






Family CEO mentoring and post-CEO succession performance

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Abstract

Research Summary: While extant research has studied extensively the consequences of chief executive officer (CEO) succession, we explore the concept of family CEO mentoring (from a departing family CEO to a younger family leader) as a potential driver of post-succession performance in family firms. Drawing on stewardship theory and using a data set of 1787 Italian firms experiencing a CEO succession over 14 years, we show that family CEO mentoring positively influences post-succession financial performance. We then argue and empirically confirm that the performance benefit of family CEO mentoring is enhanced by the presence of nonfamily members on the board but is dampened by industry turbulence. We conclude by discussing the implications of our findings for research on CEO mentoring, CEO succession, and family business performance.

Managerial Summary: To thrive across generations, family firms need to navigate the many complexities of chief executive officer (CEO) succession. One way to overcome the challenge is to have a departing family leader who provides mentoring to the younger family leader. Our examination of

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1787 Italian family firms that experienced CEO succession in the period 2003–2016 suggests that family CEO mentoring drives better post-succession firm performance, especially when there is a high presence of nonfamily directors in the boardroom and when the firm operates in low-volatility industries. This study enhances the understanding of CEO succession by integrating the role of family CEO mentoring as a driver of post-succession financial performance.

KEYWORDS

CEO succession, environmental dynamics, family CEO mentoring, nonfamily board members, performance

1 | INTRODUCTION

The succession of firms' chief executive officers (CEOs) has been at the core of strategy and entrepreneurship research (e.g., Berns & Klarner, 2017; Cvijanović et al., 2023; Georgakakis & Ruigrok, 2017; Kaehr Serra & Thiel, 2019; Lee & Tsai, 2024; Shen & Cannella, 2003; Zhu et al., 2020). Although recent research has yielded insights on the transfer of leadership in family firms—which represents a complex and vital process with many interacting components, conflicts, and dilemmas (e.g., Amore et al., 2021; Bertschi-Michel et al., 2020; Campopiano et al., 2020; LeCounte, 2022; Lee et al., 2020)—limited attention has been devoted to the relationship between mentoring of the new family leader and post-succession firm performance.

In general, mentoring occurs “when a more experienced, senior employee (mentor) takes an active interest in supporting and encouraging a less experienced junior employee (protégé) by providing direction and feedback regarding career plans and personal development” (Dhaenens et al., 2018, p. 46). To determine whether mentoring might influence post-succession performance, we focus on a specific type of mentoring that is highly important to family firms, *family CEO mentoring*, which occurs when the departing family CEO mentors a younger, new family leader. We theorize that family CEO mentoring can significantly help to preserve the stock of affect-related values (Berrone et al., 2012; Gomez-Mejia et al., 2007) and contribute toward a perception of stewardship (Azizi et al., 2022). Moreover, family CEO mentoring can reduce interpersonal disagreements between incumbent and successor (Bertschi-Michel et al., 2020) because family CEO mentors can act as stewards and engage in cooperative citizenship behaviors which help develop the mentee's capabilities and commitment.

Thus, we draw on stewardship theory to predict that family CEO mentoring will have a positive effect on the post-succession (financial) performance of family firms. Although, as noted, there have been notable advancements in research on CEO succession (e.g., Ahrens et al., 2019; Amore et al., 2021; Chen et al., 2021; Shen & Cannella, 2003; Su et al., 2023), our paper is one of the first that focus on the concept of family CEO mentoring and its implications for firm performance.

We then examine the moderating influence of internal organizational and external environmental factors—board and industry characteristics—on the relationship between family CEO mentoring and post-succession firm performance. Specifically, we contend that the effect of family CEO mentoring on post-succession firm performance will increase with the presence of nonfamily members on the board. Nonfamily directors prioritize financial organizational goals more than family directors when supporting the process of family CEO mentoring and assisting the new family CEO. Also, nonfamily directors give access to distinctive resources that may broaden the breadth of

knowledge and expertise available to the firm in the aftermath of the CEO succession. As a result, nonfamily directors are expected to strengthen the impact of family CEO mentoring on post-succession firm performance. Next, we contend that high volatility in the firm's core industry will dampen the positive impact of family CEO mentoring on post-succession firm performance. This negative moderation occurs because the preservation of family assets and the tacit transfer of family knowledge facilitated by family CEO mentoring tend to be more valuable in more stable industry contexts as opposed to turbulent industries.

We find support for our hypotheses in a sample of 1787 Italian family firms that experienced a CEO succession event during a 14-year period between 2003 and 2016. Our results illuminate an unexplored type of CEO succession (in which a departing family CEO stays at the head of the firm together with the new, younger family CEO) and suggest that the family CEO mentoring that such a leadership structure might encompass is central to the improvement in post-succession firm performance. Our results also provide evidence on the significant role of nonfamily board representation and industry volatility in moderating the post-succession performance of firms with family CEO mentoring.

This article makes some important contributions to the literature. First, we direct attention to family CEO mentoring as a novel driver of post-succession firm performance. While scholars have devoted considerable effort to examining the replacement of a CEO with a new one (e.g., Connelly et al., 2022; Essman et al., 2021; Kaehr Serra & Thiel, 2019; Sharma et al., 2001) and the consequences on firm performance (e.g., Berns & Klarner, 2017; Georgakakis & Buyl, 2020; Schepker et al., 2017), the role of CEO mentoring during succession processes remains scarcely investigated. While CEO succession decisions and their performance implications matter for any organization, the topic is paramount for family firms (e.g., Amore et al., 2011; Calabrò et al., 2018; De Massis et al., 2016; Istiqlil et al., 2023; Minichilli et al., 2014; Richards et al., 2019) because succession decisions are simultaneously shaped by the family's affective endowment and the business system (Calabrò et al., 2018; De Massis et al., 2008; Le Breton-Miller et al., 2004; Nordqvist et al., 2013). Our study provides novel evidence suggesting that family mentoring can facilitate the transfer of leadership roles from one family generation to the next. Our findings are relevant given the prevalence of poorly orchestrated CEO successions, which represent a key issue hindering the successful transition of family firms to subsequent generations (Davis & Harveston, 1998; Miller et al., 2003).

Second, our study provides novel insights into the role of CEO-board interactions across different board compositions (family versus nonfamily board members). We thus develop a contingency perspective which broadens the scope of CEO succession research (Berns & Klarner, 2017; Minichilli et al., 2014). By theorizing about how the influence of family CEO mentoring on post-succession performance is shaped by the composition of the board of directors, we go beyond existing studies on the effect of CEO succession choices on firm performance as a function of board composition (Minichilli et al., 2014). This is an important topic as family firms represent a distinctive type of organization that makes corporate governance a challenging task.

