Generational transition in small and medium family business (SMFB): Evidence from Italy

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Transición generacional en pequeñas y medianas empresas familiares (SMFB): Evidencia desde Italia

El artículo analiza el proceso de transición generacional en pequeñas y medianas empresas familiares (SMFB) en Italia, un componente estructural del sistema económico del país. El estudio se basa en una revisión teórica multidisciplinaria, que incluye teorías de la agencia, *stewardship* y la perspectiva de riqueza socioemocional (Chrisman et al., 2007; Davis et al., 1997; Gómez-Mejía et al., 2007), para comprender los desafíos, factores críticos y estrategias relacionadas con la sucesión empresarial. A nivel metodológico, se adopta un estudio de caso en la región de Marche, reconocida por su alto índice de microempresas familiares. El caso analizado muestra cómo la falta de planificación estratégica y la resistencia a la profesionalización llevaron a una crisis empresarial, que solo pudo ser revertida mediante la intervención de actores externos y la venta a un grupo industrial. Entre los hallazgos principales, se destaca que las SMFB que implementan estructuras de gobernanza formal, formación para sucesores y apertura a capital humano externo presentan mayores tasas de continuidad y competitividad. El artículo concluye con recomendaciones de política pública para facilitar la sucesión generacional. Entre ellas, se incluyen incentivos fiscales, apoyo legal, y programas formativos en colaboración con universidades y asociaciones empresariales. De ser bien gestionada, la transición generacional puede ser una oportunidad para la renovación estratégica y la sostenibilidad de las empresas familiares.

Palabras clave: transición generacional, empresas familiares, gobernanza, sucesión

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The study is based on a multidisciplinary theoretical review, including agency theory, stewardship theory, and the socioemotional wealth perspective (Chrisman et al., 2007; Davis et al., 1997; Gómez-Mejía et al., 2007), to understand the challenges, critical factors, and strategies related to business succession. Methodologically, a case study is conducted in the Marche region, known for its high concentration of family microenterprises. The case analyzed illustrates how the lack of strategic planning and resistance to professionalization led to a business crisis, which was only reversed through the intervention of external actors and the sale to an industrial group. Among the main findings, the study highlights that small and medium family businesses (SMFBs) that adopt formal governance structures, successor training, and openness to external human capital exhibit higher rates of continuity and competitiveness. The article concludes with public policy recommendations to support generational succession, including tax incentives, legal support, and training programs in collaboration with universities and business associations. When well-managed, generational transition can become an opportunity for strategic renewal and the long-term sustainability of family businesses.

Keywords: generational transition, family businesses, governance, succession

Transição geracional em pequenas e médias empresas familiares: Evidências da Itália

Este artigo analisa o processo de transição geracional em pequenas e médias empresas familiares (PME) na Itália, um componente estrutural do sistema econômico do país. O estudo baseia-se em uma revisão teórica multidisciplinar, incluindo teorias de agência, administração e a perspectiva da riqueza socioemocional (Chrisman et al., 2007; Davis et al., 1997; Gómez-Mejía et al., 2007), para compreender os desafios, os fatores críticos e as estratégias relacionadas à sucessão empresarial. Em nível metodológico, adota-se um estudo de caso na região de Marche, reconhecida por seu alto índice de microempresas familiares. O caso analisado mostra como a falta de planejamento estratégico e a resistência à profissionalização levaram a uma crise empresarial, só revertida através da intervenção de atores externos e a venda para um grupo industrial. Entre as principais conclusões, destaca-se que as PME que implementam estruturas formais de governança, formação para sucessores e abertura ao capital humano externo apresentam maiores taxas de continuidade e competitividade. O artigo conclui com recomendações de políticas públicas para facilitar a sucessão geracional, incluindo incentivos fiscais, apoio jurídico e programas de treinamento em colaboração com universidades e associações empresariais. A transição geracional, bem gerenciada, pode ser uma oportunidade de renovação estratégica e sustentabilidade para empresas familiares.

Palavras-chave: transição geracional, empresas familiares, governança, sucessão

1. Family businesses and generational transition in Italy: An introduction

Small and medium family businesses (SMFB)[1] represent a structural and identity component of the Italian economic system, characterizing themselves as economic entities deeply rooted in the social, cultural and productive fabric of the country. Their relevance goes far beyond mere numerical presence and size, as they embody a business model strongly marked by values such as intergenerational continuity, territorial rootedness, loyalty to workers and the propensity to reinvest profits within the company. In Italy, more than in other European countries, the link between business and family is historically interwoven with affective, fiduciary and symbolic elements that help build a stable entrepreneurial identity over time, capable of withstanding even adverse economic phases such as those that have characterized recent years (Corbetta & Salvato, 2004).

From a theoretical point of view, family businesses have been studied through different conceptual approaches[2]. The agency theory paradigm has emphasized the reduction in agency costs due to the overlap between ownership and control, while stewardship theory has emphasized the centrality of the family entrepreneur's sense of responsibility and identification with the long-term success of the enterprise (Davis et al., 1997). The socioemotional wealth perspective has expanded the analysis to include noneconomic dimensions that motivate entrepreneurial family choices, such as reputation, dynastic succession and family identity (Gómez-Mejía et al., 2007).

