FAMILY BUSINESS: FROM AN INFORMALLY MANAGED AND UNSTRUCTURED MODEL TO A STRUCTURED, FORMALLY MANAGED LARGER ENTERPRISE

Alessandro Capodaglio*, Giuseppina Iacoviello**, Gianpaolo Neri***

*University of Macerata; Department of Economics and Management, University of Pisa, Italy
**Department of Economics and Management, University of Pisa, Italy
***Catholic University of the Sacred Heart, Italy

How to cite this paper: Capodaglio, A., Iacoviello, G., & Neri, G. (2017). Family business: From an informally managed and unstructured model to a structured, formally managed larger enterprise. *Corporate Ownership & Control, 15(1), -.*

ISSN Online: 1810-3057
ISSN Print: 1727-9232

Received: 11.05.2017
Accepted: 21.07.2017

JEL Classification:
DOI:

Abstract

The family business is a fundamental element of the Italian economic development and wealth. One of the main reasons of failure of this type of firm is the business succession, within the family members. The aim of this paper is to analyse a fundamental task of the family business: the role played by a top management team that includes family members belonging to different generations in the strategy renewal process. In particular, we are interested in understanding how plurigenerational family business can apply incremental or radical strategic initiatives. A qualitative methodology is used to conduct a longitudinal case-study, using a deductive-inductive-deductive approach that is typical of the business administration studies. We use this approach to analyse the main influence among the corporate governance practice and the strategic changes of the family business. The case study method allows us to retain the meaningful characteristics of the real-life family business, such as organizational and managerial processes. Through a case study, we highlight the possibility of IS being able to support and facilitate the development of global knowledge, as well as the preparation of the cost accounting system for the calculation of the product cost and margin per customer, and the realization of a business intelligence and reporting system both for the board and the managers. This paper leads to the conclusion that traditional Italian entrepreneurial model can be considered still relevant and successful if supported by a prudent and conscious corporate management. This work contributes to a discussion of the potential benefits of the family business transition from the informally managed, unstructured directly controlled model to a delegated, structured, formally managed the larger enterprise. This paper reports on a study which aims to add to the theoretical understanding of how and why family business use IS in their strategies. The material from this paper can be used as the basis for future research as long as there are "significant" revisions from the original.

Keywords: Family Business, Management Succession, Corporate Governance

1. INTRODUCTION

All around the world, among both small businesses and large listed companies, the prevalent type of business organization is the one of the family business. In the west European countries, the family business (as a family-run business) is the most present model (44,29% of the cases), followed by the diffuse ownership model (36,93%), as emerges from a study of Faccio and Lang (2002). In the G20 countries, the family businesses represent between 50% of companies in Canada and 90% in Turkey, with intermediate values for Countries such as Germany (79%) and France (83%). The family businesses are really popular also in Brazil, India and in many other Asian Countries (Corbetta, 2011). In the USA, the family businesses represent some of the companies; in Italy, the family businesses represent 82% of the total population of the companies.

In Italy, family businesses are estimated approximately at 784.000 units – amounting to over 85% of all companies with a weight in terms of employment of some 70%. In terms of incidence of family businesses, the Italian context is in line with the major European economies. However, regarding the composition of the governing body, there are quite wide differences due to a reduced number of external managers used by the Italian family businesses: 66% has the management composed exclusively by family members; in France such ratio is only 26%, and it drops to 10% in the UK (Source: Aidaf, 2014).

Their diffusion and economic relevance explain the increasing links between practice and academic research on the role played by the family in the company, governance mechanisms and business performance (Anselmi, 1999; Anderson et al., 2003; Del Bene, 2005; Habbershon et al., 2003; Bertrand and Schoar, 2006; Bukart et al., 2003; Cucculelli and Micucci, 2008; Corbetta, 2010; Lazzini, 2012).

Always considering the data of the AUB Observatory in the decade 2000-2009, the family businesses have grown more than the nonfamily businesses, with a higher profitability.

Kashmiri and Mahajan (2014) found that family businesses (148 units) handily outperformed nonfamily companies (127 units) during both the 2001 and 2008 recessions in terms of a key metric, Tobin's q. In their sample, the average Tobin's q of all the family businesses remained at 1.9 regardless of the economic cycle, but that of the nonfamily corporations dropped from 1.2 during the growth years to 0.8 during recessions. Thus, the former coped better with the recessions than the latter. The results were tested for a number of factors family business' dimensions such as company size, age, the level of globalization, the level of diversification, R&D intensity, and industry (Iacoviello, 2012).

Nevertheless, the family businesses do not go beyond the third generation; also the Aidaf [Italian Association of Family Businesses] Observatory registers only 8% of the companies with more than 50 years of history (Bertoldi, 2014). But this data does not consider that the companies have a life cycle. One of the 500 multinational corporations of Fortune has an expected average lifetime between 40 and 50 years; so, three generations are almost 75 years. Furthermore, not only it is necessary to follow the businesses' lifetime, but the entrepreneurial assets: often the companies are sold, merged or develop into larger groups. The assets that stay longer on the Forbes list of billionaires are those of the European families; the survival rate is 67% for the European families, with more than half that has achieved the third or fourth generation (Bertoldi, 2014).

In the perspective of resource-based view, the competitive advantages are based on the possession of peculiar, poor, barely imitable and non-easily replaceable resources that are employed for the implementation of product and market strategies (Habbershon and Williams, 1999; Sirmon et al., 2007). The family businesses have available and are able to create exclusive resources (such as: Zahra et al., 2004; Sirmon and Hitt, 2003; Habbershon and Williams, 1999; Habbershon et al., 2003; Miller, 2003), arising from the particular integration between company and family producing different advantages and disadvantages compared to other ownership and governance structures.

The success of a business is linked to the capacity of the entrepreneur in building a useful relationship network to guarantee an easy access to resources and peculiar expertise (human capital, share capital, financial capital, informal capital belonging to the relatives, costs concerning the governance structure), by encouraging the organizational learning; this latter depends, not only but also, on the degree of current and prospective absorptive capacity (Nonaka and Takeuchi, 1997).

Studies conducted seem to highlight a strong bond between absorptive capacity and corporate governance. In particular, the governance body may represent an important connection point between the company and the external environment acting as a catalyst of new and varied expertise and knowledge (Montemerlo, 2000; Zahra and Filatotchev, 2004; Zahra et al., 2004).

