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**“CHANGING GENERATION INSIDE ITALIAN FAMILY FIRMS
WHICH ARE ACTING AT INTERNATIONAL LEVEL”**

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ABSTRACT

In this master thesis will be discussed the importance of changing generation inside the Italian family-run companies which are acting at international level. In particular the aim will be to analyse the small-medium firms that during their growing process have decided to internationalize themselves towards Asia and specifically in China. The driver concepts of this thesis will be family, generation and internationalization. The family represents a very controversial point, since could be both a meeting or a detachment point between Chinese and Italian culture, so a deep analysis will be done. Moreover, family have to be analysed also as a conceptual feature that drive the managing process of a company, this latter not seen just as a profit machine, but intrinsic element of the family identity. Instead, the changing generation has to be seen as a needed key point in companies to stay alive and exploit new flows of idea and to continue the already existing path or to land in the international context, particularly in the Chinese one. Finally, internationalization point, has to be seen as a synonym of potential means of growth and expansion, maintaining anyway the firm's family identity. To have a more concrete approach, in this thesis will be included also the interviews conducted on six Italian enterprises which works in the field of wine and which exports this Made in Italy excellences towards China. This practical approach will be useful to compare the theoretical part explained in the first chapters to the operational side, in order to understand which strategies are the more effective and if there are a common thread that has led these firms to succeed.

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INTRODUCTION

In this master thesis will be faced the generational change inside the family firms which have decided to act at international level with a major specificity toward China.

In this regard, the first chapter deals with the controversial point of family firms, offering at the beginning a general historical perspective, to then trying to shape a description that encloses its characteristics. The analysis has been done taking into consideration the governance of the companies, from the several typologies of board of directors to the practical instruments (F-PEC scale) to measure how familiar behaviours influence the organization and how the “Familiness” feature impact on the firm competitiveness. Moreover, to give more instruments to the reader, it has been presented the comparison between the concept of family both for Italians and for Chinese people, starting from their historical roots, to then shift to the development of the family firms over time. The last paragraph of the first chapter finally, offers an overview about the generational change topic, which is considered by the scholars a sensitive issue, because not only there is a great change inside the organization management, but there are some practical difficulties that can damage the firms. In fact, the main problems can be identified into the lack of the transition of intangible capital (teamwork, human, organizational and information capital), as well as the rigidity in the passing on the torch from the old generation to the new one.

While, in the second chapter is treats the theme of internationalization, beginning with a general overview of the phenomena, to then making a focus on the small-medium enterprises which decide to broaden their horizons toward foreign countries. Among the possible potential markets has been put under observation China, that with its huge territory may represents a good opportunity to expand the business, even though continuing the analysis, it will be clear that the potential that can be collected in a concrete way will be less than the potential shown, both for a question of cultural distance and for a legislative system that is not always facilitating.

Finally, in the last chapter before the conclusion, it has been put under the lens the wine market segment to offer a more practical approach to what has been said so far. The reasoning has been done at the beginning with a general description of this world, to then

going deeper into the topic with some interlocutors belonging to six companies operating in the wine sector, which are relevant in the Italian landscape. The companies surveyed respond to the three main parameters presented in the thesis which are: belonging to a family business, have experienced at least one generational change and the internationalization of their trade. The organizations interviewed which are Lunelli Group, Marchesi di Frescobaldi, Terre de la Custodia, Tua Rita, Marchesi di Barolo and Zonin 1821 have given a remarkable contribution to this thesis and even though they are not a significant quantitative sample, they offer an important testimony on how the Italian know-how and familiar vision of the firms make the difference also in the international context, not only because of its Made in Italy label, but most of all for its reliability and quality.

In conclusion, the objective of this thesis is to highlight the importance of the family firms and their intangible capital, with which they are able to create an added value and a competitive advantage difficult to reach by other companies. More than this, the combination of the generational change and internationalization add a major challenge which are successfully overcome by the selected and interviewed companies, offering a strategic overview on how to be successful.

1. FAMILY-RUN COMPANIES

1.1 AN HISTORICAL INTRODUCTION

From an historical point of view, the legal system regulating the initial concept of family and corporations sank its roots in two main jurisdictions: the Roman law and the German one. The reason why they are still nowadays a milestones is due to their ancient origins, even though comparing the two, it is possible to say that the German law, especially at the beginning of its history, was partially influenced by Roman legislation (Whaley J., 2011). In fact, making a little summary concerning the rise and development of this latter, it was born during the Roman Empire around the 27 BC and had a first stop when the Empire declined in the 476 AD. The Barbarians who got control over the Roman territories, had the possibility to discover this kind of legislation systems and took inspiration to create their own laws which were named “The Vulgar Roman law”. Anyway, after the fall of the empire, had followed an anarchist and confused phase until the XIII-XVII centuries, when took place the Renaissance and with it the recall of the Roman Legislation. Then during the XVIII-XX centuries the codification of Justinian norms together with the German ones were spread both in Europe and worldwide thanks also to the phenomena of colonisation, influencing deeply the new emerging cultures and in particular the Latin Americans countries. In order to synthetize the laws’ origin, this fact leads the researchers to unify the two legislation in the so called “Romano-Germanic legal family” (Muhametgalieva S. H. et al., 2005). Since it was a long and controversial process, it is not easy to identify the precise moment in time where legal family was created, but what is important is that they are worldwide recognised and at the base of practically each legislation system (Kharytonov E. O. & Kharytonova O. I., 2015). One practical example could be found in the Italian concept of the “comunione tacita familiare” existing before the family reform of 1975, where was recognised a little compensation to the relatives participating in the agricultural work. This measure is very ancient and took origin precisely on the Romano-Germanic legal family legislation, however this topic will be deeply analysed in the following chapters.

1.2 DEFINING FAMILY RUN COMPANIES

A necessary first distinction have to be made between family business¹ and non-family business. In fact, the first one includes parental influences into the business in terms of ownership and interests, while in the second case there are third parties managing the structure with no kin relationships among them (Lantelme M., 2017). More formally to distinguish between the two categories it is required to answer to three main questions which are: Is the company considered by its members a family business? (Gasson et al., 1998); (Ram M. & Holliday R., 1993) Is the management done by a dominant family group or person? (Westhead et al., 2001) Is this dominant family or person owning the 50% of company's share? (Cromie et al., 1995). In addition to this classification, it is important to highlight that the two categorizations pursue different objectives, in fact in the non-family firms the first aim is to achieve specific financial target and figures, while in the family run companies the main objective is to better the economic situation of the family and to maintain the organization for the following generations. In this context is clear that non-family businesses adhere to a more aggressive economic strategy that suggests a higher performance achievement. In order to measure this latter and to put in comparison the output of family run businesses and non-family companies, it is used the high-performance organization framework that includes five factors and its 35 characteristics (De Waal A.A., 2012). These five factors regard the management quality, the openness and action-orientation, the long-term orientation, the continuous improvement and renewal and the employee quality. In order to obtain a valuable result, all the managers and the employees have to respond to the questionnaire rating the 35 characteristics of their working place from one to ten, where one corresponds to total organization inability to reflect those characteristics, while ten corresponds to total adherence to them (De Waal A.A., 2012).

After this first differentiation among the two types of firms, it is necessary to go deeply inside the family-owned business. In the last thirty years the research around this topic has largely increased and its importance has been recognised and put under observation by many scholars. Important authors such as Chua, Shama and Chrisman have had an

¹ Terms such as “family business”, “family firm”, “family company”, “family-owned business”, “family-owned company”, and “family-controlled company” will be used interchangeably throughout the thesis to refer to family businesses.

important insight on this and what result from their studies is the impossibility of defining family firm just from a theoretical or practical point of view. In fact, it is necessary to include both sides since they are complementary: the theory is needed to shape the object of study and the phenomena's characteristics, while the operational side confirm or confutes the definition. In their studies they collected different standpoints from several authors and their definitions change accordingly to the elements they observed when trying to shape it. In fact, based on the researchers who has accomplished the study, it is noticeable a major focus on the family ownership or on the family's successions, but also on the board of director composition or on the behaviours and attitude towards strategy.

Some of the most influent statement of meaning about what is a family-owned business can be grouped as follow:

“Are those whose policy and direction are subjects to significant influence by one or more family units. This influence is exercised through ownership and sometimes through the participation of family members in management (Davis P., 1983)”.

“A business in which two or more extended family members influence the direction of the business (Tagiuri R. & Davis J.A., 1985)”.

“When it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family (Donnelley R., 1964)”.

“An organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board (Handler W. C., 1989)”.

“One in which two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles or ownership rights (Pratt J. H. & Davis J. A., 1986)”.

The first reasoning that rises from these definitions is the impossibility to understand the extent to which these characteristics and their specificities may arrive. In fact, when talking about family management, it is possible to distinguish between narrow and broadly management: the first is intended as a daily commitment of the family into the company's affairs, while the second is intended as the settlement of the strategy but not

its implementation (Shanker M.C. & Astrachan J.H., 1996). Similar is the topic based on the influence of the family into the business: how much their decisions impact on the strategy and how much may impact the decisions of someone delegated by them. Another issue may arise concerning the different typology of ownership, differentiate between full ownership, controlling ownership, and effective control all eligible (Habbershon et al., 2003). So, even though from one point of view the definitions collected over time show some gaps and incongruencies, from another standpoint they offer important elements that studied and merged by the scholars Chua, Shama and Chrisman gave birth to a valid and more complete description of family business that is:

“The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families”.

For the researchers there are four main points without which a company cannot be defined as a family firm and they consist in pursuing the intention to maintain the family control at the dominant coalition of the company, specific and unique resources given by the relationship among family, the willing of perpetuating the business through the generations and follow the “family vision”. In this latter it is important to mention the “vision”, since it is the factor that major distinguish a family firm from all the other typology of businesses. In fact, with the action of pursuing and shaping the vision is intended to put in place an organization that is able to merge financial and familiar objectives creating the possibility to better the status quo of the family and their social position. For this reason, the vision is included also in the operational side since it is considered the motivation that leads family commitment to shape the firm strategy (Chua J.H. et al., 1999).

So far, it has been explained some citations used and recognised by many scholars to express the concept of family firm and what arise, especially from the last definition, is that behaviour is what impact more on defining it.

Instead from the operational side, to verify these behaviours and the impact of family into the business, it is typically used the F-PEC scale. In order to have a reliable result, when conducting the study, it is necessary to consider a representative sample of five hundred

or more companies worldwide and assess them using three subscales: power, culture and experience. In this latter subcategories, the control applied in the strategic and managerial side have to deal with power, the contribution given by different generations have to deal with the experience, while the commitment and the philosophy represents the spine of the business given by culture (Astrachan J.H. et al., 2002). In the framework of the F-PEC scale these three elements are provided at the beginning of each survey's section to give some definitions in order to have a criterion and a standard to analyse the output (see appendix 1: The F-PEC scale). In this way not only it is possible to study the extent to which family's behaviours can influence the organisation, but it is possible to collect data comparable over time to continue and pursue the family business research towards a unique definition and a common framework (Astrachan J.H. et al., 2005) (Rutherford M.W. & Kuratko D.F., 2008).

From the operational side, in addition to the F-PEC scale that analyses the impact of family behaviour in the organization, it is possible to use another instrument to measure how the "Familianness" impact on the firm competitiveness: The Resource Based View. Crucial before getting into the specificities of this method is to define what "Familianness" is, in fact it is a special term that represents all the resources, the unique, synergic and inseparable skills, emerging from the involvement of the family in the business (Habbershon et al, 2003). When talking about family business is not easy to measure these intangible resources together with its economic and non-economic goals and these difficulties leads to a confusion in analysing the performance of the firm. To avoid this grey zone, the Resource Based View offers a practical instrument to better understand the relationship between family, competition and performance, taken into account four different sources of family firm capital: human (skills, knowledge, training, relationships), physical (plant, raw materials, location, cash, access to capital, intellectual property), governance structures (knowledge, skills, commitment to communication, leadership) and organizational capital resources (competencies, controls, policies, culture, information, technology) (Chua J.H. et al., 1999) (Habbershon T.G. & Williams M.L., 1999). Of course, not all the resources inside a firm offer a concrete competitive advantage and if the aim is the one of obtaining a valid result is important to consider some parameters when using the Resource Based View. In fact, the resources in order to be evaluated have to respect certain benchmarks that are: being a carrier of meaning in

exploiting opportunities or at least in avoiding economic threats, being peculiar and unique traits of the firm's competition, being imperfectly imitable and being non-replaceable from another business' resource (Collis D. J. & Montgomery C. A., 1995).

In the scheme above (Figure 1), it is possible to see how the RBV method works and which steps are needed to arrive from the firm resources' evaluation to the assessment of its competitive advantage.

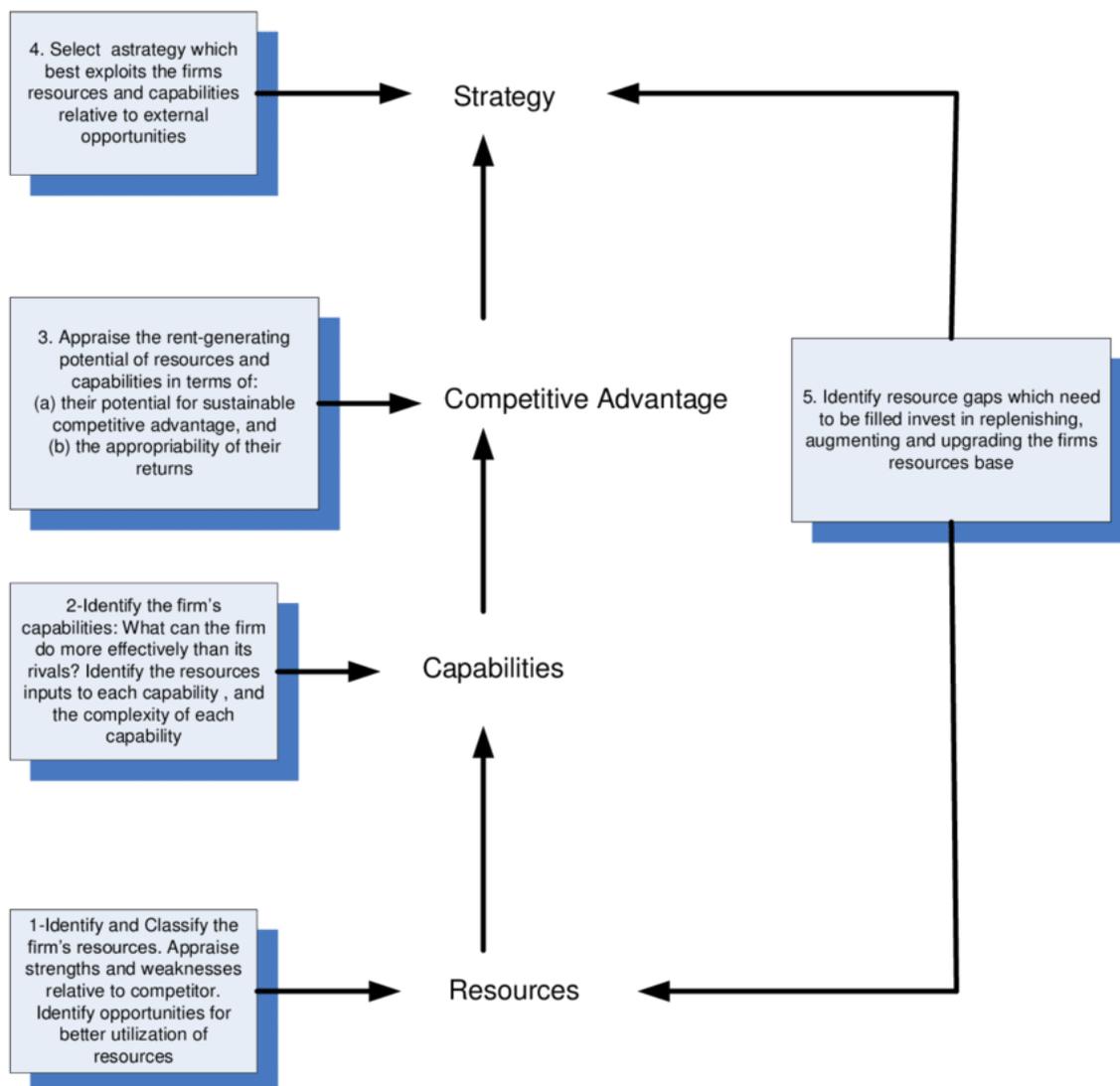


FIGURE 1: Adoption of five stage Resource Based Approach to Strategy Analysis: A Practical Framework (Grant R. M., 1991).

It is possible to say that this scheme helps to light up a little bit the confusion around the categorization of family firms because just who belongs to the classification of “Familianness” is able to answer to the framework and have a real competitive and strategic advantages. In this sense there is a kind of self-exclusion for those companies who do not respect the benchmarks expressed above regarding the bundles or resource interconnected with each other. Moreover, what result at the end of the assessment is a deeper knowledge about the family involved in the business, with a clear differentiation among “distinctive” or “constrictive” family. In the first case familiar relationship will be an added value to the structure contributing to the concept of “Familianness”, while in the second case it is an impediment to its welfare and performance, normally due to conflictual relationships (Habbershon T.G. et al., 2002). These conflicts may regard equity issues, role or identity fights, succession topic, hostilities between brothers and sisters etc.

Summing up, it is possible to say that analysing the results arising from the RBV method, it is recognisable that family-firms has a wide range of positive aspects and outperform non-family firms. Some of these cons are in the field of investments, in fact they are considered long-term investors with the so called “patient capital”, preferring a foresight rather than monthly or quarterly returns (Dreux D.R., 1990). Also in their working place, employees are more oriented to loyalty and trust, since there is an environment that looks somehow familiar and with a specific attention to the human components (Ward J.L. & Aronoff C.E., 1991); in fact the workers generally speaking have a higher wages, more flexible hours and as a result a higher performance (Donckels R. & Frohlich E., 1991) (Moscatello L., 1990). More than this, there is a common sense of belonging between family owned businesses that makes possible the share of some informal information, not available for non-family firms. As well as, they arouse a major sense of commitment towards undertakings given by the suppliers, customers and employees (Lyman A.R., 1991) (Aronoff C.E. & Ward J.L., 1995). They are also less affected by the macroenvironment with the result of being hit lower by economic recessions (Donckels R. & Frohlich E., 1991). Moreover, the fact of having the family as the core of the business makes easier the contact towards other cultures, in fact this common and shared value is crucial for the internationalization and establishment in foreign countries (Swinth R. L. & Vinton K. L., 1993).

After this general overview is clear that the studies conducted in this field may have a very wide range of definitions concerning what family business is and what is not. The three main elements taken into consideration when trying to define it are: content, purpose and form, for this reason some scholars try to shape the definition from the type of firm governance such as ownership or management, others try to outline a meaning from the family's purpose and vision towards business strategy, still others focus their attention on next generations. What is undeniable is that there is not a unique and recognised description of what actually is a family-owned business and quoting the words of Handler, it is possible to say that: "Defining the family firm is the first and most obvious challenge facing family business researchers" (Handler W. C., 1989). Since there is confusion around this topic, some researchers prefer to give the definition of family firm on an individual basis, studying case by case; in fact, a lot of scholars when talking about this kind of business do not outline what definition or research criteria they are using, even though a little help can be offered from the operational instruments explained above: the F-PEC scale and the Resource Based View. They are relatively recent and their aim is not only to be a strategical tool for family-business, but also a means to open up this field of research more and more, with the purpose one day of having a univocal definition.

Another important contribution comes from the *Family Business Group*, which is an agency composed by the European Commission. In history is the first time that an official authority gives a definition to the family business, reporting the following description:

"A firm, of any size, is a family business, if:

- (1) The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
- (2) The majority of decision-making rights are indirect or direct.
- (3) At least one representative of the family or kin is formally involved in the governance of the firm.
- (4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital."

Given that, to be included in this definition it is necessary that the firm covers these characteristics, where there is the need to possess the majority of the shares in order to maintain the decision power in the hand of the business founder together with the presence of at least one family member inside the structure, even though the control can be direct or indirect through Holding and other instruments (European Commission, 2009).

To conclude, family firm is a unique form of organization because it combines two aspects: family and business. Even though non family firm typically has a more aggressive strategy, their objective is more from a financial point of view rather than pursuing a vision. This is why in the short term could have a major success but could also be a flash in the pan with a shorter duration in time. Family firm instead, with different building blocks make the company survive, grow and persist and still represents the major existing business model worldwide, in which the 83% are constituted by small-medium enterprises (Corbetta G. et al., 2002). This is why in the next chapters of this thesis the main focus will be on small medium enterprises.

1.3 THE CONCEPT OF FAMILY

As explained previously, there is not a unique description to define family owned business and the researchers are not on the same page. This grey area could be a problem when facing international context and when family-business wants to land abroad, since there is not a specific guide line to follow. At this point, one possible solution to clarify a little bit more what has been said so far, is to bypass the research of a family firm single definition and starting from the roots around the concept of family and close the circle on two specific countries: Italy and China. The main of this thesis' part is to define what is family and which is its structure in both cultures, defining also how the dimension of kinship impact on family businesses and comparing the two types.

1.3.1 FAMILY IN ITALY – AN HISTORICAL OVERVIEW

For what concern the concept of family in Italy, it is not possible to find accurate and detailed studies about its development during time because was just around 1970 that family has been recognised as a subject of study from a sociological and scientific point of view. Anyway, it was possible to make an overview of the differences existing before and after the Italian family reform of 1975 (Scabini E., 1985). In fact, before the 1975 family was completely based on a pyramidal and patriarchal system, where at the top of

this structure there was the *pater familias* who had the parental authority on all the family members. This *patria potestas* found its maximum expression in the family working activities where the family members contributing to the business, as preview by the law, did not have the right for any kind of compensation or recognition. A little exception was done for the agricultural field recalling the concept of the “*comunione tacita familiare*”², one of the first typology recognised by the legislation that get closer to nowadays concept of family business. In fact, the definition of the term above views the merger of family with the working activities and the application of both the civil laws for the marriage, inheritance etc and the business regulations for what concern equity, gains and losses. Most of all, there were the recognition of a small compensation to the land workers even though they were integral part of the family. This concept is very old and some authors retrace it back to the “*consortium ercto non cito*” of Roman law, while others to the “*Gemeinschaft zur gesamten Hand*” of Lombard law rooted in the Germanic law (Costato L., 2003). This “*comunione tacita familiare*” was crucial because the recognition of the work of the family members in the agricultural field had led jurisprudence to extend the institution also to the other economic-entrepreneurial sectors, such as crafts and small commercial enterprises.

The family reform of 1975 enabled new cultural and social values at the basis of the structure of family relationships. The role of women had been re-evaluated and equalized to that of men and in the context of the children education, parental authority (*patria potestas*) was replaced by another form of parental authority: the *potestas genitoralis*, resulting from mutual agreement made by both parents. Even in the workplace, the role of women and other family members has been significantly re-assessed. Their work was made free from the presumption of gratuitousness and had explicit recognition through the guarantee of a “minimum” mandatory protection, destined to be applied in the absence of other protection mechanisms. Whenever a family member lends his / her own working activities in the family business that cannot be configured as an employment or company relationship, this minimum protection was applied (Michaeler P. et al., 2007).

²There is not a current translation in English for the Italian term without losing part of the meaning, for this reason will be used the original word. “*Comunione Tacita Familiare*” occurs in the exercise of agriculture when a family of direct farmers of the fund maintains undivided assets deriving from hereditary succession or even from direct purchases, remaining united under the same roof and at the same table and conferring their work in commonality of losses and gains.

For the first time, in the familiar core were introduced democratically and constitutionally fundamental rights, such as the protection of work in general, equal treatment of people without distinction of age and gender, as well as the right to participate in the company's decision-making processes (Maccarone M. & Martuscelli S., 2005).

It was a success from all points of view because family until that moment was untouchable, in fact considering the family also under a business lens, it is a conquer of the lasts decades and for sure will undergo further changes.

1.3.2 BUSINESS FAMILY IN ITALY

As expressed before, the field of research inherent family firms is pretty recent, but in little time has acquired a strong importance due to the diffusion of this type of business. The presence of this structure is focused mainly in the western countries and in the specific case of Europe, it involved nineteen states, as shown by the graph below:

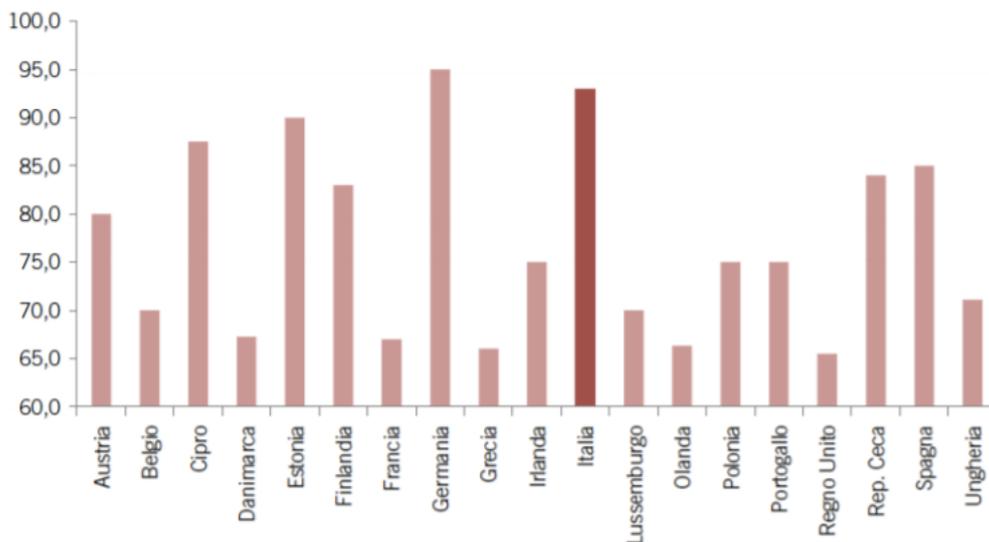


FIGURE 2: Incidence of the family phenomenon in Europe (Mandl I., 2008).