1 One of the most accredited definitions of a family business is the one provided by the European Commission (2009), according to which a business can be said to be a family business when the majority of voting rights are held by an individual or members of the same family, at least one family member is involved in management, and the declared intention is to maintain family control in the long term. The most influential interpretative model is the "three circles" model proposed by Tagiuri and Davis (1996), which distinguishes between the subsystems of family, business and ownership. The intersection between these circles generates both synergies and potential conflicts, especially at times of transition.

2 The literature proposes multiple ways in which family enterprises can be classified. Gallo (1992), for example, distinguishes between work, management, investment and business enterprises, according to the degree of family involvement and the role played. Corbetta (1995), on the other hand, proposes a taxonomy based on the ownership structure, the composition of decision-making bodies and the intensity of family involvement at the different company levels. These theoretical models are fundamental for understanding the variety of succession paths and for evaluating the most appropriate strategies depending on the type of business.

With reference to the Italian case, the literature highlights that family businesses constitute a significant portion of the national economic landscape (Corte et al., 2018), with a pivotal role in shaping the nation's entrepreneurial ecosystem (Rachmadana, 2021). Indeed, they often characterize by a blend of personal and professional spheres, and by intricate systems where kinship, ownership, and management intertwine, creating a distinctive organizational culture and strategic orientation (Toma et al., 2012). The relevance of family businesses in Italy extends beyond mere economic contributions; it encompasses social, cultural, and historical dimensions that are deeply embedded in the Italian identity. Understanding the dynamics of SMFB is crucial for comprehending the overall economic health and societal fabric of Italy, as they represent a significant source of employment, wealth creation, and regional development (Colli & Rose, 2003).

Recently, some studies have proven that the ability of Italian family businesses to contribute to innovation and social cohesion is linked to their adaptive capacity. They show higher resilience than other organizational models, especially in the presence of systemic crises, as indicated by the responses adopted during the 2008-2009 financial crisis and during the covid-19 pandemic (De Massis & Rondi, 2020). This resilience comes from a mix of managerial prudence, long-term vision, and relational proximity to the territory and employees. However, these strengths can become rigidities structural when not accompanied by processes of managerialization, openness to capital and technological innovation.

Generational transition, understood as the transfer of ownership, decision-making power and entrepreneurial leadership from one generation to the next, represents one of the most critical challenges to business continuity. Empirical data confirm the difficulty of the process: only 30% of Italian family businesses make it through the transition to the second generation and less than 15% to the third (Unioncamere, 2023). These statistics suggest that succession cannot be interpreted as an episodic event, but rather as a long, strategic and multidimensional process that requires advance planning, appropriate legal instruments and appropriate organizational restructuring.

In this paper, the focus is on the specific topic of generational transition in SMFB, in Italy. In the second section, a brief literature review is provided on generational transition to focus on critical issues, strategies and perspectives of generational transition, as well as on success factors in the path of generational change. Section 3 analyses the spread and impact of SMFB in the Italian context, as well as its organizational, financial and structural connotations. In the last two paragraphs the focus shifts to one of the regions with the highest rate of micro-entrepreneurship in Italy, namely Marche, within which the case of generational transition is analyzed. The firm here considered had to face generational transition in the second generation from its founding. The case is particularly interesting as it confirms the relevance of managerial transition towards external skills when the entrepreneurial attitude is lacking in younger generation of the family. The paper concludes with some specific managerial and policy implications on the topic and desirable future areas of research.

2. Theoretical background

Generational transition constitutes a pivotal juncture in the trajectory of SMFBs, demanding meticulous planning and strategic execution to ensure continuity and sustained prosperity (Flynn & Duesing, 2018). The intricacies inherent in these transitions stem from the confluence of familial relationships, business operations, and ownership dynamics, which collectively influence the succession process and subsequent organizational performance (Morris et al., 1997). It involves the transfer not only of ownership and leadership, but also of symbolic capital, founding values and the strategic vision of the business (Le Breton-Miller et al., 2004).

The ability of a family business to navigate this transition effectively hinges on a multitude of factors, including the preparedness of successors, the willingness of incumbents to relinquish control, the alignment of family values with business objectives, and the adoption of professional management practices (Sandu & Nye, 2020). Without careful consideration of these factors, family businesses face a significant risk of decline or failure during generational shifts, underscoring the critical importance of proactive succession planning (Takwi et al., 2020). Planning involves identifying and preparing the next generation of leaders to assume responsibility for the business (Takwi et al., 2020). This process encompasses not only the transfer of ownership but also the cultivation of essential skills, knowledge, and experience required to effectively manage the enterprise (Desbois, 2016). Furthermore, effective communication and conflict resolution mechanisms are essential to navigate potential disagreements and maintain family harmony throughout the transition period (Morris et al., 1996). The transfer of idiosyncratic resources, tacit knowledge, and values from one generation to the next also ensures continuity in intergenerational transition in family business (Ting, 2020).

The literature identifies several theoretical approaches to the issue of succession. Handler's (1994) classic contribution emphasizes the importance of the process, rather than the event, and the gradual preparation of the successor. Gersick et al. (1997) propose a three-dimensional model (family, ownership, firm) that highlights the complex and interdependent dynamics of generational change. More recently, De Massis et al. (2008) introduced the concept of "intentional succession", in which the family sets strategic goals and builds competencies in the next generation from a long-term perspective.