It is the presence of the family with its continued, systematic and synergic interactions with the business system that produces that quid, popular in the Anglo-Saxon literature with the term familiness, able to define a real difference between family and nonfamily businesses (Anselmi, 1999; Corbetta, 2010; Del Bene, 2005; Habbershon et al., 2003). Such a bond represents a critical resource for the business, being able to become a source of real competitive advantage or be classified, on the contrary, as endemic criticality for the company (Putnam, 1995). Habbershon et al. (2003) define familiness as the set of resources controlled by a firm resulting from a continuous overlap of a family system with the business system in a business. Many studies have identified several unique resources in family firms that are broadly referred to as the familiness of the business (Cabrera-Suarez, De Saa-Perez and Garcia-Almeida, 2001; Habbershon and Williams, 1999; Pearson, Carr and Shaw, 2008). According to Sirmon and Hitt (2003), family firms can attain unique sources: human capital, social capital, survivability capital, patient financial capital and governance structures.

The transformation of governance in the generational change in family business should be interpreted and managed as an opportunity for enrichment for the entrepreneur (Demattè and Corbetta, 1993; Shen and Cannella, 2003) to fend off the challenge posed by the complexity, the family business is called to a radical rethinking of the decision-making process, which many scholars are often based on a unified vision of reality or even monolithic.

The purpose of this paper comes from the analysis of the doctrine's evolution with respect to the family business and governance models: in fact, whilst the doctrine highlights how the most of the current corporate environments embed structured models and systems (into both big and middle-size companies), this is not given for family business, based on the central role of the entrepreneur. We try to demonstrate the efficacy of informally managed, unstructured, and directly controlled model of governance in a strictly family business.

To explore and understand the governance of companies we deliberately chose to limit our study to a single enterprise that fulfils the criteria of analysis directly related to what we refer to as a successful family business.

The remainder of the paper is organized as follows: paragraph two outlines the literature review, paragraph three discusses the research objective and method, paragraph four describes the case study and the final paragraph presents evidence and conclusion providing a critical review of alignment between theory and practice.

2. LITERATURE REVIEW

The "special nature" of the family business was subject of in-depth analyses, in particular, in the early Sixties. Nevertheless, it should be underlined how the study of the family business phenomenon is rooted in the Italian business literature with works of authoritative exponents such as Zappa and in the following decade Dell'Amore, Masini, who advanced the presence of the business character in the economic manifestations of life of the family communities, including the related manifestation of the «family» institute in the field of the consumption companies (Anselmi, 1999).

The family, widely intended, impact on the definition of a family business (Ayranci, 2010) and, therefore, on the magnitude of the study objective. A family business, identified in accordance with criteria that are based on the business owner (e.g. Donckels and Frohlich, 1991), according to the character of the business manager (Dunn, 1996), with emphasis on the aspects and difficulties of succession (e.g. Donnelly, 1964), or according to the variety of roles played by the family (Dannhaeuser, 1993; Gumustekin, 2005), are examples of the analysis perspective of scholars and the aspects that guide the empirical research.

Stressing the relief of family businesses in the Italian economic context, many scholars highlight the diversity and difficulty of choosing the dimensions to be investigated starting from definitional issues and thus classifications (Del Bene, 2005; Marinò, 2008; Lattanzi, 2012; Zavani M. and P. Di Toma, 2012). In fact, making an analysis of the international literature, ample space was given to the issues of definition and, therefore, the entrepreneurial character of the family business, to the extent that some scholars have found fifty definitions (Klein et al., 2005).

Chua et al. (1999) recall the importance of the distinction between theoretical and operational definition since the theory constitutes the paradigm for the field of research and the standard against which should be measured in the operational effectiveness of the analysis, helping, eventually, to provide repeatable results. Each study and therefore any theory formulated on the family business should describe the reason why family businesses are different, as identifies by the uniqueness, and how and under what conditions these peculiarities allow the achievement of a competitive advantage (Klein et al., 2005).

Within the Agency theory (one of the main perspectives of analysis applied in studies on family business – Chrisman et al., 2010), beside the Resource based view theory and the Institutional theory, emerges the positions of Calder (1961), Donnelly (1964), Schulze et al. (2001) and Gomez-Mejia (2001) who agree on the nature of the family business, strongly marked by its "non-rational" aspects (kinship bonds, nepotism, emotional aspects of management). On the other hands, in the "nonfamily" businesses tend to prevail rational aspects (efficiency and efficacy in managing the business).

Such a relation has had for years a negative connotation due to the potential predominance of the first factor over the second one.

Following studies have moved towards another direction emphasising the diversity of two clusters of companies (family and nonfamily) respectively having well-defined profiles with rather different degrees of profitability, governance systems, organizational structure (…). The awareness of diversities and the emphasis on some aspects has materialized in different attempts to define the family businesses; this latter represent, therefore, the incipit of studies and researches that find their reason to be in the approaches followed for the qualification of the companies, according to a direction mainly focused on structural aspects (ownership) or process aspects (primarily of governance).

According to the "structure-based approach", the literature suggests three principal ways in which definitions can be considered: content, purpose, and form. Most definitions focus on content (Handler, 1989; Heck, Scannell, 1999; Litz, 1995). Many early definitions concerned ownership (Berry, 1975; Lansberg et al., 1988; Anderson and Reeb, 2003; Klein and Blondel, 2002; Littunen and Hyrsky, 2000), management involvement of an owning family (Barnes and Hershon, 1976; Burch, 1972), or generational transfer (Ward, 1987).

In contrast, more recent definitions – according to the intention-based approach – concentrate on family business culture (Chua et al., 1999; Dreux IV and Brown, 1994); the familiar character is found in those companies where the family has the ability to orientation and business management decisions come from it. (Donnelly, 1964; Babicky, 1987; Holland and Oliver, 1992; Handler, 1989; Dreux, 1990; Lyman, 1991; Churchill and Hatten, 1987; Astrawchan and Shanker, 2003); so what differentiates a family business from other businesses is the family's important influence on the decision making and operations of the firm" (Chrisman et al., 2003).

Clearly, definitions and studies and researches conducted show marked overlapping elements and only their composition allows the interpretation and the evaluation of the dynamism of these units in the world production structure (Fletcher, 2001; Lazzini, 2012).

