Family Business Successful Succession

An Overview of the Environment for Family Businesses in Italy

National Report

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Preface

The FABUSS partnership appreciates the usefulness of acquiring and presenting a comprehensive understanding of the environment for Family Businesses in each partner country. There is therefore a need for checking, updating and enriching information presented and analysed in various other sources and for a customised screening of each partner country institutional environment’s particularities and weaknesses, as these affect family businesses.

The Report in hand, presents the situation prevailing in Italy.

The present Report contains the results of the Survey conducted in Italy. The associated tasks were realized by Maria Brizi, Debora Ercoli and Catia Trinari.

June 2017
Family businesses are currently undergoing a generational change. The drivers for this enhanced attention are also a greater awareness of valuable role that family businesses make to economic and social development of our country.

The issue of passing on the company or, more specifically, generational continuity, between those who founded the company and their children and grandchildren, is becoming an increasingly-debated question because it represents a fundamental crossroads not only for the family business directly involved, but also for the competitiveness of the entire area in which the company is based and all stakeholders in its orbit.

The current Italian economic situation reveals, on one hand, the important value and positive characteristics of family-run businesses, on the other hand the numerous difficulties they face over time. In particular, the “generational succession” must be well-prepared and managed using suitable methods and timeframes: if the specific difficulties family-run businesses have to face are managed effectively, it guarantee the long-term continuity, as well as quality.

The report shows how Italian family businesses are based on a delicate balance between two institutions, the family and the business: the psychological and relational aspects co-exist with the competition and risk tied to presence in markets. What’s more, it is a dynamic equilibrium subject to continuous change.

With reference to generational succession, the biggest perceived challenges are internal rather than external, as they affect not only the business but also the family system: they are about internal organization, such as changing family relationships and leadership succession, more than about the markets in which the company operates. However, it seems that the next generation of family business leaders is more aware than the previous generation of the meaning and impact of change.
Il passaggio generazionale nell’ambito delle aziende familiari sta assumendo una crescente importanza, grazie a una sempre maggiore consapevolezza del prezioso ruolo che le aziende familiari svolgono per lo sviluppo economico e sociale del Paese.

La questione della continuità generazionale, tra coloro che hanno fondato l’azienda e i loro figli e nipoti, sta diventando sempre più discussa: rappresenta, infatti, un crocevia fondamentale non solo per l’attività di famiglia direttamente coinvolta, ma anche per la competitività dell’intera area in cui ha sede la società e i per i relativi stakeholder.

L’attuale situazione economica italiana mostra da un lato, l’importante valore e le caratteristiche positive delle imprese a conduzione familiare, dall’altro evidenzia le numerose difficoltà che queste devono affrontare. In particolare, la "successione generazionale" deve essere ben programmata e gestita con metodi e tempi appropriati: una gestione efficace delle difficoltà, a cui le aziende a conduzione familiare devono far fronte, garantirà continuità e qualità a lungo termine.

Il report mostra come le imprese familiari italiane si basino su un delicato equilibrio tra due istituzioni, la famiglia e l’impresa: gli aspetti psicologici e relazionali coesistono con la concorrenza e il rischio legati alla presenza nei mercati. Inoltre, tale equilibrio è dinamico in quanto soggetto a cambiamenti continui.

In riferimento al passaggio generazionale, gli ostacoli percepiti come più rilevanti sono quelli interni, piuttosto che quelli esterni, perché influiscono non solo sull’attività commerciale ma anche sulla famiglia: più che i mercati in cui opera l’azienda, il problema principale è l’organizzazione interna, ad esempio a livello di evoluzione dei rapporti familiari e passaggio della leadership. Tuttavia, rispetto alle precedenti generazioni, i futuri leader delle aziende familiari sono più consapevoli del significato e dell’impatto dei cambiamenti.
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1. Social and Economic significance on Family Business in Italy

- **Definition of Family Business in the Italian context**: Family businesses are more generally defined as firms “run and owed by a family”.
- Family business concept includes: *family, property and enterprise*.
- In Italy, generally, in large and medium-sized companies, the family owns the property.
- Five million Italian businesses are built on the family. Family businesses could easily be defined as the driving force behind Italian economy and society.

1.1 The definition of Family Business in the Italian context

Across Europe, a total of 90 different definitions of “family business” were identified, which mainly require major family influence on ownership and management strategic control. Other characteristics used to differentiate family businesses from non-family businesses are the active involvement of family members in the enterprise’s everyday activities, the enterprise’s contribution to the family’s income generation, and intergenerational considerations.

