



Dieter Schwarz Foundation  
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# MANAGING FAMILY BUSINESS TRANSMISSION UNDER STRUCTURAL CONSTRAINTS

Executive summary and practitioner insights by Angèle Marinelli, PhD Fellow, and Cécile de Lisle, Executive Director, Dieter Schwarz Foundation Family Business Center, based on Mellerio, O. (2011). *Transmettre une entreprise familiale: Des solutions concrètes pour réussir la transmission*. Éditions d'Organisation (Groupe Eyrolles).

This summary draws on the core findings of Mellerio (2011), with interpretation and application developed independently by Angèle Marinelli and Cécile de Lisle for a family business audience



Family business transmission is often seen as the natural continuation of entrepreneurial effort. The book shows a different reality. In France, fewer than 10% of family firms are successfully passed on within the family, a much lower rate than in comparable economies.

The issue is not a lack of intent to transmit. The difficulty lies in the mismatch between the requirements of long-term continuity and the environment in which firms operate. Fiscal rules, financing constraints, and governance issues make transmission demanding and uncertain.

Transmission is also not a single event; rather, it is a process that requires early preparation and coordination across generations. When it is handled late and treated as a technical step, it often ends in failure or sale.

Two conclusions follow:

- failures are largely driven by structural conditions
- successful transmission depends on deliberate preparation

## BUT WHAT DOES THIS MEANS FOR YOUR FIRM?

Continue reading to learn our **five key insights** and **questions** to ask in your family firm!

1

## THE SYSTEM IS DESIGNED FOR EXIT AND NOT FOR CONTINUITY

Transmission failures are often linked to external constraints rather than internal resistance.

- Fiscal systems create significant liquidity needs at succession, through inheritance taxes and restructuring costs.
- Financial structures push firms to extract value or open capital.
- Institutional incentives make sale a more straightforward option than long-term ownership.

**KEY TAKEAWAY:** Transmission is shaped by its environment. Many firms face conditions that make divestment easier than continuity.

2

## TRANSMISSION IS A FINANCIAL PROBLEM BEFORE A GOVERNANCE PROBLEM

Mellerio highlights a series of financial constraints. Among which, he states that, in many family SMEs, the firm represents most of the owners' wealth. Which undeniably creates strong liquidity pressures.

Succession costs often require:

- asset sales
- dividend extraction
- or ownership dilution

**IMPLICATION:** Address financing early by build family assets outside the firm and structure ownership to limit liquidity shocks.

3

## LEGAL AND FISCAL COMPLEXITY IS A PRIMARY SOURCE OF FAILURE

The book shows that transmission is shaped by the structure and layering of legal and fiscal rules.

- Tax systems are complex and not always internally consistent.
- Earlier policies have increased the cost and difficulty of keeping firms within the family.
- Existing mechanisms, including Dutreil-type arrangements, reduce some burdens but add procedural and legal complexity.
- Firms must navigate multiple constraints at once rather than a single binding issue.

**IMPLICATION:** Transmission difficulties arise from the accumulation of rules. In many cases, sale becomes the simpler and more predictable option.

## INSIGHT 4

### MOST TRANSMISSIONS FAIL BECAUSE THEY START TOO LATE

Transmission is often addressed only when the leader approaches retirement. At that point, urgency replaces planning. Then, common issues include reluctance to hand over control, insufficient preparation of successors, and lack of structure governance.

**ACTION POINT:** Treat governance as a long-term process, which includes starting several years in advance by transferring responsibilities progressively.

## INSIGHT 5

### SUCCESSFUL TRANSMISSION IS PRIMARILY A HUMAN AND RELATIONAL PROCESS

The book places strong emphasis on intergenerational dynamics. It details that tensions arise when expectations between generations are not aligned. For instance, founders may be reluctant to step back while successors do not feel prepared or legitimate. When communications is limited this often leads to conflicts or delays.

**IMPLICATION:** Successful transmission requires trust across generations, clearly defined roles, and a shared agreement on the firm's direction.



## QUESTIONS TO ASK WITHIN YOUR FAMILY FIRM

- ? If transmission had to happen today, could we finance it without selling or weakening the firm?
- ? Do we have a clear and realistic estimate of the tax and legal constraints we would face?
- ? Are we planning transmission early, or are we likely to address it under time pressure?
- ? Is there alignment within the family on who should take over and under what conditions?
- ? Given our current situation, is transmission actually more complex than a sale?