Key empirical criticisms include resistance to detachment by the outgoing generation, lack of managerial skills in the incoming generation, sibling/cousin conflicts, and lack of governance structures capable of managing family complexity (Calabrò & Mussolino, 2013). Firms that adopt governance tools such as family pacts, family councils and boards with independent members show a higher probability of success in generational transition (Minichilli et al., 2016).

Recent studies also emphasize the importance of human and relational capital, as well as specific training of potential successors, including through experiences outside the family business (Mazzelli et al., 2022). Succession, if well managed, can become a lever of strategic renewal and innovation, capable of preserving identity values while introducing elements of positive discontinuity. The inclusion of external non-family members on boards of directors proves to be particularly effective in strengthening control mechanisms, reducing internal conflict, and encouraging the adoption of long-term oriented managerial practices (Di Carlo, 2021; Minichilli et al., 2016.

Despite the many pitfalls that characterize the generational transition in family businesses, the literature points to the existence of certain factors that, if properly activated, can transform this critical phase into an opportunity for strategic renewal and organizational consolidation. Several studies converge in indicating that early succession planning, the adoption of meritocratic criteria in the selection of the successor, the strengthening of governance and the use of training and external resources are necessary conditions to ensure the continuity of the business (Corbetta & Salvato, 2012; Le Breton-Miller et al., 2004; Miller et al., 2003).

One of the main critical factors is early succession planning, which should be understood as a gradual process, ideally spread over a five- to ten-year time frame. This process involves the identification of potential successors, the gradual assignment of operational and strategic responsibilities, the definition of a shared vision across generations, and the integration of governance activities with an intertemporal perspective (Lambrecht & Lievens, 2008; Sharma et al., 2003). Firms that implement structured planning show significantly higher survival rates than those that approach the transition in a reactive or improvised manner (Cabrera-Suárez et al., 2001).

A second key element concerns the selection of the successor. Selection criteria should prioritize management skills, interpersonal skills, strategic vision and authority recognized inside and outside the organization. Over-emphasis on the legacy line, divorced from objective assessments of merit, is associated with lower levels of performance and high risks of internal conflict (Bennedsen et al., 2007). Inclusion of successors with experience from outside the family business has been shown to increase the likelihood of a successful generational transition by bringing innovative visions and reducing dependence on the founder (Garcia et al., 2021).

An additional pillar is the formalization of governance practices. The creation of structured deliberative bodies, such as boards of directors with independent members or family advisory committees, allows for the separation of affective and strategic dimensions, fostering transparency, accountability, and attractiveness to outside investors and managers (Gersick et al., 1997; Melin & Nordqvist, 2007). The evolution toward hybrid governance models, in which family and non-family components coexist within formal arrangements, is a growing trend especially in small and medium-sized enterprises (SMEs) that aspire to greater market openness (Basco, 2014).

Successor training emerges as a major cross-cutting element. "On-the-job" learning alone, although crucial for the acquisition of tacit skills, is insufficient in the absence of academic training, managerial experience in external settings and formalized mentoring processes. The combination of experiential learning and structured training enables successors to develop a leadership profile suited to contemporary competitive challenges (Barach & Ganitsky, 1995; Minichilli et al., 2016).

Finally, the involvement of third-party actors-such as consultants, coaches, lawyers, or family facilitators-provides crucial support at times of greater relational and patrimonial complexity. The input of external actors fosters the development of shared strategies, mitigates intergenerational conflicts, and contributes to the establishment of legal agreements that can protect the future stability of the firm (Cesaroni & Sentuti, 2017).

2.1. Family enterprises in Italy and generational transition

SMFBs are a large part of the industrial business system in many countries. In the case of Italy, they represent a specificity of the national production system, characterized by distinctive organizational and financial arrangements that significantly influence their performance and evolutionary trajectories.

According to recent data, family businesses account for more than 85% of active firms in Italy, with a preponderant weight in SMEs, but with a significant presence among large firms as well. Among Italy's 100 largest nonfinancial companies, about 65% have a family-controlled ownership structure (AUB Observatory, 2023). The economic impact is significant: family businesses contribute about 70% of Italy's gross domestic product (GDP) and employ more than 75% of private sector workers (Associazione Italiana delle Aziende Familiari [AIDAF], 2022).

At the sectoral level, they are concentrated in manufacturing (particularly in the mechanical, fashion and food sectors), business services and retail trade. However, in recent years a gradual expansion has also been observed towards sectors with high technological intensity and greater international vocation. The survival rate of family businesses is higher than that of non-family businesses: 73% of family businesses founded before 1970 are still active, compared to 45% of non-family businesses (AUB Observatory, 2023).

In terms of governance, about 43% of family businesses with more than 50 employees now have a formalized board of directors in-house, but only 18% have independent members from outside the family (Borsa Italiana, 2023). This points to a slow but gradual transition toward more open and professionalized forms of management.

From a territorial point of view, family firms are distributed throughout the country, with a particular density in the northeast (Veneto, Emilia-Romagna, eastern Lombardy) and center (Marche), where the model of "diffuse family capitalism," characterized by dense networks of relationships between firms, institutions and local communities, has been consolidated (2000). This territorial dimension constitutes an additional competitive advantage but also makes such firms more exposed to risks related to local demographics and available human capital.