Third, we expand studies on industry dynamics as a critical factor in shaping the performance effect of CEO succession (e.g., Berns & Klarner, 2017; Datta & Rajagopalan, 1998; Istiqlil et al., 2023; Virany et al., 1992; Zhang & Rajagopalan, 2004). While prior research has explored environmental dynamics as a moderator of the relationship between CEO succession and post-succession firm performance (e.g., Datta et al., 2003; Zhang & Rajagopalan, 2004), we suggest that industry volatility is also likely to shape the specific effect of family CEO mentoring on post-succession firm performance.

2 | THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

2.1 | Family CEO mentoring and post-succession firm performance

CEO succession in family firms has received significant attention in the past two decades. CEO succession involves the selection of a new CEO (who may or may not come from the family) and is characterized by a number of complex



processes concerning the transfer of wealth and power, values and beliefs (Aronoff et al., 2003). Prior research has shown that family firms whose CEO has been replaced perform worse in the post-succession phase relative to the pre-succession phase (Cucculelli & Micucci, 2008; Minichilli et al., 2014). Interpretations of this negative relationship include the loss of human capital, particularly with the departure of long-tenured CEOs (James, 1999), as well as successors' difficulties in navigating the company's culture to successfully lead the business (Minichilli et al., 2014). Owing to the overlap of family and business systems (Aguilera et al., 2024; Berrone et al., 2012; Gomez-Mejia et al., 2007), a major challenge faced by incoming family CEOs after the departure of a family CEO consists of acquiring the intrinsic knowledge and capabilities necessary to maintain the family's legacy and satisfy its affective needs while being competitive in terms of financial results. Reconciling these dimensions can be challenging for a new family CEO, and the intuition of our paper is that the involvement of the outgoing family CEO as mentor can help a new family CEO take office, and this, in turn, will improve post-succession firm performance.

Departing family CEOs are often concerned about the firm "because it is part of their collective patrimony and is often the main asset of the family" (Arregle et al., 2007, p. 84) and are under pressure to ensure business continuity (Ahrens et al., 2019). Stewardship behavior is a typical characteristic of family CEOs, who are expected to show loyalty and devotion to family shareholders and to believe that they have a family responsibility to make the organization prosper (Eddleston & Kellermanns, 2007), given that they are more intrinsically motivated by organizational goals than by individual interests. Successors often enter office at a disadvantage regarding firm- and task-specific knowledge (Hambrick & Fukutomi, 1991), and this might compromise firm performance. Through family mentoring, a new family CEO is more likely to act as a steward to guard family-centered goals while seeking to bolster the firm's financial performance.

Family CEOs can take a "more direct and internally oriented approach to preparing successors for the CEO role, one that places a premium on strong personal relationships" (Friegener et al., 1996, p. 20) and their stewardship behavior will allow them to successfully navigate the succession process. Family CEOs as stewards of their firm are considered to be collectivists, pro-organizational, and trustworthy, and are motivated to act in their organization's best interest (Chen et al., 2016; Davis et al., 1997; Eddleston & Kellermanns, 2007; Madison et al., 2016). Departing family CEOs often possess a high level of firm-specific knowledge (Miller et al., 2013; Sirmon & Hitt, 2003) as they have acquired essential components of stewardship behavior from the family and through their CEO tenure (Istipliler et al., 2023). Given that the mentor and the mentee belong to the owning family firm, the blood ties to the family are likely to facilitate the transmission of informal knowledge that is constructed collectively and shared socially (Zahra et al., 2007) as well as the transmission of family- and firm-related experiences and affects that are difficult to codify in written documents (LeCounte, 2022). In other words, family CEO mentoring may be critical to their successors (Seymour, 1993; Ward, 1990) because mentors facilitate the transfer of unique tacit knowledge about the firm's modus operandi (LeCounte, 2022; Sirmon & Hitt, 2003) to the incoming family CEO through their socialization within the family setting. Hence, when family CEO mentoring takes place during CEO succession, it can allow for a more effective exchange of knowledge between the mentor and the mentee and a better integration of goals, which can improve post-succession firm performance.

The potential benefits of mentoring in terms of sharing knowledge with the successor, facilitating communication and open discussion, avoiding mistakes during succession, and mitigating interpersonal conflicts between the departing and incoming CEO (Boyd et al., 1999; Dhaenens et al., 2018; Friegener et al., 1996; Kram, 1985; Salvato & Corbetta, 2013) are salient when the family CEO mentor guides the incoming family CEO through family-related reference points, motivated by strong feelings of obligation toward the family (Dhaenens et al., 2018), facilitating the family successor's introduction to the firm's policies and avoiding differences and conflicting values and beliefs. Family CEO mentoring may, therefore, strengthen stewardship behavior toward the organization (Miller et al., 2008) and encourage commitment to proactively enhancing post-succession firm performance by leveraging family firm-specific assets. Given the family ties between the mentor and the mentee, mentees are likely to be more attentive to the demands of their mentor, and they will be more sensitive to the mentor's claims given that they have a similar set of utilities and search mutual obligations. Hence, incoming CEOs subject to mentoring will exhibit attitudes and

perspectives in line with those of their predecessor, which makes it more likely that the family mentee will agree with the opinions of their family mentor, resulting in a relationship based on mutual respect and shared thinking which is expected to facilitate the CEO succession process (Le Breton-Miller et al., 2004). The more likely the successor is to feel satisfied, personally invested, and enthusiastic, the more likely the succession process is to be positive (Le Breton-Miller et al., 2004). Therefore, family mentees will be more likely to align their decisions with the family mentor and such mentees will appreciate the opportunity to learn from an experienced family CEO about the family's values and culture (Boyd et al., 1999; Dhaenens et al., 2018). Similarly, when the predecessor feels recognized and the quality of the relationship between the incumbent and the successor creates a circle of trust (Le Breton-Miller et al., 2004), family CEOs are more likely to assist family successors in comprehending the values and goals of the family, stimulating long-term investment policies (Miller et al., 2008; Uhlaner et al., 2012) and nurturing family harmony in the organization, which eventually may mitigate the tensions frequently associated with succession events (Cao et al., 2006). All these arguments lead us to propose the following hypothesis:

Hypothesis 1. *Family CEO mentoring has a positive effect on firm performance in the years following the succession.*

2.2 | The moderating influence of board composition: Nonfamily directors

The board of directors is notoriously important to orchestrate a successful CEO succession. Here, we argue that the presence of nonfamily members in the board of directors can positively moderate the effect of family CEO mentoring on post-succession performance. As the literature argues, family directors are likely to possess a deep knowledge of the internal context (e.g., values, culture) of the family business and have a shared vision for the business (Sirmon & Hitt, 2003). Family board members' commitment to and identification with the firm (Sirmon & Hitt, 2003) is expected to lead to increased loyalty and harmony with a new family CEO. They can facilitate the incoming family CEO's access to the family's collective patrimony and increase the consistency between family CEOs' decision-making and family priorities. However, in doing so, the presence of family directors relative to nonfamily directors may also create an excessive focus on noneconomic matters and narrow the breadth of knowledge and connections required to access diverse resources, thus restraining the benefit of family CEO mentoring on post-succession firm performance.

