

# Succession: Don't Assume Your First-Born is the Anointed One

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**KEYWORDS:** Family Business, Succession.

Succession is a defining moment in all family businesses, and making the right choice about who is going to be the next CEO can be critical to survival. Tradition, previous choices, and historical norms can all strongly influence a family's choice of its next leader, especially in families and cultures that favor the first-born male.

However, our 2018 study published in the Strategic Management Journal shows that family firms may enjoy greater financial benefits if they resist those powerful impulses to anoint the oldest child as the next leader – and tap later-born children instead. In fact, relying on male-primogeniture custom to choose the next CEO can be risky. Past research has shown that first-born children are generally more eager to please their parents and preserve the status quo, and consequently less likely to innovate. A firm facing competitive and financial challenges needs leadership willing to take prudent risks, and subsequent-born children are more likely to rebel against the status quo and shake things up.

Our research showed that family firms that have the courage to choose a second-born or later-born child reaped a higher return on assets after the new leader was in place.

## What we researched

We studied 432 Italian family businesses, with an average annual income of about 50 million euros, that underwent a change in leadership from 2000 through 2012. As an indicator of how tradition-bound the family may be, we looked at how many family members serve on the firm's board of directors and how much of the firm's wealth is controlled by the family.

We also looked at variables such as whether the departing CEO was the founder or a subsequent generation of leader, a relative or an outsider, the

number of children being considered as successors, and their gender and age.

Finally looked at the family businesses' return on assets before and after the succession.

## What we found

Our research found that more tradition-bound families are most likely to choose the first-born as the successor, suggesting that these families feel that choosing the oldest would help the firm preserve its standing with others. This held true even when the business was underperforming financially and the later-born children might have more willingness to take it in new directions and turn it around. Research by Sulloway (2001) and Nicholson (2008) suggests that first-born children are likely to follow the same patterns as their parents, and later-born children are more unconventional and willing to take risks.

However, companies that appointed a second- or subsequent-born child as their next company leader enjoyed a better return on assets than those who picked the first-born, our research showed. Choosing the later-born child improved the family business's value of assets by an average of 39%, compared to just 9% for those who chose the first-born. These results were better than hiring an outsider to lead the company, an option that many companies in crisis consider.

We also saw that families who had already gone through at least one succession were more likely to choose someone other than the first-born for the next generation of leadership. These firms enjoyed even better financial benefits under the new leader than firms in which the founder was choosing the second-generation leader. These findings suggest that "the courage to choose" and override entrenched traditions may secure better economic returns. Opening up the pool of successors to more people helps ensure that the new leader has both the competencies and the commitment to do the job well.

## Takeaways for family businesses

The findings of our study should encourage more family business owners and managers to look at a broader range of candidates if the leader is stepping down. While history, traditions, and family inheritance norms exert a strong pull, blindly obeying them might put both the family and the business at risk. Later-born children who are not considered for the CEO position may become disheartened and more invested in themselves rather than the business.

This doesn't necessarily mean that firstborns cannot compete for the CEO position -- only that family decision-makers should carefully secure competition among successors to determine the best and most fitting candidate for the firm's needs.

## Learn more

[The courage to choose! Primogeniture and leadership succession in family firms](https://onlinelibrary.wiley.com/doi/abs/10.1002/smj.2760)  
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