keep an appropriate level of financial resources while also modifying the company's statutes before the need for change arises. It means establishing rules to follow in case of a generational transition (such as with the existence of rights of first refusal for shares and valuation criteria for quotas or shares), or signing a Family Agreement.

[4] In this regard, the AUB Observatory data show clearly how the selection of a CEO is strongly linked to the situation of the property and the company: the family CEO will produce a better performance than a non-family one when the company is of smaller dimensions and the ownership is very concentrated; on the contrary, non-family CEOs are beneficial when the size of the company is greater and the ownership is fragmented.

In some specific circumstances, the process of ownership reorganization occurs through either a split-off or spin-off. This operation occurs especially in cases with significant and valuable assets and, as a consequence of this procedure, the shares or quotas of the company are distributed in different ways to the heirs, depending on their ambitions and desires.

More generally, there are different options regarding the process of ownership reorganization, which usually occur through the use of internal resources within the family or the involvement of non-family members. Among these options are:

- The sale and buy-back of shares among family members. In this case, whenever one or more shareholders have financial means to sustain the purchase of the shares owned by relatives who desire to liquidate their position within the company, the process of ownership reorganization will give birth to an ownership structure significantly different from the previous generation's.
- The creation of a family holding (subject to a process of internal ownership reorganization among its family members) that owns the shares of the operating company. Alternatively, the transformation of the operating holding in a financial holding can go in parallel with the establishment of a new company (newco) that carries out the business activity, in which shareholders not interested in the new activity can liquidate their shares.

Of course, when the ownership reorganization process does not involve third-parties the financial resources could come either from the firm (purchase of self-owned shares) or from family shareholders who bring in new private resources.

Since the need of finding adequate financial resources may negatively affect the company's growth (particularly when resources come from the firm), it may be useful and appropriate to consider some process of reorganization that foresees the involvement of non-family shareholders. These include:

- The entrance of a private equity fund. A PE minority shareholder could be the first step toward obtaining capital for purposes ranging from acquiring financial resources to support company growth to facilitating the exit of some family shareholders. It would also lead the firm to a "professionalization" under the managerial profile.
- The so-called family leveraged buyout. This allows one or more family members who are interested in continuing the business activities obtain support from a group of banks and other investors (including the aforementioned private equity investors) to purchase (using mainly debt) the shares or quotas of existing shareholders through a new, special purpose company (newco), specifically constituted.
- Going public with an Initial Public Offering in the open markets (IPO), with some of the family-members that keep the control.

5. A generational transition with sale of the company

Another feasible option is the sale of the company. This can be the entrepreneur's best choice, in particularly in cases with

- No offspring (though adoption can be considered);
- No children suitable for the roles that need to be fulfilled;
- When conflicts and divergences among siblings emerge.

In the above-mentioned circumstances, selling the business is both advisable and beneficial for the company and the family. When the current leader embraces this option, the biggest difficulty will be preparing the company for sale.

6. *An unexpected generational transition*

It is not uncommon for a generational transition to occur unexpectedly, because of either a personal decision or unforeseen events (e.g. death of the current leader). When the generational transition has not been planned, it creates a difficult management situation for the successors. This can bring about diverse circumstances.

- In the case of an unexpected unavailability of the current leader (e.g., due to a sudden disabling illness, accident, etc.), a fast, and certainly not easy, transition at the top will be required. In particular, when children have not been trained to take on management and leadership roles, the family will face a period of "confusion", during which: (a) none of the children stands out as a potential successor; (b) the successor has been chosen but is not ready to assume the position; (c) competition arisis among siblings who want to be the successor, without the benefit of clearly established rules. In all of these cases, it seems inevitable to opt for the help of an external manager.
- In the case of the suddent death of the current leader,
  i. The leader has already planned the generational transition, taking into account the future ownership structure and management of the company; or
  ii. The leader did not plan the generational transition. This often leads to conflicts among representatives of the younger generation and a deadlock in the choice of the new leader.

In such cases, a well-functioning *governance* structure, entrusted, at least to a certain extent, to third parties (e.g. independent directors), seems to be the best solution.

Why do generational transitions fail?

Even when it is possible to identify the types of generational transitions, and to lay out a set of conditions that make the success of generational transition more probable, there are various reasons or mistakes that a generational transition might fail, including:

1) *Inability to distinguish between ownership, governance and managerial roles*
   In particular, in smaller first- and second-generation companies such roles are often intertwined, and it is common for one person to take up more than one position. A commonly made mistake consists of viewing ownership as a right rather than a duty, and the presumption that ownership automatically bestows leadership and management skills.
2) *A generational transition as an obligation to the past rather than an opportunity for the future.* It is natural that after a parent who creates a successful company will want to pass on the fruits of his or her work to the children; however, the younger generation must have the will and skills for the position. It is inadequate for the current leader to force succession on children who have no interest in the job. Similarly, children should not allow themselves to be elected successors simply to avoid disappointing their parents or grandparents.
3) *A generational transition as an event rather than a process.* As we have already mentioned, a generational transition can take place over years. Some entrepreneurs, viewing it as an event rather than a process, fail to adapt and modify their role over time. Such a behavior can prove to be harmful to the company, making it unable to innovate and set up successful strategic goals due to an obsolete business model.
4) *The belief that entrepreneurship cannot be taught.* Research on third- and fourth-generation family businesses shows that in every generation there has been at least one person with the

characteristics of an entrepreneur, who is able to take up the leadership role. This stands in contrast with the presumption that entrepreneurship is an innate trait that cannot be passed on.