Most of the prevailing definitions have not been operationalised, particularly as far as the term “family” is concerned, but also with regard to strategic/managerial control.

In numerous countries, family businesses are widely equated to Small and Medium Sized Enterprises SMEs in public and policy discussions. At the same time, there is an awareness that family businesses are run in all legal forms, including stock market enterprises. In Italy over the last few years, there has been a marked growth in the amount of interest being given to the theme of family businesses and the generational change within them. The growing attention for family businesses is due to the economic boom that has distinguished post-war Italy and Europe, during which many firms have been born. These family businesses are currently undergoing a generational change. The drivers for this enhanced attention are also a greater awareness of the contributions family businesses make to economic and social development, increased attention to the issue of business transfer, as well as a higher degree of academic interest in the issue.

Family businesses are more generally defined as firms "run and owed by a family". However, there is a lack of a clear definition with regard to which elements distinguish family firms from non-family firms. In general, the criteria to perceive the degree of "familisation" of firms are based on objective and subjective information.
Objective information relates to the degree of involvement of the family in the property and management of the firm, the number of generations belonging to the firm, the number of male and female family members potentially involved, and the extent of non-family employees’ participation. Subjective information includes norms, values, expectations and the degree of overlap between the family and business dynamics.

Family business concept includes three distinct social systems closely interconnected: **family, property and enterprise**.

In family firms, the business and the family are two domains in which processes significantly overlap and influence management. This complex institutional overlapping has the direct consequence of producing a variety of organizational configurations that differ in relation to the corporate dimension, the internal structure and the various types of relationships between the systemic components themselves.

Depending on the size of the company, the 3 elements **family, property and enterprise** may overlap, such as in small companies, or stand out. In Italy, generally, in large and medium-sized companies, the family owns the property or the majority of it, while corporate management is increasingly in the hands of people outside the family.

From the legal point of view a family business definition was introduced in the Italian regulation system with the legal reform in 1975. Article 230 of the Italian Civil Code describes family business as an enterprise in which people of the family unit work and have the ownership. Close family members are included into the business: from the husband or wife of the founder of the business to their family ties with a high
degree of kinship. The members of the family can work for the company as employees and/or they can participate as shareholders. Both workers and owners can receive profits at the end of the year.

This provision is considered as a guarantee to whoever is part of the family and contributes indirectly to the social and economic well-being of the family businesses.

The rights of the family members involved in the business are safeguarded in order to give the company its distinctive features of “family business”. There are other definitions of family business from the academic point of view. **Firstly, family business is referred to as an enterprise owned by family members.**

Family ownership is generally close and extensive which is, generally which is a structural feature of the Italian family business. More than two-thirds of firms are totally owned by families, and few firms are controlled with an absolute majority stake.

Nonfamily shareholders exist. They are relatives or owners’ friends. Foreign and financial partners are virtually absent. Not surprisingly, the percentage of family equity is negatively related to company size and age; family firms open up equity either to sustain growth or to reduce ownership fragmentation which usually takes place as generations pass.

Secondly, family business is considered as an entrepreneurial activity in which a family and a firm join together in order to make profit producing products or providing services.
1.2 The Italian Family Businesses

Across all continents, family businesses represent a key component of each area’s economy, not only in terms of their measurable impact but above because of their significant contribution to GDP and employment. In fact, family businesses represent between 80% and 95% of the industrial activities of advanced economies, as shown on the following table:

<table>
<thead>
<tr>
<th>Continent</th>
<th>% FB of the total Businesses</th>
<th>% of the total GDP</th>
<th>% of total employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>85%</td>
<td>70%</td>
<td>60% (more than 144 million of employees)</td>
</tr>
<tr>
<td>North America</td>
<td>90%</td>
<td>57% USA 60% Canada</td>
<td>57% (more than 97 million of employees)</td>
</tr>
<tr>
<td>South America</td>
<td>85%</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>Middle East</td>
<td>90%</td>
<td>80%</td>
<td>70% (more than 67 million of employees)</td>
</tr>
<tr>
<td>Asia and Pacific</td>
<td>85%</td>
<td>57% South Asia 32% North Asia</td>
<td></td>
</tr>
</tbody>
</table>

*Source: EY – Family Business Yearbook 2014*

In Italy, it is estimated that there are around **784,000 family businesses** – more than **85% of the total number of business** – with approximately **70% of employment**. In terms of the impact of family businesses, the Italian context is in line with that of the main European economies such as France (80%), Germany (90%), Spain (83%) and the UK (80%), whilst the factor that sets Italy apart from these countries is the lesser recourse of family businesses to external managers: 66% of Italian family businesses are fully managed by family members, while this applies to only 26% of French family businesses and just 10% in the UK.