From the image is clear how much importance plays the family firms in the European economy, especially the one of Germany and Italy that have an incidence respectively of the 95% and 93%. More than this, it is relevant to see how much in Italy is high the incidence of people related to family businesses in comparison with the total employees, in fact the 90% of the whole workers are into familiar firms.

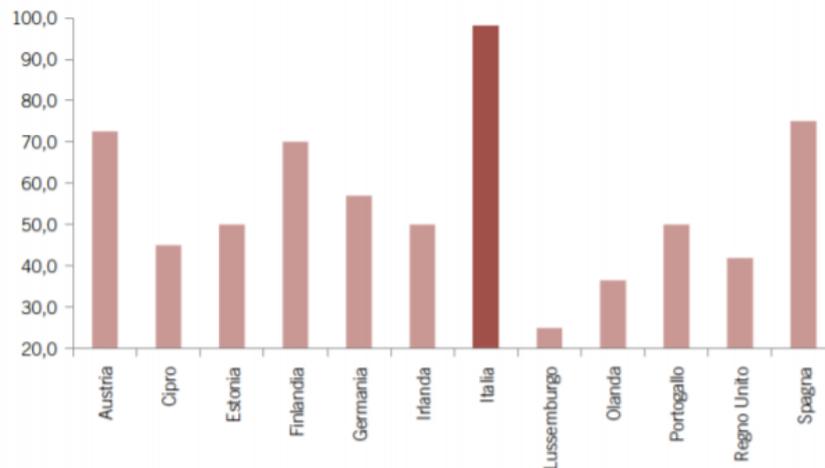


FIGURE 3: Percentage of employees working in family businesses on the total workers (Mandl I., 2008).

Moreover, when talking about Italian family firms is possible to find out some common characteristics that shape the typologies of small-medium enterprises. One on these features is the corporate governance in which the owner could act both as the proprietor and the executive manager or hire another person to cover this latter role. On this matter, some scholars identified two different theories: the Agency Theory and the Stewardship Theory. In the first case there is a separation of power and there are two personalities, one corresponding to the owner of the family firm and the other one corresponding to an outsider executive manager that decide for the business strategy and its implementation. The critical point of this theory is that many time the managers pursue their individual interests and not the ones of the firm, for this reason there is the need for a high control by the board of directors, increasing in this way the agent costs (Demsetz H., 1972). In order to monitor the alignment between manager's objectives and the ones of the business owner, there is the need to respect some rules in the configuration of behaviour of the board of director, where the chairman and executive manager must not be covered by the same person, the composition of people have to be mainly done by non-executive and the number of the members have to vary from nine to fifteen. On the other hand, the Stewardship Theory affirms that the managers are not pursued by individual interests since behave for a higher aim and act with collectivistic objectives rather than individualistic, leading to a major result, both for himself and for the organization (Davis J.H. et al., 1997). It is possible to say that in this latter situation the manager's objectives are aligned with the one of the owner/s.

In this regard, having inside the family firms a board of directors composed by only insiders or outsiders is not recommended because it is counter-productive. This evidence can be shown from the graph below where is drawn the relationship between the Return on Investment (ROI) and the presence of the family members at the apical position. Within the 50%-60% there is a positive ROI, but then the graph has a downturn for a combination of elements attributable for example to the governance rigidity, lack of innovation, routine practices etc.

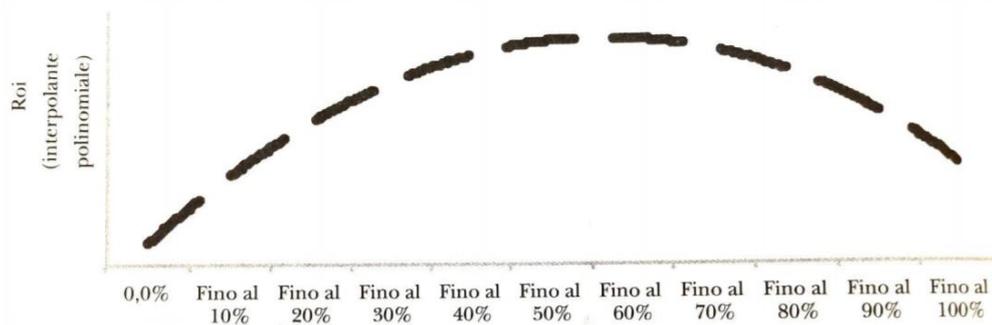


FIGURE 4: Relationship between ROI and the family members at the apical position.

It is recognisable that when there are no outsiders in the governance position of the business, the board of directors is named *familiar board of directors*, while when there are the presence of half insiders and half people coming from the external, it is called *hybrid board of directors*. Instead, when the composition is made up of relatives and non-family members the name is *evolved board of directors*, in which there is also the inclusion of an independent director who has the task of giving objective opinions from outside since he is not directly linked with operational functions.

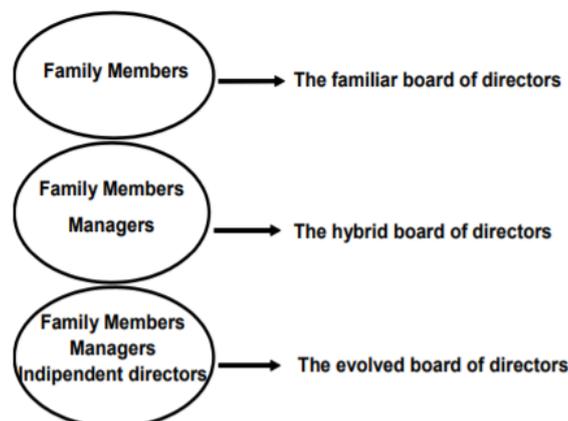


FIGURE 5: The three models of board of directors (Colarossi F. et al., 2008).

For what concern Italy, the board of directors are more commonly identified in the familiar typology (43%), followed by the evolved model (30%) and the hybrid model (27%). The firms characterised by the familiar board of directors are generally smaller and older businesses with an average turnover around 12.9 million euro and with a number of employees around seventy (Baysinger B. D. & Butler H. N., 1985).

Consistent to the different typologies reported above, there are the concepts of openness index regarding the ability to bring in non-family and family people in the board of directors and the extension index, concerning the quality of the decision-making process. The scholars Gubitta and Gianecchini have conducted some studies crossing these two indexes valuing how much is effective the model used in the board of directors in comparison with its outcomes (Gubitta P. & Gianecchini M., 2002). The result foresees four typologies:

- 1. Low openness and low extension:** this kind of firms are very old and not so common, there is a total incapacity of putting in the governance non-family members, failing totally in the composition of the hierarchy resulting in a low quality of decision making.
- 2. Low openness and high extension:** this kind of firms are generally small, for this reason even though there is a little participation of non-family members, the decision-making process is well organised, so the output has a medium/high quality.
- 3. High openness and low extension:** normally these firms have a hybrid board of directors with a strong participation of external managers, but with a low respect of the hierarchy and a non-effective decision-making process.
- 4. High openness and high extension:** has an evolved board of directors, these firms are able to put together a strong participation of the external managers with a great presence of the family members, resulting in a total respect of the hierarchy and an effective decision-making process (Corbetta G. et al., 2002).

In conclusion, it is possible to say that in Italy the majority of the firms are familiar in nature, with a prevalent number of small-medium enterprises. This latter has a strong participation of the family members in the governance and in the control of the business, resulting in the typical familiar board of directors. Even though, there is the possibility of

having both Agency theory and Stewardship theory, to handle the business governance structure, in Italy prevails the Stewardship theory with the strong belief of pursuing, as expressed in the first part of the thesis, a common vision that leads everyone to the achievement of a higher result, avoiding any individualistic behaviours.

1.3.3 FAMILY IN CHINA – AN HISTORICAL OVERVIEW

Going a little bit far away from Italy, now it will be presented the concept of family in China. First of all, when defining what is family in China, it is important to point out that Chinese territories are practically as big as Europe, so there are significantly differences from south to north and from east to west. What will be mentioned in this paragraph it is a general observation without entering in all the specific cases.

In the past, family in China was considered at the base of the society with two major types identifiable in the wealthy families and in the poor ones. Generally, the bigger was the social strata distances, the bigger was the complexity of the family. The maximum of this complexity, was represented by the well-to-do household that was managed with a patriarchal system with one unique head family who pursued values of command and property raised from the Confucianism principles. Normally, they were a very big family units with a lot of people living under the same roof and belonging to different generations, where also the sons bring inhouse their wife to live all together and under the control of the pater familias. The only one who did not remain in the domestic environment were the daughters, in fact once they got married, they belonged to the husband's family and for no reasons they could get back to their original family (Parish W. L. & Whyte M. K., 1980).

Instead, a little bit different was for the poor families, where the concept of patriarchate existed, but for survival and economic reasons was weaker. In fact, the mortality was so high that normally, just few sons arrived to the manhood remained inhouse helping in the small piece of land assigned to the family. In this case anyway, people tended to be more focus on themselves with a developed sense of individualism due to the fragile survival resources.

Just after the Revolution of 1911, China has experienced a huge change, especially in the urban areas where the tradition meets the innovation, creating a particular synergy that

hit also the concept of family. In this context, raised the sociologist Quentin Pan³ with his reform “Optimum family”, he took inspiration from the Western world and from the Roman law system adapting it to the Chinese situation. The reform provided for a reduction in the family’s complexity with a smaller household create just by a husband, a wife and their children (Rocha L., 2012). In fact, it was planned that the sons left the house once they were self-supporting, creating their own household, while the daughters followed, as in the past, their husbands. In this case the head of the family was taken over by one of his sons and lived together with his family. Anyway, at the base of the Quentin Pan reform, remains the obligations of respect towards the family and the duty to take care of the old parents (Freedman M., 1962).

1.3.4 BUSINESS FAMILY IN CHINA

As already mentioned, China has had a big change after the Revolution in all its contexts included the economic sector and the way of making business. Despite all these steps forward, China took some time to recognise the effort and contribution of entrepreneurship in better their social economy in terms of innovation, economic growth, working places and wealth creation (Zhai L., 1997). In fact, after years of discouraging entrepreneurship, this recognition arrived in the 1979 thanks to the State Council of China. While, just in the 1987 was approved the private business by the 13th Congress of the Chinese Communist Party and the National People's Congress, defining it as a:

“profit making economic organisations whose assets are owned privately and which hire more than eight workers (Yuan E., 1994)”.

This led to the creation of a mixed market economy, with the coexistence of both state enterprises and private ones, creating a major welfare and wealth. From that moment on, the typologies of Chinese companies belong to four main categories which are:

- 1. SOEs** – State owned enterprises
- 2. COEs** – Collective owned enterprises
- 3. IOEs** - Private and Individually owned enterprises
- 4. Other enterprises**⁴

³ The real name of the sociologist was Pan Guangdan, but in English it is used to call him as Quentin Pan

⁴ In this category are included Share Holder Corporations and Foreign Joint Ventures.

For the purpose of this thesis, it will be taken into consideration the third categories of private and individually owned enterprises, in which are contained also the family businesses (Goodman D. & Robison R., 1996). In fact, it is relevant to report that in China the numbers of private enterprises are 27 million, with the 80% composed by family-owned businesses. Moreover, also the 80% of the whole Chinese workers are employed in this latter typology of firm, confirming it as a precious resource for the PRC economy (Lingeswaran S., 2019). Despite the fact that in China many family businesses are also publicly listed, the majority of these companies still remain small-medium enterprises dotting the entire mainland and this is why the focus of interest of this research is concentrated on them.

What give to these families the motivation to settle down their own activities was the possibility to better their economic situation and status, for this reason when individual owned business was not well regarded in their land, the phenomenon of Chinese Diaspora⁵ spread worldwide. These families attributed their success to the capacity of maintaining the know-how inside the family, fundamental aspects of the Chinese culture and thanks to the network composed by others family businesses where there was a sense of solidarity that leads to help each other (Redding G., 1995). Particularly at that time, the absence of the Chinese government financial support brought people to create synergy and to reinforce the existing network between people still in the mainland and abroad, but also among Chinese living in the same foreign countries. A lot of them do not get back to China and continue their economic activities with the new generations that boost the business with the added value of a western education and a perfect knowing of the domestic spoken language. Not least, through the years also China has opened its frontier to the western countries, facilitating the trade and the relationships (Chan S., 1997).

With this opening to the international market, China has implemented also internal financial and lending systems and create some special areas in order to push the enterprises growth, the management skills, the know-how and most of all to attract foreign investors. At the beginning this special areas was four corresponding to cities

⁵ It refers to people of Chinese birth or Chinese descent living outside their borders.

of Shenzhen, Zhuhai, Shantou in Guangdong province and Xiamen in Fujian province, where existed a series of taxation cut and less bureaucratic procedures (Deng S. & Dart J., 1999).

With all these modernizations inside the Chinese economic system, nowadays family firms can make their business more easily and they are identified by some characteristics that according to Redding (1995) include:

- A small scale and a simple organisational structure
- The focus on one product or market, with the possibility of organising an import-export activity with the support of the compatriots overseas
- Centralised decision-making
- Total merger of family ownership and control
- Paternalistic hierarchy
- Strong personal and familial networks to suppliers, customers, financiers
- Cost conscious and financially efficient
- Discourages the employment of professional managers

More than that, the family businesses generally speaking are strongly traditional and follow important Confucianism principles based on Paternalism, Personal system and Xenophobia. The Paternalism corresponds to the pursuit of the principles of order and control embodied by the pater families who takes the responsibilities of guiding the family and his employees towards a long-lasting industry (Ping H., 1995). Instead, for Personal system is meant a supporting grid between relatives in the mainland or abroad following the principle of *guanxi*, that is fundamental concept in China that do not have a match in any other cultures. In fact, with *guanxi* is intended a system of favours, support, cooperation, loyalty, information sharing, social commitment and respect create among members thanks to their reciprocal behaviours that is not easy to be reached by western or foreign people. Moreover, with reference to the word respect and to the concept of *guanxi*, it is correlated another important Chinese value that is the one of the face, where “*losing the face*” or “*saving the face*” is crucial point for any kind of relationships in this culture. In fact, Chinese people spend their whole life trying to build their personal image as an influent part of the social welfare without making lose the face to others, but being at the same time helpful and successful individuals. For them loosing face is more than

being embarrassed, but it means not be any more useful in the social system, to create shame on themselves and on their family (Fock H. K. & Woo K. S., 1998). Finally, the Xenophobia considered as the fair of indiscriminate aversion towards foreigners and everything that comes from abroad, is pretty spread in all China and hit most of all who has suffered from poverty and deprivation, in fact they see people from the other countries as a sort of jobs and money robbers (Poutziouris P. & all., 2002).

At this point it is clear how Chinese business is still influenced by the Confucianism principles and by a strong tradition that brings especially family firms to remain small-medium enterprises over time. This latter happens because the single person at the top of the firm is encouraged to maintain the control and the order as dictated by the Confucianism norms and wanting to achieve this objective is no possible to have a huge organization without delegation. Moreover, one of the first aim of Chinese family businesses is to earn money and protect their family, these two concepts are strictly linked since money are seen as a guarantee of certainty. But most of all, familiar enterprises represent an important concept of entrepreneurial freedom reached after the post Revolution and their success is due to the combination of operational efficiency, a strong orientation towards foreign market and a flexibility in the production.

1.3.5 SIMILARITIES AND DIFFERENCES BETWEEN THE ITALIAN AND CHINESE FAMILY BUSINESS MODEL

After this overview about the family business model in the Italy and China, it is possible to shape some similarities and differences among the two cultures. This is particularly important because in the next chapters will be taken under observation some Italian family-owned organizations that have internationalized their activity in the Popular Chinese Republic.

With this in mind, it is notable that from an historical perspective both have had a huge modification, gaining more freedom and fairness during time. In fact, in the past both cultures were composed by very few well-to-do families and a lot of poor people, the gap was very big and very rare was the presence of a middle class. What have in common poor and rich families was the patriarchal structure where at the top there was the Pater Familias who controlled and managed the household. Another shared trait consists in the fact that the two cultures were mainly agriculture reality where the majority of the poor

people worked. But while in Italy was preview a little compensation known as *Comunione Tacita Familiare* to support the family members, in China it did not exist. The result of this poverty led people, concomitantly with the reforms of the State, to better the economic situation of their family finding new occupations and trying to create personal enterprises and family businesses. This latter anyway was recognised fully-fledged quite recently and appears to be the most spread business typology for both Italy and China, with respectively the 93% and 80% of the total companies, resulting fundamental for the welfare of the two State economy. Moreover, the workers employed in the both countries are mainly occupied in family owned firms, with a percentage of 80 for China and a percentage of 90 for Italy. In these family organizations the small medium enterprises are the majority with a strong presence of the household, in fact even though for different reason, the management and control are mainly in the hand of the firm's owner, confirming the familiar board of directors as the most common model of governance. In both cases anyway, the familiar structure brings positive aspects that ensure a better performance, like the informal information sharing among family firms, the loyalty among members and suppliers, a higher solvency and a better relationship with the employees.

A strong and important differences among the two countries is the presence for the Chinese people of the *gaunxi* and *losing face* concepts, somehow unknown by the western cultures that may cause more than one misunderstanding. Finally, Chinese individuals look with suspicious to foreign people, seeing them as a money or work robbers, for this reason and in order to obtain a good cooperation, it is important to well understood the culture before getting in touch with it.

The last point to take into consideration regard both the Italian and Chinese cultures and explain how family SMEs born, grow and persist over time. In order to do this, it is possible to follow the Churchill and Lewis' framework to better understand the process which is divided in five steps as follow:

1. Existence: when the firm born and the owner is one of the only persons working into the new activity with the purpose of create a grid of customers to whom delivery his services/goods. In this phase the business is informal.

2. Survival: this phase is reached when the stage one has been successful. In this case the firm starts to be more structured with a strategy and delegation of one part of the work. Important is to continue to increase the capital to differentiate and make survive the activity, achieving the step forward.

3. Success: it is referred to a status quo of the firm that provides a good income and a substantial capital, in this case the decision has to be taken between maintaining the situation and possibly to invest in other business typologies or on reinvest the money in the same activity, to make it grows. Of course, this last option brings with it both opportunities and risks.

4. Take-off: Understand how to make growth the company, choosing a strategy that is consistent to the firm and with a higher possibility of success. It may include exploit economy of scale, taking an expert from outside, pushing another product etc.

5. Resource maturity: it consists to the achievement of a proper identity that is recognisable inside the market. Once this phase is arrived the winning move is to maintain the firm's distinctiveness (Lewis V. L. & Churchill N. C., 1983) (Malik R., 1997).

1.4 CHANGING GENERATION

So far has been said that family firms have more than one objective and the most important among them is to pursue the “family vision” in the next generations. In fact, once the household business is put in place, the concept is to have something to pass on from the older generation to the younger one. This passing of the baton normally happens when the founder⁶ retires and a new type of challenge begins, because not only the new generation has to deal with the handover, but also with the economic environment, board of directors, employees, managers and so on (Venter E. et al., 2005). For what concern the small-medium enterprises, where the human components are still particularly important, the experience faced by the new owner may be very hard from a psychological and emotional point of view because they feel a strong responsibility towards the agents inside the firms composing somehow their “second family”. It is clear that this passage have to be well defined and planned since many scholars have shown the evidence that only 30% of the firms survived to second generation succession and only the 10%

⁶ The terms founder and owner will be used interchangeably throughout the thesis to refer to the one who has settled down the family-owned business.

survived at the third one (Handler W. C., 1994). So, in the first instance is possible to affirm that the succession is not just a single step, but it is a process, which accordingly with Churchill and Hatten can be divided into four separated phases:

- 1. Owner-management phase:** in which the founder or owner is the sole family member specifically into the business.
- 2. Training and development phase:** in which the successor gets inside the firm and learns the work.
- 3. Partnership phase:** in which owner/funder and successor work together.
- 4. Power transfer phase:** in which there is the pass of the baton among the two generations (Churchill N. C and Hatten K. J., 1987).

In these stages both the founder and the offspring evolve, covering during time different roles that are complementary among them. The owner at the beginning will cover systematically the part of unique innkeeper resulting as the only person directly linked to the family firm, then he will pass from the role of monarch exerting power on the others, to the one of supervisor/delegator once the management shift to the successor, ending to be a consultant retired and outside the company. In the meanwhile, a similar process even though with different roles will be covered by the progeny, starting with a no defined part inside the organization, to be a helper or a simple worker, for then become a manager and finally a leader substituting entirely the old generation. As expressed before both processes and roles are complementary, since there could not be an advancement in a role of the owner without a progress in the part of the successor and vice versa, in conclusion the path has to be done together and at the same pace to be successful (Kaplan R., 1987).

What arises from different studies confirm that the successor needs to possess some main characteristics to ensure a safe succession and they correspond on having a strong sense of leadership with the capability of influence others, managerial education in terms of strategic planning, market positioning and financial skills and in the end a strong respect towards family and non-family members maintaining a high commitment on what is considered the culture of the household business. In fact, crucial is not to lose the culture of the firm since it is the distinctive feature that makes it special and unique (Ibrahim A. B. et al., 2004). Part of this culture composed the so-called intangible capital, a key element for the firm's strategy that has been recognised and studied with the creation of

some models just in the last few years. For this reason, this concept is not still spread and used by all the managers and sometimes happens they do not even note to have it. The intangible capital can be grouped in three main categories:

- a) Human capital and organizational capital in which the first one is originated from the skills and knowledge of employees and collaborators, while the second is expressed by the motivation of employees and collaborators;
- b) The teamwork, the corporate climate and the leadership skills;
- c) Information capital: constituted by the information system, data archives, networks and technological infrastructure (Marrocu E. et al., 2012).

It arises that firms with inside these intangible resources prefer to put as heir a member of the family, whereas if the company is strongly standardized and with less or none intangible resources, they prefer to put at the governance a manager coming from outside. In terms of business value growth, the fact that the family founder can continue to manage its company will depend on the ability of incoming generation to maintain and create new intangible capital.

In view of the above, one possible model to evaluate the change in generation and make an assessment between intangible capital and obstacles has been proposed by the scholar Fan Bohong, professor of the University of Financial and Corporate Governance of Hong Kong; these questions help managers to have a guide lines to shape their actual situation.

TABLE 1: List of intangible capital and business obstacles

Intangible Capital	Corporate culture and key values	1. Does the founding family have shared values?
		2. The success in establishing the company is already a stimulus for future developments?
		3. Is the firm in possession of a unique and lasting competitive advantage?
		4. The entrepreneur has a strong system of Intangible values?
		5. Is the family ideal strong?

Intangible Capital	Leadership Characteristics	6. The entrepreneur relies on his experience to manage the company?
		7. The entrepreneur came up with an idea that has been implemented?
		8. The company executives (if present) possess a high degree of cohesion?
		9. The family administrators are suspicious about external actors?
		10. Has the family already identified the future leader?
	Relationships with the policy	11. The founding family has influential connections in world of politics?
Obstacles	Family Obstacles	12. Is succession already a pressing issue?
		13. In the even that human capital of the family is not enough, is it difficult to bring out the suitable successor?
		14. The skills of the second generation still need to be refined?
		15. The shares of the founding family can be threatened from the inside or from the outside?
		16. The family value system is not enough to administer and manage?
	Obstacles at sectoral level	17. Business operations are closely linked to government policies or resources?
		18. The management and corporate image have achieved the objectives set?
		19. The company is capital-intensive, or for its future development it needs to depend on external capital such as bank loans?
		20. If there is an increase of competitiveness, is the company willing to change?
		21. The company's operating costs have suffered significant increases?

Obstacles	Obstacles at sectoral level	22. Is the ability to innovate lacking?
		23. It is difficult to keep in the company the staff highly qualified?
	Obstacles at institutional level	24. The expansion of the company was affected by macroeconomic and political changes?
		25. Has the social stability of the territory worsened?
		26. The degree of local government interference in the company has intensified during time?
		27. The development of the company is bound by the government provisions and the productive market?