For a solution to the family business definition dilemma, Astrachan et al. (2002) propose the application of a scale that assesses the extent and the quality of family influence via the measurement of three dimensions (F-PEC): Power (it includes family influence in supervising, managing and owning positions), Experience (it refers to the summed experience that the family brings into the business and is operationalized by the generation in charge of management and ownership), and Culture (culture refers to the values and the commitment).

According to the theoretical framework proposed by Astrachan et al. we have extrapolated the critical aspects of the family business governance.

The power assesses the degree of overall influence or power either in the hands of family members or in those named by the family.

The concentration of ownership in the hands of the family (the existence of a holding) the composition of the board (family and nonfamily members), the composition of the management body (family and nonfamily) deeply influence the efficacy of more or less structured governance models of the family business. The researchers concern the "transfer of corporate control and divestment", find that the emotional attachment of executives for their business and the emotional entrapment with an activity can lead strategic inertia (Sharma and

Manikutty, 2005; Duhaime and Grant, 1984). Many scholars find the evidence that nonfinancial goals (family independence, satisfaction, respect in the community ...) have characterized as family goals (Corbetta and Salvato, 2004; Sorenson, 1999; Dunn, 1995; Davis et al., 1997).

Of course, as highlighted in theory, the other issue concerning control is triggered within this strategy of goal setting: who controls? And who controls whom? The existence of an authoritative rather than friendly style affects the governance system adopted. Likewise, it is said for the role of the manager (belonging to the family or not but completely controlled by the latter) that may perform a supervisory activity or extraordinary activities such as merger and acquisitions (Astrachan and Zellweger, 2008).

Close to these, the impact of the experience in relation to the succession and the number of family members taking part in the business shall be carefully evaluated. Paying attention to that part of theory emphasising the role of the generational change in defining a company as a family business (Barach and Ganitsky, 1995; Heck and Scannell Trent, 1999; Ward, 1988; Klein, 2003), the importance of succession is evident, it adds considerable valuable business experience to the family and the company. Intergenerational transmission of businesses or business ability is absolutely considerable, as shown many scholars (Hout and Rosen, 1999; Blanchflower and Oswald 1998; Dunn and Holtz-Eakin, 1996). Entrepreneurial parents may pass along both "business sense" and wealth to their successors, and both elements are likely to increase the chances that they will someday open a business.

It is clear that if the number of family members involved in the company is increased, the experience level grows and gradually becomes stratified. During the first generation of ownership, many new rituals are installed; generally, the subsequent generation of ownership contributes proportionally less value to this process.

Ultimately, the generation of ownership, the generation active in management, the generation active on the governance board and the number of contributing family members, affect the efficacy of the governance.

Corbetta and Salvato (2004) find that most family firms experience a trust based business culture (for similar findings, see Klein and Bell, 2007). Trust between family members represents an important source of strategic advantage (Steiner, 2001) since trust-based relationships serve to reduce complexity (Luhmann, 1968) and transaction costs (Steiner, 2001). So the core value of key personnel usually forms part of the culture of their business. The value and the family's commitment impact on the efficacy of the governance.

The job of operating and managing a family-owned company is often grievously complicated by friction arising from rivalries involving a father and his son (a "problem patriarch," a very hard-driving alpha leader who hired superb talent within the family and the business — and then consistently undermined that talent), brothers (brother-brother rivalry, the elder and the younger), or other family members who hold positions in the business, or at least derive income from it. Unless the principals face up to their feelings of hostility, says, the business will suffer and may even die (Levinson, 1971).

Christensen (1953) pointed out that the management of succession was critical for business continuity and Tarver analysed the inherence practices within the family for at least a century (1952). A high number of searches (Alcorn, 1982; Corbetta, 1995; Dyck et al., 2002; Erven, 2004; Handler, 1994) show that the succession must be the result of a planning process articulated on a multi-year time frame in advance of the time when will the actual handover, in which case a trained successor grows into the role under the owner's supervision and guidance; or, instead, it takes place abruptly and unexpectedly when the owner becomes died. Churchill and Hatten (1987) highlight the overlap from a temporal point of view of the maturity of the father and of the activity of the child. Only the proper education of the potential successor and the acceptance of having to leave the company by the owner will allow the correlation of the two life cycles (father and son) in an optimal way for a successful succession: this can only happen if there is planning. Failure to address succession can be put down to a combination of the entrepreneur's instinctive desire to keep control of His creation, as well as a natural aversion to planning. But The Reasons are normally much more subtle and complex. Objections to the long-term planning of succession are in many cases rationalisations employed to avoid deep-rooted anxieties and fears.

Ultimately, the familiness can be at the same time a source of competitive advantage (which arises from the interactions between the family system as a whole, the individual family members, and the business itself) and it can be a source of conflicts, both relational (leading impasse decision or separation among family members) and management (that slow down or even hinder operational decisions), which can become particularly critical in the moment of generational succession.

3. METHODOLOGY

The passage from theory to hypotheses occurred through a deduction process: the analysis of literature and centrality of topics such as governance, longevity and value creation of the family business has provided the ground for the definition of the research hypotheses regulating the development of the following project phases. In order to formulate the research hypotheses, we deemed it useful to formalize the problem as questions, in order to be able to focus, with more details, the main topics on which focus the research efforts.

Question no. 1: Are there structural parameters in the multigenerational family businesses that support the coordination of family members and allow the same coordination to activate effective decision-making processes?

In the wording of the question no. 1 of the research, the structural characteristics of the multigenerational family businesses have been taken into consideration, such as the centrality of the family in the governance bodies and the family stability (as a result of the reduction of opportunistic behaviours by the members of the same family). This made necessary the wording of three research sub-hypotheses, each of which had to take into consideration one of the structural parameters of the networks identified:

Question no. 1, letter a: is an effective activation of the governance system linked to the ability of the *pivot* entity (the *family*) to maintain its central position in the governance body? Question no. 1, letter b: does an effective activation of the governance system come from the creation of relational channels that do not pass through the *pivot* entity?

Question no. 1, letter c: is an effective activation of the governance system linked to the ability of the family to maintain a coherent structure in the generational changes that have occurred over the time?