Since nonfamily directors place less importance on the affective endowment of the owning family and are more prone to pursuing economic goals (Berrone et al., 2012; Gomez-Mejia et al., 2007), such directors may be more concerned about post-succession firm performance and thus perceive a stronger need to provide complementary tangible and intangible resources to family CEO mentors. As such, their representation in the boardroom might stimulate the alignment of the family CEO's interests with the firm's financial utility (Braun & Sharma, 2007; Stearns & Mizruchi, 1993) and the family CEO mentor may be better able to successfully respond to the transition process and implement strategies to achieve higher post-succession firm performance. Moreover, nonfamily directors might be better positioned to help the family CEO mentor extend the firm knowledge base outside the family circle and provide advice to them by overcoming the knowledge constraints of family members and, thus, the family CEO mentor would more effectively utilize this complementary knowledge to attain superior post-succession firm performance. In other words, the presence of nonfamily directors, who often have professional skills (Du et al., 2024) and extensive knowledge (Debellis et al., 2023), can provide more abundant resources when there is family mentoring, amplifying its main effect on post-succession performance. Nonfamily directors' fresher ideas, broader range of information, and cognitive openness arising from a different perspective to family directors (Pongelli et al., 2023) might complement in useful ways the family CEO mentoring's orientation. Nonfamily board members may also provide family CEO mentors with better access to external networks as well as diverse experiences and key external information beyond the resources engrained within the family firm (Schepker et al., 2017). Collectively, these arguments lead to the following hypothesis:



Hypothesis 2. *The effect of family CEO mentoring on post-succession firm performance is positively moderated by the presence of nonfamily members on the board.*

2.3 | The moderating influence of environmental dynamics: Industry volatility

In what follows, we study the contextual role of industry volatility in shaping the relationship between family CEO mentoring and post-succession firm performance. Specifically, we argue that firms would experience smaller post-succession performance benefits resulting from family CEO mentoring when they are faced with higher industry volatility. In industries subject to high volatility, as we argue, the advantage of family CEO mentoring in terms of the transfer of firm-specific tacit knowledge to the incoming family CEO tends to be smaller. Such industry contexts put more emphasis on radical innovativeness or cost efficiency than on family legacy and tacit knowledge, and so they reduce the capacity of family CEO mentoring to improve firm performance by transferring family assets to a new, young family CEO.

Furthermore, a volatile industry environment creates a risk of reducing a firm's post-succession performance because the mentoring of former family CEOs might fail to deliver the benefits of durable network ties (within and across industries) with stakeholders (e.g., suppliers, customers, other family firms) that family CEO mentors have developed over the years. Indeed, industry volatility is expected to render long-term relationships established in (or by) the family less valuable or even detrimental to the firm, as highly dynamic contexts require the establishment of new ties and fresher resources (Gomez-Mejia et al., 2011). In unpredictable external environments, closed and trusted networks transferred through family CEO mentoring can lead to organizational inertia. We therefore hypothesize:

Hypothesis 3. *The effect of family CEO mentoring on post-succession firm performance is negatively moderated by industry volatility.*

3 | METHODS

3.1 | Data sources

To build our sample, we focused on the population of 2672 Italian family firms with revenues exceeding 50 million euros as of 2016—a revenue threshold often used to define large- or medium-sized firms in Italy (Amore et al., 2011; Amore et al., 2014). Consistent with previous studies, we identified family firms as those in which one (or two) family members control at least 50% of the shares if privately held or at least 25% if publicly held (Amore et al., 2011, 2014; Miller et al., 2013).¹ For each family firm, we went back in time to track information on CEOs, ownership, and board characteristics starting from 2003 (using data from official public filings held by the Italian Chamber of Commerce). This approach allowed us to check whether any of these firms experienced a CEO succession in the period 2003–2016. Financial information was obtained from AIDA (Italian Digital Database of Companies) for the period 2000–2018 so as to have data for at least 3 years (two) before (after) a CEO succession.

3.2 | Measurements

3.2.1 | Dependent variable

The dependent variable in the empirical models is accounting performance, which we measured by using the return on assets (ROA), defined as earnings before interest, taxes, depreciation, and amortization scaled by total assets.

ROA is commonly used to examine operating profitability (e.g., Anderson & Reeb, 2003; Miller et al., 2013; Minichilli et al., 2010). Moreover, ROA is widely used in the literature on leadership succession in family firms (Bennedsen et al., 2007; Calabrò et al., 2018; Georgakakis & Ruigrok, 2017) and on the impact of top executives on firm performance (Anderson & Reeb, 2003; Miller et al., 2013). Additionally, as the industry to which the family firm belongs might affect operating performance, we used an industry-adjusted index, calculated as the firm's ROA minus the average ROA of the industry in which the firm operates.² This allowed us to examine firm-specific performance irrespective of industry-wide factors that may affect ROA. Finally, we winsorized 1% of the observations in the extreme right and left tails of the ROA distribution to mitigate the effect of outliers.

3.2.2 | Independent variables

To start, we inspected whether any of the 2672 family firms mentioned above experienced a CEO succession between 2003 and 2016.³ Thus, we excluded those firms that did not experience a succession, and we also excluded those firms that experienced more than one succession (Amore et al., 2021), which makes it difficult to construct a clear pre- and post-period around each CEO succession. However, in a robustness test, we show that the results are robust to including multiple successions with at least 1 year between the post-period of one succession and the pre-period for the subsequent succession. Net of these restrictions, we have 1787 family firms, which amount to 16,693 observations excluding missing values on both governance and financial data.

We computed *Succession* as a dummy variable equal to one for all post-succession years, and zero for all years before succession. Moreover, to test the first hypothesis, we constructed a dummy variable named *Family CEO mentoring*. This variable equals one when both the outgoing CEO (i.e., the potential mentor) and the new incoming CEO (the mentee) belong to the controlling family and the following three further criteria are met: (a) the outgoing senior CEO and the younger CEO stay jointly in office as co-CEOs for at least 1 year; (b) the age difference between the (outgoing) senior family CEO and the younger CEO is at least 25 years (i.e., arguably belonging to different generations); and (c) the younger CEO remains the only CEO once the senior family CEO steps down. To also capture family mentoring cases involving the Chairperson, we included additional cases of co-existence between the family Chairperson (who was the former CEO) and the new CEO. In total, our treatment group is composed of 128 family firms that experienced a family mentoring succession (7.1% of total successions). *Family CEO mentoring* is equal to zero for all family firms that experienced a single CEO succession. That is, we used as a control group all cases of individual successions in which the (only) CEO in charge steps down and is replaced by a new one (without any mentoring mechanism, according to our definition).

