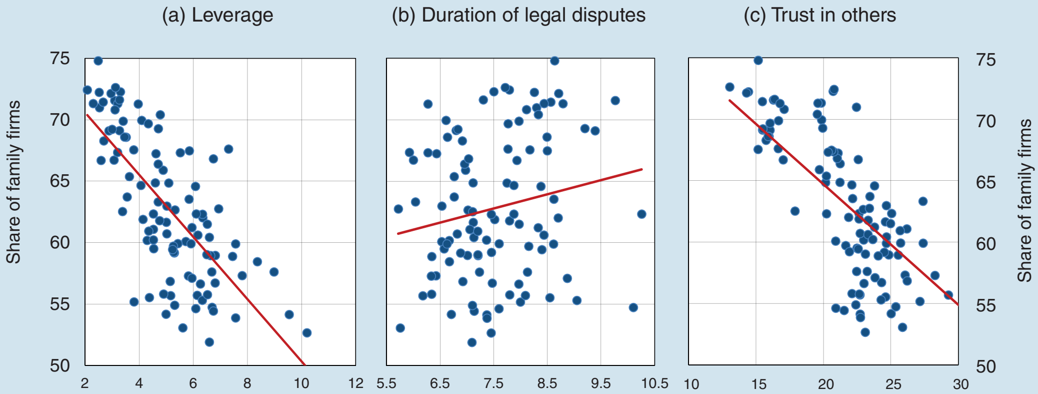
FAMILY FIRMS: NUMBERS, OPERATING ENVIRONMENT AND PERFORMANCE

Family firms are widespread throughout the Italian production system, as they are in the other main European economies.[1] Even among limited liability companies, family firms – defined as those in which the majority of the capital is held by persons sharing the same surname – represented about two thirds of the total in 2016.[2] This share reached 74 per cent in the South, compared with just over 60 per cent in the Centre and North.

Various structural features of the operating environment are correlated with family ownership,[3] which is especially common in provinces that have lower indebtedness, a less efficient judicial system and a lower degree of general trust (see the figure). Greater difficulty in finding external sources of financing may be associated with more frequent recourse to intrafamily lending; at the same time, weak protection of contractual obligations or less trust in others can discourage negotiated transactions and business initiatives with persons outside the family.

Correlation between the number of family firms and other operating environments (1)
(provincial data; per cent)



Source: Based on data from Infocamere, Cerved, the Ministry of Justice and Istat.
(1) The vertical axis of each panel shows the share of family firms as a percentage. Access to credit is measured using an indicator of leverage, given by the ratio between debt and turnover for limited liability companies (panel a); the efficiency of the judicial system is measured using the logarithm of the number of days needed to resolve a commercial dispute (panel b); trust in others is measured as the percentage of persons who believe that they can trust others, calculated using data from the Istat multipurpose survey (panel c). The linear interpolation is estimated by a simple linear regression.

While family ownership is associated with a higher firm survival rate, likely owing in part to the importance placed by owners on handing the firm over to future

[1] Unlike other countries, Italy is also known for the high degree to which family members are directly involved in running the firm; see M. Bugamelli and F. Lotti (eds.), '*Productivity growth in Italy: a tale of a slow-motion change*', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 422, 2018.

[2] A. Baltrunaite, E. Brodi and S. Mocetti, 'Assetti proprietari e di governance delle imprese italiane: nuove evidenze e effetti sulla performance delle imprese', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), forthcoming.

[3] M. Bianchi, M. Bianco, S. Giacomelli, A.M. Pacces and S. Trento, *Proprietà e controllo delle imprese in Italia*, Bologna, Il Mulino, 2005.

generations, it is also linked to lower productivity, lower investment and smaller growth rates. Analyses based on data from the Survey of Industrial and Service Firms demonstrate that these firms use advanced technologies, such as robotics and artificial intelligence, less frequently. This subdued performance may result from their resistance to hiring external managers or from more conservative firm management. The difference in the performance of family firms compared to that of others is more marked for larger and more mature firms, for which the disadvantages of keeping management within the family, especially as regards expertise, probably tend to outweigh the advantages.