The creation of new value is a process that can be activated by combining the same resources in a different way. The family businesses have the familiness, a particular resource tightly linked to the family variable (Habbershon T. et al., 2003) and to its changes over time and space. The notion of familiness, by adopting a dynamic perspective, includes the history of the family and the background of expertise and knowledge held and preserved by it, basis on which develop a successful business model. It is clear how the possession of critical resources is a necessary but not sufficient condition to guarantee that the company reaches positions of competitive advantage. Said resources need to be combined one each other by creating specific connections which development is, first of all, expression of the system of knowledge and expertise obtained by enhancing the human capital (whether or not of the family). The families actively involved in the business for many generations, thanks to the experience accrued and a solid system of knowledge bequeathed over the time can benefit from a real competitive advantage in the process of reconfiguration of the resources.

In the wording of the second question of the research, we have wondered if the presence of managerial expertise in the *pivot* entity about how to activate the competitive leverage can somehow support the creation of effective networks of stakeholders:

Question no. 2: Is an effective coordination between individuals present in the governance body linked to the understanding, by the pivot entity, of different ways to use the resources as competitive leverage (innovation and internationalization)?

The path followed in the research takes the cue from the structure of the research method of the *Case Study*. According to Yin (2003), the *case study* is an empirical research putting real phenomena at the core of the analysis, trying to observe them *"in their uniqueness, as part of a particular scenario and its interactions"* (Patton, 1985) in relation to the difficulty to tell apart *"the borders of the phenomenon from the context where it develops and acts"*. It represents a typical form of quality research aimed at looking for the "meaning" of the reality in the experiential past of people. That is why it represents the favourite method when the questions of the research are *"how?"* and *"why?"*; answered by the researcher through a direct examination and interviews to people involved in the business events.

Among these companies, the case Pasta Zara has been selected because it offers an example of evolution in the strategic positioning of the company and of change in the corporate governance system.

This case is, therefore, appropriate to study the capacity of the company to change its structure and governance process in pursuing specific strategic lines in the family businesses.

The data were collected through direct interviews and secondary sources in more than five months of work. In order to preserve the plurality of the points of view, we have conducted our case study based on semi-structured individual interviews with many people within the organization. Once identified the individuals holding key information, or rather those persons that besides having available most of the information about the functioning of the organization, can affect or make decisions about governance and business strategies, we have asked them open questions. No preliminary explanation was given about the concepts of interest in the research project, with a view to avoid that said information affected their answers. During this phase every respondent has explained the history of the company and the functioning of the corporate governance system over the years considered, questions of control have been asked in order to obtain more details on the topics under discussion and to corroborate the data collected. In the second part of the interviews, accurate questions have been asked in order to understand the role played over the time by specific aspects of the corporate governance, their mutual interaction, as well as the effects of complementarity.

4. CASE DESCRIPTION

Pasta Zara Spa is an Italian company, leading player worldwide operating in the food sector of pasta production: in 2015, its turnover, ever increasing, has nearly achieved 300 million euros and its product are present in 116 countries.

Pasta Zara moves its first steps within a small shop of pasta started by Emanuele Bragagnolo in 1898 in Villarazzo, in the province of Treviso (Italy), and later developed by his son Umberto, who, in 1918, decided to move the headquarters to Castelfranco Veneto, always in the province of Treviso, where it is still today, and turn an artisan business into an industrial reality for all purposes and effects. The Electrical Pasta Factory Bragagnolo was born.

The innovative spirit introduced by the young Umberto pushed, in 1932, his father Emanuele to open a new factory in Zara, at that time Italian city, the capital of the Venetian Dalmatia, with the name of Pasta Factory Adriatico. Unfortunately, this initiative was damaged by adverse fortune, as in 1943 the factory was destroyed during the second world war after a bombardment carried out by the air force of the Yugoslav Federal Socialist Republic, at that time ruled by Tito. So Umberto Bragagnolo goes away from Zara, giving up the idea of the second factory. He will die soon after in Castelfranco Veneto, at his home, during an air raid.

Well different destiny is experienced by the factory of Castefranco Veneto: the increasing development registered over the years by the company required, indeed, a new and bigger production plant, built in 1965 in Riese Pio X, always in the province of Treviso and, in memory of the unlucky experience of Zara, the company was denominated Pasta di Zara (later Pasta Zara).

The historical upturn for the business occurred in the Seventies thanks to Franco Bragagnolo, Umberto's son, who had the fitting intuition to rely on exports, first in Austria, then in Germany and Greece.

In 1997 there was the fourth generational change of the Bragagnolo family: indeed, Franco transfers progressively the business to his sons Furio (President), Arianna, Umberto and Franca. Therefore the last development phase of the company starts that brings to the present days marked by two essential stages: in 2002 the inauguration of the second, new factory of Muggia (at the door of Trieste), in 2010 the acquisition of the Pasta Factory Pagani in Rovato (Brescia), become de facto the third production facility. In addition, in 2012, a cooperation agreement is entered with the mill Tesa in the Marche Region, that today works exclusively for Pasta Zara. In 2015, the same operation is carried out with the mill of Grandi Molini Italiani in Trieste.

5. RESEARCH RESULTS AND DISCUSSION

We chose Pasta Zara as business to be analysed for two reasons: on the one side the longevity of the business (Family Business Magazine, 2009) associated with the undisputed social importance of the founding family, on the other side the important changes in the ownership structures and in business strategies that characterized the business as of the second half of the 20th century.

It is on the familiar history (dynamic and causal variable), meant as a set of concomitant events concerning, over the time, a group of people bonded by emotional and/or blood bonds that both reputation that has the family in a given social context, and its belief and value system depend.

The business, by now at the third generation, is still managed by the family even though with the support of managers out of the family but involved in the family events.

These managers are mainly professionals grown within the same enterprise, in some cases with previous work experiences: the long stay in the company, combined with a constant professional contact with the management (and therefore with the family), lead to the fact that these managers have acquired the total trust of top management and the consequent opportunity to participate, in an active and transparent manner, to the corporate governance. This, of course, in compliance with the limits required by the proxy assigned by the management in decision-making activities outside of the family unit.

They were formed – indirectly – within the company and this allowed the overcome of any problem of adverse selection, that the doctrine wants attributable to an expectable poor ability to select managers on the market and to the natural succession within the management of less competent family members (Burkart et al., 2003; Schulze et al., 2001; Bennedsen et al., 2006), which is often the cause of the family business failure risks.