To test the second and third hypotheses, we calculated the proportion of nonfamily directors on the board of directors (*Nonfamily board ratio*) and *Industry volatility* as the logarithm of the volatility of industry revenues, computed as the standard error of the regression slope coefficient divided by the mean of sales (Hayward & Shimizu, 2006).

3.2.3 | Control variables

We include a number of control variables commonly used in the literature on CEO succession in family firms (e.g., Amore et al., 2021; Calabrò et al., 2018; Minichilli et al., 2014). *Firm size* was measured as the natural logarithm of total assets. *Leverage* was calculated as the natural logarithm of total debt. We also incorporated *Cash holdings* in the model, calculated as the ratio of cash and cash equivalents to total assets minus cash and cash equivalents (Cambrea et al., 2023)—to reflect the firm's ability to finance profitable projects that can positively affect firm performance (Deb et al., 2017). *Firm age* is computed as the logarithm of the number of years since the firm's founding, and previous research on executive succession has identified organizational age as a determinant of firm



performance (Minichilli et al., 2014). Financial variables were winsorized at the 1% and 99% levels to mitigate the effects of extreme values. Moreover, to capture differences in a firm's corporate governance, we controlled for two board-related variables: the number of directors (*Board size*) and the share of young board members, that is, below 40 years (*Young board member*). We also controlled for a dummy equal to one if the share of female board members is at least one-third, which is a common reference point in the policy perspective on boards of private firms in Italy (*Women on board*). Finally, we controlled for *CEO tenure* and *CEO duality*. CEO tenure is measured as the number of years the remaining CEO has held the position at the firm, whereas CEO duality is a dummy variable equal to one if the CEO is also chairing the board, and zero otherwise. Finally, we controlled for listing status with a dummy variable (*Listed*) coded as one when the company is publicly traded, and zero for private family firms.

3.3 | Empirical analysis

The hypotheses were tested using the difference-in-differences technique, which has been applied in several empirical studies on the effect of CEO succession on family firm performance (e.g., Amore et al., 2011; Bennedsen et al., 2007; Minichilli et al., 2014). The dummy *Succession* distinguishes between post- and pre-succession years. The dummy *Family CEO mentoring* equals one for firms with family mentoring and zero otherwise. Here, our key explanatory variable to test H1 is the two-way interaction between *Succession* \times *Family CEO mentoring*, which captures the differential effect of CEO succession with family mentoring on firm performance. The three-way interaction *Succession* \times *Family CEO mentoring* \times *Nonfamily board ratio* assesses how nonfamily board members shape the effect of family mentoring on post-succession firm performance. Analogously, the three-way interaction, *Succession* \times *Family CEO mentoring* \times *Industry volatility* captures how the volatility of industry revenues shapes the effect of family mentoring on post-succession firm performance. Hence, these three-way interactions are useful for testing H2 and H3.

The longitudinal structure of our dataset also allows us to control for firm-fixed effects, which are useful for removing constant unobserved heterogeneity at the firm level, as well as year dummies, which control for temporal shocks common to all firms.⁴ Moreover, we included the time-varying firm controls described above and applied robust standard errors. Table 1 provides the summary statistics of the variables used in the analyses.

4 | RESULTS

4.1 | Family CEO mentoring and post-succession firm performance

Table 2 presents the results for H1. The estimated coefficient of *Succession* \times *Family CEO mentoring* is positive and significant at the 5% level ($p = .017$). This result supports Hypothesis 1. Model 2 shows that the coefficient becomes economically larger and is more precisely estimated ($p = .004$) once we focus on the subsample of years immediately after succession, that is from $t + 1$ to $t + 4$. This time window captures the short and medium-term effects of family CEO mentoring. Looking instead at the long-term period (i.e., $t + 5$ onward), we find an insignificant result (Model 3). Collectively, this evidence complements the baseline results and suggests that family CEO mentoring is particularly valuable in the immediate aftermath of the CEO succession.

To illustrate our main result concerning H1, we plot Figure 1 representing the *Succession* on the X axis and the moderating effect is tested by splitting the line according to the values of *Family CEO mentoring* (0 and 1). Figure 1 graphically shows that *Family CEO mentoring* increases the value of ROA in post-succession years, while in pre-succession years there is no impact.

Next, we test whether firms with family CEO mentoring exhibit different trends in pre-succession performance compared with firms that experienced succession without family CEO mentoring. This so-called parallel trend

TABLE 1 Summary statistics and descriptive analysis.

Variable	Mean	SD	1	2	3	4	5	6
1 ROA	0.0010	0.0561	1					
2 Succession	0.5833	0.4930	0.0525*	1				
3 Family CEO mentoring	0.1204	0.3253	0.0368*	-0.0862*	1			
4 Nonfamily board ratio	0.2879	0.3095	0.0230*	-0.0138	-0.0879*	1		
5 Ln industry volatility	25.261	0.1173	-0.0150	0.0067	-0.0367*	-0.0581*	1	
6 Leverage	0.1058	0.1153	-0.0996*	0.0031	0.0188*	0.0166*	-0.0803*	1
7 Ln firm age	3.156	0.7518	0.0369*	0.1569*	0.0571*	-0.0378*	-0.0584*	0.0116
8 Ln firm size	10.852	11.187	0.0698*	0.1177*	0.1580*	0.1725*	0.0747*	0.0729*
9 Cash holdings	0.1018	0.2412	0.1838*	0.0698*	-0.0038	-0.0327*	0.0214*	-0.1140*
10 Board size	38.974	2.2389	0.0533*	-0.0550*	0.1169*	0.3642*	-0.0195*	0.0771*
11 Young board members	0.4382	0.4962	0.0041	0.0538*	0.0882*	-0.1012*	-0.0099	-0.0171*
12 Woman on board	0.5920	0.9075	-0.0016	-0.1126*	0.0622*	-0.0437*	0.0013	-0.0140
13 CEO tenure	10.461	8.2059	0.0285*	-0.2366*	0.1863*	-0.1105*	-0.0311*	0.0080
14 CEO duality	0.4246	0.4943	0.0243*	-0.0466*	0.1326*	0.0208*	0.0080	-0.0002
15 Listed	0.0234	0.1512	0.0263*	0.0128	-0.0256*	0.2192*	-0.0379*	0.0493*
7 Leverage	1							
8 Ln firm age	0.2502*	1						
9 Board size	-0.0382*	-0.0611*	1					
10 Young board members	0.1943*	0.4330*	-0.0532*	1				
11 Woman on board	0.1066*	0.0423*	-0.0049	0.1058*	1			
12 Ln industry volatility	-0.0352*	0.0224*	-0.0161*	0.3134*	0.1257*	1		
13 CEO tenure	0.2842*	0.0823*	-0.0146	0.0808*	0.0742*	-0.0261*	1	
14 CEO duality	0.0067	0.1459*	-0.0235*	0.1270*	0.1105*	0.1312*	0.0615*	1
15 Listed	0.0965*	0.2752*	0.0022	0.3970*	0.0050	-0.0346*	0.0022	-0.0104

* $p < .05$.