This is a very sensitive and present problem for many companies, since the majority of the Italian and Chinese firms are facing the second generation changing after the economic reform that for both realities arrived around 1975. What is problematic in both situations is the different motivation that has brought the founder to create the company and the reason why the successor wants to work inside it. In fact, while the owner created the firm thanks to a strong sense of redeem himself and his family from an economic point of view, in the new progeny this feeling is less developed. More than one evidence in fact shows how sons without a familiar business aspire more to have something on their own to manage, rather than the successors of an already settle down activity that demonstrate less enthusiasm. This lack of interest towards the family business may raise because they are not interested in the product sold by the company preferring to the more classical industry something more modern as hi-tech or digital items. Another reason is attributable to the fact that they do not have the exigency of working or better their economic position since they have always lived in a general welfare and contrary to their parents, never tasting what poverty is (Tonon G., 1996). In support of this, the Chinese has coined the term *fuerdai* which describes these young rich children constituting the second generation of the 85% of the private Chinese family firms. In order to teach them how to create value and wealth the president XI Jinping has organized some compulsory courses addressed to these future entrepreneurs including lessons talking about the traditional Chinese culture, social responsibility, awareness of business values and filial

piety. This latter virtue is rooted on the Confucian and Buddhism principles and impose a deep respect for parents, elders and ancestors (Zhu S. et al., 2017).

More than this, there is a general struggle to pass the skills, the relational capital and the non-tangible characteristics of the founder, creating a domino effect, in which is present also the founder. In fact, often the owner of the firm is reluctant to give up his position with the result of slowing down or delay the changing generation process causing a lot of organizational problems. Moreover, it happens more than once that he could have strong indecisiveness to select the new leader within his progeny, creating tension and confusion among family members. On contrary, in certain Chinese firms due to the one-child policy, the founder may have no choice and could just select the only son he has even though he is not well prepared (Wong D. & Shen D., 1999).

To highlight once again how much important are the family firms for the economy of their states, it is noticeable how this latter try to facilitate the changing in generation to ensure the continuity of the business and consequently the welfare generated. In fact, as explained above China has settled down specific courses to guarantee a proper preparation for the successors, while from the Italian side it has been put in place some fiscal advantages. These tax benefits are foreseen by the Legislative Decree no. 346/90 fourth Subparagraph of Article 3 and the norm establishes that the transfers of company branches or shares carried out through free transfer or mortis causa provisions in favour of the descendants and/or spouse of the entrepreneur are exempt from inheritance tax when are met certain conditions.

When the asset transferred to the heir is the result of a succession of a company or a business branch, the successor must undertake the task of continuing the business activity for a period of not less than five years from the date of the transfer: this commitment must be formalized explicitly in the declaration of succession. In the event that the commitment is not maintained, the facilitation is no longer valid and the heir is required to pay the tax in the ordinary measure plus an administrative penalty of 30% for the non-payment and default interest.

If on the other hand, what is transferred to the heir are shares of capital companies, the exemption is conditioned on the fact that the heir acquires or integrates the legal control having the majority of the votes exercisable in the ordinary assembly.

In this case too, the law imposes a five-year monitoring period: the successor in title must in fact undertake in the declaration of succession to maintain control of the company for a period of not less than 5 years from the date of the transfer, otherwise the succession in the ordinary measure, penalties and interest (Gazzetta Ufficiale, 1990).

In conclusion, even though a lot of researches have been taken into account with different explanations on why changing in generation may fail or success, there is not a clear evidence about the cause-effect relationship. Therefore, it is not identifiable if in reality the effect is the cause or if there are already problems within the company before the transition that can undermine the success of the process. Anyway, once again it is undeniable how small-medium enterprises both for China and Italy are an important and crucial resources to guarantee the freedom to people of making business and to generate wealth for their countries.

2. INTERNATIONALIZATION TOWARDS CHINA

What was said before is functional to face another important process represented by the internationalization of the Italian family firms in China. In fact, deep studies have been done talking about how big companies get international, while less explored is the world of small medium enterprises. This latter for sure get into a different internationalization dynamic, as well as different advantages and difficulties. Considering that the major export of goods and services from Italy is done by small medium enterprises the aim of this chapter is to explore the phenomena of getting abroad and in particular how it is faced by them, explaining both positive and negatives sides.

2.1 WHAT DOES IT MEAN INTERNATIONALIZE

It is possible to describe the phenomena of internationalization as a process through which firms open up to new foreign markets, establishing relationships with other companies, consumers and institutions operating in those territories, in order to sell, produce, purchase raw materials or find new sources of financing (Young S. & all., 1989).

Since it is a process, it follows different stages from an informal export activity to a more settled down commercialization. The authors Johanson and Wiedersheim-Paul identified these steps into different phases concerning a non-regular export activity, which is then transformed in an export done by agents living in the specific foreign country, to at the

end evolve in a definitive establishment of an overseas subsidiary, headquarter or manufacturing plant (Johanson J. & Wiedersheim-Paul F., 1975). In the last decades, this last stage can be modified a little bit including also the possibility of making Joint Venture or licensing arrangements (Root F.R., 1987).

So, being international arises both from the existence of a strategic choice and from the importance to create a significant competitive advantage. Therefore, the fact that the company is fully involved in operating abroad, it is a fundamental requirement to identify the international dimension of the company itself. For this reason, the scholar Robinson in particular identified three main typologies of firms getting international, splitting them on a strategic and organizational basis:

- 1. Multinational company:** strategic choices are made by the summit that remains in the country of origin, while the activities in the different countries are integrated with each other.
- 2. International company:** foreign and local management are completely separated. In this case the company carries out a certain activity in multiple countries.
- 3. Transnational enterprise:** they integrate not only the activities but also the ownership and management of the group. In fact, each headquarter has its own autonomy at a managerial level and can easily go ahead on its own, independently of the other offices (Robinson R. D., 1971).

The drivers that lead companies to internationalize have been divided into *push factors* and *pull forces*, where the first one takes reference respectively to those conditions of the country system such as competition, economy, legislation, market that can manifest themselves in terms of a push to exit the national market for example because there is a saturation of a mature market. While the second one, are represented by the attracting forces from foreign markets as in the case of the strong growth rates of certain countries or particularly favourable legislation for the access of foreign capital. Both push and pull factors are considered external elements to the firm and they can facilitate or obstruct the process of internationalization.

However, also internal factors to the firm can play a crucial role in favouring or limiting the entry into foreign markets: in fact the company vision, experience in other markets,

the level of brand awareness, the know-how as well as the ability to select and control foreign partners, the knowledge of the local language and culture are crucial in doing it (Cavusgil S.T. et al., 2012).

2.1.1 INTERNATIONALIZATION OF ITALIAN SMALL MEDIUM ENTERPRISES

Italian SMEs have always had an important role in the export of the products and through the years this phenomenon is increased more and more. In proof of this, the statistical data show Italy in eighth place on Mondial exports thanks also to the globalization and the reduction of barriers between states (Figure 6).

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Gen.-ago. 2018	Gen.-ago. 2019
Quote Italia su export mondiale	3,3	2,9	2,9	2,7	2,8	2,8	2,8	2,9	2,9	2,8	2,9	2,8
Posizione Italia su export mondiale	7°	8°	8°	9°	10°	8°	10°	9°	9°	9°	9°	8°
Quote Italia su import mondiale	3,3	3,2	3,1	2,6	2,5	2,5	2,5	2,5	2,6	2,6	2,6	2,5
Posizione Italia su import mondiale	8°	8°	8°	12°	11°	11°	12°	11°	11°	11°	11°	13°

I dati sono soggetti a successive revisioni. Fonte: elaborazioni Osservatorio Economico Ministero Sviluppo Economico su dati FMI-DOTS

FIGURE 6: Market shares of Italy on world exports and imports (Source: Economic Observatory of the Ministry of Economic Development based on IMF-DOTS data).

Instead in the figure seven are explained how much Italy exports and imports in comparison to the rest of the world. The blue bar are the Italian shares on world exports, while the violet ones are the Italian quotas on world imports. Over the years the two activities have undergone some fluctuations due to the Italian economic crisis, but have anyway maintained a good standard.



FIGURE 7: Trend in percentage values of the Italian shares on world exports and imports (Source: Economic Observatory of the Ministry of Economic Development based on IMF-DOTS data).

The fact that there are not so many fluctuations can be explained because the majority of Italian firms are composed by small-medium enterprises and by definition since they are smaller respect big companies, they are able to adapt better to market transformations, being more flexible. This is why, it is not recommended to unify the strategy used by big firms with the one of the smaller companies, because the uniqueness of this last category leads with it a different application of the general internationalization rules.

Consistent to this latter theory, it is important to highlight the statement of Shuman and Seeger saying that “smaller businesses are not smaller versions of big businesses... smaller businesses deal with unique size-related issue, they behave differently in their analysis and interaction with their environment” (Schuman J. & Seeger J., 1986). In fact, when SMEs go international normally are motivated by the success encountered in the home market and from the willingness to expand the borders of their firms. One of these success elements is for sure the good response from their customers that encourage the company to pursue new horizons, make them thinking to repeat the same path and achieve the same results with an exponential sales or revenue growth (Figure 8). In fact, if the resources are well allocated there are more than one studies confirming the possibility of augmenting the return on sales though the current products exported in the new market (Baird I. S. et al., 1994). What is crucial to underline at this point is that unfamiliar market can require more investments in terms of product adaptation and foreign clients may have more requirements respect the customers in the domestic market. This last evidence can be shown by the graphs below conceived by Anderson, Boocock & Graham (Anderson V. et al., 2001).

Expected streams by the companies going abroad:

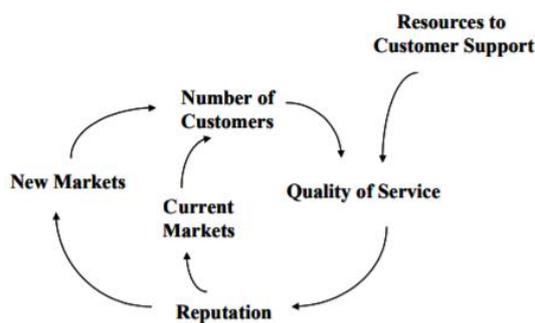


Figure 8: Growth drivers (Hauge E. & Havnes P. A., 2001).

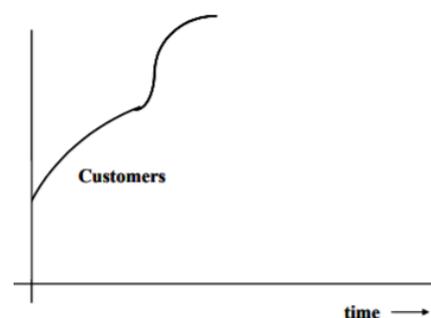


Figure 9: Clients' growth with desired export boost (Hauge E. & Havnes P. A., 2001).

Real streams of the companies going abroad:

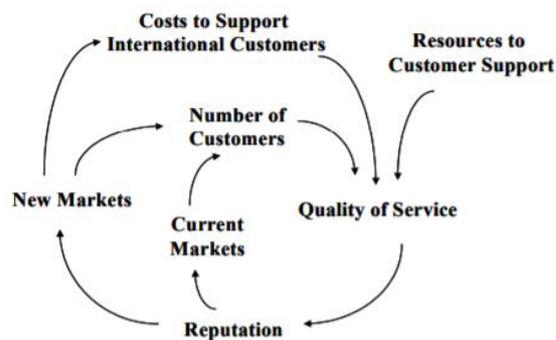


FIGURE 10: Inclusion in the stream support cost for international customers (Hauge E. & Havnes P. A., 2001).

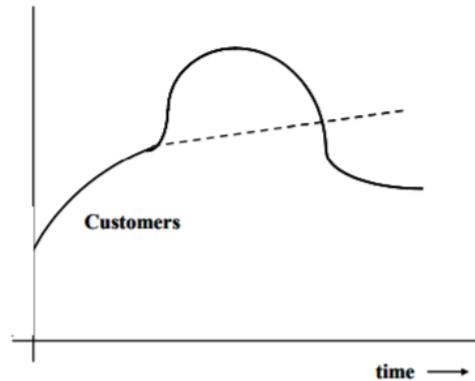


FIGURE 11: Inadequate resources damage growth trajectory (Hauge E. & Havnes P. A., 2001).

As for the change in generation, the process of internationalization has to be well planned and practically nothing can be left to chance. In fact, if the costs to support international customers are not well computed and forecasted, it will result in a decreasing of the customers affecting also the quality of the service offered to the domestic clients (figure 10). This phenomenon is like a loop where the investment in the foreign market seems to be profitable and for this reason increased and perpetuated by the firm, resulting in a cannibalization of resources. This latter will impact in the operational quality of the company, making decline its performance towards the already existing inhouse market. By evidence the “old market” diminishes while in comparison the new one increases, confirming the idea of pushing with more and more resources this latter creating a self-supporting loop. For this reason, it is important to pay attention to the allocation of resources without being deviated by misleading results (Hauge E. & Havnes P. A., 2001). The more efficient behaviour in this case is to maintain an equilibrium between the domestic market and the new foreign channels, in order to safeguard the essential resources needed to support the already existing trade and settle down a clear attack plan to go international.

One very used and tested plan attack for small-medium enterprises is the “deep niche strategy”, in which is important to enhance the uniqueness of the firm and its vision,

exploiting its intangible resources to create a competitive advantage. The best strategy is in fact focusing in what they already know so well and continue to push and improve aspects of their products to promote them also abroad, for example personalizing the items or manufacturing a product line based on their flagship product, maximizing the efforts without wasting too much resources. If it is needed, in the case of manufacturing products is crucial covering firm's items also with patents. What instead, does not work so much is the differentiation strategy of the brand image, prices or services, since the small medium enterprises often do not have the size to face all these costs (Winch G. W. & Gill A., 2003).

At this point, it is possible to summarize the aspects impacting in the internationalization of SMEs in the following scheme:

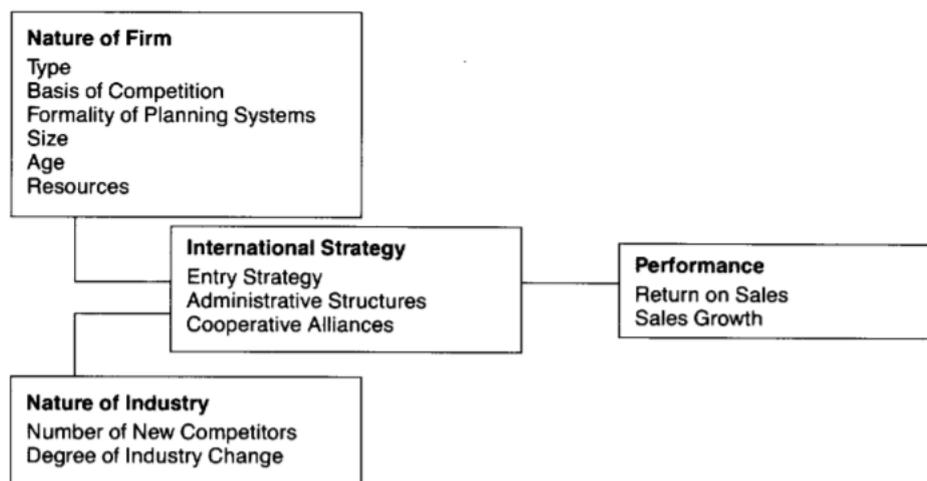


FIGURE 12: Factors influencing international strategy of small-medium enterprises (Baird I. S. et al., 1994).

In figure twelve are reported different characteristics of the “nature of the firm” that leads to international strategy, but even though generally speaking small-medium enterprises are more flexible to adapt in case of economic crisis, they are not always able to make the step forward internationalization due to a sort of shyness possessed by the firm’s manager. Often in fact, the owner has the tendency to stiffen in his position and doesn’t want to have the feeling of losing the control, he prefers to avoid uncertainty and does not substitute what he already knows for something unfamiliar such as foreign markets. In

the majority of the cases, there is a direct correlation between the age of the owner and the internationalization, in fact the older is the manager, the most difficult is going abroad. In this case, one can speak of a certain "mental backwardness" of many Italian SMEs and their fear of investing in new markets or seeking new commercial opportunities where Italian products could instead be appreciated (Wright M. et al., 2007).

But, in the case of a manager who does not have this kind of backwardness and once the resources have been planned, the firm has to decide how to enter in the foreign market. As expressed by the box "International strategy" in the figure twelve the firm can choose between an independent action or to cooperate with someone on the spot. This last option is generally less adopted by SMEs even though is the most reasonable, since it can be a good way to overcome resources scarcity and the lack of knowledge about the new market. Fundamental for a successful outcome is the re-organization of the internal structure of the firm, creating compatibility between the control system and the operational side, in order to obtain a consistent internationalization and a well-managed company (Brown D., 1991).

The path of internationalization, which is certainly not easy to understand or to undertake because of both business culture and resources needed, requires a lot of commitment and perseverance, but can luckily relies on the "Made in Italy" strength. This unique sets of heritage and productive values of Italian products/services can in fact allows SMEs and their productions to face this challenge with a great competitiveness and differentiation with respect to competitors.

In conclusion, to sum up when SMEs decide to act international their main strengths are flexibility, specific knowledge and the overlap between family and business. The flexibility concerns the ability to respond and adapt promptly and quickly to market needs, while the specific knowledge regards the development of innovative solutions enabling the company to position themselves in market sectors with more differentiation, creativity and personalization and at the end the overlap between family and business speeds up decision-making processes and their implementation. While at the opposite side, the negative aspects of SMEs going international concern, a lack of financial

resources for the collection of information, staff training and the implementation of other investments compared to large companies (especially those aimed at innovation), with an added historical difficulty to open up to the risk of capital and the scarce possibility and capacity to access to loans. Moreover, there is a scarcity of organizational and strategic skills, since small companies are generally based on a very simple structures, managed and controlled by the entrepreneur who centralizes all decisions on himself, but who often does not have specific skills in this field. This small and patriarchal structure therefore makes companies often unsuitable for supporting growth both in the domestic market and, even more so, in the foreign ones.

2.2 CHINA AS POTENTIAL MARKET

One of the most important question regards the reason why China is considered the right place where to internationalize. In these last decades this state has experienced exponential growth being inside the list of the ten fastest growing economy and resulting, with an average annual rate of 7.2 percent on its real GDP, as the most important attracting market in the world for the fourth consecutive year (as shown in the graph below).



FIGURE 13: Market potential index - Source: Market potential Index by Global IEDGE (KNOEMA, 2018).

Another useful tool to understand how much possibilities China brings with it, is the Market Potential Index, studied by the University of Michigan State University – International Business Center (figure 14). These indexes are conceived to help companies in the understanding of the market through eight dimensions: market size, intensity, growth rate, consumption capacity, receptivity, commercial infrastructure, economic freedom and country risk. The elements of the economy are expressed from zero to one-hundred, where this latter represents the total potentiality of the market (Cavusgil S. T., 1997). In this sense China is at the maximum for what concern the commercial infrastructure, the market size and market consumption rate. By evidences, China has invested a really big amount of money into infrastructures from the highways to the seaports, by facilitating transportations and goods exchanges, opening up a new important commercial route. As well as crucial is also the market consumption rate representing an opportunity in terms of sales to final consumers with approximately 1.35 billion possible clients. With a score of seventy, it is noticeable the dimension of country risk, indicating a market not suitable for cultures with a high uncertainty avoidance or for traditional companies. Normally speaking when investing abroad, it is reasonable searching for a good trade-off between investment and return, even though the entrepreneurial spirit by definition pass also from uncertainty and risks. This is why, traditional companies and a lot of SMEs with the already mentioned managers characterised by mental backwardness, prefer to invest in the developed countries. In fact, if from one side this latter presents fewer risks, from the other one they are already saturated market, with less expansion possibilities. At the end, it is important to mention the economic freedom which is a critical point, since China has a very complex and rigid legislations, with the result of reducing the freedom of action, and this is why may be crucial have a good partner inside the country or a cooperation with the international bodies such as embassy (Cavusgil S.T. et all., 2004).

China Market Potential Index by Dimensions, 2017

Scale, 1 to 100, 100 = the most attractive



FIGURE 14: China Market Potential Index - Source: Market potential Index by Global IEDGE (KNOEMA, 2018).

These indexes are also partially affected by the Chinese cultures, consequentially is important to take into considerations the intrinsic dimension of the population's background. For this reason, it is used the Hofstede model in which are presented the effects of the society's culture on the values of its members and how these values are related to behaviours. To be even more exhaustive, to the Chinese cultural dimension will be flanked also the Italian one, in order to see which are the common characteristics and which are the incongruencies⁷.

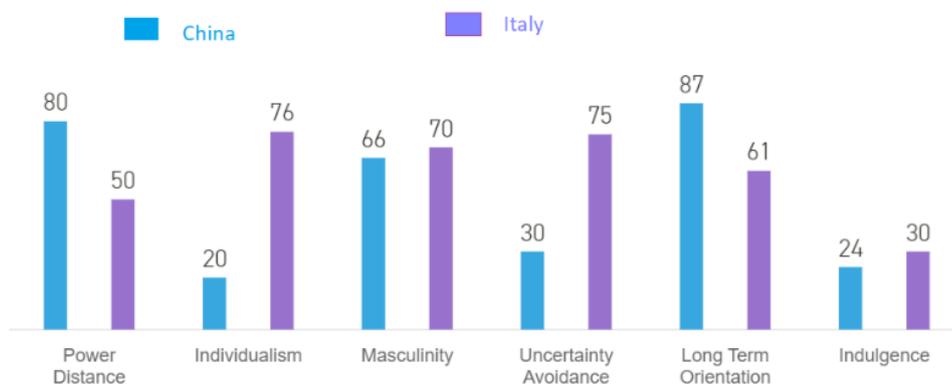


FIGURE 15: Hofstede's model applied both to China and Italy (Hofstede Insights, 2020).

⁷ The graph is on a 100% basis

The first dimension regards the Power Distance that expresses the way in which a culture experiences the relationship with power and with those who holds it within a hierarchy. From the analysis, China has a high PDI since they find acceptable the inequalities among people and do not have means to protect themselves from authority abuses or injustices. They are strictly influenced by sanctions and the authorities are somehow inaccessible, making individual development impossible outside its rank. While for Italy, this index is medium because people dislike someone at the top saying them what to do and also in the working reality, they prefer working in team and an open managerial style, rather than with a boss and rules imposed. Instead, when talking about the Individualism, it reflects the value for which in a culture social bonds are centred on the single individual, as opposed to collectivism, where the social determination of a person depends on his belonging to a group and on the relationships he possesses. From this side, Chinese culture has always been collectivistic, putting as aim the good of the group rather than personal objectives, in the case of work they are very collaborative among colleagues, but are hostile towards the outsiders. In this context there are different ingroups, where people tend to identify themselves, with a safeguard approach toward the entirety of the participants in exchange of loyalty, the same is for the promotions and hiring, where the in-group considerations are fundamental to succeed. At the opposite side, Italy is highly individualistic, pursuing personal objectives more than collective ones and taking into considerations as ingroup just their direct family. In the working context they maintain networks finalized to be introduced to more powerful people or someone who can push their career. Instead, for what concern Masculinity dimension, it represents society's inclination for results, heroism, assertiveness and the material rewards derived from success resulting in a competitive society. Its opposite is Femininity which indicates a preference for cooperation, modesty, protection of the weakest and quality of life. In a more practical way, the distinction is based on how individuals conceive their life, if they prefer to be the best (Masculinity) or if they appreciate what they do (Femininity). In both countries there is a high level of Masculinity, indicating that societies are highly competitive and success oriented. In the case of China, more than once are the examples where people sacrifice family and leisure time to work and earn more, for this reason students aim to get high score in their exams in order to obtain better jobs. The same for Italy, where the job is the mean to standing out from the crowd, acquiring social status

and awards. For what concern Uncertainty Avoidance, it expresses the degree to which members of a society feel uncomfortable with uncertainty and ambiguity. So, there are countries show a strong rejection of uncertainty maintaining rigid codes of conduct and beliefs, loving stability, rules and social norms, while other societies with a weak rejection of uncertainty adopt a more relaxed attitude, showing an entrepreneurial people, more inclined to take risks. This latter description is the case of China, where there is a high acceptance towards uncertainty and a strong entrepreneurial attitude, while in Italy people reject uncertainty composing their life and work with very planned timetables. For the fifth cultural dimension talking about the Short-Term Orientation, it focuses on the present or the past time and considers them more important than future, valuing tradition, existing social hierarchy and the fulfilment of social obligations. While at the opposite, the long-term orientation focuses on the future reward and in the ability to postpone short-term emotional gratification for the benefit of the future, this cultural perspective values persistence, perseverance, thrift and the ability to adapt. Also in this case, Italy and China have similar results showing them as a very pragmatic cultures with a high score on the Long-Term Orientation, adapting traditions to modern life and be perseverant in their objectives. At the end, there is the Indulgence versus Control dimension that measures a culture's ability to meet the immediate needs and personal desires of its members. Those who values the sense of control have rigid social rules and norms, under which the satisfaction of impulses is regulated and discouraged. Weak control corresponds to indulgence, while high control corresponds to restraint. China with a score of 24 and Italy with a score of 30 are both a restraint society with a low space for leisure activities and with an accent toward pessimism and cynicism (Hofstede Insights, 2020).

It is possible to say that even though Italian and Chinese cultures are totally in two different parts of the world, there are some similarities arising from the model, that permit to be compatible in the working activities. Instead, in those dimensions where there are some incongruencies is useful to study better the differences, conquering more awareness about the critical aspects to take care in order to achieve a great competitive advantage and success in the export activities.

It is possible to conclude saying that for Italian companies, but not only, China represents an opportunity to expand their business through the sales to the final consumers and the relocation for low cost industrial production.