Organizationally, family firms are typically characterized by a centralized governance model, in which decision-making power is often concentrated in the hands of one or more members of the founding family. While this model allows for speed in decision-making and strategic consistency, it can also generate rigidity in managerial management and difficulties in opening to external expertise (Corbetta & Salvato, 2004; Minichilli et al., 2016). The overlap between ownership, control and operational management produces a management configuration that favours the preservation of family capital and the intergenerational transmission of founding values but tends to limit the introduction of formalized governance mechanisms.

In financial terms, Italian SMFBs predominantly adopt a prudent approach, with a low propensity to borrow and limited openness to venture capital. Sources of financing are frequently internal, with a marked preference for self-financing and cash preservation, even at the expense of size growth. Such financial behavior reflects a strategy of control preservation and risk containment, consistent with the socioemotional wealth perspective (Gómez-Mejía et al., 2007), according to which entrepreneurial families prioritize noneconomic goals, such as maintaining family identity and dynastic continuity, over short-term profit maximization. This approach is also reflected in investment strategies, which are often long-term oriented and characterized by high selectivity in the choice of projects to be financed. Family SMEs also show strong territorial roots, manifested in a stable relational network with suppliers, customers and local institutions. This territorial social capital, which is well documented in the literature on Italian industrial districts (Becattini, 2000; Rullani & Micelli, 2010), contributes to firms' resilience in times of crisis, but can also be a limitation to geographic and sectoral diversification.

Despite these conservative characteristics, Italian family firms often exhibit above-average economic and financial performance, especially in terms of profitability and adaptability. Recent studies (De Massis et al., 2022; Mazzelli et al., 2022) show that family presence is associated with greater resilience in times of economic instability, as well as with a propensity for incremental innovation, fostered by tacit knowledge accumulated over time and management continuity. However, such performance is significantly affected by the quality of governance and the ability to introduce mechanisms of managerialization, particularly in the stages of growth and internationalization.

Focusing on the impact of generational transition in Italian SMFBs, it is important to point out that about 60% of Italian family businesses are facing or will face a generational transition in the next 10 years. However, less than 30% have put in place structured succession planning (AUB Observatory, 2023).

Data and empirical analysis (AUB Observatory, 2023), show that the issue of succession represents one of the main structural criticalities of the Italian business system, both in terms of sustainability and competitive ability.

Based on a sample of more than 11.000 family-controlled businesses, 43% of entrepreneurs in family SMEs are over sixty years old, while 18% are over seventy years old and continue to hold the position of CEO. These data point to poor transition planning readiness and a systemic risk of management discontinuity in the event of unexpected events.

The survival rate of family firms after succession appears to be strongly affected by the quality of governance and the presence of formal strategies. Only 30% of firms successfully make it through the transition to the second generation, while less than 15% make it to the third. These data, consistent with the international literature (De Massis et al., 2008; Miller et al., 2003), confirm that managing the generational transition is a critical variable for the resilience and adaptability of Italian SMEs and therefore of the entire Italian industrial system.

3. Conceptual and methodological framework

3.1. Generational transition in highly entrepreneurial areas: The case of the Marche region (Italy)

In the context of this research, which examines SMFBs in Italy and the process of generational transition, a single case study approach is employed to provide a detailed, contextualized exploration of the phenomenon. As Yin (2014) argues, case studies are particularly suited for answering "how" and "why" questions, especially in complex, real-life settings. By focusing on a single case, the study allows for an in-depth understanding of the dynamics and challenges involved in generational transitions within family-owned businesses, which are often unique and influenced by intricate socio-cultural and economic factors. Yin (2014) notes that case studies are especially valuable when the researcher is investigating a contemporary phenomenon within its real-life context, where the boundaries between the phenomenon and its context are not clearly defined. This approach ensures that the research findings are grounded in the lived experiences of the case, providing a rich and nuanced understanding of the generational transition process.

Additionally, as Flyvbjerg (2006) suggests, the use of a single case study is appropriate when the objective is to develop a deeper understanding of the particular context under investigation, rather than seeking to generalize findings across multiple cases. In this regard, the focus on one family business case in Italy offers a detailed exploration of the challenges, strategies, and outcomes of generational transition within the specific cultural and economic context of Italian SMFBs, yielding insights that can contribute to both theory and practice in the field.

The Marche region, where the company is located, represents a privileged case for the analysis of intergenerational dynamics in family SMFB in Italy. Characterized by a high density of family-owned businesses, rooted in the territory and strongly represented in the manufacturing, agribusiness, fashion and mechanical sectors, the region offers a particularly relevant empirical observatory.

The entrepreneurial fabric of the Marche is characterized by a dense network of SMFBs, often rooted in traditional manufacturing sectors such as footwear, furniture, and mechanics. These firms are typically export-oriented, strongly embedded in local industrial districts, and exhibit high levels of craftsmanship and flexibility (Becattini, 2000). Over the decades, many have evolved from artisanal workshops into internationally recognized brands while preserving their territorial identity (Trigilia, 2005). The region's economic model emphasizes social cohesion, inter-firm cooperation, and generational continuity (Bianchi & Labory, 2011). Despite global pressures, this system has shown resilience by integrating innovation and maintaining strong ties with local culture and values.