TABLE 2 Family CEO mentoring and post-succession firm performance in different time-windows.

Dependent variable: ROA	$t + 1; t + n$	$t + 1; t + 4$	$t + 5; t + n$
	(1)	(2)	(3)
Succession × Family CEO mentoring (H1)	0.005** (0.002)	0.007*** (0.002)	0.002 (0.004)
Succession	0.002 (0.001)	-0.003* (0.002)	0.009** (0.004)
Leverage	-0.034*** (0.005)	-0.036*** (0.007)	-0.041*** (0.009)
Firm age	0.009*** (0.002)	0.006* (0.003)	-0.000 (0.004)
Firm size	0.013*** (0.001)	0.011*** (0.002)	0.013*** (0.002)
Cash holdings	0.011** (0.005)	0.007 (0.005)	0.004 (0.006)
Board size	0.000 (0.000)	-0.001** (0.001)	-0.001 (0.001)
Young board members	-0.001 (0.001)	-0.000 (0.001)	-0.002** (0.001)
Women board members	-0.000 (0.001)	-0.000 (0.002)	0.005** (0.002)
CEO tenure	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
CEO duality	0.001 (0.001)	0.004*** (0.001)	0.002 (0.002)
Listed	-0.018** (0.007)	-0.016 (0.011)	-0.002 (0.012)
Constant	-0.155*** (0.012)	-0.142*** (0.017)	-0.127*** (0.023)
Observations	16,693	10,518	6757
R-squared	.592	.654	.683
Firm fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes

Note: Family CEO mentoring excluded due to the inclusion of firm fixed effects. Robust standard errors in parentheses. *** $p < .01$. ** $p < .05$. * $p < .1$.

condition is required for a causal interpretation of our findings. For instance, the parallel trend condition reduces the concern that a firm's family mentoring CEO succession model had declining performance in the years prior to succession and thus decided to resort to family CEO mentoring to leverage their benefits. In Table 3, we split the 6-year period prior to the succession event into two sub-periods: (1) from $t - 6$ to $t - 4$ and 2) from $t - 3$ to $t - 1$. We then interacted this succession dummy in non-succession years (*Pre-succession*) with the family mentoring dummy. As shown in Table 3, the coefficient of the interaction term *Pre-Succession* × *Family CEO mentoring* was not statistically different from zero. This lack of significance attenuates concerns of diverging trends in pre-succession performance between firms with and without family mentoring.⁵

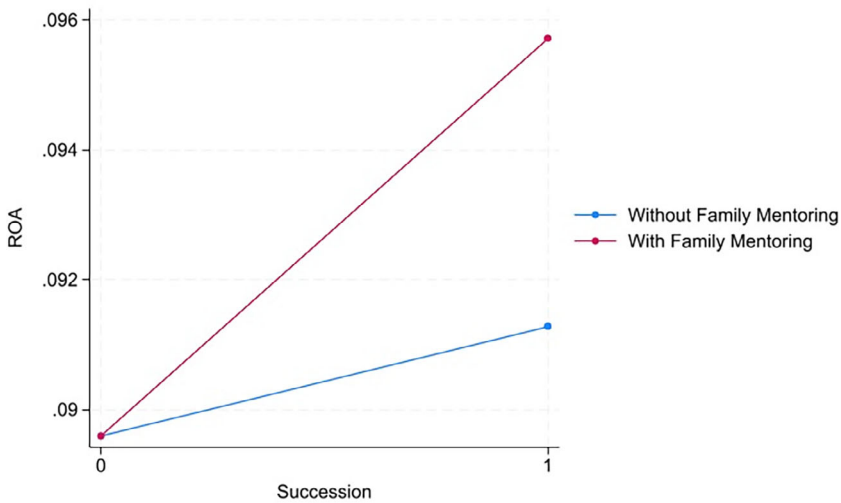


FIGURE 1 Moderating effect of Family mentoring on the relationship between CEO succession and firm performance.

4.2 | The moderating influence of board and industry characteristics

Next, we provide evidence for moderation Hypotheses 2 and 3. In particular, the findings for H2 are reported in Table 4, Model 1, which shows that the estimated coefficient of the interaction term *Succession* × *Family CEO mentoring* × *Nonfamily board ratio* is positive and statistically significant ($\beta = .022, p < .01$). This evidence confirms that the positive effect of family CEO mentoring on firm performance is strengthened as the percentage of nonfamily directors on the board increases.

Figure 2 depicts the moderating effect of nonfamily board members on the direct effect of family CEO mentoring on post-succession performance. This figure illustrates the confidence intervals for the interaction terms *Succession* × *Family CEO mentoring* × *Nonfamily board ratio* for different values of the nonfamily board ratio (Meyer et al., 2017). As shown, the higher the proportion of nonfamily board members, the higher the positive impact of family CEO mentoring on post-succession firm performance. In summary, nonfamily directors can enhance the positive influence of family CEO mentoring on post-succession firm performance. Again, these results support Hypothesis 2.

The findings for H3 are shown in Table 4, Model 2. The interaction *Succession* × *Family CEO mentoring* × *Industry volatility* has a negative coefficient that is borderline statistically different from zero ($\beta = -.034, p < .1$). Thus, largely consistent with H3, the performance effect of family CEO mentoring appears to decrease when industry volatility increases.

As before, we graphically show the confidence intervals for this interaction effect over the explanatory variable values. Figure 3 shows the effect of family CEO mentoring on financial performance: (1) is positive but declines with industry volatility for low to moderate values of industry volatility; (2) becomes insignificant in a medium range of volatility values; and (3) the effect turns negative for very high values of volatility. In situations of industry volatility, family CEO mentoring may struggle to have a positive impact on post-succession firm performance.

In Model 3 of Table 4, we introduced both interactions with *Nonfamily board ratio* and *Industry volatility*, and in the full model, the results remain unchanged.

4.3 | Robustness tests

We performed several tests to further assess the robustness of our findings. First, in Model 4 of Table 4, we integrated firms that experienced multiple successions (which were excluded from the main estimations). In the sample

**TABLE 3** Pre-trends in firm performance.

Dependent variable: ROA	(1)
Pre-succession × Family CEO mentoring	0.002 (0.003)
Pre-succession	-0.001 (0.002)
Leverage	-0.033*** (0.009)
Firm size	-0.005 (0.006)
Cash holdings	0.015*** (0.003)
Firm age	-0.000 (0.005)
Board size	0.000 (0.001)
Young board members	0.002 (0.001)
Women board members	0.001 (0.004)
CEO tenure	-0.000 (0.000)
CEO duality	-0.000 (0.004)
Listed	0.010 (0.017)
Constant	-0.143*** (0.030)
Observations	5875
R-squared	.721
Firm fixed effects	Yes
Year fixed effects	Yes

Note: Family CEO mentoring excluded due to the inclusion of firm fixed effects. Robust standard errors in parentheses.