2.3 ITALIAN SMALL-MEDIUM ENTERPRISES THAT INTERNAZIONALIZE TO CHINA

After a general overview regarding the internationalization of SMEs and the reason why China is a potential market where to grow, it is important to cross these two elements to analyse in deep strategies, facilitators and obstacles of Italian SMEs internationalization towards Asian territories.

Some authors have dealt with the overall analysis of the multiple mentioned factors of facilitation and obstacles to entry into the Chinese market, because this latter still requires a technological and qualitative improvement of the products and services offered which can be covered by the Italian know-how. From a market perspective, the main difficulties for SMEs include those related to obtaining information on tastes and trends of the demand and adaptation to the local language and culture, resulting in difficulties in finding an appropriate target for the products. As well as, the regulatory aspect takes a considerable weight and generates entry difficulties especially due to complex legal constraints and the high risk of violation of intellectual property rights (Williamson P. & Zeng M., 2004).

In their turn, even though the facilitators play a crucial role to enter in China, they are not always enough to face the difficulties presented by the Asian territories, including the huge investment requirement. What is possible to say anyway is that the internal factors of the company such as entrepreneurial spirit, the brand and the know-how are more important respect the external ones. It is easily explicable, because are those intrinsic elements of the firm that makes the difference in choosing foreign partners, handle the relationships with the local economy and administrative institutions, knowledge of the local language and culture (Cavusgil S.T. et al., 2012). Given this, internal factors enable specific dynamics that leads to the right choice of the external ones, intended as associations or external partners to cooperate with.

As shown by the evidence of a study done by Trieste University based on two hundred thirty-eight companies through some surveys, the three main facilitators individualized as early cited are: entrepreneurship, the brand and the company know-how as can be shown by the graph:

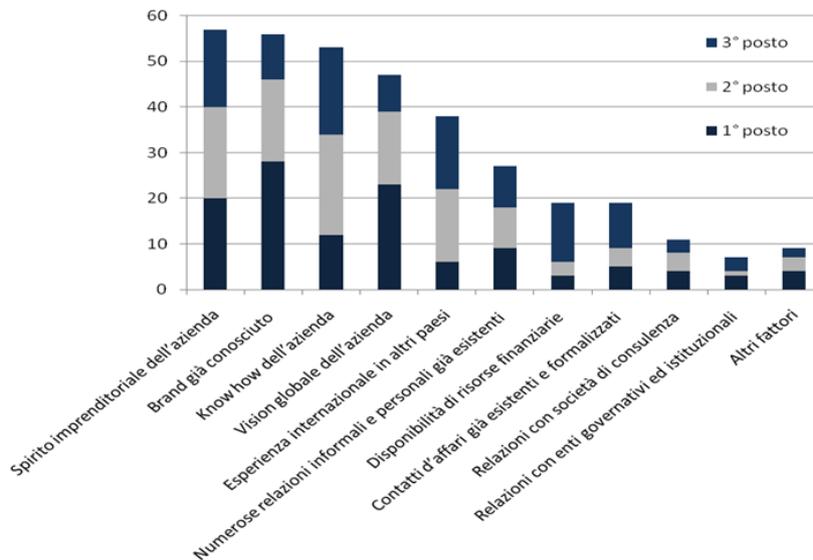


FIGURE 16: Factors that facilitate entry into the Chinese market place (De Luca P. et all., 2011)

The surveyors using the same methodology have valued also the main difficulties, grouping the three main obstacles as relationships with reliable partners, local language/culture and high competition pressure.

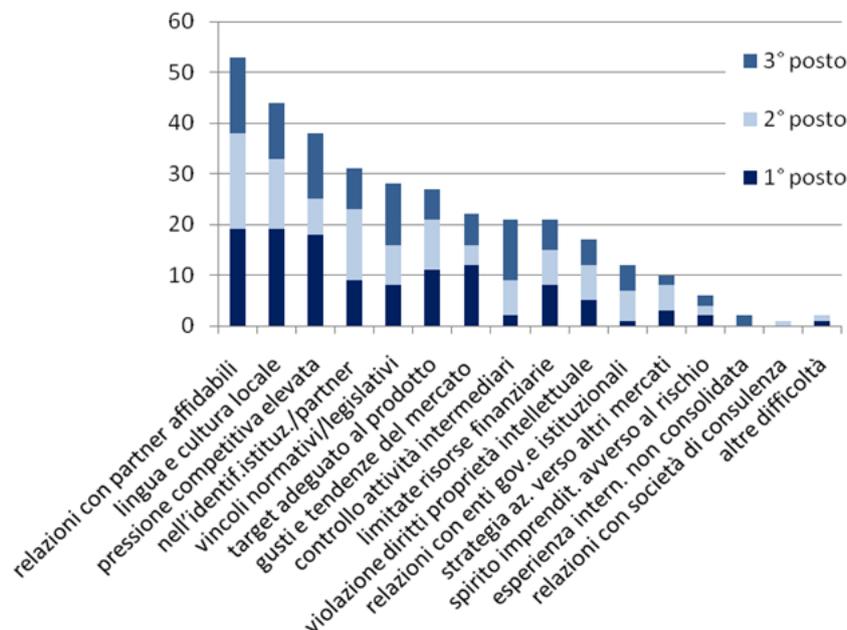


FIGURE 17: Factors that hamper entry into the Chinese market place (De Luca P. et all., 2011).

In order to face these obstacles and in particular the difficulties to find reliable partners, it can be very useful to lean on Italian institutional bodies that tries to reduce the distances among these two countries. The most important are the Italian Embassy in Beijing which protect the rights of the Italian citizens and companies in PRC, the China-Italy Chamber of Commerce and Italy-China Foundation.

From one side the China-Italy Chamber of Commerce is the only business organ recognized by both the Italian Government (Ministry of Economic Development, MiSE) and People's Republic of China (Ministry of Civil Affairs, MoCA), which has the aim to promote Italian companies and their Made in Italy. It could be very useful for both firms already settled down in the Asian country and for those who wants to approach it for the first time. In fact, thanks to their forty years of experience and to the several offices located in Beijing, Suzhou, Guangzhou, Chongqing and Shanghai, they are able to help entrepreneurs in a capillary way. China-Italy Chamber of Commerce gives different opportunities offering informative training, the possibility of making networking with events and collaborations, keeping updated the participants sending them any relevant news about doing business in China or in changing legislation. Moreover, they have organized twelve different working groups, divided into the categories particularly present in PRC, in order to sustain them specifically based on their business branch. These working groups are for example the Aviation and Aerospace Working Group (AAWG), Mechanical Engineering Working Group (MEWG), Food and Beverage Working Group (FBWG), Innovation and Disruptive Technologies Working Group (IDTWG) etc. The fact of being split into these categories is important because a company has the possibility to know the other firms working in the same field creating a supportive network (China-Italy Chamber of Commerce, 2020).

While on the other side, the Italy-China Foundation assist not only the Italian companies which wants to internationalize to PRC, but also Chinese entrepreneurs that want to make business in Italy. This important ambivalence allows a deep understanding of both dynamics, one outgoing and one ingoing. More than this, they have established the Permanent Training School of the Foundation, which offers training course of Chinese language to Italians and Italian lessons to Chinese people, this latter is possible thanks to the programme called Marco Polo-Turandot which has the aim to increase the enrolment of the Chinese young people in the Italian universities. Anyway, Italy-China Foundation

teach not only in their permanent school, but organize also training courses for companies and attend to many university businesses lessons. At the end, they pursue ideals of facilitation towards capital and people flows between the two states, improvement of the Italian presence in the PRC institutions and promotion of the label “Made in Italy” (Italia-Cina, 2020).

All these institutions, together with the Belt and Road initiative even though is not fully operational, give the idea of two countries that are important to each other, China can offer a big market with a lot of potential, while Italy can offer the experience and a well-developed know-how.

Another important issue to take into consideration when SMEs want to go to China are for sure the way to communicate with the Chinese consumers. In fact, there are some objective difficulties concerning the limited internet access compared to the Western countries. For this reason, it has to be found other means to promote Italian products that can be compatible with the Chinese communication style. One of these ways is definitely WeChat which works as a chat application, but also as a social network where to give visibility to the company’s items, a browser, a wallet to make payments and a connection between offline and online world through the QR code scan. But actually the most important feature of this application is the possibility to remain in contact with Chinese people, since they do not have WhatsApp or similar Western programs, so it is at the base to enter and communicate in PRC (Montag C. et al., 2018). Also, LinkedIn is pretty used by English-speaking Chinese business people and may be another relevant promotion tool. More than this, a big relevance is covered by the giant Alibaba, which with its technological platform Tmall give the opportunity to the Italian firms to sell their products in the e-commerce. In particular the web portal “HelloIta”, offer the opportunity to sell specifically Made in Italy products, giving a special corner to enhance and distinguish Italian items from the others (SKILLE, 2018).

Instead, from a more formal point of view, Chinese people prefer to participate and see the products in exhibitions events or specific meetings, where they can see the face of the vendors and establish contacts in the flesh. This latter is strictly connected with the “Face concept” explained in the previous chapter, in fact it is not a case that in China the main commercial cities are plenty of spaces dedicated to these trade fairs. More than this, once

a first contact is established, normally they want to see closer the company reality organizing meeting in the firm or having contact privately in a dedicated space. Chinese people if there are preconditions, starts to build *guanxi*, creating a closer relationship with the vendors that sometime can lead into a more personal connection, spending great time together in a dinner for example or making some present to demonstrate appreciation. Another important tool to communicate efficiently is for sure the Website, that to be appreciate by the potential consumers or distributors has to be in Chinese language, to make visible the specific attention the company are reserving to the PRC people. To make a summary of the main tools useful to communicate, it is possible to show the graph below:



FIGURE 18: Communicating tools with Chinese consumers (B2B International, 2018).

In the mind of the Chinese consumers there are a kind of hierarchy (Figure 19) concerning which are the main features considered when assessing a product/service. After the price covering the first place, the other elements taken into consideration are the quality of the product or service, the robustness of the company, the reliability of products' delivery and the capability to meet customer needs. In the last positions are possible to find the ease to work with the foreign firms, the local presence in terms of firm establishment and the aftersales.



FIGURE 19: Main Chinese requirements from Western businesses - Other than price (B2B International, 2018).

Most of all what Chinese people lament of the Western citizens are the lack of listening capability and a patronizing attitude, for this reason SMEs that want to succeed in communication need to follow some rules. These codes of conduct concern: the study of the market and Chinese culture, train the patience since some steps could be longer in comparison with the domestic market, listen and understand the clients' needs. More than this, take care of the relationships and *guanxi*, be flexible without losing methodology, avoid any kind of exaggeration and be prepared to negotiate because Chinese tend to reduce systematically the price and get the best offering (Cardon P. W. & Scott J. C., 2003).

Once a good communication has been obtained and there are some feedbacks from the first clients, another fundamental issue is to take care of the word-of-mouth phenomenon, circumstance very spread in Asia and consequentially in China. In fact, as seen before being a collectivistic culture, there is the tendency of the population to follow some trends or to get advices from their ingroup. For this reason, the word-of-mouth can be a double-edged sword, resulting in a good marketing or in a bad reputation. The first impression of the Chinese people is vital, because they have the tendency not to give a second opportunity once their first sight was bad. While at the opposite, if the product collects appreciation, word of mouth result as a powerful mean to promote the product. In fact, in the case of positive word-of-mouth there is the phenomena of a self-reinforcing feedback loop as shown below:

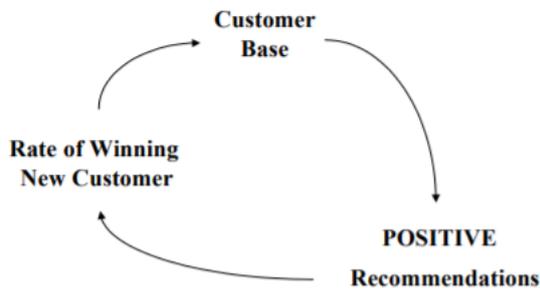


FIGURE 20: Reinforcing feedback from Word-of-Mouth (Hauge E. & Havnes P. A., 2001).

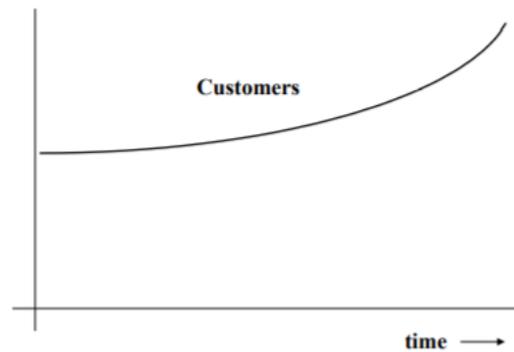


FIGURE 21: Customers growth due to positive Word-of-Mouth (Hauge E. & Havnes P. A., 2001).

Instead, in the case of negative word of mouth the figure twenty will remain the same but with a negative recommendation, while in the figure twenty-one, the graph will have a downturn shape (Silverman G., 2011).

In conclusion, it is possible to say that there is not a univocal methodology to internationalize to China and there is not an absolute winning or losing strategy because this market is constantly changing. For sure, the Chinese are now wealthier, giving more weight to the quality of life, looking at the quality-price ratio, to sustainability and environment. Certainly, to avoid the greatest possible number of problems, when SMEs go to China, they have to take care of supervision, coordination and monitoring mechanisms, to dialogue closely with Chinese employees and set-up a robust managing. In the case of a subsidiary or office establishment in PRC, it's better to take into consideration the chance to include Chinese figures in the management team to cover the role of mediator and to intensify the activities of networking. More than this, can be very useful investing in the training of Chinese personnel and give importance to soft skills with the possibility to set up an incentive system to motivate employees and managers (De Luca P. et al., 2011).

3. THE WINE WORLD

After the insight regards the characteristics of small-medium enterprises, it is correct to link all the facts analysed with some concrete examples. This is why, in this chapter will be found different testimonials arising from Italian companies dealing with wine manufacturing and trade. The firms taken under observation respect some parameters corresponding with three main concepts which are: belonging to a family-run business, dealing with changing generation and internationalization.

For what concern the first benchmark, the definition of family business considered and from which it has been based the selection of the respondents, is consistent with the definition of Chua, Shama and Chrisman presented in the first chapter that is:

“The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (Chua J.H. et al., 1999).

Instead for what concern the second parameters, all the six firms chosen have seen at least one new generational management and finally the third topic regards the internationalization to Asia and specifically towards China.

3.1 A GENERAL OVERVIEW OF THE WINE WORLD IN ITALY AND IN CHINA

The reason why, among all the market segments the wine sector is the one that has been chosen, is related to the inextricable connection between the Italian territory and these goods typology. In fact, Italy is worldwide recognised for the importance of its wine and food, acquiring during time an important role in the exportation and manufacturing of these products (Bonnekessen B., 2010).

From a strategical point of view, the wine family businesses have been studied by many scholars because even though this beverage has a huge potential, not always the companies are able to merge the tradition with the innovation. This particular aspect is the main reason that penalizes this Italian market segment, which on contrary if well managed could reach an important strategical competitive advantage. In fact, when resources within the firm are well exploited, it is possible from one side to enhance the

firm's tradition values and from the other one takes advantages of new innovative opportunities (Bresciani S., 2012). Moreover, these two aspects have a strong impact on consumers perception of the product, in fact the country of origin as well as the tradition and the heritage embodied in the wine is one of the main aspects which brings people to choose a specific wine rather than another one, because clients particularly in this historical time are desiring for authentic experiences. More than this, the ability to make story telling over the brand enhance and make grow the value perceived of the good and this aspect combined with the ability to innovate, both from the side of wine's taste and from the side of lowering the price of its production without losing the quality, may be the key to succeed especially for those companies operating in high-end markets (Vrontis D. et al., 2011). Another important factor is the regional identity of each wine, since Italy with its different landscape and territories, provides to each region a particular composition of the ground that will impact on the characteristics of the vineyard. This is a unique feature which give the possibility to differentiate the products among the Peninsula and can give the opportunity to form some alliances among wine makers, who may have similar business structure, but not competing with each other since they are producing totally different typology of wine. One hypothetical framework used to understand which are the attributes contributing to shape the consumer's idea of the company is the following:

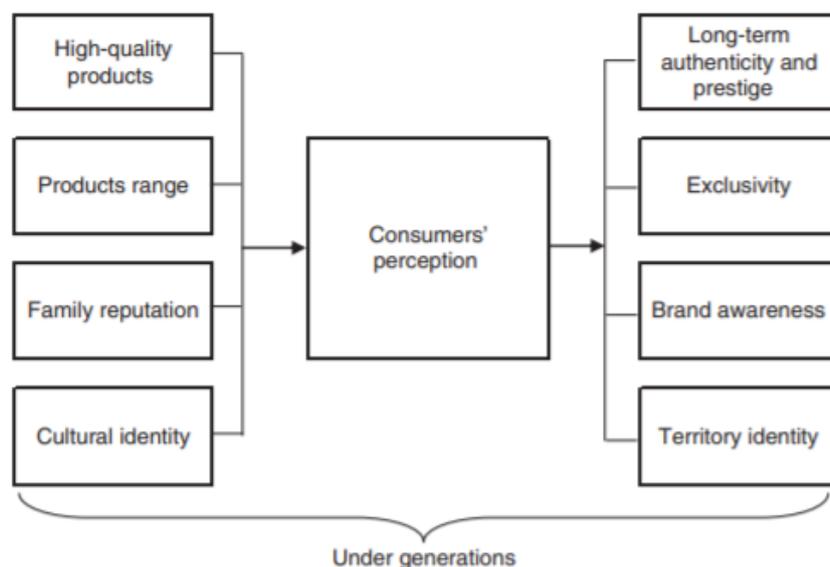


FIGURE 22: Consumer's perception of the company (Vrontis D. et al., 2016).

As shown by the figure 22, among the already cited aspects and features concerning the regional identity, the high-quality of the product, the presentation of the brand through tradition and innovation, exclusivity and brand awareness; there is another crucial area of interest which is the one composed by the long-term authenticity and prestige. This latter in fact, is normally achieved through generational changes, due to the so-called multisensory strategy which consist in the strengthening of corporate values such as brand identity, firm's knowledge and gain of experience by family members. This lead during time to enhance the family firm reputation with the result of increasing the company's value perceived by the clients and obtaining a long-lasting exclusivity of the products manufactured and regional identity (Clarke D.W. et al., 2012).

Since it has been talked about the relevance of the regional territory, it is important to go more in deep analysing how this peculiarity impacts on the export. As noticeable from the image below, the region with the major exports is Veneto with the 36%, followed by Piedmont (16%), Tuscany (16%) and Trentino-Alto-Adige (9%).

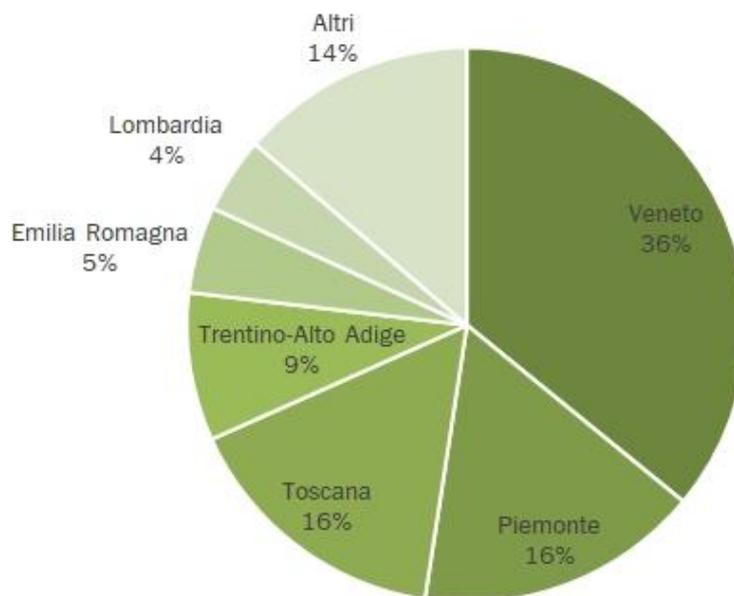


FIGURE 23: Portioning of the Italian export 2019 (I numeri del vino, 2020).

While, if they are considered the export of bottled wine divided by category, it is possible to notice how it is increased the request of PDO⁸ wine reaching the 2,426 million Euro in 2019, then followed by the 1,161 million Euro of PGI⁹ category. The result is a framework in which PDO wines grow by 8%, with an increase of 13% for white wines and an increase of 5% for the red ones. PGI wines, on the other hand, drop by 4% to 1.16 billion Euros, while varietal wines are up 11% but remain a marginal category in the panorama (figure 24).



FIGURE 24: Export of bottled wine divided by category in millions of Euro (I numeri del vino, 2020).

What is important to notice, is that PDO which is the nomenclature of Protected Designation of Origin is more demanded rather than the other typologies and this enhance what was said before, namely that in recent times people tend to appreciate more authentic experience through a wine which represents the uniqueness of a territory or a brand. In fact, Italy with its high-quality products is the country in Europe with the largest number of designations of origin and geographical indications (which are the PGI - Protected Geographical Indication). These nomenclatures have been thought to protect and to certificate some special products labelled “Made in Italy” from the counterfeiting and the phenomenon called “Italian sounding”. This latter concerns the use of geographical names and images that evokes Italy in the market products that have nothing of Italian, representing unfair competition and a scam to the detriment of the consumer and Italian

⁸ Protected Designation of Origin

⁹ Protected Geographical Indication

producers. Important to mention is that worldwide, Italian sounding generates a turnover of 54 billion Euros a year, more than double the value of Italian exports in the agri-food sector, this is why various nomenclatures have been formulated.

For what concern specifically the export of wine toward Asia, Italy still occupies a little percentage of the overall panorama with 6.5%. In fact, the majority of the export done in this part of the world, accordingly also with the Vinitaly-Nomisma Wine Monitor Observatory, in the Far East (China, Japan, Hong Kong, Korea, Vietnam, Singapore, Thailand, Malaysia, Taiwan, Indonesia, Philippines and other minor states) comes from France with 50.2%, while the remaining 20% is divided among Chile and Australia.

More than this, going deeper into the Chinese market, it is possible to notice, from the graph below, how in the last decade the volume of wine imported is divided and how data have fluctuated:

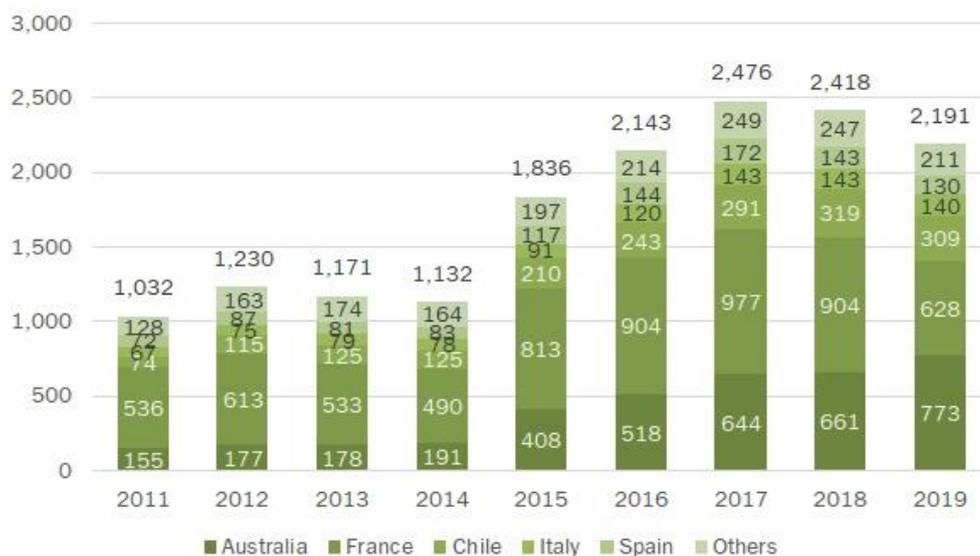


FIGURE 25: Bar graph of wine imported in China in millions of Euro (I numeri del vino, 2020).



Importazioni di vino Cina - valore

(EUR m)	2013	2014	2015	2016	2017	2018	2019	19/18	19/14 an
Totale	1,171	1,132	1,836	2,143	2,476	2,418	2,191	-9%	14%
Australia	178	191	408	518	644	661	773	17%	32%
France	533	490	813	904	977	904	628	-31%	5%
Chile	125	125	210	243	291	319	309	-3%	20%
Italy	79	78	91	120	143	143	140	-2%	12%
Spain	81	83	117	144	172	143	130	-10%	9%
USA	60	55	52	54	72	64	34	-46%	-9%
Argentina	17	14	18	21	20	22	24	10%	12%
Portugal	14	11	15	18	21	21	21	1%	14%
South Africa	18	18	37	35	26	30	20	-33%	3%
Germany	16	16	17	16	19	22	20	-10%	4%
Others	49	51	58	69	92	87	91	4%	13%

fonte: I numeri del vino su dati UN Comtrade e China Customs

FIGURE 26: Values of wine imported in China in millions of Euro (I numeri del vino, 2020).