The issue of generational transition represents one of the most relevant challenges for businesses in the region today, not only from an economic and organizational standpoint, but also in terms of territorial cohesion and continuity of the local business fabric. The Marche region, traditionally characterized by a development model based on the diffusion of family businesses with strong territorial and sectoral roots-particularly in the manufacturing and artisan sectors-is today confronted with a demographic and socioeconomic dynamic that makes generational turnover a strategic issue. According to a regional survey (Regione Marche, 2003), about 25% of SMEs in the Marche are led by entrepreneurs over 60, while a significant number of companies approach a critical threshold without having initiated a structured succession process. This phenomenon is part of a larger national trend, where more than 60% of Italian family businesses do not make it past the second generational transition (Corbetta & Salvato, 2012), and only a third make it to the third generation (Istituto Nazionale di Statistica [Istat], 2022).

SMFBs, characterized by a strong identification between business and family, face the critical issue of successfully managing the generational transition because of the difficulty of distinguishing between affective and managerial logics. The absence of formal governance tools, such as boards of directors with independent members or family pacts, contributes to generating situations of conflict among family members or amplifying resistance to change on the part of the outgoing generation (Sharma et al., 2003). The literature points out (Cervasi, 2018) that firms from the province of Fermo and Macerata, belonging to the footwear district, fail to initiate a process of side-by-side between generations often results in leadership crises, loss of market and internal conflicts. Difficulties increase where potential successors show little inclination for business continuity, turning toward external careers or leaving the traditional sector, perceived as unattractive compared to other industries.

Organizationally, the absence of formalized managerial models in family SMEs in the Marche region can be an obstacle to both the transmission of tacit skills and the adoption of control, planning and evaluation tools. In many cases, decisions are still made intuitively and personally by the founder, without effective delegation to younger members. This scenario is also reflected in the limited openness to the outside world, which often prevents the inclusion of unfamiliar managerial figures capable of accompanying change. However, some virtuous experiences highlight the possibility of reversing this trend. Research conducted by Montecamozzo (2012) shows how companies that adopt a gradual approach to succession, based on a period of managerial coexistence between generations, flanked by training processes, internal mentoring and progressive involvement in governance, succeed in preserving the family's heritage of values while innovating business models.

A particularly relevant element in the Marche cases is the role of training. The literature points out that the preparation of the successor cannot be limited to the transmission of technical skills, but must also include managerial, legal-patrimonial and relational knowledge, with customized training paths that foster the maturation of autonomous leadership (De Massis et al., 2008).

From a legal-patrimonial point of view, the scarcity of succession planning tools-such as trusts, family companies, or family pacts-is a further limitation to the stability of generational transition in SMEs in the Marche. The adoption of such tools, as also recommended by Assoholding (2024), could offer guarantees of continuity and protect the company from possible succession conflicts or fragmentation of the company's assets. In addition, the introduction of hybrid corporate governance models, which combine the centrality of family values with managerial mechanisms of control and performance evaluation, can be a strategic lever to accompany the evolution of the company in increasingly complex market contexts.

4. Results

4.1. "The firm"

In the local context examined in the previous paragraph, the case of a SMFB operating in the fashion sector is particularly interesting. "The firm" represents an emblematic case of entrepreneurial evolution, particularly in the high-end childrenswear sector, starting from a family and artisan matrix to arrive at a complex managerial and industrial configuration, projected on an international scale.

Founded in the 1950s by a woman, a dressmaker, as a small tailor's shop specializing in children's clothing, over time the company has been able to consolidate a reputation based on sartorial quality, attention to design and innovation in the manufacture of children's garments. The formalization of the company structure took place in 1981 with the establishment of "The firm" marking the definitive transition from the artisan to the industrial dimension, in a context characterized by a growing demand for high-end children's products.

During the nineties, the company undertook a significant process of internationalization, extending the distribution of its garments to over twenty-seven countries, including the United States, Japan, China and the Persian Gulf countries. At the same time, the company is among the first Italian companies in the sector to inaugurate licensing strategies with established brands in the adult market, initially including "License 1" and "License 2", activating a synergy between production know-how and the enhancement of iconic luxury brands. This approach intensified in the new millennium, with the licensed management of further internationally important brands - from "License 3" (through an agreement with one of the most important and famous Fashion Luxury Maison) to "License 4" to "License 5" (company profile "The firm", 2023). At the dawn of the 2000s, the company began to show the first entrepreneurial and organizational problems, which very quickly spilled over into the economic and financial dimensions.

The elements that had been the source of the company's competitive advantage for many years (district location, consolidated presence on the domestic and international market and production specialization) showed signs of weakness. The founder's descendants, all at the helm of the company with strategic and operational roles, were unable to grasp the profound transformations that the market was undergoing. In fact, while on the one hand the decision of the luxury masons to enter the kids wear market represented an opportunity, it also generated threats. Consumer tastes and trends were heavily influenced by these brands, making the consolidation of the company's market position extremely difficult, with progressive loss of share. As anticipated, this circumstance revealed serious shortcomings on the part of the company's family governance, which repressed by initiating a process of managerialization that was never carried out with decision and concreteness.