Italian family businesses are also set apart by their longevity: of the world’s 100 oldest businesses, 15 are Italian and, of these, 5 – Fonderie Pontificie Marinelli (founded in 1000), Barone Ricasoli (1141), Barovier & Toso (1295), Torrini (1369) and Marchesi Antinori (1385) – are among the top ten oldest family businesses still active today.
1.3 Results from a sample of Italian Family Business

Five million Italian businesses are built on the family. What are generally known as family businesses could easily be defined as the driver behind Italy. They make a significant contribution to GDP, guarantee jobs and raise the quality of employment. But not everything that glitters is gold. Family ties often represent an obstacle to the long-term continuity of a company. There is the knotty problem of generational succession, and not everyone makes the transition.

Family business is the model that most closely reflects the cultural orientation of Italian business which is famous throughout the world for being creative, tenacious, hard-working and quality-oriented.

In Italy:
- Between 80-90% of all companies are family-owned;
- as are over 40% of the 300 largest companies.

These are the highest percentages in Europe. Overall, Italian family-run businesses number about 5 million and, also taking into consideration the smaller companies, contribute 80% of Gross Domestic Product, making them a cornerstone of the country's economy. Therefore, when family-run businesses function well, the entire country benefits.

Italy may not have had the fastest economic growth in recent years, but it still has some of the most competitive businesses in Europe, and many of them are family owned and run. Family-run businesses with less than 10 employees in general, present a primary strategic profile: more than a third choose an exclusively defensive strategy, maintenance of market share or downsizing the activity, and another 30% limited themselves to applying only one strategy among the most "complex" innovation, increase the range of products, access to new markets, intensification of relations with other companies. A recent survey of the country’s family business sector by the Italian branch of the Family Business Network and Bocconi University has highlighted 200 of the most dynamic of these businesses with annual revenues starting from €20 million and going much higher.

The Observatory monitored 15,880 Italian family businesses. Of the 15,880 companies monitored by the Observatory, family-run companies are 10,391 (equal to 65.4%), with a total turnover of 804 billion euros. In terms of employment, they employ about 2.3 million employees (both in Italy and abroad).
In particular, in medium-sized and large companies (with a turnover of over 50 million euro), family businesses are 59.2%, while in smaller companies (with a turnover of between 20 and 50 million euro) the incidence rises to 70.5%.

Focusing on the 10,391 family businesses analyzed in the report, some distinctive features emerge:

- **More fragmentation of the productive tissue**: approximately 60% of Family controlled companies have revenues of between 20 and 50 million euros (compared to 46.8% of non-family businesses), and only 7% have revenues higher than 250 million euros (compared to 13.3% of non-family businesses).

- **Higher inclination towards manufacturing and trade**: the highest percentage of Family controlled companies are found in certain sectors of the manufacturing industry (Mobile-Furniture, Metallurgy and Fashion System) and Motor Trade (87.9%), while the sectors with the lowest share of family businesses are Energy and Mining (34%) and Business Services (46.3%).

- **Relevance of some geographical areas**: the largest share of family farms is found in the South and the islands (79.2%), but also some regions in the North and the Center show an incidence higher than the national average, such as Piedmont (66.9%), Veneto (75.9%) and the Marche (78.2%).

<table>
<thead>
<tr>
<th>Region</th>
<th>TOTAL OF BUSINESSES</th>
<th>20-50 MLN</th>
<th>&gt; 50 MLN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nr.</td>
<td>% FB</td>
<td>Nr.</td>
</tr>
<tr>
<td>Northwest</td>
<td>7102</td>
<td>60,6%</td>
<td>3629</td>
</tr>
<tr>
<td>Northeast</td>
<td>4553</td>
<td>68,5%</td>
<td>2545</td>
</tr>
<tr>
<td>Centre</td>
<td>2605</td>
<td>64,6%</td>
<td>1485</td>
</tr>
<tr>
<td>South and Islands</td>
<td>1620</td>
<td>79,2%</td>
<td>1058</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15880</td>
<td>65,4%</td>
<td>8717</td>
</tr>
</tbody>
</table>