*** $p < .01$.

with multiple successions, the number of years elapsed between two consecutive successions was six.⁶ For this reason, we considered successions that were separated by at least 7 years and took $t + 1$ to $t + 4$ as the post-succession period for the first succession (occurring at time t) and $t + 5$ to $t + 6$ as the pre-succession period for the second succession (occurring at $t + 7$). As shown, the inclusion of firms with multiple successions only marginally alters our estimates, which become significant at the 10% level.

Second, in Model 5 of Table 4, we replaced firm fixed effects (employed in all previous regression models) with random effects. This model confirms the significant performance increase following a family mentoring succession and the significance of our moderating variables.⁷

TABLE 4 Moderating effects and robustness tests.

	First interaction	Second interaction	Full model	With multiple successions	With random effects
Dependent variable: ROA	(1)	(2)	(3)	(4)	(5)
Succession × Family CEO mentoring (H1)	0.001 (0.003)	0.089* (0.052)	0.096* (0.052)	0.041* (0.024)	0.081* (0.049)
Succession × Family CEO mentoring × NFBR (H2)	0.022*** (0.008)		0.023*** (0.008)	0.018* (0.011)	0.024*** (0.009)
Succession × Family CEO mentoring × IV (H3)		-0.034* (0.020)	-0.038* (0.020)	-0.003* (0.002)	-0.033* (0.020)
Succession	0.001 (0.002)	0.009 (0.019)	0.008 (0.018)	-0.008 (0.008)	0.010 (0.016)
Family CEO mentoring	-	-	-	-	0.057 (0.093)
Nonfamily board ratio (NFBR)	-0.001 (0.003)		-0.001 (0.003)	-0.001 (0.004)	-0.002 (0.002)
Succession × NFBR	0.001 (0.003)		0.001 (0.003)	-0.003 (0.003)	0.001 (0.002)
Family CEO mentoring × NFBR	-0.027*** (0.009)		-0.028*** (0.009)	-0.027** (0.014)	-0.023*** (0.009)
Industry volatility (IV)		-0.006 (0.020)	-0.007 (0.020)	0.004 (0.003)	-0.045*** (0.007)
Succession × IV		-0.003 (0.007)	-0.003 (0.007)	0.001 (0.001)	-0.003 (0.006)
Family CEO mentoring × IV		0.070 (0.109)	0.085 (0.114)	0.005 (0.010)	-0.022 (0.037)
Leverage	-0.034*** (0.005)	-0.034*** (0.005)	-0.034*** (0.005)	-0.040*** (0.007)	-0.039*** (0.004)
Firm age	0.009*** (0.002)	0.009*** (0.002)	0.009*** (0.002)	0.010*** (0.004)	0.004*** (0.001)
Firm size	0.013*** (0.001)	0.013*** (0.001)	0.013*** (0.001)	0.009*** (0.001)	0.011*** (0.001)
Cash holdings	0.011** (0.005)	0.011** (0.005)	0.011** (0.005)	0.007 (0.005)	0.015*** (0.002)
Board size	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	-0.001** (0.001)	0.000 (0.000)
Young board members	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	0.001 (0.001)	-0.000 (0.001)
Women board members	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	0.001 (0.002)	-0.001 (0.001)
CEO tenure	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)



TABLE 4 (Continued)

	First interaction	Second interaction	Full model	With multiple successions	With random effects
Dependent variable: ROA	(1)	(2)	(3)	(4)	(5)
CEO duality	0.001 (0.001)	0.001 (0.001)	0.002 (0.001)	0.003** (0.001)	0.001 (0.001)
Listed	-0.018** (0.007)	-0.018** (0.007)	-0.018** (0.007)	0.004 (0.007)	-0.016*** (0.006)
Constant	-0.154*** (0.012)	-0.161*** (0.056)	-0.163*** (0.057)	-0.165*** (0.036)	0.000 (0.000)
Observations	16,693	16,693	16,693	9579	16,693
R-squared	.593	.592	.593	.691	.056
Firm fixed effects	Yes	Yes	Yes	Yes	No
Random effects	No	No	No	No	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes

Note: Family CEO mentoring in Columns 1–4 excluded due to the inclusion of firm fixed effects. Robust standard errors in parentheses.

*** $p < .01$. ** $p < .05$. * $p < .1$.

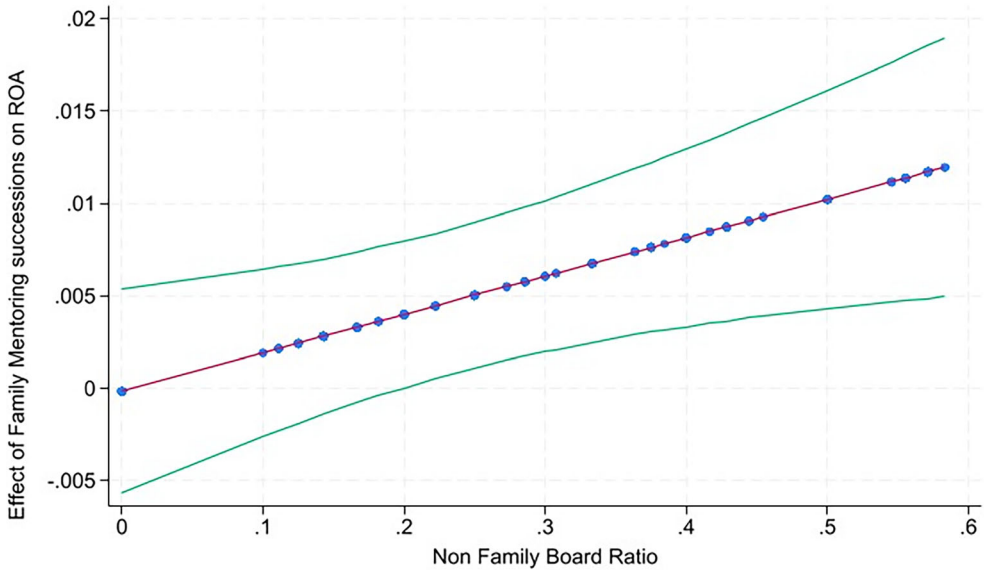


FIGURE 2 Moderating effect of nonfamily board ratio on the relationship between family CEO mentoring and performance. This graph shows the effect of family mentoring successions on ROA for the full range of nonfamily board ratio. The dotted line represents the point estimates, whereas the dashed lines report the 95% confidence range for the interaction effect.