The progressive loss of market share, coupled with the complete lack of restructuring of the main production processes, still in the hands of family members, dragged the company into a context of serious economic/financial imbalance. The situation worsened to such an extent that the only available option was the total sale of the shares by the founder's children. Strategic decisions were delegated to a temporary manager who, in parallel, began to review some of the company's operational processes and search for a possible industrial investor.

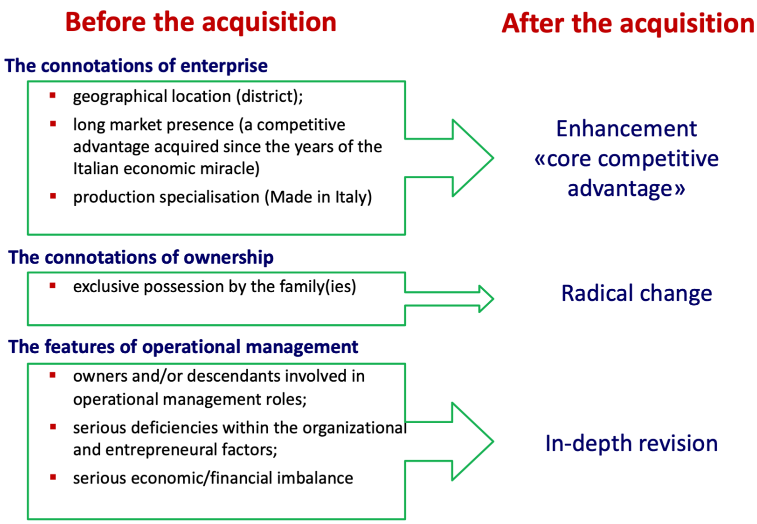
The structural transformation takes place definitively in 2017, with the entry of "The firm" into a holding company, part of an industrial group. This operation marks the abandonment of the purely family model and the integration into a more articulated managerial system, oriented towards the creation of the "The firm group". This set-up made it possible to consolidate control over production, distribution, licensing and brand management activities, favoring economies of scale and an increase in innovation capacity. The expansion of the plant - the operational and management headquarters - has led to the implementation of highly efficient production processes, with over 4,000 m² equipped for the production and quality control of approximately one million garments per year.

The acquisition process involved an initial strategic decision, represented by the re-composition of sales, eliminating marketing methods that did not generate any value for the company. This was followed by a period of strong sales expansion. In this respect, in just five years, from 2018 to 2023, the company's turnover rose from around EUR 20 million to over EUR 74 million, an increase of around 270%. The exponential growth in sales has been accompanied by a consolidated recovery in operating and net profitability, with the result that the company has achieved truly significant levels of capitalization and liquidity (cfr. figure 2 and figure 3).

From the point of view of the supply chain, the company firmly maintains its territorial roots, collaborating with suppliers located mainly in the Marche and other Italian regions (Abruzzo, Tuscany and Veneto), while integrating some qualified outsourcing in Portugal and Turkey. The decision to maintain the core production in Italy goes hand in hand with the desire to enhance Made in Italy as an identifying and distinctive element, also regarding international customers with a high spending capacity.

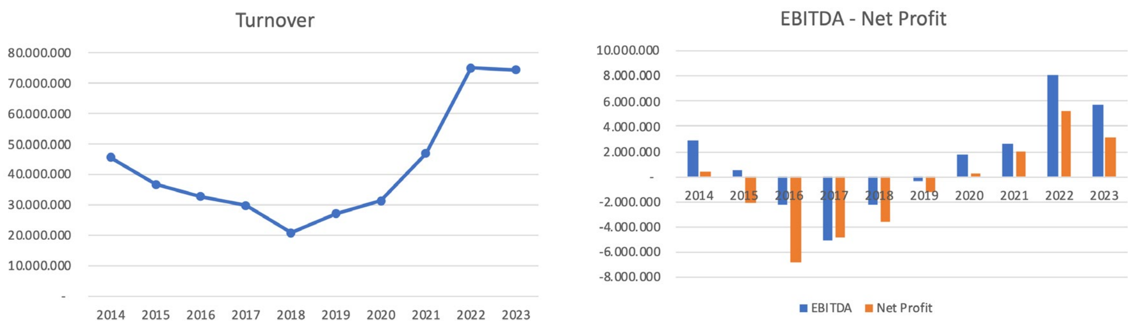
As summarized in figure 1, the characterizing features of the company were enhanced with the acquisition, making it the lever on which to strengthen competitive advantage. The connotations of ownership, previously in the sole possession of the family, were completely overturned and, very importantly, the operational management was substantially revised. At the head of each operational area were placed managerial figures with specific skills, assigning them specific responsibilities. The economic and financial results generated in the following years are extremely interesting, in addition to the fact that the employment base has been greatly increased.

Figure 1. *Pre and post-acquisition*



Note. All economic and financial indicators highlight the success of the competitive strategy pursued and implemented by the company.