In terms of growth, the data show that family firms had a higher growth trend than other types of companies, especially medium and large ones.
1.4 The successful models of Family Business

To identify the successful models of family businesses in Italy, the following factors have been taken into account:

- **Leadership**: family member towards the non-family manager;
- **Opening BoD to non-family members**: BoD 100% family versus BoD with at least 1 non-family member;
- **The generation of the business leader**: the first versus the successive;
- **The age of the leader**: young (<50 years) versus not young (> 50 years);
- **The size of the company**: small (revenues between 20 and 50 million) versus medium-large (revenues> 50 million).

By combining these governance variables, 3 main "success" models have been identified:

- FBs with a **"Good founder"**, in many cases not younger, which favors the company’s success with any model of governance (closed or open to non-family members) and in companies of any size;

- FBs **"Closed"** for small businesses, characterized by closed-end governance to the non-family members at the leadership level and the Board of Directors (BoD), which works well only in simpler and dimensionally limited contexts (with lower revenues 50 million euros);

- FBs **"for Growth"**, which affects larger companies (with revenues over 50 million euros), where the founder is no longer driving the company. This is a model characterized by open governance to non-family members (especially at the level of the BoD) and in many cases characterized by a young leader at the company's lead.

<table>
<thead>
<tr>
<th>GOOD FOUNDER</th>
<th>CLOSED</th>
<th>FOR THE GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader's age</td>
<td>not young</td>
<td>young</td>
</tr>
<tr>
<td>Business’ size</td>
<td>small</td>
<td>Medium and large</td>
</tr>
<tr>
<td>Founder</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Board</td>
<td>closed/open</td>
<td>Open</td>
</tr>
<tr>
<td>Leadership</td>
<td>Family</td>
<td>Family/Non family</td>
</tr>
</tbody>
</table>

It is evident that in the first generation the founder is able to favor the company’s success with any model of governance. Conversely, in subsequent generations only the opening of the Board and leadership, together with the young leader's age, can favor the growth of the company.
1.5 A comparison with European FBs: the first 100 quoted Family Businesses in Italy, France, Spain and Germany

Comparing the first 100 largest quoted family firms in our country and those of France, Germany and Spain, emerge strong analogies between governance structures between Italy, France and Spain and differences with the German model.

In particular:

Family leadership is widespread in 43% of Italian listed companies, members of the family in BoD have a percentage of 22.2%. The presence of the family in leadership positions also plays a similar role in French and Spanish companies (respectively 42 and 41%), while it has a lower weight in German (32%). However, among these countries, France has a proportion of family members comparable to Italy (around 22%), while Spain, and especially Germany, show a lower incidence (equal to 16.4% 11.8%).

Therefore, the data show that the opening of Italian family businesses to non-family members is similar to that of France and Spain.

From an age point of view, the leaders of Italy are not significantly different from the rest of Europe: if in Italy the average age is 57.5, in the other three countries the age is comprised within a range of 58.5 (Spain) and 56.1 years (Germany). Similar considerations can be drawn for the average age of members of the BoD.
There is a greater difference however in the average age of the members of the Board of Directors.

With regard to the openness towards women among the four European countries analyzed, Italy appears to be distinguished for gender diversity: the percentage of women leaders (9.1%) is the highest in Europe, and the percentage of female as BoD member (24.3%) is - along with that of France - among the highest.
... And for greater gender equality at BoD level.
2. Policies for Succession and Transfer of Family Business

- One of the most significant challenges facing family firms is how to successfully manage succession
- Family business is always an individual enterprise, in which decisions are made by the entrepreneur who remains the only one who takes the risk
- Tax system should enhance human capital, whether internal or external to the family

2.1 The Family Businesses’ fiscal policies regulated by Italian Civil Code

According to a report based on research conducted by the European Commission, less than 33% of companies on the continent are able to maintain operations and ownership following the transition from the first to the second generation, and only 15% are able to assure continuity following passage from the second to the third.

Over the next ten years, a million small- and medium-sized companies will have to face this phase more or less 100,000 every year, and without adequate transitional planning, at least half are destined to disappear.

One of the most significant challenges facing family firms is how to successfully manage succession from one generation of leaders to the next. In family businesses, transitions of managerial control from one generation to the next pose significant challenges and often “simply do not work out”.