In untabulated analyses, we also performed an analysis employing the standard ROA (i.e., without any industry adjustment), and the empirical findings led to conclusions like those of Table 2. Moreover, we estimated the models separately depending on whether the CEO at the helm of the company after the departure of the senior family

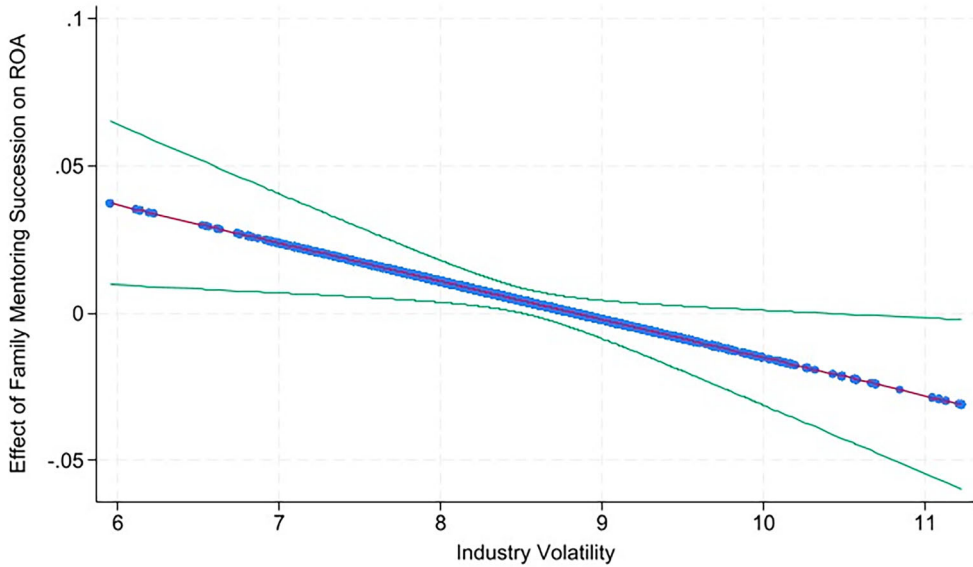


FIGURE 3 Moderating effect of industry volatility on the relationship between family CEO mentoring and performance. This graph shows the effect of family mentoring successions on ROA for the full range of values of industry volatility. The dotted line represents the point estimates, whereas the dashed lines report the 95% confidence range for the interaction effect.

member is a nonfamily member. We found that the key estimated coefficient is no longer significant when the incoming CEO does not belong to the controlling family. This result confirms that the effect of family CEO mentoring applies only when both outgoing and incoming CEOs are family members. We then empirically checked whether there are nonlinear effects of nonfamily board representation; we found a non-significant coefficient for the quadratic term of the nonfamily board ratio. We also checked the robustness of our results by excluding firms in the top quantile of nonfamily board representation. These results led to similar conclusions. Finally, we employed a less restrictive winsorization of ROA (0.5%) and again the results remained unchanged.

5 | DISCUSSION AND CONCLUSION

This study aimed to investigate the relationship between family CEOs potentially serving as mentors of incoming family CEOs (a succession process which we labeled as *family CEO mentoring*) and post-succession firm performance. CEO mentoring has received scant attention in the family business literature, and empirical works on this topic are limited (e.g., Boyd et al., 1999; Calabrò et al., 2018; Dhaenens et al., 2018; Distelberg & Schwarz, 2013; Núñez-Cacho & Grande, 2013). We filled this gap by studying a succession model which involves the presence of an outgoing family CEO and an incoming family CEO. Moreover, we examined the moderating effect of board independence and industry volatility as boundary conditions shaping the financial benefits of family CEO mentoring.

While the existence of multiple organizational goals (economic and noneconomic goals; Aguilera et al., 2024) leads to a complex and often traumatic CEO succession process in family firms (Calabrò et al., 2018), our findings show that family CEO mentoring is an effective way to orchestrate a successful CEO succession. Owing to mentoring by an outgoing family CEO, the family mentee is provided with key information, honest and high-quality feedback, social capital, and access to valuable networks. Open and effective communication (and feedback) between (from) the incumbent owner and (toward) the successor is fostered, which helps facilitate leadership transition (Boyd



et al., 1999). While some evidence has found that nonfamily mentors might reduce family conflict and provide superior managerial talent (Boyd et al., 1999), our results suggest that in a context dominated by strong affective bonds, such as that of family firms, family mentors play a crucial role in passing on the values of the firm to the next generation and maintaining the family legacy, with a positive effect on post-succession financial performance.

We also highlight that the impact of family CEO mentoring on post-CEO succession performance is moderated by board composition and environmental dynamics. The presence of nonfamily members within the boardroom serves as a governance mechanism to ensure that attention is focused on financial utility as well as on expanding the knowledge, skills, and resources available to the firm, thus amplifying the positive performance effect of family CEO mentoring in succession processes. Finally, we argue that family CEO mentoring will be less beneficial in volatile industries, in which family assets are likely to be less prized and demand for state-of-the-art administrative or technical expertise is greater.

5.1 | Contributions to theory

This article contains a number of theoretical contributions. First, prior research illustrates that leaders are able to influence firm performance and it theorizes CEO succession as an important event for firm outcomes (e.g., Cvijanović et al., 2023; Lee & Tsai, 2024; Minichilli et al., 2014). We shed new light on the post-succession performance effect of CEO succession events (e.g., Georgakakis & Buyl, 2020; Georgakakis & Ruigrok, 2017; Schepker et al., 2017) by proposing the concept of family CEO mentoring as a new layer of heterogeneity. This allows us to delve deeper into the topic of CEO succession, which holds great importance in the literature on family business and strategic management (e.g., Ahrens et al., 2019; Amore et al., 2021; Chang & Shim, 2015; Minichilli et al., 2014; Su et al., 2023). Our study suggests that family mentors represent important actors in the CEO succession process, and they may explain significant differences in post-succession firm performance across firms. We argue that family CEO mentors are individuals who tend to play a significant role in influencing post-succession firm performance as they help to address the challenge of ensuring continuity of family control while bolstering financial performance. This is a useful perspective that may help to manage the challenging and complex relationships between the members of the controlling family (in our case, the mentor and the mentee) experiencing a CEO succession (Calabrò et al., 2018).

Second, we develop a contingency perspective on the relationship between family CEO mentoring and post-succession firm performance by focusing on the moderating role of board composition. In so doing, we recognize the interplay between CEO succession and corporate governance areas by exploring how nonfamily directors can support the family CEO mentor and help to improve post-succession firm performance. Although several studies have paid attention to the role of the board of directors during a CEO succession (e.g., Berns & Klarner, 2017; Minichilli et al., 2014), a comprehensive picture of the potential moderating effects of board composition on post-succession firm performance is still lacking. This void is surprising given the widely recognized practical importance of boards during CEO succession processes. By considering the moderating effect of corporate governance mechanisms, we offer a more fine-grained analysis of how the composition of the board of directors may affect CEO succession issues. Family CEO mentors might typically feel pressed to align with the recommendations that family directors make in boardrooms regarding the succession process, which can bias the family mentor's behavior toward shared nonfinancial organizational goals and negatively affect post-succession firm performance. Therefore, we expand our knowledge regarding CEO succession outcomes by offering a new theoretical understanding of the role of board-level contingencies in governing the relationships between the incoming and the departing CEO in the transition process and their effect on firm performance. In doing so, this study helps to further bridge the literatures on CEO succession and corporate governance.