Figure 2. *Trends of the economic aspects*



As shown in figure 2, the graph on turnover trends shows that "The firm" lost more than 50% of its turnover between 2014 and 2018. The decrease in turnover continued, accentuating the descent, even in the year following the acquisition, as the sales structure had to be recomposed. The negative trend is even more evident when looking at the two main economic quantities: EBITDA (earnings before interest taxes depreciation and amortization) and net profit for the year. These negative results have been progressively eroding the value of the company, to the point where the equity capital has taken on negative values and the net financial position to take decidedly worrisome values that are not sustainable with economic dynamics. Investments in tangible and intangible assets of the company show a similar trend, manifesting, from a different perspective, the same loss of value (figure 3).

Figure 3. *Trends of the equity and the financial aspects*

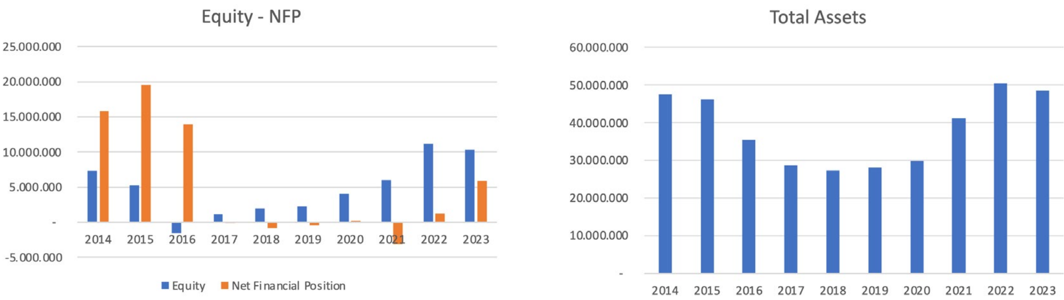


Table 1 shows the most significant ratios which, together with the dynamics of the workforce (figure 1), numerically quantify the market success of "The firm".

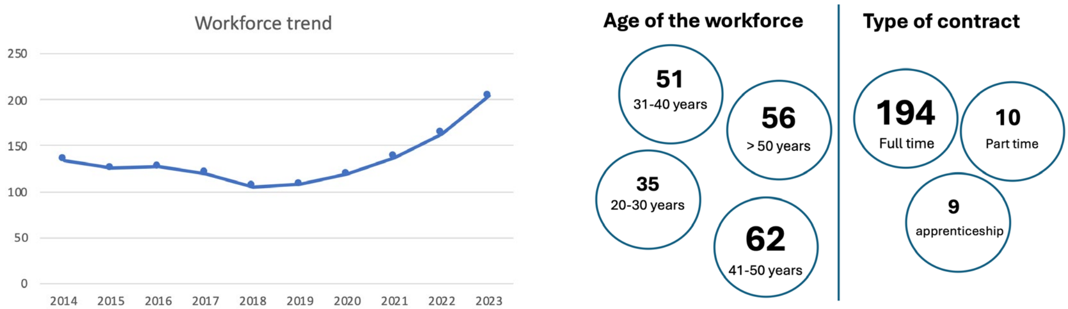
Table 1. *Economic and financial ratios*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EBITDA/Turnover (%)	6,28	1,25	-6,07	-16,23	-10,44	-1,17	5,51	5,48	10,67	7,61
Return On Sales (ROS) (%)	3,92	-2,90	-15,43	-20,63	-15,31	-4,68	3,91	4,57	9,97	6,42
Return Total Assets (ROA) (%)	3,80	-2,33	-15,69	-22,38	-12,02	-4,59	4,17	5,25	15,01	9,88
Return On Equity (ROE) (%)	6,02	-38,77	n.a.	n.a.	n.a.	-52,66	6,41	33,58	46,52	30,34
Debt/Equity ratio	2,41	3,91	-10,42	0,81	0,04	0,54	0,36	0,10	0,30	0,68
Debt vs Bank on Turnover fatt. (%)	37,68	55,14	43,61	2,81	0,39	4,34	4,47	1,21	4,48	9,41
Debt/EBITDA ratio	6,16	44,91	-7,29	-0,17	-0,04	-3,70	0,81	0,22	0,42	1,24
Turnover Investments (in n.)	0,96	0,79	0,92	1,04	0,76	0,97	1,05	1,14	1,49	1,53

A final element that testifies to the success the company is the investment in workforce. The number of employees, after declining before the acquisition, started to increase year by year. At the same time, average age decreased. Old family members and relatives left the company, in favor of a new generation of young employees and managers.

The firm has managed, in the span of a few years, to double the workforce within its structure (figure 4). Believing in the role of a well-coordinated and valued team of people to support company's innovation and competitiveness, the new owners introduced key innovation in the organizational structure and in human resource management.

Figure 4. *Workforce*



The company embodies the evolution of the small family business towards an integrated business model, capable of combining craftsmanship and innovation, territorial rootedness and international openness, production specialization and strategic versatility.

5. Conclusions

In this paper, attention has been drawn to the issue of generational transition in SMFBs. It is a moment in the life of the enterprise often experienced with ambivalence. On the one hand, it represents a physiological necessity; on the other, it is perceived as a threat, especially by the founders, who struggle to plan their exit in a systematic way. In the literature, this resistance is referred to as the "founder syndrome" and is linked to a propensity to centralize and difficulty in delegating. One of the most common problems is the absence of strategic planning of the succession process. Many entrepreneurs postpone decisions until unforeseen events or impaired health occur, thus failing to make clear plans for future roles, successor selection criteria and governance arrangements.

