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GOVERNANCE AND ORGANISATION

Generational succession

a business to lead, not just to inherit

Why the family business cycle has become shorter, which organisational risks emerge when the generations change, and how process mapping and adequate arrangements help the successor read the business.

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GOVERNANCE AND ORGANISATION

Generational succession: *a business outlives its founder only if it has an organisation*

by **Domenico Merlino** · 18 November 2026

> In family businesses the path used to be almost a proverb: the grandparents built, the children managed, the grandchildren sold. It took three generations for the wealth created by the founder to be used up.

A cycle that has become shorter

In our direct experience this cycle has now become shorter. More and more often the father builds and, within a few years, the children either dissipate the value or sell the business in a hurry and on unfavourable terms.

The cause is almost never a lack of commitment or ability on the part of the younger generation. In most cases the successor inherits a business that worked because of one person, not because of an organisation.

The real risk: the business is the founder

In many family-owned SMEs the founder is at once sales director, head of production, treasurer and guarantor to the banks. He knows every customer, every supplier, every margin. He decides almost everything, often without leaving any written record of why.

As long as he is at the helm, the system holds. At the moment of succession, however, risks that had remained hidden come to the surface.

RISK	WHAT HAPPENS AT SUCCESSION
Dependence on one person	Key decisions, relationships and skills are concentrated in the person who is leaving
Unwritten knowledge	Prices, terms, priorities and “house rules” live in the founder’s memory rather than in procedures
Unclear delegation and responsibilities	Nobody knows exactly who can decide what, within which limits, and who checks

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RISK	WHAT HAPPENS AT SUCCESSION
Personal rather than corporate relationships	Banks, customers and suppliers trust the entrepreneur more than the business
Too little information to decide	Budgets, periodic reports and indicators are missing, and the successor operates without tools
Family tensions	Without defined roles, disagreements among heirs end up paralysing management
Crisis signals noticed too late	The newcomer does not yet have the feel to spot the first imbalances in time

None of these risks can be resolved by a notarial deed. They are organisational risks and must be tackled with organisational tools.

Process mapping as a handover

Mapping processes means describing in an orderly way how the business really works: how an order originates, how a price is set, how a supplier is chosen, how collections and payments are handled, who authorises and who checks.

In a generational succession this work becomes a genuine handover, because it makes visible and transferable what until then was implicit:

- it brings to light the activities that depend on a single person and need to be shared or delegated;
- it identifies where controls or information are missing;
- it allows roles and responsibilities to be assigned to family members too, on the basis of skills and not only of ties;
- it gives the successor a map to find their way, instead of an inheritance to decipher.

For the founder it is an opportunity to leave behind a business that can work without him. For the young entrepreneur it is a way to start out knowing the business through its structure, not just through its figures.

Adequate arrangements: a legal duty that becomes a key to the business

Article 2086 of the Italian Civil Code requires entrepreneurs operating in corporate or collective form to set up organisational, administrative and accounting arrangements that are adequate to the nature and size of the business, including in order to detect a crisis and the loss of going concern in good time. The Italian Business

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Crisis and Insolvency Code reinforces this principle and requires arrangements capable of spotting imbalances early and of assessing the outlook for business continuity.

These duties are often seen as a mere formality. In a generational succession, however, their practical value becomes fully apparent.

ARRANGEMENT	WHAT IT OFFERS THE SUCCESSOR
Organisational	It makes clear who does what, with which powers and which delegated authority
Administrative	It makes procedures repeatable and independent of individuals
Accounting and information flows	It gives the new leadership the data needed to decide: budgets, interim reports, performance and risk indicators

A business with adequate arrangements is a readable business. Readability is exactly what is needed by whoever takes it over, and by those who extend credit to it at the delicate moment of a change at the top.

The adviser's role: an independent reading

When preparing a generational succession, entrepreneurs usually turn to their long-standing trusted advisers, and attention goes almost entirely to legal and tax matters: how to transfer the shares, how to limit the tax burden, how to protect the heirs. These are important issues. Rarely, however, does anyone ask whether the organisation is ready to work without the founder. As a result, the business changes hands in a formally correct way, but the successor receives a structure he does not know and is not equipped to lead.

A generational succession is also charged with emotions, expectations and family balances. This is why an external and independent view of the organisational aspects is needed as well: one that can read the business without the filters of family history, and that complements the work of lawyers and tax advisers rather than replacing it.

Link Audit supports founders and successors along this path:

- it analyses the existing organisational structure and key processes;
- it identifies the risks arising from dependence on the founder and any weaknesses in controls;
- it helps define roles, delegated authority and information flows consistent with the size of the business;
- it supports the building of adequate arrangements that last over time and do not exist only on paper.

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A picture of the organisation with Digit Audit Cooperative

In this work we use Digit Audit Cooperative, the platform developed by Digit Audit, licensed to Link Audit and used exclusively in its own engagements. The platform makes it possible to map processes, risks and controls in a structured way and to provide a clear, updatable picture of the organisation.

For the young entrepreneur it becomes the starting point for understanding the business he is taking over and for making informed choices about its future. The tool does not replace the judgement of those who run the business: it makes that judgement orderly and shared, which is why Link Audit offers it together with its own professional support.

Conclusions

A generational succession is not an event that happens on the day the founder steps aside. It is a project that needs to be prepared in good time, while the founder is still present and can pass on what he knows.

Mapping processes and building adequate arrangements means turning one person's experience into an asset of the business. That is how to break the cycle that today leads too many companies not to survive the generation that created them.

The next generation should be handed a business to lead, not just one to inherit.

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Legal references: article 2086 of the Italian Civil Code; articles 2 and 3 of Legislative Decree no. 14 of 12 January 2019 (Business Crisis and Insolvency Code). This article is for information purposes only and is not a substitute for professional advice on specific cases. In the event of any discrepancy, the Italian version prevails.

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