Although the legislator in Italy has provided to the family members the opportunity to intervene on certain decisions concerning the life of the company, he did not want to foresee a company run by several people.

In fact, the family business is always an individual enterprise, in which decisions are made by the entrepreneur who remains the only one who takes the risk arising from the exercise of the enterprise.

In the event of a company’s insolvency, the single party liable for bankruptcy remains the entrepreneur. This conclusion is underlined by the fact that the statutory provision provides for family members’ participation in earnings, but not in losses.

This means that, as far as third parties are concerned, the family business remains an individual enterprise and its discipline has as its main purpose, providing family members who are able to work in the enterprise or the family the opportunity to intervene in the company’s decisions, in the case of extraordinary administration...
situations, linked to particular moments in the life of the company, often affecting family’s internal relations among its members.

According to tax rules, as well as civil law, income participation distribution must be proportional to the quality and quantity of work provided by the employee. The tax authority adds that the allowances to all employees can not in any case exceed for tax purposes, 49% of the profits earned by the company. That is, at least 51% of this income must be assigned to the entrepreneur. While the solely responsible, as is the case with civil law, is the owner of the family business.

The main family business benefits advantages are: low costs for its constitution, the possibility of dividing income with family members in relation to the quantity and quality of work provided, their social security cover if they work in the enterprise. To assess the incidence of fixed-term social security contributions, bearing in mind, however, that they will also have the right to retire.

2.2 The incentives for Family Business’ succession

Family businesses tend to focus on the firm’s long-term sustainability rather than on realizing short-term profits and intergenerational in ownership and management. In line with this, family businesses are on average older than non-family businesses. When a firm is transferred to the next generation, it is not only financial assets which are passed on, but also social and cultural capital.

The latter refers, for example, to the value system, i.e., the importance of honesty, credibility, modesty, respect etc. On the one hand, this has led to particular emphasis being placed on the personal commitment and engagement of family members within the enterprise.

In Italy, succession taxes, re-introduced by the Prodi Government in 2006, after being abolished by the Berlusconi Government in 2001, do not apply to the heirs of an entrepreneur, provided they commit themselves to pursuing business activity for at least five years.

Only if they decide to sell it before this five years period elapses, heirs are subject to tax. These are particularly favorable conditions, even in an international context.

Many countries do not envisage any reduction in inheritance tax in the case of transfers of companies) to heirs; and even when they do, it is generally a partial and non-total exemption.
Providing a discount on a tax reserved to a particular category of citizens is equivalent to offering them a subsidy. In fact, therefore, Italy uses public resources to encourage entrepreneurs' heirs to continue to deal with the family business and not to leave their place to others by selling the business.

Maintaining family ownership can have both positive and negative effects. On the one hand, the family businessman can be more motivated, both financially and for ethical reasons. On the other, there is a problem of selection - the entrepreneur's son may not be the most competent person to direct the company. Entrepreneurs' sons are, by definition, wealthy and as such have perhaps less interest in engaging in entrepreneurial activities of less wealthy people.

In conclusion, favorable treatment for the sons of entrepreneurs does not have economic justifications and the generous exemptions already existing on

### 2.3 Some considerations on the Italian fiscal Policies addressed to Family Business

Rather than encouraging or discouraging succession among family members in managing a business, the tax system should enhance human capital, whether internal or external to the family. "Two speed" tax incentives for the needs of small and structured businesses, may constitute an appropriate policy reform.

The real goal of the “Two-speed tax incentive” system, is to ensure that succession processes are used to enhance human-family capital or not to implement fiscal instruments to encourage or discourage succession among family members. To achieve this goal, the legislator should encourage and facilitate a meritocratic selection of managers and greater professionalism of corporate governance.

This need could be met by two-speed tax incentives. For smaller companies, the current exemption scheme could promote business continuity by avoiding imposing discontinuities on companies with fragile organizational and managerial structures. For larger companies, however, the tax benefit could be directed to those with more structured governance, who have a board of directors with at least one outside member of the company and family control.