Despite the presence of a form of governance currently centralized, and thus in the hands of the family, this model seems to be able to overcome the limitations arising therefrom, precisely as a result of the described organizational model: the presence of managers of absolute trust and credibility, but still strangers to the family circle, allows to classify Pasta Zara in a so-called "hybrid" situation, with respect to the topic of decision-making and control centralization.

The form of governance adopted in Pasta Zara limits the opportunistic risk typical of nonfamily businesses (in agreement with the theory of the resource-based view): the expertise of the second generation individuals, the network of relations created by the family and, therefore, the long-term vision allow the acquisition of competitive advantages according to economic criteria. It is also true that the internal growth of nonfamily managers seems to make their interests coincide with those of the company (in agreement with the stewardship theory) so emerging the empowerment of the employees. Anyway, the governance power keeps being in the hands of the family that has shown its efficacy by presenting ever increasing market shares, up to become the first Italian exporter of pasta. So, the hypothesis of the efficacy of the governance system in the hands of the family able to consolidate the business positioning is confirmed.

Pasta Zara has introduced, over the recent years, inside its staff external individuals having high managerial quality and experience, entrusting to them roles of strategic relevance within the business organizational chart. Said figures have brought to the company a more structured approach in the organization of functions, as well as in the definition and implementation of the business information system. Furthermore, a different approach, more affected by the best practices that can be found within the main international industrial groups, has simplified the entrance of new financing shareholders, allowing a further strengthening of the already solid corporate structure. But the external figures introduced, for the explicit choice of the family, did not receive important functions within the current governance system, directly managed by the pivot entity and the managerial figures trained within the company.

The role of "internal" and "external" managers will become, according to the prospects of the same pivot entity, really important when it will support the fifth generational change: indeed, the family structure will be changed, because the current blood bond will be reduced (the shareholders will not be brothers and sisters, but cousins).

The involvement of stakeholders in the management and the company's results, outside the family, as well as a more managerial approach in the operational activities, has brought to the attention of the pivot subject certain requirements related to the communication of economic information – significant financial, in the past, did not take into account or otherwise not considered a priority. With this in mind, the company has embarked on a process of revision and update of its Information System, which will lead in the medium term i) to the preparation of the cost accounting system for the calculation of the product cost and margin per customer, and ii) to the realization of a business intelligence and reporting system both for the board and the managers.

Both objectives have significantly sensitized the management (both internal and external to the family) on the need for consistent information and, therefore, on the reliability of data processed: for the coming years it is expected a commitment by the company, not only on the operating processes innovation – a factor that has always characterized the company management in the current and in past generations – but also in the innovation and development of "information" processes, with consequent changes in technology and information technology, especially focusing on the introduction of new modern tools for processing, manipulation and reporting of information.

Obviously, this approach will bring the company to a leading (and necessary) increase in the sharing of information, both internally (meaning the involvement of shareholders and "nonfamily" managers) and externally (in particular concerning the banks, which are the major financial partner of the company). Such a scenario, the implementation of which is imminent, can represent a substantial change in the management of the business by the pivot subject. In fact, this shall result in the loss (if it can be so called) of the "ownership" of information, to the benefit of an improved communication process and representation of the company's status.

The generational succession has represented in its various stages a crucial change for the continuity of the link between the company and founding family guaranteeing, in this way, the continuity of the company. Even though the succession did not occur according to a planning process (the first, due to the sudden death of the founder and owner), the prevalence of a strong "culture" made possible to go beyond the risk of death suffered by the companies, and this in spite of the "Buddenbrook syndrome" that explains the end of many European entrepreneurial dynasties with the arrival at the helm of the companies of the third generation. The first generation is one of the founders and has often features of pioneering type, of great resistance, confidence, and capacity to go beyond the adversities and collect resources. Usually, the second generation has the role to make the company grow, in order to increase the power and the prestige of the family. The third generation would have, on the contrary, the smallest spirit of sacrifice, attachment to the business and preference for alternatives compared to the activity of the company (Landes, 1978). In the United States, a familiar aphorism – "Shirtsleeves to shirtsleeves in three generations" – describes the propensity of family-owned enterprises to fail by the time the founder's grandchildren have taken charge (Stalk and Foley, 2012),

Likewise, being the ownership represented almost exclusively by the *pivot* entity, along with SIMEST, the public-private merchant bank controlled by Cassa Depositi e Prestiti [Deposit and Loan Bank] and Friulia, the finance company of the Region Friuli Venezia Giulia, at the moment there are not those conflict within the governance body that, as highlighted by the theory (Gubitta and Gianecchini, 2002; Corbetta, 1995) slow down the growth process of the companies.

If for the family business the succession has represented a reason of bankruptcy, for Pasta Zara it shown to be an essential passage between the first/second and the third generation in terms of growth, maintaining also in the third change good results confirming the effects of the consolidation of experience as demonstrated by a wide literature about the role played by it.

Pasta Zara has interpreted the development of innovative processes as leverage for the success, by not limiting to collect the risk capital and financial resources as debt aimed at supporting innovative investments and expansion strategies of the company in the international market being confident that they support the growth.

So, buck the trend compared to the family business that, according to various studies (Autio, Mustakallio, 2003; Harris et al., 1994; Donckels, Frohlick, 1991; Daily, Dollinger, 1993; Gallo, Sveen, 1991; Gallo, 1995; Fernandez, Nieto, 2005; Ward, 1988 and 1997; Mishra, McConaughy, 1999) are not very disposed to the risk-taking, Pasta Zara has maintained an attitude that materialized in acquiring an important position in the international markets. The choices to use the resources are an example of the efficacy in the coordination of the family members present in the governance body (affirmative answer to the second question).

As already explained above, the same history of the company highlights how each of the four generational changes has presented a chance for innovation, by opening new factories even bigger and productive, and internationalization. So everything brought Pasta Zara to be the second pasta factory of Italy in terms of production volumes and the first Italian exporter. This result confirms our hypothesis according to which the coordination between individuals present in the governance body is linked to the understanding, by the family, of different ways to use the resources as competitive leverage (innovation and internationalization).

6. CONCLUSION

A work like the one presented here also has its limits. First of all, this work solely presents a case study.

The empirical investigation conducted in the case appears to be the first step in a larger research that we are conducting on business family to understand the point of view of the companies that are approaching or have approached the IT.