In fact, after a huge increasing in the import activities during the interval time 2011-2017, in the 2018 for the first time after seven years, there has been a little decreasing which continued in 2019 with a reduction of the imports of 9%. More than this, the France which is always been the leader has lost its primacy in favour to the Australians, causing a 30% drop in exports. However, if from one side the France had had this reduction, the Australians are more dependent from Chinese wine market in comparison to the French or to the Italians, so it could be considered a double-edged sword. Even though, from a general perspective there has been a little decreasing in the imports, the Chinese import from Italy has remained constant in 2017 and 2018 with wine imported for an amount equal to 143 million euro. Instead, what has impacted the most was the situation of 2020, where in the first semester there has been a general drop of 31% due to Coronavirus. However, in the general framework Italy comes at the position number four in the market with a minus 2% and 140 million in 2019, ahead of Spain which has dropped by 10% with 130 million. Instead for what concern the key category of still wines in bottle they follow the same trend, while for sparkling wines things get better with a plus of 2%, even though they are still a residual category with 71 million euros in total (figure 27).

Importazioni di vino spumante Cina - valore									
(EUR m)	2013	2014	2015	2016	2017	2018	2019	19/18	19/14 an
Totale	48.8	61.5	55.1	51.3	66.6	69.4	71.2	2%	3%
France	30.3	32.4	26.6	23.3	35.7	39.9	40.9	2%	5%
Italy	10.7	16.9	15.4	15.3	18.0	17.6	17.8	1%	1%
Spain	2.2	5.0	5.9	5.7	5.9	4.5	4.6	3%	-2%
Australia	2.4	2.9	3.9	2.9	3.0	3.5	4.0	15%	7%
Others	3.2	4.3	3.4	4.1	4.0	3.9	3.8	-3%	-2%

fonte: I numeri del vino su dati UN Comtrade

FIGURE 27: Import of sparkling wine in china values in millions of Euro (I numeri del vino, 2020).

From a more practical point of view, it is possible to say that the Chinese market is complex and almost unknown to Italian operators, but on contrary the world of wine also results, many times, unknown to the Chinese themselves. In fact, this market has to be considered not yet fully mature, with a tendency not to look for wines the consumers do not already know.

The wine which has the major number of problems in this foreign world, is for sure the one realized with the Classic Method or the Méthode Champenoise¹⁰, because not being a Prosecco, but neither a Champagne, it is hardly understood and appreciated without having an important culture on wines. This is why, it is important to think to an efficient strategy in order to penetrate and be known by these Asian consumers, with all the Italian denominations. One possible winning strategy consists in the cooperation between wineries, in particular for the promotion campaigns of this particular typology of beverage, in which if there is not a common front, there is a high risk to create confusion in the mind of Chinese consumers. However, the typology most appreciated by this latter is for sure the red wine (as shown also by the previous graphs), thanks to its soft and round flavour.

Another remarkable phenomenon to consider nowadays in China, is the promotion done by the authorities for the consumption of national wine with an increase in the internal production, even though there are still very few good products. The result of this enhancement of Chinese wine culture and the increase in domestic production can be an

¹⁰ It is a sparkling wine production process, which consists in inducing the refermentation in the bottle of wines through the introduction of selected sugars and yeasts.

opportunity for foreign wine that could indirectly get a push and be required more in the different tasting experiences, also powering the demand for wines rich in history such as the French, the Italian, the Spanish or the German ones. In fact, to date, the majority of the Italian wine in PRC is consumed in international restaurants which is mainly frequented by foreigners, who have a different culture and propensity for wine in comparison to the Chinese people. But unfortunately, the real potential market is the one of home or personal consumption, where the willing of the Chinese is the one to exhibit rather than taste and, in this case, the online market plays a central role. There are numerous e-commerce platforms where there is a sort of downward bidding war, giving prevalence to the negotiating nature of the average Chinese rather than the quality of the product. The choice of having a traditional local importer who mainly addresses the high-level market responds better to the desire to create culture and strengthen the value of the Italian brands. It is therefore very risky for an Italian company to act independently, this is why is better to work with several importers who operate locally, also considering the size of cities and distances. It is wiser to find the right connections and cover, with time and constancy, the various areas of China. Finally, it is fundamental to work hard on communication: in China everything passes on social media and through influencers, since there are very few food and wine publications (Paolo Valente, 2019).

3.2 CASE STUDIES

After having analysed the wine sector for what concern the Italian region exports worldwide, with major specificity to China, in this part of the thesis will be reported the interviews done to several companies of wine-makers which cover important roles in the Italian wine landscape. All the firms interviewed respond to three main parameters which have to comply to the characteristic of being a family firm, have experienced the changing in generation and the internationalization towards China. Even though, the companies reported are not a quantitatively significant sample, they offer an important testimony on how a firm could be successful in the trade with such a distant country as China, although the business structure is considered pretty familiar. More than this, they are a relevant case studies because they have a very high level of tradition mixed with an avant-garde innovation, both from the side of the wine production and the environmental sustainability. Moreover, they have a commercial strategy well combined between the high-quality of the wine and the education of the Chinese consumers, with a strong family

presence within the company which allow them to represent and embodied the firm's value worldwide, maintaining a strong management control in the business structure.

It is important to mention that the firms interviewed are six and the conversations with them has been done in Italian, for this reason everything reported below has been translated in English with a maintenance of the meaning. During the interviews, the topics have been divided into three macro-segments in the field of: Family firm, Generational Change and Internationalization; for each of them, about four questions have been asked, finishing with a request on the future plans of the company. Some of the questions will be identical among companies, instead others, based on what has been said by the interlocutor, may change in order to highlight a particular aspect or peculiarity of the firm or to enhance the topic. For this reason, in the appendix 2, will be found the general questions which were equals for everyone, but in the reading of the thesis may be the possibility to see some variations. Finally, for each case study, will be presented at the beginning a general overview of the company, its history and some relevant issues, followed by the introduction of who is the interlocutor, to then finish with the real interview. The order in which have been reported the interviews below have followed the chronological sequence in which they have been done.

3.2.1 CASE STUDY: LUNELLI GROUP

HISTORY

The history of this great company begins in 1902, when Giulio Ferrari wanted to create a wine in Trentino that was capable to be confronted with the best French Champagne. He studied in San Michele all'Adige and then in Montpellier. He realized that his land Trentino had an extraordinary vocation for the production of the noblest bubbles and he was a real pioneer since he was the first one to spread Chardonnay in Italy. From a small cellar located few steps from the Trento Cathedral, he began to produce a few carefully selected bottles, with an obsessive cult of quality in every detail, because to bear his name each bottle must be a work of art. Immediately crowned with the greatest international awards, Ferrari was reserved only for the most exclusive customers. Giulio Ferrari, having no heirs, was looking for someone to entrust his business to, among the many pretendants he chose Bruno Lunelli as his successor who was the owner of a wine shop in Trento. In 1952 Mr. Lunelli got into debt to take over the small winery and from that

moment on, Ferrari brand started to be under the guidance of the Lunelli family. He made the production grow, without ever compromising the quality of the product. Mr. Lunelli great passion was passed to his children: Gino, Franco and Mauro Lunelli who made Ferrari the leader in Italy. Today they have reached the third generation of Lunelli with the leadership of the company owned by Camilla, Alessandro, Marcello and Matteo. The company is the Italy's leading producer of luxury sparkling wines with the brand Ferrari, but it counts also the mark Surgiva F.lli Lunelli S.p.A., a company which produces a mineral water with its source in the Adamello National Park in Trentino. More than this the Group Lunelli includes the Grappa brand Segnana, the Tenute Lunelli still wines located in Tuscany, in Umbria and in Trentino Alto Adige and finally Bisol, a historic brand of Prosecco Superiore with production in the Valdobbiadene territory.

The wine that has always been part of the tradition of the Trentino soil, makes these mountain vineyards special and strong, which thanks to the alternation between hot days with the sun and cool nights, gives to the grapes a balanced acidity and many aromas. Ferrari is made up of Chardonnay and Pinot Noir grapes grown in the high altitude of the Trentino mountains. Ferrari is a Trento Doc created with the Classic Method and the special step of second fermentation, that is the one that gives the perlage, takes place inside the bottle, for this reason each wine has its own story. It takes time and patience to create a Ferrari wine, over two years to create the Ferrari Brut, five for the Ferrari Perlé, seven and ten years for the Lunelli Reserve and the Giulio Ferrari. One of the most interesting steps in the production of this wine is the remuage, a rotation performed by hand, which makes the wine pure. In order to enhance this special and careful manufacturing process and to be compliant with the Group Lunelli's vision, all the vineyard cultivations are carried out following the environmentally friendly rules and respecting the principles of sustainable mountain agriculture. For this reason, the crops are organic, with a total elimination of herbicides, acarids and synthetic pesticides, ensuring a natural fertility of the earth and the surrounding environment. The company has also made a comeback to the concept of natural soil fertility, recovering some traditional agronomic practices such as green manuring¹¹. Thanks to these specific

¹¹ Green manuring is an agronomic practice consisting in the burying of special crops in order to maintain or increase the fertility of the soil.

attention in the cultivation processes, Ferrari has been certificated as "Biodiversity Friend" from the Worldwide Biodiversity Association.

INTERVIEW

The interlocutor is Elisa Rossetto export manager for Lunelli Group for the areas of Asia, from India to Japan, France, Benelux and the online sales channel for abroad. The Group Lunelli, which includes the brands: Ferrari, Prosecco Bisol, Lunelli estates, red and still wine of Tuscany, Umbria and Trentino, Grappa Segnana and Surgiva water, has five export managers divided on an expertise basis. In fact, Ms. Rossetto studied and graduated in Chinese and she has lived in Beijing for a couple of years, this is why she deals with Asia, while thanks also to her competence on French language she takes care of that business, together with Benelux. In 2011 she graduated in Cà Foscari University with a thesis based on Prosecco and in the same year she went to live in China, where she had worked three years in a sales office for a French wine trader who imported wines from all over the world. In this period of time she passed to be a simple seller, to cover the role of manager and then to be the sales manager of the entire Beijing office, managing all the other sellers. From that experience on, she has remained and spent her whole career in the field of wine. When she got back from China, she joined Bisol in 2014 and just two years later in 2016, Lunelli family took full ownership acquiring the Prosecco company. Since, in Bisol Ms. Rossetto had always managed Asia and Oceania, including Australia and New Zealand, at the end of 2016 when there was a reorganization of the Bisol company under the new guidance by Lunelli Group, they decided to move the export office to Trento and this is why Ms. Rossetto moved there too, following not only Bisol Prosecco, but the entire Lunelli Group for the Asian areas.

1. WHAT IS THE VISION OF THE FIRM?

After over a century of history, the desire to innovate is combined with respect for tradition and those values are the ones which have enshrined the success of the house. The search of quality in every detail is fundamental for Lunelli family, in fact they think that excellence is not an act, but a habit which pass through the control of each step from the land to the table. More than this, they have an intimate and indissoluble bond with the Trentino area, this is why all the grapes which grow at high altitude are cultivated

according to the principles of sustainable mountain agriculture. Finally, it is possible to affirm that Ferrari is an ambassador in the world of the Italian art of living.

2. WHAT ROLE DOES THE FAMILY HAVE WITHIN THE COMPANY'S ADMINISTRATION?

The control and ownership of the Lunelli Group is 100% of the family. The four cousins are those who work directly in the company, but then there are also other cousins who have shares within the corporate governance, thus being part of the board of directors, even though they do not work directly within the firm. In any case, as expressed before everything is in the hands of the Lunelli family.

3. WHAT ROLE DOES THE FAMILY DIMENSION OF THE COMPANY PLAY IN THE CONSUMERS CHOICE?

For sure, when I arrived in China in 2011, Chinese people do not know so well the Italian Prosecco, while through the years until today, there has been an explosion in terms of Italian wine awareness and in particular a major culture of Prosecco has been developed. This latter being part of Charmat method's category differs a lot from Champagne and this is why Prosecco is giving us a lot of satisfaction in China. It was introduced about 10 years ago representing one of the first wine in this category to be presented in the restaurants. Thanks to its positioning in what is considered a fairly high market segment it was possible to make recognize the value of the product since the beginning. Ferrari, on the other hand, has a little more difficulty, both because it is a product that has been placed on the market later and because it is more difficult as a category. Ferrari in fact is a Classic Method like Champagne, but we are not French, this is why for Chinese consumers it is more complex to understand. Luckily this is not completely true for what concern the Italian restaurants because managers and sommeliers want products of their country and therefore understand very well the difference between a Classic Method and a Charmat Method. Instead, when we go to the international scene, for example in the hotels where there are not only Italian products, but also French ones and all the other categories, it is much more difficult stand out because we clash with our main competitor: Champagne. Notoriously, the latter was the first bubble arrived in Asian markets since the French have always been very good at this, focusing on marketing and presence abroad. Starting first from Japan, which for them was the most mature market and then

gradually expanding to Korea and Hong Kong, so Ferrari as Classic Method have a little bit paid the fact that it arrived later. China is certainly not a simple market for us, on contrary respect Japan, where Ferrari arrived twenty years ago being the first that brings the sparkling of the Italian Classic Method, at that time there were still very few Italians and this made us known by all the Japanese sommeliers who, knowing the product well, promote it better. In fact, for us Japan is one of the top three markets together with the United States and Germany. The difficulty perceived from the Chinese clients regard the taste since they have a sweeter palate, so Prosecco with a sweeter and fruity flavour is better accepted in comparison to a Classic Method which is drier. Then, the second issue perceived by Chinese consumers concern the price, in fact the sparkling in PRC is the 10% of all foreign wine consumption, while the 80% is red and the rest is divided between still whites and rosé. Therefore, it is possible to say that sparkling in China is nothing compared to the volumes that red wines make. More than this, the Chinese government in the last years have pushed a lot the red wines promoting them as useful for the health and they did it because they would like to deviate all the rise used to manufacture the grappa Mao-tai to the feed, so they would like to convert the rice Grappa consumers to wine, which therefore allows them to better manage rice resources for food. Moreover, from a cultural point of view, the colour red has always had an important meaning for Chinese people, who attributes to it, lucky and power. While from a more practical point of view, the first obstacle is the one of opening the wine bottle: in many of my travels, when I arrive in the restaurants, I see that the waiters are terrified in doing it and this can be a problem since they are the ones who serve the customers. So, if they have to recommend a wine where they have a little difficulty in the opening with the fear of not well manage the pressure or recommend a still wine, they will certainly recommend the still one.

In conclusion, regarding the family, I believe that the story telling on family management is very important. It is an added value that must be communicated on any market to guarantee the protection of the quality and values that the company wants to convey.

4. WHAT NUMBER OF GENERATIONAL CHANGES HAS THE COMPANY REACHED?

The last generational change took place in 2010, when the third generation composed by Camilla, Marcello, Matteo and Alessandro went to the top.

5. HAS THE SUCCESSOR IN OFFICE IMMEDIATELY HELD THE TOP POSITION?

All members of the third generation after college did a job outside the family business, to then subsequently re-join it later. Matteo who is the current president, graduated with honours in Economics at Bocconi University and he developed his international experience in financial consulting working for five years at Goldman Sachs International in Zurich, London and New York. Thanks to his commitment in different fields of interest such as arts, promotion of Italian lifestyle and products, he received important awards such as the “2015 Entrepreneur of the Year Award” in the Family Business category. Instead, the eldest brother Marcello has succeeded Mauro Lunelli in the role of oenologist at Ferrari, he studied in the Istituto Agrario di San Michele all’Adige and then graduated with full honours at the faculty of Agriculture at the University of Milan. After the early working experience abroad including California and South Africa, he joined Ferrari learning everything from his uncle and working side by side with him. Since his first nomination in 2002 as deputy technical manager of Ferrari Trento, in 1998 as technical manager of Distilleria Segnana, in 2010 as president and then in 2007 as vice-president of Ferrari Trento, he has always been very involved in different associations. Among the many, it is possible to mention his role as president of Gruppo Giovani Industriali di Trento, the nomination as honorary president of AGIVI – Associazione Italiani Giovani del Vino and his place on the board of directors in the Unione Italiana Vini. Then, there is Camilla, who is the only woman and she is director of communications and external relations of the Lunelli Group, taking care of the public affairs. After the graduation in Bocconi with full honours and some professional experiences in Paris and New York, she entered the world of strategic business consulting with Deloitte Consulting. Two years later, she chose to dedicate a period of her life to volunteering and she had spent three years in Africa. In 2004 Camilla Lunelli returned to Italy to carry on, with her cousins Matteo and Marcello and his brother Alessandro, the family business. In 2011 she was

awarded the Bellisario Prize which proclaimed her among the "young architects of Italian excellence in the world". She, as well as her cousins and brother, is currently strongly committed in several associations and seats as a member of the Steering Committee of the School of International Studies of the University of Trento. Finally, Alessandro who is the son of Mauro and the youngest among the four cousins, he has been for many years the Ferrari Chief Oenologist. After graduating with honours in Electronic Engineering at the University of Padua, Alessandro Lunelli started his managerial career at McKinsey & Company and he then moved to the Global Innovation Department of Unilever. After three years in Milan, he moved to Asia first living two years between Manila and Singapore and then working from Japan to India and from China to Indonesia. From 2009, when he moved back to Italy, he has covered the role of Operations Director and Tenute Lunelli CEO for all the Lunelli Group. More than this, he is very active in Confederation of the Italian Industry, where he is Vice President of the Confindustria Trento and he is a Board Member of Trentino-Alto Adige Strategic Fund.

6. IS THE OLDER GENERATION STILL PRESENT WITHIN THE ORGANIZATION?

Although there has been a generational change, the predecessors are always in the company, attending institutional events such as dinners or company trips and participating in the board of directors. The difference among generational change is that the second generation constituted by the three brothers who took charge of the company in the 70s and brought it where it is now, certainly gave a major focus toward the Italian market. In fact, if Ferrari in Italy has achieved this recognition, it is certainly due to them. So, it is possible to say that the second generation focused on Italy and the closest foreign markets, such as Austria, Germany, England and then the third generation has expanded to the world, acquiring also other realities such as the one of Bisol. The only exception that must be mentioned, was the case of the Japanese market, which joined Lunelli consumers portfolio already during the second generation, in that case anyway the request came to the firm, because there was an Italian importer who lived there on site who contacted the company and identified Ferrari as a possible successful product for Japan.

7. WHERE DID THE NEED TO INTERNATIONALIZE IN ASIA COME FROM?

In the past years there has been a lot of talk about the BRICs (Brazil, Russia, India and China), for this reason the Lunelli family has decided to push to be present in these countries that were considered potential, both in terms of numbers and in terms of consumption. However, we have not adapted our company to a market logic in the sense that we do not decided to sell in large-scale distribution even though it would bring more important volumes, because both Bisol and Ferrari have their main positioning all over the world, including Italy, in catering sector and this is why when we approached the importer, we wanted to be placed in this category. For us, in fact, creating brand awareness both for Bisol and for Ferrari brand means first of all approaching the restaurants where the sommelier can tell the story and can explain why people should drink our wines rather than another Prosecco or another sparkling wine. Once this strategy has worked because the restaurant knows the product, then we move on to the next phase entering also in the large-scale distribution and supermarkets, which however are never low-end. In fact, in Asia normally, supermarkets are of two levels, those of imported goods and those of local goods, so we always position ourselves in the medium-high range of import shops. This is what we have done also in Japan, in fact in twenty years we have approached first the catering sector and subsequently the large-scale distribution, with two different products. Italy and abroad from this point of view do not have different logics or strategies.

8. DID YOU USE LOCAL PARTNERS TO ENTER CHINA?

No, to enter to China we have used our importer. He is a national importer that covers the entire China with his four offices, the main one is located in Shanghai, then he has the others in Beijing, Shenzhen to serve the South of the country and Chengdu which covers the West part of the Chinese State.

9. IS THERE A RE-ADAPTATION OF THE PRODUCT TO SELL IN CHINA?

No, there are no adaptations. In fact, the wine that is found here in Italy is equal to the one sold abroad with the same dosage, we do not change the composition of the wine

even though perhaps the Chinese would like it more. The product must be recognizable everywhere. For PRC, in any case, there is the obligation to apply on the bottles a back label in Chinese, in this case our importer deals with it, in fact he prefers to manage this process by himself, since the goods take six weeks to arrive over there and sometimes the government changes the labelling regulation. Therefore, to avoid the re-opening of every single box for any minimal modification of the label due to the changing in Chinese legislation, the importer prefers to manage this procedure himself, anyway the labels are approved by our designer and therefore have the same shape, background and colour of all the others, simply translated in Chinese. When the goods arrived in PRC, our original label is removed and another one is applied that complies with the regulations, because if they were overlapped it could be considered counterfeiting. Instead, for some countries such as Japan, where volumes are much more important, for some references we already apply the Japanese labels on the bottles at our headquarters.

10. WHICH ARE THE SALES CHANNELS?

In terms of sales of our products, I would say that 70% is on trade in the field of catering, then we have the distributors channel in which our importer in coastal cities sells directly to the restaurants, bar, private individuals; instead in the remotest areas called secondary or tertiary cities which can be Sichuan or areas that are not easily accessible, they are entrusted to sub-distributors, who buy from the importer and have their own warehouse from which they re-sell to hotels and restaurants in most isolated areas. Then, for what concern Bisol we are present abroad in both Italian and local restaurants, for example Prosecco is waited a lot in the American steakhouse or in the French bars which want to avoid the proposal of Champagne due to its high price. Ferrari on contrary, is more specific for Italian catering and some high-level hotels with 4-5 stars, where they can manage and serve wine even by the glass, which for us represents the best strategy, because it allows us to make volumes, while manages the bottle becomes a much slower product rotation. This strategy is the best for both Bisol and Ferrari and for all the part of the world. Instead for what concern the Coronavirus situation we followed the evolution of the various markets, fortunately I had been in Asia before the general stop and then gradually all the other countries were affected. Now Asia has recovered slightly, however, it is always very fluctuating, in fact in some countries where the economy depends a lot on tourism, the borders have not yet reopened. For example, in Thailand they plan to

reopen to tourists in March 2021 and apart from Bangkok where we are also present in the clubs, our volumes of wine are very linked to resorts or holiday opportunities, for this reason sales in this country have been drastically reduced for this year. Europe lived exactly like Italy, so March and April were completely blocked and then at the end of the lockdown we saw an important recovery in orders. Now, who are living critical time are for sure USA and Latin America, this is why we set the work exactly by how the virus moves. From this point of view, the fact of having differentiated the trade has allowed us to balance a little bit the sales between countries. For us, however the main sales channel is catering and with the lockdown, one of the first things which have been closed were the public spaces, in order to compensate this, the company has tried to diver to the online, both utilizing our importers and directly managing our online channels. So, the importers who was in possess of a digital channel took action making specific promotions for private customers, while many restaurants have combined our wine together with the food delivery service.

11. IN CONCLUSION, WHAT FUTURE OBJECTIVES HAS THE COMPANY PUT FORWARD?

Our future prospects certainly foresee an important commitment towards foreign markets, because the sales quotas for Ferrari is represented by 70% Italy and 20% abroad; while for Bisol is exactly the opposite. For both, especially after this year, we have noticed that be dependent on a single market could be very risky, because no matter which is the market, if it defaults or has problems, it could become dangerous. More than this, the value of a company that is present also abroad is much more recognized, especially at the level of company enhancement indices, because they show beyond the product itself, also the ability of the company to relate to cultures, problems and legislation which differ from your native country.

3.2.2 CASE STUDY: MARCHESI DI FRESCOBALDI

HISTORY

Frescobaldi history started more than one-thousand years ago, when they became at the height of medieval Florence, bankers, earning the title of treasurers of the English crown. A little later during the Renaissance, they were patrons of important works in Florence, such as the construction of the Santa Trinita bridge and the basilica of Santo Spirito. In all those years, Frescobaldi family had always covered important role in terms of influence towards several happenings, in fact in 1300, during the exile of Dante Alighieri, his poet friend Dino Frescobaldi gave him back the first seven cantos of the Divine Comedy, thus allowing him to complete the work or in 1700, the baroque compositions of the famous musician Girolamo Frescobaldi spread throughout Europe. Until in 1855 the ancestors of the family decided to plant in Tuscany vines unknown at that time, introducing Cabernet Sauvignon, Merlot, Pinot Nero and Chardonnay resulting as real precursors. Up to more modern times, in which Vittorio, Ferdinando and Leonardo Frescobaldi represent the forefront of the company, having the aim to make revive and turn Tuscany a place of excellence for viticulture.



FIGURE 28: Frescobaldi's family tree (Marchesi Frescobaldi).

The company Frescobaldi, not only manufactures wines of high quality, but also manages a restaurant where they have the possibility to make know the Tuscany excellences. More than this there is the chance to visit their several estates, spending a couple of days in the heart of Tuscany, discovering which are the peculiarity of each area and property.

This firm full of history not only aim to enhance the quality of its territory, but try to safeguard it, through a sustainable cultivation following and applying all the principles of Integrated and Sustainable Agriculture, giving the possibility to be AgriQuality certified since 2012. This latter certified the use of ecologically sustainable agricultural techniques compatible with the protection of the natural environment. The sustainability topic so sensitive, especially in these last two decades, has ensured that the attention to nature was not only directed to agricultural activity, but also to the land part of the various estates, this is why Nipozzano Castle and Pomino Castle, which are in a mountain and forest context, have obtained the PEFC certification that ensure a sustainable management of the forests. Another element concerning the environment deals with the process of bottling the wine, in fact they use a new typology of bottles, with a lower weight that counts in its advantages the reduction of: the use of glass, the consumption of energy and water for the production process and the decreasing of CO₂ emissions by over 350 tons a year. Moreover, they have chosen to use photovoltaic panels as renewable energy source for their estates with an additional CO₂ abatement which amounts to 226 Tons per years and this sustainable method have to be added to the innovative wood pyrolysis plant (Syngas), powered by their wood residues raised from the PEFC-certified management of the forests in the estates Nipozzano and Pomino. All the by-product of pyrolysis (Biochar) is finally used as an organic amendment to fertilize about 100 tons every year.