To discourage opportunistic behaviors, these structures could be expected to be in place for at least three years before the moment of ownership succession. This could allow the true breakthroughs that Italian (and perhaps not only) family businesses need, leveraging the tax advantage towards quality goals and professionalism of
governance, regardless of the blood ties of those who are called upon to handle them.
3. Problems identified in Succession and Transfer of Family Business

- One of the most critical phases in the life cycle of an enterprise comes at the time of transferring its ownership and leadership
- Difficulty in business transfer is psychological or emotional
- Complexity of the business transfer
- Obstacle stems from national legislation, in particular company law, taxation and administrative formalities.
- Only 1 in 3 of the companies survive the transition from the first to the second generation

3.1 The succession’ process of Family Businesses

One of the most critical phases in the life cycle of an enterprise comes at the time of transferring its ownership and leadership. These transfers of businesses can take place within the family, to employees or to third parties. Business transfers are still very often triggered by the entrepreneur’s retirement. However, retirement is only one reason. Other reasons for transfers which also play an important role include personal decisions, changing competitive environment or personal events.

Preparing for a business transfer is a long and complex process and can entail many difficulties. The first type of difficulty is psychological or emotional. Many entrepreneurs, especially those who have created and built up their own businesses over a number of years, are very reluctant to let go and to prepare the transfer of their business. The transfer of know-how and skills takes place very late, if at all. The result is that the transfer of the business is often insufficiently prepared. This is not only a matter for the entrepreneur who is transferring the firm, but also affects and limits the preparation time for the buyer or the successor or their closest collaborators.

The second type of difficulty is related to the complexity of the business transfer process and to the fact that the entrepreneur has no experience or knowledge of how to handle this situation.

The third type of obstacle stems from national legislation, in particular company law, taxation and administrative formalities. Examples of problems in this area include high inheritance and gift taxes, finance, problems preventing changes to the legal form of a business when preparations are being made for its transfer, and problems preventing the continuity of partnerships when one partner dies or retires.
It is certainly common to say that "the first generation creates, the second continues and the third destroys", but the most up-to-date analysis of the generational passage in Italy suggests that the risks to the continuity of the enterprise are very specific and that only 1 in 3 of the companies survive the transition from the first to the second generation, thus launching a new growth phase.

In family businesses succession is a complex process and the management of this process requires high quality leadership and delegation: the problem of generational transition in SMEs is remarkable and should not be underestimated.

It is estimated (EU statistics) that 30% of family businesses will not manage to get through the succession process. Applying these directions to Italian reality, it can be expected that 20,000 businesses each year will be induced to close or sell out of succession processes. Each year, accordingly, the jobs at risk could be as high as 65,000.

It is therefore necessary to best manage the intergenerational transfer, taking into consideration equity, harmony and meritocracy.

3.2 Four main “problem areas” in Succession of Family Business

From a study carried out by the CERIF - Family Research Center, created by the Association for Corporate and Managerial Studies at the Catholic University of the Sacred Heart (Milan), interesting data have emerged about the issues and difficulties that Italian family businesses face, both in the process of the intergenerational transfer.

The problems common to all types of family business and most felt are the following:

- the generational transition and the training of the new generation;
- the renewal of the entrepreneurial model;
- the ability to attract and retain key people;
- staff training;
- the internationalization process;
- the risk associated with the evolution of the reference economic sector;
- Corporate governance.

These are just some of the problems identified by the study. But in reality, the critical issues found are over 40, experienced differently by companies depending on their life cycle and size. These issues are divided into four general areas:
1. Business model:

This area refers to issues related to the specific characteristics of business models adopted by companies such as:

- Obsolete elements related to the original entrepreneurial model;
- difficulties in renewing the entrepreneurial model;
- difficulties in finding financial resources;
- professionals’ needs;
- inclusion in an industrial district which requires strict and not negotiable rules;
- organizational inadequacy.

2. Economic and financial aspects:

This area includes the problems related to economic and financial assets:

- significant change in corporate ownership;
- confusion of income flows between family and business.

3. Family-to-business relationships: the area concerns all the problems regarding the combination of work and private life. Specifically, the issues covered in this area are:

- Composition of the board of directors
- Nepotism
- Remuneration rules and system for family members
- Management of generational transition and business continuity

4. Risk Level: the last area identifies specific events that can seriously compromise, sometimes irreversibly, the success or the existence of the family business, some of which concern:

- technological risk (potential inability to quit obsolete technology and adopt original/new one);
- Financial risk (represented by the well-known "rich family - poor company" paradox, where large cash flows are subtracted from the enterprise in favor of family members expenses or investments);
- risk linked to founder's loss;
- Inability of the entrepreneur to manage the general transition with reference to transfer of business culture, used methodologies, provided timing.
4. Organisations providing support to Family Businesses

In the Italian legislative system there are no organizations providing specific support to family businesses. This type of company may get the same support available to all companies established in Italy.