Secondly, it is to be stated that the given complexity item of corporate governance constitutes the first beginning to meet the particularities of heterogeneous groups of family businesses and hence to contribute to an optimal arrangement of control mechanisms in family businesses. Because this research is in the initial phase, this subject will require further analysis.

The second phase is essential for fully understanding the reasons for the appeal to the IT and the development of a general model of synthesis can be traced through rationalization of such attributes. The aim of such a model is to identify the causative factors (endogenous and exogenous) and intervening variables (exogenous) that lead to the use of the IT.

By using larger samples the findings from this exploratory study can be tested, thus, getting more reliable results to extend our knowledge about the transition of the business family from the informally managed, unstructured directly controlled model to a delegated, structured, formally managed the larger enterprise.

REFERENCES

1. Alcorn, P. B. (1982). *Success and survival in the family-owned firm.* New York: McGraw-Hill.
2. Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: Evidence from the S&P500. *The Journal of Finance, 58(3),* 1301–1328. https://doi.org/10.1111/1540-6261.00567
3. Anselmi, L. (1999). *Aziende familiari di successo in Toscana.* Milano: Franco Angeli.
4. Astrachan, J. H., & Shanker, M. C. (2003). Family

businesses' contribution to the U.S. economy: A closer look. *Family Business Review, 16(3),* 150-167. https://doi.org/10.1177/08944865030160030601
5. Astrachan, J. H., & Zellweger, T. (2008). Performance of family firms: A literature review and guidance for future research. *Zeitschrift für KMU und Entrepreneurship, 56(1-2),* 1-22. https://doi.org/10.3790/zfke.56.1_2.1c
6. Astrachan, J. H., Klein, S. B., & Smyrnnios, K. X. (2002). The F-PEC scale of family influence: A proposal for solving the family business definition problem. *Family Business Review, 15(1),* 45-58. https://doi.org/10.1111/j.1741-6248.2002.00045.x
7. Ayranci, E., & Semercioz, F. (2010). Family-power, experience, culture scale and a research about the relationship between family influence and top managers' view about managers who are family members in the family businesses. *Journal of the School of Business Administration, 39,* 335-358.
8. Babicky, J. (1987). Consulting to the family business. *Harward Business Review, 54(4),* 105-114.
9. Barach, J. A., & Ganitsky, J. B. (1995). Successful succession in family business. *Family Business Review, 8(2),* 131–155. https://doi.org/10.1111/j.1741-6248.1995.00131.x
10. Barnes, L. B., & Hershon, S. A. (1976). Transferring power in the family business. *Harvard Business Review, 54(4),* 105–114.
11. Barry, B. (1975). The development of organization structure in the family firm. *Journal of General Management, 3(1),* 42–60. https://doi.org/10.1177/030630707500300105
12. Bertoldi, B. (2014). Come vincere la sfida della terza generazione. *Il SOLE 24ore, 9 dicembre.*
13. Bertrand, M., & Schoar, A. (2006). The role of family in family firms. *Journal of Economic Perspectives, 20(2),* 73-96. https://doi.org/10.1257/jep.20.2.73
14. Burch, P. (1972). *Managerial revolution reassessed: Family control in America's largest corporations.* Lexington, MA: Lexington Books.
15. Burkart, M., Panunzi, F., & Shleifer, A. (2003). Family firms. *The Journal of Finance, 58(5),* 2167-2202. https://doi.org/10.1111/1540-6261.00601
16. Cabrera-Suárez, K., Saá-Pérez, P. D., & García-Almeida, D. (2001). The succession process from a resource- and knowledge-based view of the family firm. *Family Business Review, 14(1),* 37-47. https://doi.org/10.1111/j.1741-6248.2001.00037.x
17. Calder, G. H. (1961). The peculiar problems of a family business. *Business Horizons, 4(3),* 93-102. https://doi.org/10.1016/0007-6813(61)90029-5
18. Chrisman, J. J., Kellermanns, F. W., Chan, K. C., & Liano, K. (2010). Intellectual foundations of current research in family business: An identification and review of 25 influential articles. *Family Business Review, 23(1),* 9-26. https://doi.org/10.1177/0894486509357920
19. Chrisman, J. J., Chua, J. H., & Zahra, S. A. (2003). Creating wealth in family firms through managing resources: Comments and extensions. Entrepreneurship. *Theory & Practice*, 27*(4),* 359–365. https://doi.org/10.1111/1540-8520.t01-1-00014
20. Christensen, C. (1953). *Management succession in small and growing enterprises.* Boston: Division of Research, Harvard Business School.
21. Chua, J. H., Chrisman, J. J., & Chang, E. P. C. (2004). Are family firms born or made? An exploratory investigation. *Family Business Review, 17(1),* 37–54. https://doi.org/10.1111/j.1741-6248.2004.00002.x
22. Chua, J. H., Chrisman, J. J., & Sharma, P. (1999). Defining the family business by behavior. Entrepreneurship. *Theory & Practice, 23(4),* 19–39.
23. Churchill, N. C., & Hatten, K. J. (1987). Non-market-based transfers of wealth and power: A research framework for family businesses. *American Journal of Small Business, 11(3),* 51-64.
24. Corbetta, G. (2010). *Le Aziende familiari – Strategie per il lungo periodo.* Milano: Egea.
25. Corbetta, G. (2011). L'impresa familiare: Modelli e prospettive. *XXVI Convegno di studio L'impresa familiare: Modelli e prospettive. Cormayeur, 30 sep.-1 ott.*
26. Corbetta, G., & Demattè, C. (1993). *I processi di transizione delle imprese familiari.* Milano: Studi e Ricerche Mediocredito Lombardo.
27. Corbetta, G., & Salvato, C. A. (2004). The board of directors in family firms: One size fits all?. *Family Business Review, 17(2),* 119-134. https://doi.org/10.1111/j.1741-6248.2004.00008.x
28. Cuculelli, M., & Micucci, G. (2008). Family succession and firm performance: Evidence from Italian family firms. *Journal of Corporate Finance, 14(1),* 17-31. https://doi.org/10.1016/j.jcorpfin.2007.11.001
29. Dannhaeuser, N. (1993). The survival of family-operated firms under developed conditions: The case of Hassfurt Germany. *The Journal of Developing Areas, 27(3),* 307-28.
30. Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management Review, 22(1),* 20-47. https://doi.org/10.5465/AMR.1997.9707180258
31. Del Bene, L. (2005). *Aziende familiari tra imprenditorialità e managerialità.* Torino: Giappichelli.
32. Di Mascio, A. (2008). *Crescita e governance nelle imprese familiari.* Milano: Egea.
33. Donckels, R., & Fröhlich, E. (1991). Are family businesses really different? European experiences from Stratos. *Family Business Review, 4(2),* 149-60. https://doi.org/10.1111/j.1741-6248.1991.00149.x
34. Donnelly, R. G. (1964). The family business. *Harvard Business Review, 42(4),* 93-105.
35. Dreux, D. R. (1990). Financing family business: Alternatives to selling out or going public. *Family Business Review, 3(3),* 225-243. https://doi.org/10.1111/j.1741-6248.1990.00225.x
36. Dreux, D. R. IV, & Brown, B. M. (1994). Marketing private banking services to family businesses. *International Journal of Bank Marketing, 12(3),* 26–35. https://doi.org/10.1108/02652329410055187
37. Duhaime, M., & Grant, J. H. (1984). Factors influencing divestment decision-making: Evidence from a field study. *Strategic Management Journal, 5(4),* 301–318. https://doi.org/10.1002/smj.4250050402
38. Dunn, B. (1995). Success themes in Scottish family enterprises: Philosophies and practices through the generations. *Family Business Review, 8(1),* 17-28. https://doi.org/10.1111/j.1741-6248.1995.00017.x
39. Dunn, B. (1996). Family enterprises in the UK: A special sector? *Family Business Review, 9(2),* 139-56. https://doi.org/10.1111/j.1741-6248.1996.00139.x
40. Dyck, B, Mauws, M, Starke, F. A., & Mischke, G. A. (2002). Passing the baton: The importance of sequence, timing, technique and communication in executive succession. *Journal of Business Venturing, 17(2),* 143–162. https://doi.org/10.1016/S0883-9026(00)00056-2
41. Erven, B. L. (2004). Management succession issues in family business. *Family Business Magazine, The world's oldest family companies, 2009.* Retrieved from the World Wide Web: http://www.fambiz.com/Orgs/Cornell/articles/real/erven.cfm
42. Fletcher, D. (2001). Experiencing professional management in the small, family firm. *17th EGOS Colloquium, Lyons, 5–7 July.*
43. Forestieri, G., & Invernizzi, G. (1999). *Lo sviluppo delle imprese familiari: Alla ricerca dei modelli di*

