Spotlight
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Does having more generations in leadership help or hurt family firm growth?

Ownership concentration and management composition determine whether generational diversity pays off

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Family business research has long recognized that generational transitions reshape how firms are managed. But what happens when multiple generations are not transitioning but **co-leading**? Is a management team that includes both parents and children — or grandparents, parents, and grandchildren — better positioned for growth, or does the added complexity become a drag on performance?

This study examines the relationship between **multigenerational family management** and **firm growth** using a dataset of **3,939 Swiss family firms**. It tests whether having more generations actively involved in management helps or hurts, and critically, it examines how two contextual factors — **family ownership concentration** and **family management ratio** (the proportion of management positions held by family members) — moderate that relationship.

WHAT WE STUDIED

The data comes from a comprehensive survey of Swiss private firms, filtered for family businesses. Multigenerational involvement was measured as the number of distinct family generations actively participating in firm management at the same time. Growth was measured across three dimensions: **asset growth**, **size growth** (employees), and **revenue growth** — a methodological strength that allows the authors to test whether different types of growth respond differently to generational diversity.

The theoretical framework draws on **agency theory** and **upper echelons theory**. Agency theory predicts that multigenerational management creates principal-principal conflicts: different generations may have divergent goals, time horizons, and risk preferences, leading to strategic gridlock or suboptimal compromises. Upper echelons theory, by contrast, suggests that generational diversity enriches the management team's cognitive repertoire, bringing different experiences, networks, and perspectives that can improve strategic decision-making. The study tests both predictions and identifies the conditions under which each dominates.

KEY INSIGHTS

More generations in management is associated with lower growth

The baseline finding is that multigenerational family management has a **negative main effect on firm growth** across all three measures. Firms with more generations in the management team grow more slowly in assets, employees, and revenue. The explanation is consistent with agency theory: multiple generations introduce divergent goals, communication overhead, and decision-making friction. Strategic clarity decreases as each generation brings its own priorities — the older generation focused on preservation and legacy, the younger generation on renewal and expansion — without a clear mechanism for resolution.

High family ownership concentration reverses the effect

When the controlling family holds a **high share of total ownership**, the negative effect of multigenerational management on growth is significantly reduced — and in some specifications, reversed. Concentrated family ownership provides a unifying governance mechanism: it aligns incentives across generations by tying everyone's wealth to the same asset. When the family owns 80% or 90% of the firm, disagreements

between generations are more likely to be resolved internally and quickly, because all parties share a strong interest in the firm's success. Dispersed ownership, by contrast, amplifies generational conflict by reducing the economic consequences of strategic disagreement for any single branch.

A moderate family management ratio is optimal

The study finds that the proportion of management positions held by family members also moderates the multigenerational effect, but in a non-linear way. A **moderate family management ratio** — where family members hold some but not all management positions — produces the best growth outcomes in multigenerational contexts. When the ratio is too high (all management is family), the firm lacks the external perspectives and professional discipline that non-family managers provide, and generational conflicts dominate. When the ratio is too low (family members are a small minority in management), family authority is diluted and the generational diversity that could be an asset is marginalized. The sweet spot is a balanced team where family members provide continuity and commitment while non-family professionals provide objectivity and specialized expertise.

Different types of growth respond differently

Asset growth is most sensitive to multigenerational effects. Revenue growth is moderately affected. Employment growth shows the weakest relationship. This pattern suggests that multigenerational management most directly impacts investment decisions and capital allocation — areas where generational disagreements about risk tolerance and time horizons are most consequential — while employment decisions, which are often more operational and incremental, are less affected by governance dynamics.

TAKEAWAYS

Multigenerational management is not inherently beneficial

The romantic narrative of "three generations working together" obscures a real governance challenge. Adding generations to the management team increases complexity, and without the right ownership and management structures, that complexity becomes a growth drag. Families should plan multigenerational co-leadership deliberately, with clear role definitions, decision-making protocols, and mechanisms for resolving generational disagreements.

Ownership concentration is a governance asset in multigenerational firms

Families considering how to structure ownership during transitions should recognize that concentrated ownership provides a natural alignment mechanism. Dispersing ownership across many family branches may feel equitable, but it removes the shared economic interest that keeps multigenerational management teams focused on common goals.

Include non-family managers in the team

A management team that is entirely family — especially across multiple generations — lacks the external perspective needed to mediate generational conflicts and provide professional strategic discipline. Ensuring that some management positions are held by qualified non-family professionals improves both the quality of decision-making and the growth trajectory of the firm.

IMPACT

This study makes a clear empirical contribution by showing that the effect of multigenerational family management on growth is contingent, not uniform. The finding that ownership concentration and management ratio moderate the relationship provides actionable guidance for families navigating the governance complexity of co-leadership across generations. For scholars, the study advances the integration of agency theory and upper echelons theory in the family business context. For practitioners, the message is that generational diversity in management is a governance challenge that requires deliberate design — not a natural advantage that can be assumed.

RECOMMENDATIONS

1. **For business families:** Before expanding the management team across generations, assess whether the ownership structure supports the additional complexity. High family ownership and moderate family management presence create the best conditions for multigenerational leadership to drive growth.
2. **For advisors:** Use the ownership-management framework from this study as a diagnostic tool. When advising families on succession timing, check whether the governance context is set up to make generational diversity productive — or destructive.
3. **For boards:** Ensure that at least some management positions are held by non-family professionals, especially during multigenerational periods. This reduces the risk of family-internal conflict dominating strategic decisions. A management team that is 100% family across three generations is a team optimized for loyalty, not for objectivity.
4. **For scholars:** The distinction between asset, size, and revenue growth matters. Future research should continue disaggregating growth outcomes

rather than treating firm performance as a single measure.

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