5) *Lack of intra-generational dialogue.* A series of mistakes stems from the inability of those involved in the succession process to compare their views and convictions with reality, and with the opinions of others. When avoiding confrontation leads to an absence of dialogue, the results can be harmful to individuals and as well as to the company.
6) *Believing shared values are enough.* Some families believe that passing their values to the next generation is sufficient to ensure their company's continued success. Instead, values need to be re-interpreted and updated over time to fit the cultural, social and economic setting in which the business operates.
7) *A "wrong" third party.* Involving a third party in a generational transition often brings beneficial results. It can be a family member, a manager employed in the company, a consultant, a friend. A wrong choice, however, can prove to be more harmful than beneficial for the company well-being.

Table 1. Seven "conditions" for a successful generational transition

Conditions for success	Key rules to be followed
1) Draw a clear line between the family and the company	Develop "a responsible ownership" characterized by, among others: • Openness toward external sources of financing; • Openness toward external managers; • Prioritizing the company's interest (and not the family's)
2) Implementing a modern governance structure	Some of the characteristics of an efficient *governance* structure are: • A separation between company and family (e.g. through a *Holding Company*); • A clear definition of roles and *accountability*: management team to the CEO; CEO to the BoD; BoD to shareholders; • An unambiguous definition of the Chairman's role; • Proper composition of the BoD, including, if possible, a third party, external to and independent of the family.
3) Competence before familiarity	Meritocracy and valuation of family members • Based on results achieved (*performance*); • Accounting for competences and skills, and their fit with the company's needs; • Carried out by senior family members or third party.
4) Commonly shared rules for dealing with change	• All feasible options should be identified in a timely manner, with unfeasible ones disregarded immediately; • Company comes before the family; • Ownership distribution should account for the peculiarities of the company and the family, as well as the assignment of the leadership position.
5) Prepare for the unexpected: capital	Ensure the family is financially prepared for the generational transition. For example: • Secure part of the family's patrimony for dealing with unforeseeable events (e.g. tax burdens in case of death); • Set aside another portion for liquidating dissenting or undesired shareholders; • Assets/capital should be split as soon as possible to reduce the effect of tax burdens resulting from a generational transition caused by the death of one of the family members.
6) Setting objectives and processes	During a generational transition (which can last decades), avoid rigid procedures and favor flexible plans that can be easily modified to adapt to changing circumstances.
7) Let "third parties" get involved	Involve third parties (professionals, managers, other persons whom the current leader trusts) to: • Provide knowledge/expertise that cannot be found inside the family; • Correct a leader's misconception that his or her situation is highly exceptional and unusual; • Limit the role that emotions play in the business, emphasizing the importance of technical and economic issues.

Table 2. The "phases" of a generational transition

Main phases	Key suggestions
1) Formation: education, character and professional experience	• Aid the children's choice of education, keeping in mind that opting for scientific subjects is not an obligation; • Encourage the study of English, possibly through international experiences; • Facilitate, or even require, experience in other companies • Embolden children to pursue their interest; avoid emotional blackmail and biased valuations to convince children to follow in the parents footsteps • Support the successors in the development of their character, putting emphasis on responsibility, confidence, tenacity, the ability to listen, to make sacrifices and to adapt to change.
2) The first steps and the career in the company	• Concentrate on the future, not on the past. Do not require children to replicate the exact experiences their parents lived; the setting in which the company is places has undoubtedly changed over time, and nowadays an accelerated training is required (placing children in low positions for prolonged periods of time may not be a good idea); • Give the successors a limited number of clearly defined responsibilities, e.g. in a *subsidiary* characterized by a higher growth potential; avoid roles with imprecisely defined tasks.
3) Intra-generational cohabitation	• Promote healthy intra-generational dialogue, so as to avoid rigidity and conflicts
4) Handing over the reins	• In this phase it is crucial that: - Parents and children express their reciprocal expectations - Parents systematically decrease the range of their responsibilities; - The successors manage to find an in-company occupation for the parents, so that the said need not be completely disattached from the company; - The old generation is conscious about and supportive of the fact that together with new leadership, a fresh business model will probably be implemented.

Table 3. Models of a generational transition

Number of children	Interest in the company	Fit to take up managerial positions	Type of succession
1 child	yes	yes	(case 1.1): Sole successor as the new leader (100% ownership)
		no	(case 5): Sale of the company *Or* (case 3): Management temporarily taken up by a third party, if the children can be trained to take up the top role
	no	yes (at least in the ownership role)	(case 3): Management taken up by a third party
		no	(case 5): Sale of the company
More children	Yes (more than 1 child is interested)	Yes more than 1 child	(case 1.2.3): Sole successor as the new leader (possibly a majority shareholder); chosen by the entrepreneur *Or* (case 2.1): Multiple successors and diluted management powers *Or* (case 2.2): Multiple successors with "formally" diluted management powers but with only 1 actual leader
		Yes only 1 child	(case 1.2.2): Sole successor as the new leader (possibly a majority shareholder); absence of other successors fit for the job
		No	(case 5): Sale of the company *Or* (case 3): Management temporarily taken up by a third party, if the children can be trained to take up the top role
	Yes (only 1 child is interested)	Yes	(case 1.2.1): Sole successor as the new leader (possibly a majority shareholder); in concordance with the will of the other children
		No	(case 5): Sale of the company *Or* (case 3): Management taken up by a third party
	No	Yes more than 1 child (at least in the ownership role)	(case 3): Management taken up by a third party
		No	(case 5): Sale of the company
No children			(case 5): Sale of the company

Nb. The fourth inheritance case (case 4: The generational transition with ownership reorganization, and possible intervention by non-family shareholders) is not explicitly addressed in the table because it is a succession model that focuses on redefining balances among owners often as a function of the other succession types described here (in particular, of the case of succession 1, 2 and 3). The same applies to the last type of succession (case 6: The unexpected generational transition), which instead presents characters that make the event not be planned.