FIGURE 29: Frescobaldi's photovoltaic panels and woods pyrolysis (Marchesi Frescobaldi).

Instead for what concern the sustainability from a social point of view, Frescobaldi company started in 2011 to work in a special project which includes the rehabilitation of prisoners. In fact, in the smallest Tuscany island called Gorgona there is since 1869 an outdoor criminal colony, where the inmates can move freely to work and learn new

professions that will help them to be reintegrated into society at the end of their sentence. From this workmanship born the Gorgona wine which comes from a small vineyard of Vermentino and Ansonica, planted in 1999 in the only one area sheltered from strong sea winds.

At the end, another important aspect to be mentioned, regards the production of oil in which Frescobaldi company is committed. Among their estates, they own about 300 hectares of olive groves which are strict selected, in fact only the highest quality extra virgin olive oil is used to produce Laudemio Frescobaldi. The name Laudemio has been carefully selected as well, since in medieval times this nomenclature indicated the part of the harvest reserved for the lord, owner of the land, thus making it synonymous of quality and prestige.

So, it is possible to conclude that not only this company produce a very high-quality wine, but also deals with the manufacturing and sell of oil, both in a socially and environmentally sustainable context.

INTERVIEW

The interlocutor of this interview is Simone Fabbri ex director of commercial service at Marchesi Frescobaldi and nowadays in the role of marketing innovation and culture. He entered in the world of wine in the '80ies growing with and inside it, in fact he explained that the wine sector in those years was somehow a backward world which in the following years made substantial changes from every point of view: from the qualitative aspects, to the organizational and enological ones. According to him, what is crucial to succeed is having a minimum economic size and a capital to invest. Italy up till ten years ago had an average size of hectares of vineyard equal to 2.5 (per estate), while in France with an average of 6 hectares certainly had a much larger minimum economic structure and possibility to expand. But nowadays, if a company can achieve a minimum economic size and works well, it has the possibility to succeed. In the wine industry, Mr Fabbri, initially worked as a consultant for more than ten years, but it is now thirty years working in Frescobaldi company and he has seen this firm increasing thirteen times as much. In fact, in the 2009 the turnover was less than 10 million euros with an average price per bottle of 2,5 euro, while in the 2019 the turnover was 127 million euros with an average price per bottle of 10 euro. For a company the size of Frescobaldi, the current average price is

one of the highest ever. In his thirty years of career in Frescobaldi, twenty-five was dedicated to be the commercial service manager dealing with: production planning and distribution of the products. In particular, packaging management is very complex. A single quality of wine is shipped with over 35 codes to adapt the labels to the laws of individual sales markets around the world. With a production of eighty wines, the labels required was around one thousand and five hundred, making the production scheduling a very complicated job. More than this, the difficulty was also to maintain the wine's taste also during the transportation, in order to ensure the same flavour worldwide.

So, Mr. Fabbri for the first time in Italy, expanded the supply chain skills beyond the industrial phase (bottling) to the production of grapes in the vineyard. Expanding the expertise from the vineyards to the distribution on the markets, a Wine Supply Chain began to operate (adaptation of the supply chain to wine - figure 20); at the same time, adequate training for the sales network was started in order to make the most of the new organization.

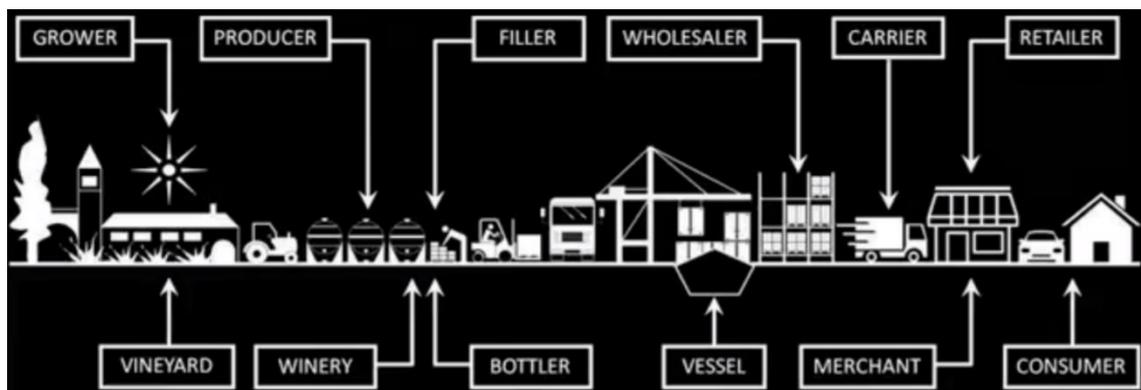


FIGURE 30: Wine supply chain (Fabbri S., 2018).

Mr Fabbri, is now teaching these principals at the Universities and the most curious fact among the lessons, is a frequent question about the firm's conditions that has permitted to realize all these new concepts. According to him, this was at the end a real innovation, since working in a flexible company which lets the person free to express ideas for innovative projects. This freedom given by the firm has enabled to create a Wine Hub, in which the company, in order to put the wines in the warehouse used to make the deliveries all around Italy within forty-eight hours, creating a quality service. This Wine Hub allows to speed up and make perfect deliveries. So, thanks to air-conditioned warehouse, truck

departures during the night, highly efficient cost centre and sorting 24h, not only is ensured a very high quality of wine, but also a service worthy of the product provided. The importance of the logistic has been recognised more and more in today's time due to Coronavirus, where the companies which have invested in the e-commerce or in a good company structure has continued, even though not at full capacity, to be part of the customers everyday life.

In the 2019, Mr Fabbri received a new assignment by creating a figure of Market Innovation. Here the innovation concerns, in addition to the activities carried out, the fact that to carry out market innovation projects, Mr Fabbri does not manage any more his own office but collaborates as needed with managers inside or outside the company. An uncommon mode of leadership, probably interesting for solving the problems of modern corporate complexity.

It is a challenge and also a new typology of work, because he is creating the new figure of "Market Innovation & Culture" that analyse all the value chain (price structure and pricing) and realize the commercial training needed from the sales network.

1. WHAT IS THE VISION OF THE FIRM?

First of all, let me explain who are and in which consists the Frescobaldi family. In fact, the property belongs to the Marquises Frescobaldi who owns a group of companies that we divide into brands, for this reason we are present in the market with six brands of which only the historical brand "Frescobaldi Toscana" is the one that bears the name of the family on the bottles' labels.



FIGURE 31: Brands and estates of the Frescobaldi family (Marchesi Frescobaldi).

The six brands mentioned are Masseto and Ornellaia both located in Bolgheri, Tenuta Luce in Montalcino, the historical Friuli company Attems owned by the Count Attems who founded in 1964 “Vini del Collio” consortium which then was acquired by Frescobaldi. The fifth brand is Danzante which is a more commercial line, born to be sold in North America. At the end there is Frescobaldi trademark which in its foundations encloses all the historic estates of the family, in fact the companies that display the name of the family are the ones situated in Tuscany and they are: Tenuta Perano, Castello Nipozzano, Tenuta Castelgiocondo, Tenuta Castiglioni, Castello Pomino, Tenuta Ammiraglia e Rè mole.

So, it is possible to resume the entire concept saying that the family Frescobaldi has different estates and six different brands, but only who are in Tuscany territories report the name Frescobaldi in the bottles. Each of these brands have their own vision, because they are completely different among them, both for the location and for the typology of wine produced.

But with the aim of this interview and focusing on the mark Frescobaldi the vision is: “TO BE THE REFERENCE PRODUCER OF TUSCAN FINE WINES, EXCLUSIVELY DEDICATED TO EXALT THE DIVERSITY OF ITS TERROIRS”. While the mission concerns the pursue of on-going responsibility of cultivating the best of Tuscan diversity, through: sustainable cultivation of the land and through the production of fine wines which represent and fully illustrate the diversity of Frescobaldi family estates and to communicate and promote the culture of Tuscany and its different territories, through our Estates, our wines and specific value-enhancing projects. In fact, what is important for us is to enhance the peculiarity of each territories, manufacturing for example Chianti in the dedicated area of Gaiole in Chianti, Brunello of Montalcino, Classic Method etc.

Finally, in 2020 it has attributed to us the award for the winery of the year by Gambero rosso and it recognises the path carried out in recent years thanks to a team effort that combines strategic vision with respect for the individual terroirs of each estate.

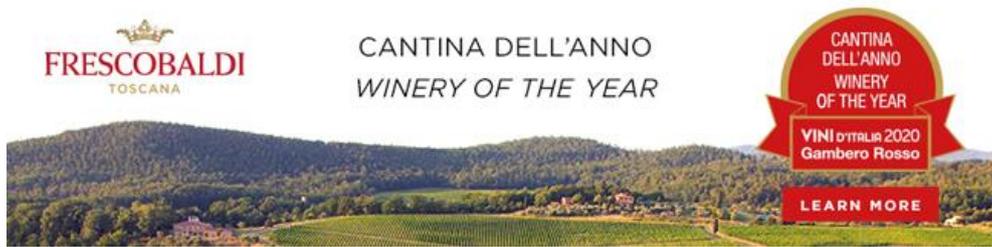


FIGURE 32: Frescobaldi award for the winery of the year (Marchesi Frescobaldi).

2. WHAT ROLE DOES THE FAMILY HAVE WITHIN THE COMPANY'S ADMINISTRATION?

The family has the proprietors which are divided among the brothers and in addition there are some familiar sources such as the nephews working inside the company and the president Lamberto Frescobaldi as well, is part of the family. But for what concern the CEO and the General Director, they are outsiders and while the first one has been managed the firm for over twenty years. So, in conclusion there are both familiar and non-familiar components inside the board of directors.

3. WHAT ROLE DOES THE FAMILY DIMENSION OF THE COMPANY PLAY IN THE CONSUMERS CHOICE?

Starting from a marketing concept, it is possible to say that each market at the same time different stages in the perception of the Frescobaldi brand. From our studies on consumers, the family dimension has importance because associated with the idea of reliability. The fact that the company has remained consistent with its tradition represents a value for our clients. While, for what concern, the foreign customers, the origin of the firm is as well an important point if they know that behind the mark Frescobaldi there is a family with seven hundred years of wine history.

4. WHAT NUMBER OF GENERATIONAL CHANGES HAS THE COMPANY REACHED?

Frescobaldi family is very ancient, for this reason has more than 700 years of history and they have reached, with Lamberto Frescobaldi as president, the thirtieth generation.

5. HAS THE SUCCESSOR IN OFFICE IMMEDIATELY HELD THE TOP POSITION?

Since I have been in the company, there was just one change in generation and he has covered the top position, but from an educational point of view all the family members have studied abroad, in order to be well-prepared and then come back to the firm to occupy different working positions.

6. HAS THE SUCCESSOR MADE ANY SUBSTANTIAL CHANGES TO THE FAMILY FIRM'S VISION?

The new generations for sure have innovated in order to keep up with the times, but they have also maintained strong the vision of the company tie to tradition and reliability. An essential and inescapable factor is to keep the family lands without ever selling them, but at the most adding new hectares through new investments.

The Frescobaldi family has always managed the territory and the people who work there, only recently they have increased their commercial strength. But the family has always been recognised for its undoubtful contribution towards the development of Tuscany economy because since the old times and before of the wine cultivation, it has given work to a large number of people, reaching nowadays seven-hundreds of total employees.

7. IN WHICH COUNTRIES FRESCOBALDI WINES ARE EXPORTED?

The brand is present almost everywhere and in particular in those states in which there is an important wine culture. Even though the states served are around seventy, just few countries occupied a very big market share. Frescobaldi's philosophy has never discriminated between easy and difficult markets, because they believe in their product and even though many markets has taken more time in terms of development, there was never the desire to give them up. This is why in the last ten years there was an important growing:

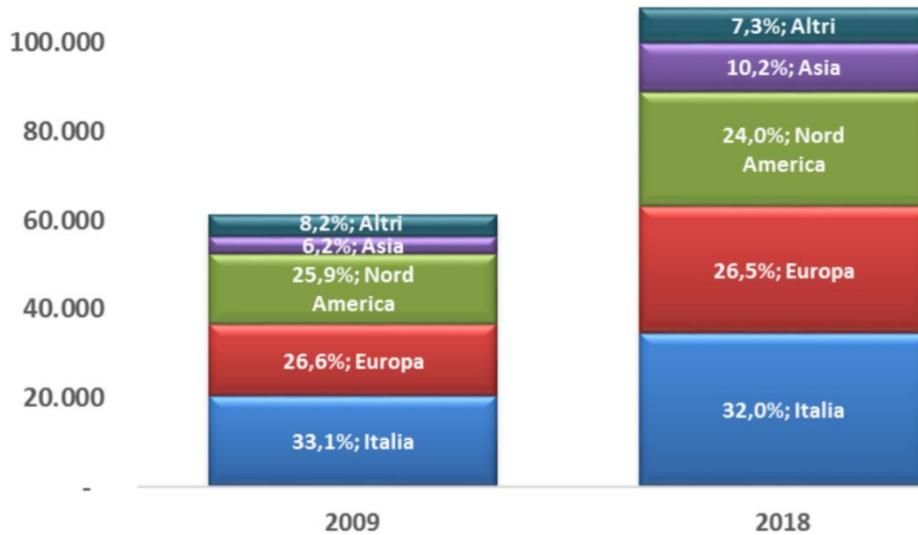


FIGURE 33: Wine partitioning sold by area (Fabbri S., 2018).

With another increment in the 2019, in which Italy covers the 33%, while the Europe have maintained the 26,5%. In the North America is possible to find the 25% of sales, 10% in Asia and the 5,4% on the other markets.

Instead, for what concern specifically the Asian Market in the 2009 it was just a 6,2% and in these ten years it has grown by the 80%. Asia even though has a potential dimension, for Italian producers is more potential than real, since China is a country but ideologically can be considered a continent and it is not imaginable to sell with the same characteristics everywhere within it. In China, until ten years ago, the 55% of the wine sold was from Bordeaux, while Italy covered around the 7% and even though nowadays the things have changed a little bit, in this Asian state is missing the culture of wine and the habits to drink it. Talking about the Frescobaldi total export towards China, the main customs where arrived the goods are for the 37% in Guangdong, the 31% in Shanghai, the 5% Fujian, the 5% Beijing and the 5% Tianjin; so, the strategy used in this case is having an importer who is responsible for each area (Figure 34).



FIGURE 34: Chinese total wine imports (Fabbri S., 2018).

8. IS THERE A RE-ADAPTATION OF THE PRODUCT TO SELL IN CHINA?

Yes, there is a re-adaptation of the product from a legislation point of view. In fact, China law wants their mother tongue in each product and more than this wants the production batch on the label behind of the bottle. From an organizational point of view, this territory is very hard to manage, because more than one time could happen than there are different requests according to the customs which receives the goods.

9. WHICH ARE THE SALES CHANNELS?

We sell mainly through catering and stores, avoiding the mass distribution since to sell there, there is the need to have a large round of products and it is not our case. The company is however investing also in the online and in particular in WeChat.

10. IN CONCLUSION, WHAT FUTURE OBJECTIVES HAS THE COMPANY PUT FORWARD?

This is a particular moment, in which there is the necessity to re-evaluate the markets, but from a short to medium term future and after a very big research, the company wants to push more the brand to exploit the unexplored channels of the existing markets.

In Europe we believe that the excellent image of the Frescobaldi brand will allow us to grow.

Some countries, like Germany, are close and familiar to Italy, with a great tourism movement toward our states, with a similar selling channels and a facility to be reached by the logistic.

Particular attention will be paid to channels that are less affected by the pandemic such as e-commerce. We are confident that our privileged channel, catering, will also have a strong recovery in 2021. At least we very much hope so! So, the objectives are double, from one side there is the willing to take a market share, as Germany, which we consider ready to take and from the other side the desire to make know Frescobaldi brand where is less spread.

3.2.3 CASE STUDY: TERRE DE LA CUSTODIA

HISTORY

The group Farchioni was founded in 1780 by Luigi Farchioni, who starts its business in Magliano di Spoleto, in the Umbrian countryside, with a small stone and water mill, producing oil and flour. Over the next hundred years, thanks to the union in marriage with Chiara Boni, new lands were acquired by the Farchioni family and the vineyards began to be cultivated. A further expansion was made when they decided to start a pig and dairy cow farm, also introducing the home delivery service of products in the Spoleto area. In addition, the flour they produced turned out to be a staple in the production of the typical Roman bread called “Rosette” and for this reason they provided daily delivery of their fresh products to the capital.

In 1932, after various other expansions of land planted with olive groves, vineyards and cereals, the Farchioni family chose Giano dell’Umbria as headquarters for their business,

where they moved and built a new electric oil mill, powered by the newly built power plant nearby. After the Second World War the trade with Rome increased thanks also to the new Fiat trucks, enabling them to supply oil and wine more quickly. Without ever stopping, the production plant was renovated with the construction of an electric rolling mill and an advanced Rapanelli press with 400 atmospheres, allowing in the 1950s the birth of the Farchioni Classico in the 2 litres format, whose taste has remained the same until today.

Respectively in 1954 and 1961, Pompeo Farchioni (current president of the company) and his cousin Roberto were born. In those years the firm launched both the first industrial bottling line of oil and the first international trade of import-export with Greece and created in 1975 the oil “Umbrian”, obtaining the first certification of origin in the world.

Then from the union of Pompeo Farchioni and Tosca Sibella born their three sons: Giampaolo, Marco and Cecilia and concomitantly the firm pursued the continuous innovation and in 1990 the current grain mill was built, resulting in a very advanced technology still not outdated today.

In 1998 the new cellar Terre de la Custodia was born in the Montefalco area with the aim to distribute worldwide the oenological excellence of Umbria, such as Sagrantino and Grechetto. While, in more modern times, thanks to the differentiation of products, it was created Matri Birrai Umbri brewery, exploiting the most of the family's over thousand hectares of fields planted with barley, creating the largest micro-brewery in Italy.

The winery today is located in the hills of Gualdo Cattaneo close to the historical center of Montefalco and one peculiarity of this product is for sure its bottle. The wine of Terre De La Custodia in fact, is put in a special bottle, designed by Tosca Sibella Farchioni and made in collaboration with a local glassmaker. This ensures that the tastes and aromas of the wine are enhanced, while at the same time maintaining an excellent conservation. This project was initially born from the need to find a bottle suitable for the vigorous vinification of Sagrantino di Montefalco, which produces a high quantity of residues, but then, given the excellent result of the whole, it has been gradually extended to the entire range of Terre de la Custodia wines. This bottle is considered special because the hollow, visible on the front of the bottle, creates an internal swelling that accumulates the wine residues in a single point. At the same time, it does not allow the air bubble that is created

to reach the bottom of the bottle and therefore to move the residues. The embossment on the back, on the other hand, creates a deep internal notch created in such a way as to create a slight pocket that prevents residues from escaping during pouring (figure 35).

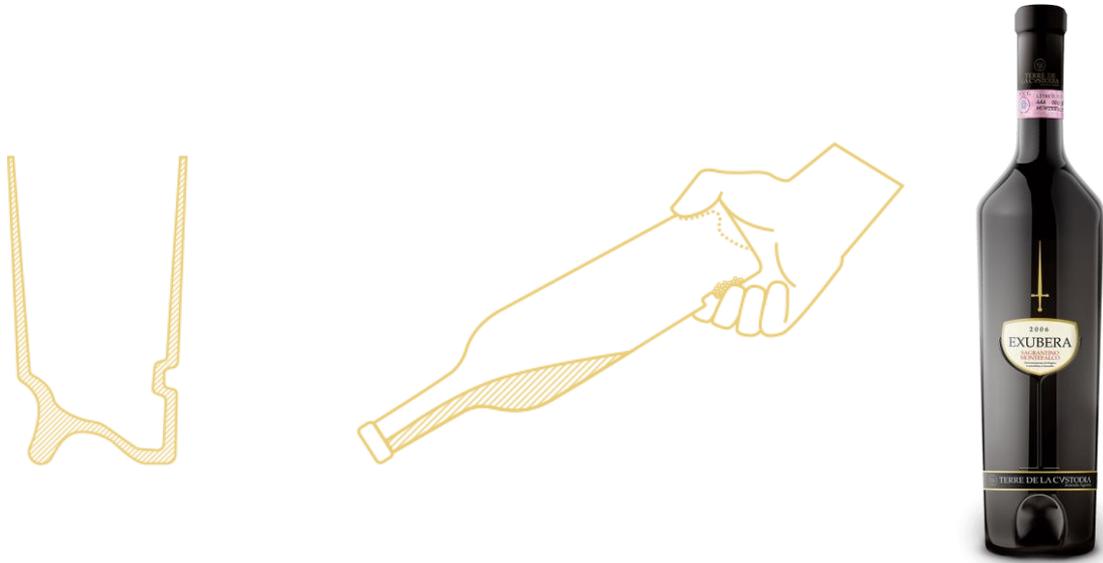


FIGURE 35: The special Terre de la Custodia bottle (Terre de la Custodia).

The Farchioni family has always believed that a valuable story is not built quickly, because time is the main ingredient that contributes to make special the family's traditions.

INTERVIEW

The interlocutor of this interview is Mr. Danilo Trapasso, covering the role of communication and events manager for all the company Farchioni and its brands. For the aim of this interview, the questions are mainly addressed to the brand Terre de la Custodia and its business into the wine world. He expressed the fact that Terre de la Custodia is part of a farming estate, which in turn is part of a much larger company called Farchioni, the main firm in Italy for what concern the oil manufacturing. More than the oil production which is the core business anyway, the firm has three more brands that are: Terre de la Custodia dealing with wine, Mastri Birrai Umbri for the microbrew and Molino Farchioni for the flour (figure 36).



FIGURE 36: Farchioni’s brands (Farchioni 1780).

The Farchioni family owns a little bit more than three thousand hectares of land, divided between woods, vineyards, olive trees, wheat, for this reason it has nine farms. Thanks to the data supplied by Mr. Trapasso, it is possible to notice in the figure below, how the turnover of the company is divided into the different activities:

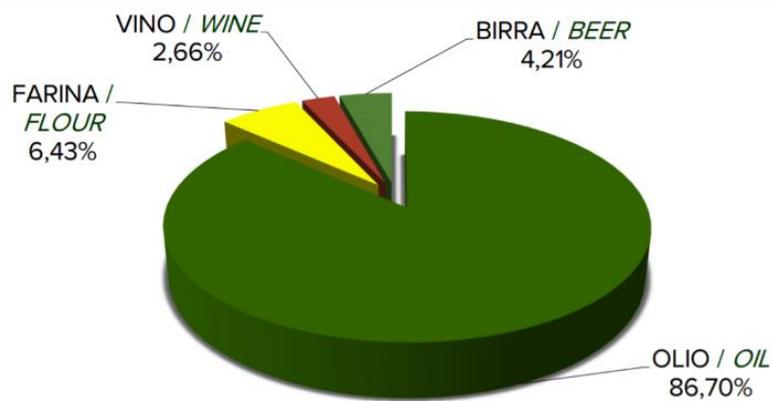


FIGURE 37: Composition of the Farchioni Group turnover (Farchioni, 2020).

For what concern specifically the wine, the Farchioni family has always produced it for a domestic consumption, for this reason Terre de la Custodia cellar is quite recent and the wine began to be commercialized in the year 2000. In just twenty years, this activity sells the major numbers of Umbrian Doc and Docg wines in the Italian mass distribution, conquering the place as the most important cellar within Umbrian territory, with 180 hectares of vineyards located all in their region and made up of Sangiovese, Sagrantino, Grechetto, Merlot, Montepulciano, Chardonnay, Trebbiano Spoletino and a little of Pinot. The growth was exponential and right now, the firm can count on two product lines: one for the large distribution and the other one destined to the Horeca channel¹². The products

¹² Horeca is a trade term that refers to the hotel industry sector and it is an acronym of Hotellerie-Restaurant-Café.

among the two channels may differ, but have anyway a very high quality, in fact for two consecutive years the wine “La Spada Vocante Rosso IGT” was awarded the prize for the best quality-price by Italian consumers. More than this, other prizes received by Terre de la Custodia are: Tre Bicchieri for the Montefalco Sagrantino Riserva wine and the Vitae award for the Red wine “Montefalco Rosso Rubium Riserva” (figure 38).



FIGURE 38: Awards for the Montefalco Sagrantino wine (Terre de la Custodia).

1. WHAT IS THE VISION OF THE FIRM?

The Farchioni family wants to keep the tradition, passion and wisdom intact, obtaining from their Umbrian territory a production of high-quality wine, which can be savoured from the first sip.