Third, scholars have made progress in developing approaches to better understand the industry context of CEO succession (e.g., Datta et al., 2003; Istiqlil et al., 2023; Zhang & Rajagopalan, 2004). This study expands this literature and offers novel theoretical insights by theorizing on the industry context and the family CEO mentoring-post-

succession performance association. We expand current knowledge on CEO succession with a new perspective that sees industry volatility dampening the positive influence of family CEO mentoring on post-succession firm performance. By bringing attention to industry volatility as a moderator variable, our article casts new light on the role of contextual factors in CEO succession and their performance consequences.

5.2 | Implications for practice

The results of our study also offer some practical implications. We ground our theorization in the specific setting of family firms, which enable us to be more precise about the underlying mechanisms through which a family CEO mentor can affect post-succession performance. It is especially important for family firms to consider mentoring as a vehicle to ensure business prosperity before CEO succession occurs. Family owners usually do not make strategic decisions in isolation. Instead, they rely on diverse sources of advice (formal/informal advice, internal/external advice; Strike et al., 2018). Complementing these studies, our findings suggest that family ties should be particularly salient, not only regarding the selection of the next leader (Calabrò et al., 2018) but also the succession process itself (and the involvement of mentors in such process). Greater commitment to the business and identification with it are expected from mentors who are family members. Family mentors may represent a way for family firms to avoid complexity, disruption, and uncertainty during the CEO succession (Cao et al., 2006) and eventually enhance financial performance. Additionally, as family firms typically invest a large amount of time and resources familiarizing their employees with the family's norms and values, CEOs who belong to the controlling family may be more motivated to transfer their tacit knowledge to incoming family CEOs, thus reinforcing the positive impact on post-succession performance.

Furthermore, preserving noneconomic goals during mentoring activities by family CEOs may also have a potentially harmful effect on post-succession financial performance, and the participation of nonfamily board members can mitigate this negative impact. Nonfamily members exhibit different behavior from that of family members, and their participation may draw the attention of outgoing family CEOs toward financial concerns. Relational problems associated with CEO succession (such as unbalanced perspectives, prejudices, too many emotional attitudes, jealousy, and conflicts between relatives) can then be more easily minimized (Boyd et al., 1999).

Third, best practices, such as the development of a succession plan for incoming CEOs, should also be extended to non-listed family firms. Indeed, corporate governance codes should consider the importance of initiating succession processes on time, while the family owner can still ensure effective oversight of the process supported by the close supervision of governing bodies, which should also involve nonfamily board members. In short, corporate governance codes should explicitly encompass planning ahead of generational change, supporting the mentoring role of the new CEO, which might help sustain the firm's financial performance during the transition process. We deem it relevant to inform management research and business practice about the impact that board composition may have on the association between family CEO mentoring and post-succession outcomes.

5.3 | Limitations and future research directions

Our study has several limitations which must be acknowledged. Some of these limitations offer opportunities for future research. First and foremost, we have used an indirect proxy to measure family CEO mentoring because we rely on secondary data which makes it exceedingly difficult to reliably identify mentoring. The fact that a departing senior CEO and a younger incoming CEO share the top role for a certain amount of time does not guarantee that mentoring will take place. Indeed, family mentoring between two CEOs may happen without any tenure overlap in their formal positions, but through their socialization within the family setting. Thus, the mechanism we described may also work for family firms which have not necessarily experienced any overlap in office and, conversely, the



term “family mentoring” can be applied to some firms which may not have experienced any mentoring behavior at all. Nevertheless, a required minimum cohabitation period in office and the fact that both CEOs arguably belong to different generations is likely to increase the occurrence of mentoring. Future studies could rely on more qualitative approaches, gathering primary data on family CEO mentoring. One option could be to get data on the frequency and intensity of interactions among family members. In doing so, however, scholars must be aware that self-reported data by CEOs tend to be subject to several biases (e.g., family CEOs may not openly admit to the existence of mentoring processes before an incoming CEO takes on sole leadership of the family firm).

Second, the analysis of a sample of Italian firms makes the generalizability of our findings limited. Consequently, future studies should investigate this topic by offering an analysis across different institutional contexts, especially given the concept of institutional logic has been used recently in the succession field (Richards et al., 2019). Also, it would be useful to use more micro-data to uncover the role of family and nonfamily directors in assisting or impairing the mentoring process. We have taken a macro stance on the governance moderator, which is not well-suited to capturing the specific dynamics at play between board members and incoming and outgoing CEOs in family firms.

We hope that this study will prompt further analysis to examine, for instance, how the nature of the mentor (e.g., background, gender, race) affects CEO successions, given the importance of racial bias in leader selection decisions (Preston & Carton, 2024) for example. Likewise, future research could explore the role of emotions during mentoring programs and the implications of this for post-succession firm performance (Bertschi-Michel et al., 2020) as well as for nonfinancial measures of performance.

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ENDNOTES

- ¹ The logic behind this approach is that the ownership structure of privately held firms, particularly in Italy, is typically characterized by few shareholders with large blockholdings; hence, a 50% stake is often necessary to achieve control. The threshold is reduced to 25% for listed companies, in line with studies that assume de facto control at similar thresholds owing to the use of control-enhancing mechanisms (e.g., Andres, 2008).
- ² Average industry ROA values are calculated by each two-digit primary ATECO classification (2007)—which is the national version of the European classification NACE (Rev. 2)—and year, using all family firms in our sample.
- ³ For the sake of being comprehensive and to cover successions in all leadership models, we also included the other two cases of leadership (i.e., Sole Director and the Executive Chairperson). In total, we have 1015 CEO successions, 425 Sole Director's successions, and 347 Executive Chairperson's successions.
- ⁴ We did not include the family mentoring dummy among the time-varying controls because they are fixed for a given CEO succession over pre- and post-succession windows (and thus are controlled by the firm fixed effects).
- ⁵ To further probe into the parallel trend assumption, we also conducted an analysis which compares (by means of *t* tests) the difference in ROA (or industry-adjusted ROA) year by year from $t - 6$ to $t - 1$ and found the mean difference is always insignificant.
- ⁶ This data structure explains why Model 4 has fewer observations than the baseline models in Table 4.

⁷ Here, we note that the stand-alone effect of family mentoring on post-succession firm performance (previously omitted due to the collinearity with firm fixed effects) is not significantly different from zero.

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