The main body supporting the companies is the Chambers of Commerce, Industry, Agriculture and Crafts. These are local self-government units of public law. They perform functions of general interest for the business system and ensure the development of the local economy. They represent the main interlocutor of all businesses, including family businesses, and are committed to supporting services and projects that promote growth.

The Chamber of Commerce implements initiatives to promote access to credit, to increase innovation and technologies transfer, to promote local production in Italy and abroad, to protect the environment in the business activities, developing infrastructures and enhancing the territory resources.

All companies can also find support in the various Sectoral Associations that represent and safeguard the interests of a specific productive or professional category.

An interesting good practice to support family business is a project idea developed by Studio CentroVeneto: Kit.brunello.

**Kit.brunello** is a Self-Analysis Check-up Tool for SMEs, very specifically focused on family business transfer processes, which has been applied to more than 400 firms in Italy. This tool is available in five languages and contains 100 questions to help entrepreneurs, managers, consultants and accountants understand the strong and weak points of the transfer of businesses. Kit.brunello covers not only technical aspects (financial, fiscal, legal, organisational, insurance, etc.), but also emotional, psychological/interpersonal and leadership analysis. When used for a group of SMEs, Kit.brunello may provide both personalised portraits of single businesses and a summarised picture of the whole group of SMEs involved. More than 20 organisations (e.g. chambers of commerce and business associations in Italy) have used it for this purpose (a practice also known as ‘Laboratorium’).

5. Organisation StudioCentroVeneto
6. Further information: [www.kit.brunello.net](http://www.kit.brunello.net)
5. Identified Good Practices of Family Business Successful Succession

1. Urbani Tartufi S.R.L.

It is located in Sant’Anatolia di Narco, a very little town of the province of Perugia, in the centre of Italy. The main activity of this company is the production and distribution of truffle-based products to offer their world of good taste and refinement to an even greater number of people.

The Urbani Family has been dedicated to truffle with love and passion for six generations.

The family tree starts with Constantino Urbani in 1852, when he began exporting fresh truffles to Carpentras, France, thus creating a business that has become increasingly larger and more relevant through the years. Exports quickly expanded to France, Germany, Switzerland and at the same time to other Italian regions. After Constantino, came Paolo Urbani Senior, and then Carlo Urbani. Carlo Urbani, with the invaluable help of his wife Olga, not only became a pioneer of truffle cultivation in Italy, but also a great entrepreneur who reorganized his company putting the focus on his beloved truffle hunters. This is how Urbani Truffles, nowadays and internationally renowned company, was born. Paolo and Bruno Urbani, Olga and Carlo senior’s sons, are the fourth generation of the family. It’s thanks to them that the company was transformed into a big and beautiful one, but still family-run, a true technologically advanced industry.

The current Urbani generation, Olga, Carlo and Giammarco, developed important international branches, the Truffle Museum, the Truffle Academy and the Urbani Travels&Tours. They direct various departments of the company, managing with resolution and passion the administration, public relations, corporate image, legal, and corporate affairs of Urbani and its subsidiaries. They are the successful entrepreneurs, now leads the marketing department in Italy and International markets, with a special eye to the United States and the emerging markets. Luca and Francesco Loreti, Olga’s sons, represent the company’s sixth generation. Luca, under the careful guidance of his uncle Carlo, has been working for several years in international marketing. Francesco, (21 years old) has started his career in the field of fresh truffles, and has now moved on to his first major project: truffle cultivation.

The Urbani Tartufi company represents a good practice of Family Business which, despite many intergeneration transfers (6 generations), has been able to maintain the product’s high quality and, at the same time, has opened to new national and international markets, adapting the production and distribution to new technologies.
2. *Umbra Cuscinetti Spa*

Umbra Cuscinetti S.p.A. is the parent company of UmbraGroup. Based in Foligno, in the centre of Italy, the Company has achieved great success in its 40 years history.

Today, UmbraGroup is composed of four companies that arose from two strategic transformations: the first change occurred in 1972, when Airmacchi, a local company in crisis, was saved by the intervention of the German company FAG and the Italian company Gepi. The second transformation happened in 1993 when Mr. Valter Baldaccini, together with Mr. Reno Ortolani, purchased 100% of the company shares in a management buyout.

This was the beginning of the road to success for Umbra Cuscinetti S.p.A. Major investments followed; Umbra acquired the German company Kuhn and the American company Umbra Cuscinetti Inc.; export turnover increased by about 90% and in 2011 Umbra acquired PKE (PRÄZISIONKUGELN ELTMANN).