2. WHAT ROLE DOES THE FAMILY HAVE WITHIN THE COMPANY'S ADMINISTRATION?

The family is composed by five members and prefer to keep the company strictly familiar, for this reason there are no outsiders in the boards of director. There is Pompeo Farchioni who is the President, Giampaolo and Marco Farchioni who are the sons of this latter and while one deals with the Italian market, the second one is responsible for the foreign countries. The daughter Cecilia instead, is not inside the company yet, while Roberto

Farchioni, one of the Pompeo's cousins takes care of the firm's administration. At the end, there is Pompeo's wife who used to work in the packaging field.

3. WHAT NUMBER OF GENERATIONAL CHANGES HAS THE COMPANY REACHED?

The company started in 1780, so we are now at the seventh/eighth generation.

4. HAS THE SUCCESSOR IN OFFICE IMMEDIATELY HELD THE TOP POSITION?

Until fifty years ago, the company did not have this amount of work and volumes, there were no such needs to take care of the change in generation strategy and even Pompeo himself when he started working within this reality, it was not so big. The history of Farchioni as we know it today started thirty years ago for this reason this question may be addressed to Pompeo's sons Giampaolo and Marco. In fact, both after their studies have approached the company without having external experiences, which is what the other daughter, Cecilia, is doing. So, it is possible to say that the strategy is mixed, someone went directly into the organization, while someone else is doing an external path.

5. HAS THE SUCCESSOR MADE ANY SUBSTANTIAL CHANGES TO THE FAMILY FIRM'S VISION?

Certainly, there was a move towards better technologies that do not ruin the raw materials. From this point of view, in fact the company cares a lot about the product it produces and its ethical processes which are carried out in a way that do not affect the quality of the raw materials. Over the years, the family has purchased several territories, in order to achieve their objective of having a 0 km product or try to be as local as possible. In this case the keywords are: sustainability, quality and enhancement of the local product. This last concept goes particularly well with the wine, since the vineyards are all in the surrounding area and close to the company.

6. IS THE OLDER GENERATION STILL PRESENT WITHIN THE ORGANIZATION?

We can say that Pompeo and Roberto represent the older generation and they are still within the company. As I mentioned earlier, Pompeo is in charge of the agricultural sector and he is the President of Farchioni, taking care of the acquisition of lands, processing and everything related to agriculture.

7. IN WHICH COUNTRIES TERRE DE LA CUSTODIA WINES ARE EXPORTED?

For what concern the export, we are present with all our products in some foreign countries and in particular in United Kingdom, USA, Denmark, Germany and Croatia (Figure 39).

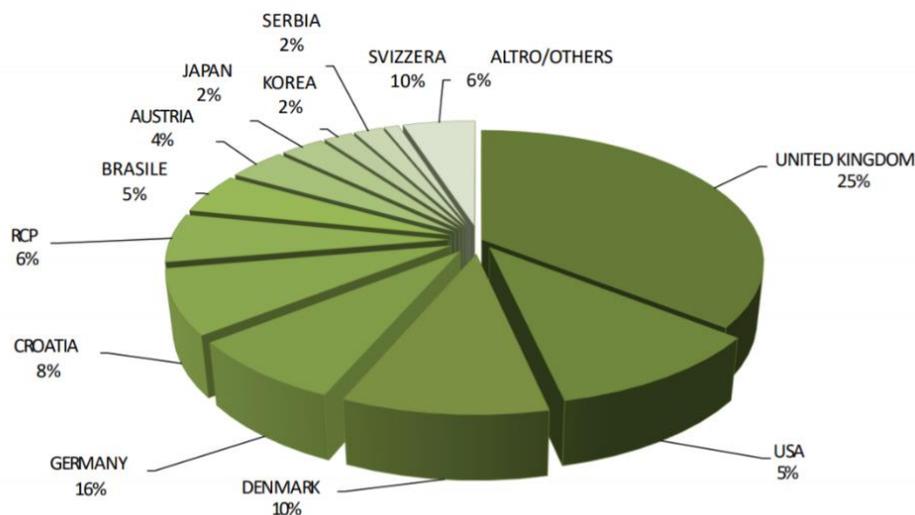


FIGURE 39: Foreign turnover of the Farchioni Group (Farchioni, 2020).

Instead, for what concern specifically the wine, it is possible to affirm that the 21% of the sales are done abroad, while the 79% are done in Italy. Of this 21% the main exports of the company are towards South America and Asia, while a little part is addressed to Europe and North America. In comparison to Asia, internationalize in South America has been quite easier since Chile, Argentina and some of the others countries, already have a culture related to the wine, but China with its spread of wine happened about 20 years ago and its huge dimension, lets permit to the firm to move and conquer several channels.

The wine mainly sold in this latter country is the red wine considered as the Terre de la Custodia workhorse, but successful are also the white wine Desiata and all the Traditional and Charmat methods. More than this, this year we have started to commercialize two new products which are the rose wine and Montefalco Grechetto DOC, both are very well received. But going more in deep and considering a quantitative term, the litres of Terre de la Custodia wine for the 2019 are the following ones:

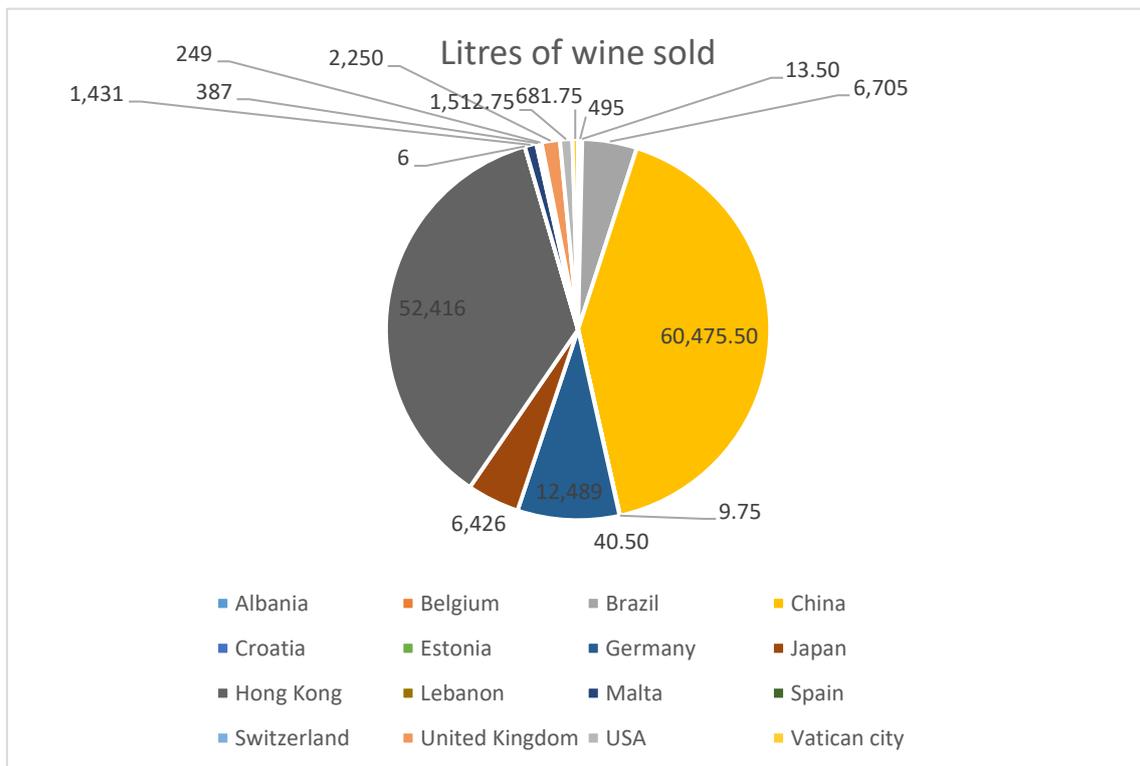


FIGURE 40: Litres of wine sold abroad (Farchioni, 2020).

8. WHERE DID THE NEED TO INTERNATIONALIZE IN ASIA COME FROM?

Basically, there is no real push factor or strategy behind it, but having the markets already open for the oil sector, it was easier to use our distributors for the other brands as well. In this case, it is possible to say that oil compared to wine has a much more important export component to China.

9. IS THERE A RE-ADAPTATION OF THE PRODUCT TO SELL IN CHINA?

Yes, there has been a re-adaptation of the product for the sale in China. This change concerns in particular the label and packaging, in order to make the product compliant with Chinese legislation.

10. WHICH ARE THE SALES CHANNELS?

In the case of exports to China, we sell mainly through large-scale distribution and the Horeca channel, consisting mainly of restaurants and Italian clubs.

11. WHAT ROLE DOES THE FAMILY DIMENSION OF THE COMPANY PLAY IN THE CHINESE CONSUMERS CHOICE?

For all our products, the family dimension of the company is fundamental, because it gives an important sense of home. The sale of oil, wine, craft beer is often characterized and associated with concepts such as the field, workers, bio, cultivation, for this reason it is important that the identikit of the products is reflected to the one of family, which in turn is synonymous of home and reliability. For what concern China, the wine culture has risen a lot and therefore they have learned well about food and drink, honing their skills and recognizing the products and their origin.

12. IN CONCLUSION, WHAT FUTURE OBJECTIVES HAS THE COMPANY PUT FORWARD?

The future prospects of the company are to attack the markets where we are not yet present and keep those already in place, both as regards large-scale distribution and for the Horeca channel. With regards to the wine sector, we are trying to expand particularly in the United States, without however excluding other potential markets. In fact, for example, Australia and New Zealand are two other new markets, with a good wine culture and in which we are organizing events in collaboration with “Gambero Rosso” we also work with. This historical moment has certainly put a spoke in the wheel by stopping travel abroad, so everything has been moved from 2020 to 2021, hoping the situation will be resolved.

3.2.4 CASE STUDY: TUA RITA

HISTORY

In 1984 Rita and Virgilio decided to buy some lands and buildings where to stay in the middle of nature and cultivating their own territory during their free time, but then from the original two hectares of vineyards they started to expand. Initially Tua Rita was placed among the first Italian experiences built on the model of the “Garage wine¹³”, to then expand their territories in around ten years to nine hectares, then to twenty at the beginning of the new millennium, to reach today the current thirty hectares of vineyards. Thus, gradually discovering the potential of that land, located between the Tyrrhenian sea and the Metalliferous hills, which is called Val di Cornia. After this initial start, Stefano Frascolla joined the company and work on the marketing and image of the brand, he is the husband of Simena, daughter of the owners that in 2010 after the death of Virgilio joined the company too dealing with business management. Instead, with regards to the origin of the company’s name, it is the result of a simple inversion between the name and surname of Rita Tua.

For what concern the manufacturing process, Tua Rita has always thought that the cultivation has to be done in the spirit of uncompromising quality and in order to do this, an excellent management of the vineyards and the cellar have to be put at the base of the production. The lands where are cultivated the vineyard are in the area of the high Maremma which takes the name of “Colline Metallifere” characterized by stones, rocks, clay, silt, sand and above all, a rich set of mineral microelements that donates to the wine a special aroma distinguished by original ferrous notes and by a nice saline character. In addition to this unique flavour, Tua Rita in order to ensure the health of the land and the environment, help the plants to defend themselves from the sun and use the alternance of a simple spurred cordon with the double spurred one, paying attention also to the density of plants per hectare which varies between 5,000 and 9,000 vines.

It is possible to say that this company have always pursue the quality of the wine above all, but also a special attention to the vineyards and environment health.

¹³ Garage wines are wines produced in batches of such small size that they can be stored in a narrow space such as, precisely, a garage. In Italy they arise from the works of private citizens who play the role of winemaker at an amateur level.

INTERVIEW

The interlocutor is Mr. Stefano Frascolla, husband of the owner's daughter, who follow and manage the company since the end of the nineties, with a particular regard for the marketing and brand's identity.

1. WHAT IS THE VISION OF THE FIRM?

Since we are producing seven hundred and fifty thousand bottles on fifty hectares of vineyard, the main objective is to continue this way and to pursue the value of quality.

2. WHAT ROLE DOES THE FAMILY HAVE WITHIN THE COMPANY'S ADMINISTRATION?

The family firm is managed by me (Mr. Stefano Frascolla) together with my in-laws since the end of the nineties and in 2012, my wife has joined the company as well, so it is possible to say that the company is managed entirely by the family.

3. WHAT ROLE DOES THE FAMILY DIMENSION OF THE COMPANY PLAY IN THE CONSUMERS CHOICE?

In my opinion none or better, it has an indirect effect, because the fact that a family firm act in a different way at a strategical point of view, in comparison with the other companies' typology, may impact on the finished product at a qualitative level. Having a family that is twenty-four hours inside the production, it ensures more control and hopefully increase the quality of the wine. This latter in fact, has changed during the years accordingly to the family tastes, let's think for example that our winemaker Luca D'Attoma is with us since 1990 and when we began, he was 24 while I was 22 and in thirty years our tastes have changed a lot. This change is something that impact on the wine and in its production, applying on it our experience and trying to align it with our customers' trend.

4. WHAT NUMBER OF GENERATIONAL CHANGES HAS THE COMPANY REACHED?

It is possible to say that my in-laws have founded a company which at the beginning has to be a place where to go during the weekend, when they were retired, but the things went differently and the firm start to be our main job in the 1996. It was a growth step by step

even though quite rapid. For what concern, my son it is still an ongoing insertion, since he decided to undertake enological studies. So, we are at the third generation, but it is a gradual changing process which is taking place step by step.

5. HAS THE SUCCESSOR IN OFFICE IMMEDIATELY HELD THE TOP POSITION?

No, the company must be experienced before being managed, for this reason we don't want to expand too much in terms of size, in order to maintain the control of the production totally in the family's hands.

6. IS THE OLDER GENERATION STILL PRESENT WITHIN THE ORGANIZATION?

My mother-in-law is still present in the organization, she is a milestone of the company and compatibly with her age of seventy years old give her contribution to the firm.

7. WHERE DOES THE NEED TO INTERNATIONALIZE COME FROM?

Our company now sells the 6% of wine in Italy, while the remaining 94% is addressed abroad, but the choice of internationalize was a decision coming from afar. The firm in fact, started in a period of time in which sell wines was an easy activity and for which there was a great cultural movement. Consumers of great wines, leaving aside the extremely prestigious brands, are still the same and they are a rather limited number of people, travelling and moving around the world, so we started exporting wine even with very small numbers in countries that they were not considered in the least. For example, we sold in Hong Kong in 1999 and besides us the only Tuscan companies present were Frescobaldi, Antinori and Ruffino. While in 2005 we started selling wine in China and we went also in Russia many years ago. The idea has always been to distribute the product, not to have customers to rely on entirely. This process was very tiring at the beginning and continues to be, but it puts you a little shelter from the great crises that have occurred in the commercialization, not only the last one inherent to Coronavirus, but also the one of 2008, the crisis of 2000-2001 or the '95-96 crisis. Having a trade that moves on eighty countries and not on four or five that are those of the Italian consumer, helps a little to take the blow. Differentiation therefore, even if it is a tiring strategy, in

terms of organization, price and relations with distributors, pays off from other points of view.

8. FOR WHAT CONCERN, THE CHINESE MARKET, DO YOU HAVE ANY SUPPORT WITHIN IT?

At the beginning I started by getting contacts, but then 6-7 years ago we realized that China is not a single market, but is the sum of many completely different markets, both as a type of consumer and as a type of product to be supplied. For this reason, we decided 4 years ago to rely on a Chinese collaborator even if he has an Italian education and now, we are working from one side with an agent and from the other with 6-7 distributors.

9. IS THERE A RE-ADAPTATION OF THE PRODUCT TO SELL IN CHINA?

The product remains unchanged throughout the countries of the world, in order to distinguish the Tuscan territoriality. Wine is not a product that can follow trends because there are no times, in the sense that if Syrah is now in fashion and I do not have this type of grape at home, to work as we say and to pursue our main value concerning quality, we should plant the vineyard, it has to do the vinification period, then the product must come out and in short it would be ready to make it in 8-10 years, when in the meantime other 6-7 fashions have passed (obviously this is an example, because we already produce Syrah). The wine is therefore kept unchanged to ensure consistency of the product in the world and even if on the one hand, the quality of the wine has increased exponentially in the last 15-20 years making it difficult to find a bad wine; on the other hand, compared to the past, it has become more difficult to find wines promoting territoriality. Let's say that a company in my opinion must convey not only a pleasant organoleptic sensation, but also an emotion and to do this we must respect the territory, without compromising on the tastes of consumers, which can be American, rather than a person of another nationality.

10. WHICH ARE THE SALES CHANNELS?

The sales channels are wholesale and each of them covers different targets, there is the one that supplies the cellars of the hotels, some private shops or directly the private individuals themselves and there are those who operates on the web. In China, since there

is a market with very varied sales channels, in order to be present on most of them, we have tried to give them an important coverage. In fact, the consumption of wine itself, in a country like China, has ways that we Westerners do not even imagine, which is why having a contact person on site becomes fundamental.

11. IN CONCLUSION, WHAT FUTURE OBJECTIVES HAS THE COMPANY PUT FORWARD?

Future prospects aim at a single objective which is that of growth and even if it is complicated, we aim both at consolidating existing markets and at discovering and opening up any new markets.

3.2.5 CASE STUDY: MARCHESI DI BAROLO

HISTORY

The history of this firm started long time ago, when in 1807 the Marquise of Barolo Carlo Tancredi Falletti married a French noblewoman, Juliette Colbert of Maulévrier who was the one that discovered the potential of the soil and the vine. After her death, the Falletti's dynasty was extinguished and the Barolo charitable institution continued what she has begun until the 1929, when Pietro Abbona bought it. From that moment on, the cellar is still owned by the Abbona family and it is located in Barolo, Piedmont. This latter and the Langhe territory are located in the south of Piedmont, where there is a very special geographical area which is protected in the north, west and south by the Alps mountain and characterized by an environment with a high biodiversity. Nowadays this wine of high quality and with a strong attention towards the territoriality and tradition, is carried on by Anna ed Ernesto Abbona, together with their sons Valentina and Davide, who owned approximately two-hundred hectares of vineyards.

The firm is very responsible toward the environment and for this reason it focuses a lot on sustainability and it does so through two key concepts which are: knowledge and respect. The first one deals with the ability to know the grapes that arrive in the cellar, the land from which they come, the climatic trend of the vintage, as well as the interventions in the vineyard and the impact on the general quality of the grapes, while the second one concern to take care of the vinification process that allows to maintain and improve the strengths of the grapes of the vineyards from which they come.

More than this and in addition to a series of important prizes and awards won by the firm for the quality of its wine, the company is also an importer and distributor of Mailly Champagne. This collaboration born in 2019 makes Marchesi di Barolo the exclusive distributor for the Italian territory of this Champagne. Moreover, the Piedmontese company is also distributor of Elena Fucci brand that produces Aglianico del Vulture DOC in Basilicata and of the Monteleone firm who is a wine producer at the foot of Mount Etna.

INTERVIEW

The interlocutor is Valentina Abbona and she holds the position of marketing and export manager of Marchesi di Barolo firm. She is the daughter of the firm's owners: Ernesto Abbona and his wife Anna Abbona.

1. WHAT IS THE VISION OF THE FIRM?

Over the years, our philosophy and vision has always been to remain faithful to our tradition, always having an eye on how the latter and its history evolve over time. So, we try to be traditional, but at the same time also contemporary, communicating with today's consumer responding to the needs that change over time. Surely our wines have a very classic imprint, but they are also approachable by a young and curious audience, who are looking for history, but also approachability. It can be said that our vision is a combination of tradition and innovation, this is why, we have different lines, from the more traditional ones which are those of our reserve or the line called "Tradizione". This latter, it is an assembly of Barolo, Barbaresco, Barbera and Dolcetto, which come from different vineyards and therefore represents in their territoriality the most classic denominations of this area of Piedmont. On the other hand, however, we have more captivating wines even with a slightly more impactful look, which are certainly easier, more approachable even by a consumer who is just starting to discover the world of wine. Barolo as a wine certainly requires a certain experience and knowledge, so in our opinion there are wines that can help in this growth path and we present them with the aim of bringing any consumer closer to achieving what, in our opinion, are the excellences of this land.

2. WHAT ROLE DOES THE FAMILY HAVE WITHIN THE COMPANY'S ADMINISTRATION?

The company is entirely owned by the family and it is managed completely internally by it. The president is my dad Ernesto Abbona, while the Vice-president is my mum Anna

3. WHAT ROLE DOES THE FAMILY DIMENSION OF THE COMPANY PLAY IN THE CONSUMERS CHOICE?

Definitely yes, in fact the message we send as a family is very appreciated and very evident, this much more understandable dimension is closer to the existing realities especially here in Italy, which not surprisingly is our largest market with 45% of the turnover. The family dimension means that we are perceived not as an unreachable company, but as a company open to comparison and renewing itself, just like the generations within the family.

4. WHAT NUMBER OF GENERATIONAL CHANGES HAS THE COMPANY REACHED?

With my brother and I, we have reached the sixth generation.

5. HAS THE SUCCESSOR IN OFFICE IMMEDIATELY HELD THE TOP POSITION?

Taking into consideration my experience and that of my brother, we have always been raised within the company, always helping out. We have a restaurant above the cellars that was opened when I was in elementary school and I remember how I used to contribute to design the menus, then over time I became more active, serving in the dining room, welcoming guests, washing the dishes, helping wherever there was to help. The same thing was for the various fairs, the visits to the cellars or the support for business trips of dad and mom, which could have been less institutional but more commercial dinners and moments. Therefore, accompaniment or active work at 360 degrees has always been carried out, still allowing us to follow our passions that may not have always been linked to this sector. For example, I finished my university path in China and then I stayed there working in a consulting company, always being supported by my parents. However, the fact that there was a company at home was an element that required at least an interest, even though it might not be my future, as it did. Furthermore, living above the cellars

there is also a very fast and mutual exchange between private and working life, this certainly has always contributed a lot to ensuring that my brother and I were involved.

6. IS THE OLDER GENERATION STILL PRESENT WITHIN THE ORGANIZATION?

The older generation is still within the company, my dad Ernesto Abbona holds the role of president, while my mother Anna Abbona is vice-president. However, being a family-run company and despite the various areas of expertise, my dad also deals with production, administration, while my mother takes care of sales, personnel management and welcoming external guests. Also, in this case there is a reciprocal exchange and even though there are many interventions in different areas of one and the other, it is also this continuous exchange that leads to the success of what is our reality.

7. WHERE DID THE NEED TO INTERNATIONALIZE IN ASIA COME FROM?

I deal with commercial at 360-degrees, even if I particularly follow the countries of the west so the USA, Canada, Central-South America, since they are among the most important foreign markets. Consequently, then comes all the rest: Italy which occupies a lot of our attention as well and then Asia. We can roughly say that 55% of our market is composed by foreign countries, while 45% is represented by Italy. Marchesi di Barolo is actually present in more than seventy countries worldwide, so it goes without saying that there is a very important markets fragmentation. The differentiation strategy, even though it was not born as a result or due to the historical moment we are experiencing, has proved to be a winning strategy, as well as the attention to our local market. In fact, it is a market that we have never abandoned and on which indeed, not only in Piedmont, but throughout the Peninsula we have always invested a lot in terms of attention and people with more than one hundred agents who represent us directly. More than this, we believe is fundamental make also many direct interventions from the part of the family which include events or visits in the market to keep these relationships alive. Also, because the tourist who comes to Italy and who is used to drink wines in New York rather than Dubai, when he comes to our peninsula if he does not find a response on the production market, in our opinion there is something wrong. We can conclude saying that for us Italy is a source of great pride and strength, because the feedback we find in the local area also

strengthened the awareness of the company outside and this helps us to maintain consistency between the product sold externally or internally Italy. So internationalizing was a double choice: on the one hand we wanted to make the product known, on the other one it was a way to differentiate our firm.

8. DID YOU USE LOCAL PARTNERS TO ENTER CHINA?

My mother Anna had travelled to China even before I moved there, so it is a market that we have known for a long time, but which we still approach with due caution, in fact it can take a lot and give a little. Thanks to these frequent visits, we found a good solution, which allowed us to create a tailor-made strategy based on the size of our company. In fact, in our case, where the product is relatively few while the positioning is very high, we cannot afford to devote too much attention to a market and leave the others uncovered, risking to remain at the mercy of events. This has always been our approach to the world and in particular to China, which has enormous potential at the market level, but it is too much difficult to control if you do not have a great deal of knowledge. For this we rely on our importer who has a good knowledge of the territory and who lives there permanently, giving us a critical view of what is happening; he is Italian, but he has a ninety-nine percent Chinese team. In China we certainly have a good response where there are strong Italian presences such as Shanghai, Beijing and Shenzhen, but even at a more traditional local level we have established ourselves for example in exclusive Chinese clubs, creating with them a good loyalty and a mutual exchange of information. In china it is essential to have a good wine education and they often let themselves be conquered by what makes their eyes sparkle, for this reason if they know well the typology of Barolo wine, the product can have an important success, thanks to the recognized and very exclusive denomination, confirming a status symbol. Once in love with this wine and the history behind it, however, there is a continuity in the relationship that is much stronger than the initial desire to cover a status symbol. In conclusion, to successfully achieve this kind of wine education, we focus on making events, on using a slightly simpler communication utilizing a specific vocabulary based on the preliminary knowledge of the interlocutor and explaining the product step by step.