successo. Milano: Mediocredito Lombardo, Studi e Ricerche.
44. Giarretta, E. (2005). *Vitalità e longevità d'impresa. L'esperienza delle aziende ultracentenarie*. Torino: Giappichelli.
45. Gomez-Mejia, L. R., Nuñez-Nickel, M., & Guiterrez, I. (2001). The role of family ties in agency contracts. *Academy of Management Journal, 44(1),* 413–435. https://doi.org/10.2307/3069338
46. Gumustekin, G. (2005). Administrative and organizational problems of family enterprises as SMEs: An example of the ceramics industry in Kutahya. *Cumhuriyet University Journal of Economics and Administrative Sciences, 6(1),* 71-92.
47. Habbershon, T. G.., & Williams, M. L. (1999). A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review, 12(1),* 1-25. https://doi.org/10.1111/j.1741-6248.1999.00001.x
48. Habbershon, T. G., Williams, M., & Macmillan, I. C. (2003). A unified systems perspective of family firm performance. *Journal of Business Venturing , 18(4),* 451-465. https://doi.org/10.1016/S0883-9026(03)00053-3
49. Handler, W. C. (1989). Methodological issues and considerations in studying family businesses. *Family Business Review, 2(3),* 257–276. https://doi.org/10.1111/j.1741-6248.1989.00257.x
50. Handler, W. C. (1994). Succession in family business: A review of the research. *Family Business Review, 7(2),* 133-157. https://doi.org/10.1111/j.1741-6248.1994.00133.x
51. Hartley, J. (2004). Case study research. In: Cassell, Catherine and Symon, Gillian eds. *Essential guide to qualitative methods in organizational research.* London: Sage Publications Ltd, pp. 323–333. https://doi.org/10.4135/9781446280119.n26
52. Heck, R. K. Z., & Scannell Trent, E. (1999). The prevalence of family business from a household sample. *Family Business Review, 12(3),* 209–224. https://doi.org/10.1111/j.1741-6248.1999.00209.x
53. Holland, P. G., & Oliver, J. E. (1992). An empirical examination of the stages of development of family businesses. *Journal of Business and Entrepreneurship, 4(3),* 27-38.
54. Iacoviello, G. (2012). Sul conceetto di dimensione aziendale. In Del Bene L., Lattanzi N. and Liberatore G., *Aziende familiari e longevità economica*, Milano: Ipsoa.
55. Kashmiri, S., & Mahajan, V. (2014). The name's the game: Does marketing impact the value of corporate name changes? *Journal of Business Ethics, 124(1),* 81-99. https://doi.org/10.1007/s10551-013-1861-5
56. Klein, S. B., Astrachan, J. H., & Smyrnios, K. X. (2005). The F-PEC scale of family influence: Construction, validation and further implication for theory. *Entrepreneurship Theory and Practice, 29(3),* 321-39. https://doi.org/10.1111/j.1540-6520.2005.00086.x
57. Klein, S. B. (2003). Strategic renewal during succession in family firms. In Poutziouris P. and Steier L. P., *New frontiers in family business research: The leadership challenge* (196–215). Research Forum Proceedings of 14th FBN-ifera Research Forum, Lausanne.
58. Klein, S. B., & Bell, F. A. (2007). Non-family executives in family businesses – A literature review. *Electronic Journal of Business Studies, 1(1),* 19-37.
59. Klein, S. B., & Blondel, C. (2002). Ownership structure of the 250 largest listed companies in Germany. *INSEAD working paper 2002/123/IIFE.*
60. Lansberg, I., Perrow, E. L., & Rogolsky, S. (1988). Family business as an emerging field. *Family Business Review, 1(1),* 1–8. https://doi.org/10.1111/j.1741-6248.1988.00001.x
61. Lattanzi, N. (2012). I modelli concettuali e le condizioni di funzionamento delle aziende famigliari. In Del Bene L., Lattanzi N. and Liberatore G., *Aziende familiari e longevità economica.* Milano: Ipsoa.
62. Lazzini, A. (2012). *Il governo dell'azienda familiare. Criticità, modelli e prospettive.* Torino: Giappichelli.
63. Levinson, H. (1971). Conflicts that plague family businesses. *Harvard Business Review, 49(2),* 90-98.
64. Littunen, H., & Hyrsky, K. (2000). The early entrepreneurial stage in Finnish family and nonfamily firms. *Family Business Review, 13(1),* 41–54. https://doi.org/10.1111/j.1741-6248.2000.00041.x
65. Litz, R. A. (1995). The family business: Toward definitional clarity. *Family Business Review, 8(2),* 71–81. https://doi.org/10.1111/j.1741-6248.1995.00071.x
66. Luhmann, N. (1979). Trust: A mechanism for the reduction of social complexity. In Luhmann N., *Trust and power: Two works by Niklas Luhmann* (1–103). New York: John Wiley & Sons.
67. Lyman, A. R. (1991). Customer service: Does family ownership make a difference? *Family Busienss Review, 4(3),* 303-324. https://doi.org/10.1111/j.1741-6248.1991.00303.x
68. Marinò, L. (1999). Economicità e valore: Riflessioni critiche sulle aziende. In Anselmi L., *Aziende familiari di successo in Toscana.* Milano: Franco Angeli.
69. Mazzanti, P., & Mazzucca, G. (1992). *Eredi. Padri e figli del capitalismo italiano.* Milano: Sperling & Kupfer.
70. Miller, D. (2003). An asymmetry-based view of advantage: Towards an attainable sustainability. *Strategic Management Journal, 24(10),* 961-976. https://doi.org/10.1002/smj.316
71. Minoja, M. (2012). Stakeholder management theory, firm strategy, and ambidexterity. *Journal of Business Ethics, 109(1),* 67-82. https://doi.org/10.1007/s10551-012-1380-9
72. Montemerlo, D. (2000). *Il governo delle imprese familiari.* Milano: Egea.
73. Nonaka, I., & Takeuchi, H. (1997). *The knowledge-creating company. Creare le dinamiche dell'innovazione.* Milano: Guerini.
74. Pearson, A. W., Carr, J. C., & Shaw, J. C. (2008). Toward a theory of familiness: A social capital perspective. *Entrepreneurship Theory & Practice, 32(6),* 949-969. https://doi.org/10.1111/j.1540-6520.2008.00265.x
75. Putnam, R. D. (1995). Bowling alone: America's declining social capital. *Journal of Democracy, 6(1),* 65-78. https://doi.org/10.1353/jod.1995.0002
76. Schulze, W. S., Lubatkin, M. H., Dino, R. N., & Buchholtz, A. K. (2001). Agency relationships in family firms: Theory and evidence. *Organizational Science, 12(2),* 99–116. https://doi.org/10.1287/orsc.12.2.99.10114
77. Sharma, P., & Manikutty, S. (2005). Strategic divestments in family firms: Role of family structure and community culture. *Entrepreneurship Theory and Practice, 29(3),* 293-311. https://doi.org/10.1111/j.1540-6520.2005.00084.x
78. Shen, W., & Cannella, A. A. (2002). Revisiting the performance consequences of CEO succession: The impacts of successor type, post succession senior executive turnover, and departing CEO tenure. *Academy of Management Journal, 45(4),* 717-733. https://doi.org/10.2307/3069306
79. Singer, P. (1996). *Il governo della transizione nell'impresa a carattere familiare. Aspetti reali e finanziari.* Centro Studi di Tecniche Aziendali ARNIA, Università di Salerno.