Its founder and Managing Director Valter Baldaccini was an illuminated entrepreneur, a great pillar of the Company that was able to bring Umbra Bearings among the world’s excellence.

Charismatic leader and great communicator tried to convey not only professionalism and dedication to their work, but above all the team spirit and the importance of values such as humility, respect and the value of the person.

At the young age of 27 he is appointed Production Manager of Umbra Cuscinetti and is entrusted with the coordination of 150 people. In 1988 he was appointed General Manager of the FAG plant of sum of Vesuviana (NA), which at that time had about 400 employees.

In 1993 he became UmbraGroup's Managing Director.

Under the guidance of an. Baldaccini, in 20 years the Group has gone from € 13 million in turnover to € 150 million and staff from 270 to 900 employees, of which 700 in the factory in Foligno.

Following her death, the company's control is partially due to her daughter, Beatrice Baldaccini, who, with the same professionalism and dedication to work, is doing very well with the Board of Directors composed of people outside the family, the company handed down by her father.
3. **C.M. Formaggi Di Copelli Marco: Three Generations Of Quality**

The C.M. Formaggi’s company is a small Family Business located in Rivalta sul Mincio, a little town in the North of Italy which produces different types of cheese.

The history of CM Formaggi began in the early 1900s when Luigi Copelli faces his greatest adventure in the world of Grana Padano and Parmigiano Reggiano trade supported by his wife Ida. The great strength of Ida brings great results and she begins to select other types of cheese, also involving her son Bruno, still a teenager.

In the postwar period, Mom Ida retires and Bruno continues to work with his wife, and together they designed the first store of typical cheeses, selected with care, in the native town.

In the 80’s Bruno built a warehouse for aging cheeses and his son Marco starts to get into the work of his parents. From here the third generation starts: Marco builds CM FORMAGGI, selecting particular products, by searching in artisanal cheese factories. The idea to refine and select niche cheeses led to the creation of the CM brand that is standing out in the national and international market for its quality the quality already chosen by his grandfather Luigi in 1900.

The CM Formaggi’s strenghts have been the experience and passion transferred by the founders to the next generations, which have been able to used them in order to widening the range of products and the markets, by maintaining the high quality of unique products which bring added value to the national territory, rich in traditions and history, and also abroad.
6. Conclusions

- Family business transfer succession is not an easy process.
- Therefore, family businesses must adopt the right mechanisms to allow them to optimize co-existence and plan continuity.
- Governments should also support those transfer process in order to help family businesses.

Family businesses are not only the backbone of many countries’ economies today, but may be their future as well. Despite numerous challenges, they demonstrate high optimism and the ability to grow.

Family business transfer succession is not an easy process. Family business transfer’s process is a multistage process and requires time and good planning. It should be gradual and involve different aspects: legal, organisational, managerial and educational ones.

Family businesses have many strengths, but also some defects. At the basis of all this is the fact that family and business are two distinct aspects based on completely different values: solidarity and protection being the first and risk, competition and meritocracy the second. In family businesses these two aspects are seen in structural areas that overlap and often risk triggering conflict, tension and problematic situations.

Therefore, family businesses must adopt the right mechanisms to allow them to optimize co-existence and plan continuity in order to confidently face the delicate phase of generational succession.

Governments should also support those transfer process in order to help family businesses not only to survive but also to grow as they are, in many cases, job promoters.
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Family businesses have always constituted a very important characteristic in many countries’ economic structures and an important source of employment. They are also important in ensuring continuity between generations, while allowing potentials for innovation, change, firms’ upgraded competitiveness and progress. The European Commission recognises Family Businesses’ importance and their role for the European Economy and promotes the creation of a favourable environment where family businesses can grow and develop. One of the key challenges is the transfer of business, which, in the case of Family Businesses, requires efficient and successful transition from one generation to the next.

The FABUSS Project aims at helping young persons related to Family Businesses become able and effective successors. FABUSS is a 24 months ERASMUS+ YOUTH project which started in February 2017 and will end in January 2019.

The FABUSS Partnership is coordinated by the Athens Chamber of Commerce and Industry and is composed of nine organisations from five EU countries (Greece, Bulgaria, Cyprus, Italy and Portugal) and the former Yugoslav Republic of Macedonia.

www.fabuss-project.eu