A second critical factor is intergenerational conflict. The coexistence of different strategic visions between generations can lead to tensions, especially when cultural models, risk propensities and managerial practices diverge significantly. The lack of structured communication and the persistence of non-formalised roles accentuate these critical issues. Nepotism represents a further dysfunctional element. In many family contexts, the choice of successor is made more by blood ties than by competence, generating frustration among employees and undermining stakeholder trust.

Another area of vulnerability is the overlap between the roles of family, business and ownership. The absence of a clear distinction often leads to decisions influenced by emotional rather than rational logic, reducing transparency and accountability in business processes (AIDAF, 2022).

Finally, resistance to change can undermine the transition. The founder's fear of seeing the corporate identity distorted clashes with the successors' need to introduce innovations, making the succession process a field of tension between preservation and transformation.

Indeed, the case confirms that the survival and competitiveness of family businesses depend on the ability to manage the family, organizational and asset dimensions of the process in an integrated manner. It is necessary to overcome the logic of emergency and adopt a strategic and anticipatory approach, capable of enhancing the resources of tradition and, at the same time, favoring the innovation of entrepreneurial models.

In the case analyzed in this paper, it was clear that only the intervention of external managers and professionals have saved the firms from bankruptcy. Nevertheless, the intervention was too late to allow the family to keep the financial control of the company. The generational transition was not planned and managed well in advance. It became crucial to save the firm, and the only available option was to involve a new private owner.

To avoid the risk of dissipating the knowledge, economic and social value accumulated in SMFBs it is important to implement, in local context, specific strategies to support and protect SMFBs' future leveraging on public policies and accompanying instruments that facilitate generational change. In particular, it is necessary to incentivize the adoption of professional governance models, support managerial training courses for the new generations, and encourage access to legal instruments such as family pacts and family holding companies (AIDAF, 2022). The intervention of institutions, in collaboration with trade associations and local authorities, appears essential to consolidate a culture of planned transition, capable of supporting the evolution of Italian family SMEs in the contemporary economic context.

The generational transition process in family-owned businesses often presents significant risks and challenges, such as the preservation of family legacy, business continuity, and the integration of new leadership. A set of policy suggestions are here described.

Policymakers, at national or local level can play a critical role by designing targeted support programs specifically for SMFBs. These programs could focus on providing resources, guidance, and expert consultation for family businesses navigating generational transition. For example, advisory services could help family members involved in the transition process address key challenges related to leadership succession, governance structures, and family dynamics. Such initiatives could be supported through grants, tax incentives, or partnerships with business associations and universities.

The process of generational transition often involves the introduction of new leaders who may not have prior experience in running the family business. Local ecosystems of innovation could support training and educational programs tailored to potential successors, focusing on leadership, financial management, and innovation. Local universities could be the focal actor in this process. Such programs could be delivered in collaboration with chambers of commerce, and professional business networks. In addition, mentorship initiatives could pair younger generations with experienced entrepreneurs, creating a supportive learning environment.

Family businesses undergoing generational transitions often face financial strain due to the costs associated with succession planning, the potential need for restructuring, or the adoption of new technologies. National or local government should consider introducing specific financial support mechanisms, such as low-interest loans, subsidies, or tax relief programs, aimed at easing the financial burdens of family SMEs during the transition. This could also include the development of specialized financial products that allow for the gradual transfer of ownership and control, reducing the financial pressure on the outgoing generation.

Transitioning family businesses may benefit from being part of a broader network of SMEs that share similar challenges and experiences. Local policymakers can encourage the formation of industry-specific clusters or networks where family business owners can exchange knowledge, best practices, and innovative ideas. These collaborative networks can offer valuable peer support, which can be crucial for navigating generational change. Collaboration with universities, research institutions, and industry experts could also help family businesses adopt new technologies and management practices that support long-term sustainability.

Generational transitions often fail because the planning process is initiated too late or is not properly managed. Local governments can play an important role in encouraging family business owners to begin planning for succession at an early stage. This could involve providing informational campaigns, guidance, and toolkits that stress the importance of early succession planning, including how to address sensitive family dynamics and the integration of external expertise. By emphasizing the long-term planning process, policymakers can help businesses avoid crises during the transition.

Acknowledging limitation of this study can be useful also to derive some future research stream. More case studies analysis is needed to support the evidence. Moreover, specific industries might be in urgent need for actions and interventions due to less probability of being involved in digital transition and renewal of managerial competencies in the contemporary business landscape. Made in Italy sectors are very much exposed to this risk, not only for the high presence of second or third generation of family businesses, but also because of a competitive advantage grounded on traditions and perpetuation of old business models.

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Mucelli, A.: Conceptualization, Methodology, Validation, Formal analysis, Investigation, Resources, Data curation, Writing – original draft, Writing, review, and editing, Visualization, Supervision, Project administration, Funding acquisition.

Attilio Mucelli (Mucelli, A.)

Conflict of interest statement

Authors declare that, throughout the research process, there has not been any sort of personal, professional, or economic interest that may have influenced the researchers' judgement and/or actions during the elaboration and publication of this article.

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