80. Singer, P. (2005). *Il passaggio generazionale nell'impresa familiare tra continuità e cambiamento*. Torino: Giappichelli.
81. Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review, 32(1),* 273-292. https://doi.org/10.5465/AMR.2007.23466005
82. Sirmon, D. G., & Hitt, M. A. (2003). Managing resources: Linking unique resources, management and wealth creation in family firms. *Entrepreneurship Theory & Practice, 27(4),* 339-358. https://doi.org/10.1111/1540-8520.t01-1-00013
83. Sorenson, R. L. (1999). Conflict management strategies used by successful family businesses. *Family Business Review, 12(4),* 325–340. https://doi.org/10.1111/j.1741-6248.1999.00325.x
84. Stalk, G. Jr., & Foley, H. (2012). Avoid the traps that can destroy family business. *Harvard Business Review*, 25-27.
85. Steiner, L. (2001). Family firms, plural forms of governance, and the evolving role of trust. *Family Business Review, 14(4),* 353–368. https://doi.org/10.1111/j.1741-6248.2001.00353.x
86. Titscher, S., Meyer, M., Wodak, R., & Vetter, E. (2000). *Methods of text and discourse analysis* (Bryan Jenner, Trans.). London: Sage.
87. Tomaselli, S. (1996). *Longevità e sviluppo delle imprese familiari. Problemi, strategie e strutture di governo*. Milano: Giuffrè.
88. Ward, J. L. (1988). The special role of strategic planning for family businesses. *Family Business Review, 1(2),* 105–117. https://doi.org/10.1111/j.1741-6248.1988.00105.x
89. Yin, R. K. (1994). *Case study research: Design and methods (2nd ed.).* Thousand Oaks: Sage Publications. https://doi.org/10.2307/2392599
90. Yin, R. (1981). The case study crisis: Some answers. *Administrative Science Quarterly*, *26(1),* 58-65.
91. Zahra, S., & Filatotchev, I. (2004). Governance of the entrepreneurial threshold firm: A knowledge-based perspective. *Journal of Management Studies, 41(5),* 883-895. https://doi.org/10.1111/j.1467-6486.2004.00458.x
92. Zahra, S., Hayton, J., & Salvato, C. (2004). Entrepreneurship in family vs. non-family firms: A resource based analysis of the effect of organizational culture. *Entrepreneurship Theory and Practice, 28(4),* 363-381. https://doi.org/10.1111/j.1540-6520.2004.00051.x
93. Zavani, M., & Di Toma, P. (2012). *L'innovazione nei processi innovativi delle pmi. Opportunità e vincoli della fatturazione elettronica.* Milano: Franco Angeli.