9. IS THERE A RE-ADAPTATION OF THE PRODUCT TO SELL IN CHINA?

Absolutely not, our products are the same all over the world, from the winery in Italy, to China, rather than Mexico. Only the wording on the back label may vary, for a matter of regulation depending on the state to which the product is sold, but otherwise the image and the look remain the same. However, having the good fortune to live in a land that offers us a lot of diversification, we can offer wines made from the same grape but different cuvée¹⁴ because these grapes are born on different vineyards and certainly some satisfy more the palates of one market and some the palates of another one, but the wines that can be found in our cellar or in our local store are the same ones that are found worldwide. We believe that wines must reflect a territory, a history, a tradition and consequently they cannot change according to the needs of a country or a market. In any case, you can certainly find among your wines the one that can be most appreciated in a particular country.

10. WHICH ARE THE SALES CHANNELS?

As regards Italy, the main sales channel we work with is the medium-high range Horeca. We also work a little with large retailers, but with a dedicated line that does not step on the feet of the line totally dedicated to Horeca, even though it is a very low percentage of our turnover (about 3%). Finally, we work a little with the online which is now becoming indispensable, not only from Covid, but also from before, in fact in the digital world there are very strong realities and we must pay attention to the placement of the product in order not to ruin the market with too much low positioning of our items. On the other hand, as regards China, the most used sales channels are Horeca and private clubs.

11. WHAT ROLE DOES THE FAMILY DIMENSION OF THE COMPANY PLAY IN THE CHINESE CONSUMERS CHOICE?

It plays an important role. In China, perhaps slightly less than in other countries, but once the relationship of trust is established, the fact that there is a family behind the product is a guarantee for everyone, because it is linked to adjectives such as reliability and constancy. These latter, in my opinion are our strong points, because even though we are

¹⁴ The wine produced from the vines of the same land (cru) or fermented in the same vat.

present in many places in the world, our brand thanks to its history and its constancy over time and space is a guarantee and really represents a fundamental aspect for our image and a point of comfort for our customers, who always find a safe haven.

12. IN CONCLUSION, WHAT FUTURE OBJECTIVES HAS THE COMPANY PUT FORWARD?

The future prospects are oriented towards a growth of the company, while remaining with our feet on the ground because in any case our territory is this and this is what we want to tell constantly, in its nuances and in its various evolutions, because the Langhe territory is also changing and there are more and more opportunities for vinification, for the discovery of vines that may once have been overshadowed, but which may have great potential. So surely, our will is to affirm more and more the strength of our territory on markets all over the world, always keeping our family attention towards the company and the consumer.

3.2.6 CASE STUDY: ZONIN 1821

HISTORY

Since 1821 Zonin family has always cultivated the vineyards and produced wine, but is just in 1921 that the real revolution took place and the company ZONIN1821, as we know today, born thanks to Domenico Zonin. This latter who lived between three centuries and two millennia (1899 - 2001), in the early 1960s was joined by his nephew Gianni, who took over the presidency of the company in 1967. The young President immediately set the goal of creating a world made up of vineyards and estates in the Italian regions with the highest wine-growing vocation, in order to guarantee the quality of the grapes and wine through direct and total control of the supply chain. Things began to materialize more and more in 1970 when the Ca' Bolani winery located in Friuli was purchased by the family. The desire to create excellent products had pushed them to go beyond the borders of their region and buy the best terroirs and the most typical vines in Friuli for the production of excellent white wines. After the Friuli Venice Julia, the next purchases were in Tuscany with the acquisition of Castello di Albola emblem of the unmistakable Chianti Classico and the Abbazia Monte Oliveto farm in San Gimignano, homeland of Vernaccia. In 1985 they also bought the Castello del Poggio winery in Piedmont, a specific area for the production of Asti and Barbera and in 1987 they bought the Tenuta

“Il Bosco” in Lombardy, home of Pinot Nero. At this point the company is unstoppable and, in the nineties, it moves the acquisitions through South Italy, buying the Feudo Principi di Butera in Sicily and the Masseria Altemura in Puglia, to then return to Tuscany and buy the Rocca estate of Montemassi and to launch the qualitative excellence of the Maremma. Cavalier Gianni Zonin at this point decided to go abroad and to buy the Barbourville Vineyards estate in the East Coast of the United States, to conclude more recently, with the acquisition in South America of an estate in Chile.

So, it is possible to say that Zonin’s portfolio includes 10 estates of excellence in the regions with the highest wine-growing vocation in Italy for a total of about 2000 hectares and the splendid properties located one in the heart of Virginia and the other one in Chile.

For what concern the field of sustainability, the company Zonin is following an accurate eco-sustainable viticulture, with production strategies and techniques that aim to a green positioning, developing a process that takes into account three essential factors: every action promoted must be safe for the environment, socially fair and economically feasible. To save the water for example, in the areas where drought may arrive with a greater chance such as in Sicily and in Puglia, where there is respectively their estates Feudo Principi di Butera and Masseria Altemura, the firm has built some artificial lakes to collect the rainwater and make the company self-sufficient for any water requests, without affecting the aquifers. Instead, to reduce the CO₂ emissions, they have started to use traditional technique of natural fertilization called "green manure", using the leguminous and gramineous essences instead of mineral fertilizers, to bring to the soil those elements of which the vine feeds. Moreover, with its 715 hectares of wood, the company is able to guarantee an annual carbon fixation¹⁵ of over 5700 tons of CO₂ and Zonin takes care to maintain the biodiversity of their lands and to re-forest where is possible. Another impressive data deals with the production of energy, ZONIN1821 in fact produce up to 44% of their individual needs by using photovoltaics panels and for the future they want to make the wineries completely self-sufficient. In order to pursue and reach the objectives, from 2012 the family is collaborating with the Polytechnic of Milan to the assessment of energy self-sufficiency in the Zonin family estates, while is collaborating

¹⁵ The second part of chlorophyll photosynthesis, better known as 'photo assimilation of CO₂' is defined as the carbon fixation phase.

with the Catholic University of Piacenza for a project which studies the forecast data of diseases in the vineyard.

INTERVIEW

The interlocutor is Mr. Pierluigi Pollio who is the Zonin Regional Manager Middle East, Asia & Pacific. He comes from a family in the wine distribution sector in Italy, so since his young age he has always been present in this world and after the graduation in Chinese, he decided to leave and gain experience in China, remaining at the end in a permanent basis for eleven years. Initially he has worked for a Spanish company called Torres and then he worked for Frescobaldi which is an important Tuscan winery. Thanks to the thesis he had done on Zonin firm and family, he has always remained in touch with them, joining the company some years later and developing excellent results which made him responsible for the region of Middle East, Asia & Pacific. He has been in charge for all the process of internationalization toward China, in which he created and managed the Chinese start-up.

1. WHAT IS THE VISION OF THE FIRM?

The company's vision consists in the maintenance of traditional values such as integrity to follow the wine from the raw material to the end product, the passion and experience of a centuries-old history of winemakers, identity in meeting the history, traditions and territorial heritage with a strong environmental sustainability.

Then the company's global vision is to become the key producer for the Italian market in the premium segment, even though the approach over time has changed a lot. In fact, until a decade ago, sales were located for the 85% in Italy, while today there has been a switch thanks also to the growth of Prosecco's production, which forced us to internationalize but also differentiate our strategy, not only with branches, but also with men on the field.

All this, obviously, without losing the familiar approach to the company, which in these eleven years has acquired eleven estates, two of which abroad. These latter are located one in Virginia (USA), while the other one is in Chile, where five years ago we started with a project called Dos Almas. While our five branches are located in: Germany, United Kingdom, USA, China and Sweden with the last Zonin's project Scandinavian. Taking into consideration these five branches, we are an import company for what concern USA,

UK and China in order to integrate the business already in progress, while in the other two countries we have some representative offices, where are located some vendors who sell directly to the clients. Instead the new project in Sweden also works an HUB in order to develop the duty free for the cruise ships, airlines and so on. This has been the implementation of our vision and what has allowed us to be present in more than 110 countries worldwide.

2. WHAT ROLE DOES THE FAMILY HAVE WITHIN THE COMPANY'S ADMINISTRATION?

Inside the company, it is possible to find Domenico Zonin as President of the firm, while the brothers Francesco and Michele are vice-presidents, the first one deals more with the commercial and marketing activities both in Italy and abroad, while the second one coordinates the financial, legal and management control area of the company and the Family Estates. In recent years, however, an investor has joined, acquiring 35% of the company shares and he is 21 invest¹⁶, an Italian private equity operator founded by Alessandro Benetton in 1992. In any case, despite the presence of this investor, the majority of the shares are still in the hands of the family. The goal that the Zonin family had set for itself and the reason why they have incorporated an external figure is because they wanted to go in five years from a turnover of 200 million to 300 million and to do so, it is necessary to have a large capital to invest.

3. WHAT NUMBER OF GENERATIONAL CHANGES HAS THE COMPANY REACHED?

The firm with roots in Gambellara, in the heart of Veneto have reached the seventh generation of Zonin with the brothers Domenico, Francesco and Michele Zonin.

4. HAS THE SUCCESSOR IN OFFICE IMMEDIATELY HELD THE TOP POSITION?

All the three brothers have done important studies and once finished them, Domenico and Francesco directly entered into the company, while Michele had done a previous work

¹⁶ “21 invest” has changed its name and until November 2018 it was called “21 Investimenti”.

experience in the prestigious international law firm NCTM and in Coca Cola Hellenic Bottling Company Italia.

5. IS THE OLDER GENERATION STILL PRESENT WITHIN THE ORGANIZATION?

The company is entirely managed by the new generation, its team of managers and executives. The successors move the vision more towards export, shifting from 15% to 85% export in the last 12 years.

6. WHERE DID THE NEED TO INTERNATIONALIZE IN ASIA COME FROM?

When we started to expand, we saw that on the Asian Pacific countries we were not having the expected exponential growth, so we thought about how we could do to be more present on the market, to better control on it and to manage the several difficulties. For this reason, we have opened at the end of 2014 a branch in Shanghai which is an import company, in order to integrate the activity already done by the partners who at that time were followed directly from Italy. The category of this type of company is called WFOE¹⁷ and is made up of an entirely foreign share capital.

We used our two warehouses, hired some sellers and built with the other brands, which were not yet present in China, a complementary distribution network. Then subsequently, we have opened our social media and pushed on the marketing activities in order to coordinate the already existing partners. All this strategy implemented in the last six years has allowed us to quintuple our sales, laying down an important basis from which develop our long-term goals. China represents my second most important market, while Australia still occupies the top position, but when we started six years ago PRC was the fourth/fifth market in my portfolio, so it has grown exponentially. Our goal is in three/four years from now, to make become Chinese market the first one within the Asia-Pacific area and bringing it to the top ten of Zonin markets worldwide. China has a speed of growth that no other Asian countries have, Japan, Hong Kong and Singapore are in fact very saturated and belong to the past, more than this, over there we already have a position of leadership.

¹⁷ It is the most used market entry vehicle for foreign investors and it consists in a common investment means for mainland China. It can only operate within its specific registered business scope as put forward in its business license and the involvement of a mainland Chinese investor is not required.

In PRC instead, we see a possibility of improving the positioning of the Italian sector since the wine of our country occupies only the 7% within the Chinese market share while France accounts for 30%, Australia 28% and Chile 15%. The reason why Italy occupies still a little position in this market is due to a mix of reasons, from one side the lack of ability to promote oneself, from the other one the habit of the Chinese population to drink French wines, simplifying the access of the countries which used similar grapes, such as Australia and Chile. While in Italy, we have many indigenous varieties and if clients are not used to drink it, their appreciation may result a little more difficult, another crucial role is played by the components of taste and flavours, in fact there are wines that are a little more acidic, less sweet in comparison to the other countries in the world. But anyway, if you have a local presence, you can try to steal slices of the market share that in the case of China is always growing and customers are getting more and more knowledgeable, they will also learn to appreciate Italian wines more.

7. DID YOU USE LOCAL PARTNERS TO ENTER CHINA?

The first time we entered China we did it in a dependent manner without using local contacts. We rely on third parties both for warehouses and for logistics services, so consequently we have distributors who buy wine from us, but to establish ourselves we have not used any type of Chinese partners.

8. IS THERE A RE-ADAPTATION OF THE PRODUCT TO SELL IN CHINA?

The product has not been adapted for sales in the Chinese market, but we have launched a specific line called “Primo Amore” which is one of the main products here in China. It is a line tailored for the Chinese market, considered a simpler wine in comparison to the others of our company, studied for a less experienced palate, but anyway with an important recall to the Italian spirit. This product is expressly distributed only in the Chinese market and have awarded the prize in 2015 for the best launch campaign, assigned to the edition of the Drinks International Wine Marketing Awards 2015 competition (figure 41).



FIGURE 41: Zonin award for the best launch campaign (Zonin 1821).

The campaign's aim is the one of maintaining a strong Italian identity, but at the same time be successful in reaching Chinese consumers for this reason, we offer both the red wine and the white one or prosecco. This line has an excellent Chinese translation and it is promoted through a simpler type of communication, oriented towards lifestyle using a different approach respect the other firm's marketing campaigns, utilizing it as a sort of trojan horse for those markets where there is not a large consumption of wine or where there is not a clear idea of what Italian wines are. In general, therefore, to sell and raise awareness of the product, we organize events and training for our distributors.



FIGURE 42: Example of Primo Amore Zonin's marketing campaign in WeChat ((Zonin 1821).

9. WHICH ARE THE SALES CHANNELS?

We are present in practically all sales channels, even though it is very difficult to canalize products in China compared to other realities. The big block of distribution is done through wholesalers, while another large part is made by the retail segment such as supermarkets and hypermarkets. However, having more than one brand on the territory, each one is distributed in a different way: Zonin has a price from the entry level to the medium one and therefore is more suitable for the retail sector, while other products that are a little higher range, normally are addressed to the catering sector. On the other hand, the online segment, despite having grown a lot in recent years, does not represent a significant part of our sales because it still generates too much confusion in the perception of the product. The platforms we use the most, however are Tmall, JD.com and some websites specialized in the placement of wine, live sales are also becoming very popular and the sale is made through live streaming, which are gaining momentum and which is a sort of teleshopping to buy at cheaper prices. We can therefore say that we have not yet invested a lot of money in this sector, because first we wanted to consolidate our off-line distribution.

10. WHAT ROLE DOES THE FAMILY DIMENSION OF THE COMPANY PLAY IN THE CHINESE CONSUMERS CHOICE?

The fact that the company is family-run, in my opinion, impacts not so much on the consumer, but more on the distributor, because in China it is very difficult to adjust on the final customer as we are very small compared to other important brands. While for the distributor, knowing that the company has a familiar background, makes them feel more serene, automatically associating the wine with a higher default quality, to craftsmanship and reliability. In my opinion, when you put your "face" in a product however, the final outcome is always stronger, as well as the impact on the perceived value.

11. IN CONCLUSION, WHAT FUTURE OBJECTIVES HAS THE COMPANY PUT FORWARD?

The future objectives of the company, as I mentioned before, concern the increase of the turnover to 300 million, with a greater international presence in all the sales channels that are experiencing an important development such as the online canal or the duty free. Regarding China in particular, we aim to be one of the first recognized international brands, not only by distributors or importers of wines, but also by the final consumer.

4. CONCLUSIONS

In conclusion, it is undeniable how much important are the Small-Medium Enterprises in the Italian territory but also in the worldwide economy and trade. Even though this typology of firm covers the 93% of the whole companies in Italy and give employment to 90% of workers, not all are attributable with the definition of “Pocket Multinationals”. This latter represents the so-called fourth capitalism and have a strong competitive advantage in comparison with other companies, in fact when in the nineties the district production begins to enter in crisis, another style of manufacturing started with the capacity to grow by focusing on the brand and product quality. They are called multinationals because they are present on the international market, not only as an export capacity but also opening branches and offices. At the same time, however, they are "pocket sized" because they are not as large as the standard multinationals, with thousands of employees and often they are still family-type businesses. The success of the fourth capitalism can be traced back to the ability to combine the productive flexibility of small firms with the international projection of large multinationals.

While remaining within the traditional production of Made in Italy, these companies have been able to conquer positions of competitive advantage in niche sectors thanks to their ability to respond to the needs of demand with an adequate offer, promoting a high-quality reputation of their products also on international markets. It is the companies belonging to this category that over the last decade have recorded the most interesting results from the point of view of both profitability, labour absorption and success on international markets (G. Berta, 2004).

The wine sector is a segment that in Italy can give great results, at the origin of these successful business models there is a strong "local and regional" components which bonds companies with their territory and from which they take elements of strength.

This result is highlighted also from the strong evidences raising from the research conducted in this thesis and its three main topics: Family run-business, generational changing and internationalization.

What results from the studies and the interviews, is that the majority of the family firm's management have to be classified in the "familiar board of directors", in which the members are for the majority with the same surnames and belonging to the same family tree. This allows the entire firm to pursue a familiar vision, which corresponds for the majority of the cases with a strong belief in the tradition, maintaining consistency and continuity in the quality of the products. In fact, more than once, the interlocutors have mentioned how is important to be appreciated by the consumers, whenever they are, through an education to the products, rather than changing part of the wine composition. This relevant concept, lead with it several meanings which bring together the different interlocutors in the fact that, even though it is important to reach as much clients as possible, this must never affect the uniqueness of the product and its quality, because the singularity of the regional territory where the vine grows and then is processed must be enriched and felt by the various consumers as an added value and not as a trait to be modified to reach the mass market. There is a strong impact on consumers perception of the product, since the country of origin as well as the tradition and the heritage embodied in the wine is one of the main aspects which brings people to choose a specific wine rather than another one, because clients particularly in this historical time are desiring for authentic experiences. This is what makes the products fall into a niche category, which always holds a position of privilege, both during the various economic crises and the current historical moment all people are living due to Coronavirus.

This latter, is another crucial aspect recognised in the strategy of differentiation, which represents a winning strategy not only in normal conditions, but above all in moments of uncertainty. In fact, all the firms interviewed sell their wines in more than one markets and generally speaking have created a product lines or more than one choice to be proposed to the consumers. What arises is that, not being focused just on one market permits to the companies to soften problems existing in one country economy, by folding in another state and do not lose in one shot its market share or earnings.

Because, in the case of differentiation, a company aims to be unique in its industrial sector and this uniqueness usually corresponds to higher prices respect the average of other products. In principle, differentiation can be pursued through four tools that correspond: to a higher perceived quality of the product by the customer, to an item offered with a strong innovative component, to the integration of the good with a service that can be for

example a very competitive method of delivery or an effective marketing policy. The company that intends to differentiate itself can follow one of these aspects or all of them, but it will certainly have to implement operating methods that lead to an advantage, in terms of price, in order to be higher than the costs incurred for differentiation. Taking some concrete example from the interviews, Terre de la Custodia have innovated its wine through a special bottle which is studied expressly to maintain the quality of its red wine, Mr. Simone Fabbri in Frescobaldi has created the wine supply chain and the wine hub, both to ensure a sustainable production process and to have an efficient and very special delivery service. More than this, Zonin1821 has implemented an important WeChat marketing campaign, as well as the brand Ferrari with its brand story telling.

Hand in Hand, with this concept of differentiation and tradition, there is a strong and endless research for innovation. The mix between tradition and innovation in fact, is another of the winning strategy adopted to be state-of-the-art, without losing the brand identity. In this case, for innovation is meant, the adaptation of production process to ensure a high quality in the manufacturing process and the maintenance of the raw material properties, a bottling procedure which is able to enclose all the flavours of the wine with a great preservation during time, but also machinery and procedures to treat the lands without ruin them. More than this, innovation has a crucial role also from a strategical point of view and in the firm's mindset, let free as in the case of Mr. Fabbri in Frescobaldi, the employees or some very skilled people inside the organization to give their opinion and to be taken into consideration when they have something to suggest. This last aspect, confirms what was said by the majority of employees in the family run-businesses in which workers are more oriented to loyalty and trust, since they are in an environment that looks somehow familiar and with a specific attention to the human components.

Together with the innovation, flexibility represents another milestone especially when the company has a small-medium size. In fact, with its limited extent, can exploit several advantages adapting or changing its strategies more easily whenever the parameters used so far does not work anymore or need to be changed base on international or market transformations. This positive aspect is the one which help also the firms to internationalize, allowing them to adapt to a new legislation system such as the ones of the foreign countries, conquering a competitive advantage and credibility.

In fact, when an Italian company decide to settle down its trade in another country, the mix of its know-how, tradition, innovation, differentiation and flexibility, make the difference between a firm that succeed from another one which does not.

Based on the data collected during the interviews, it is clear that the word reliability is more frequently associated with the family management of a company, as if they were synonymous. This perception of reliability has not only been found in the customers once they know the origin of the product, but also in the partners or importers who support and collaborate with the manufacturing company. In fact, also in China, where there is a particular cultural intolerance toward the foreigners, there is a gentler impact if they know that the company is managed by a family, since also in PRC the majority of the firms are run by kin relationships. Moreover, once a *guanxi* among working partners have been created, there is the possibility to move to a collaboration that is not only more effective, but also more profitable, creating an exchange of informal information, which can help to develop that slice of the market in the best possible way.

Another important aspect to be mentioned is the phenomena of the environmental sustainability promoted by all the companies who wants not only to give a good product, but also believe in a cause which is becoming more and more important in the last two decades. As claimed by the European Union “a strategic approach to the issue of corporate social responsibility is increasingly important for competitiveness. It can bring benefits in terms of risk management, cost reduction, access to capital, customer relations, human resource management and innovation capacity” (Commissione Europea, 2011). Sustainability is intended both from a social point of view and environmental one. The first results in the guarantee and in the respect of internal and external stakeholders (workers, suppliers, customers, investors etc.), creating a virtuous circle that leads to a general reduction in turnover with less loss of know-how and talents. An example in this field can be the Gorgona wine project, in which the Frescobaldi company has committed to rehabilitate prisoners, teaching them a job that can be exploited once the sentence is completed. Instead for what concern the second typology of sustainability, it is a choice for practices with a low impact on the environment having a positive influence on costs which are able to lead to significant monetary savings thanks to the performance of processes, as well as the adoption of energy efficiency measures. In this case, especially for the companies that have been interviewed, the sustainability component is essential to

the business activity, particularly because they work in close contact with the land and with what it can offer, this is why their watchword is respect for the territory and its raw material.

Furthermore, for the theme of the internationalization and most of all if the action is undertaken in such a distant and different country as China, the choice of having a traditional local importer or anyway a person on the ground responds better to the desire to create culture and strengthen the value of the Italian brands. In fact, it is very risky for an Italian company to act independently also considering the size of cities and the distances among them. However, one positive side which if well exploited may facilitate the product placement is the Made in Italy label, since it is still a very important guarantee of excellence, which is recognised and appreciated in different sales channels worldwide with a predominance for the HORECA channel, constituted by restaurants, hotels and cafés.

Always remaining in the field of the internationalization, it is important to notice that even though China territory has a huge potential in terms of users, it may represent a misleading data since the difficulty to penetrate efficiently in the market is very high. Most of all, if the placement of the products, as in the case of the company interviewed, is in the medium-high sales segments, the potential consumers will be reduced again, because it is a market sector that is not affordable for everyone and certainly not for the average Chinese with a cultural love for the downward bidding war.

In addition, although it has not been deeply analysed in this thesis, the importance of the marketing and promotion campaign particularly in China can make the difference between a successful and appreciated product and one failing item placement.

Finally, for the generational change, even though the statistics show the evidence that only 30% of the firms survived to second generation succession and only the 10% survived at the third one, it is not possible to put the basis to question what has been observed so far by researchers of this sector, since in the totality of the wine firms the companies surveyed are not a quantitative relevant sample. For sure, what can be said is that the better is defined and planned the generational change, the major are the probabilities to fall into those 10% or 30%.

On contrary the themes that still remain uncovered and which deserve attention concern from one side the definition of what actually is a family firm and which are the parameters to recognised it. In fact, there is not a univocal interpretation among researchers which put the basis for a clear definition of it, this is why for the purpose of this thesis it has been selected the explanation attributed to Chua, Shama and Chrisman who are studying and giving relevance to the family firms researches.

More than this, the dynamics within a family firms are not possible to be mentioned in their whole and in all their singular aspects, since the “Familiness” dimension of the company which corresponds to all the resources, the unique, synergic and inseparable skills, emerging from the involvement of the family in the business are not always clear. In fact, even though the researches show that this particular feature normally overperform non-family companies, the reason why and what lead to this result is not so easy to be detected and not always revealed. Without taking into account also the fact that “Familiness” may have a random component in the interlocking of its characteristics, leading them to be winning.

At the end, the Internationalization towards China, still does not have a clear and unique way to be implemented, normally in fact are provided some possible strategies as reported in this thesis, but they do not have the presumption to be the only winning strategy or to be taken literally, the aim instead is the one of give food for thoughts and possibly minimize some negative effects of going abroad.

APPENDIX

1. THE F-PEC SCALE

DEFINITIONS:

- *Family* is defined as a group of persons including those who are either offspring of a couple (no matter what generation) and their in-laws as well as their legally adopted children.
- *Ownership* means ownership of stock or company capital. When the percentage of voting rights differs from percentage of ownership, please indicate voting rights.
- *Management* board refers to the company board that manages or runs an entity(ies).
- *Persons* named through family members represent the ideas, goals, and values of the family.

PART 1: THE POWER SUBSCALE

1. Please indicate the proportion of share ownership held by family and nonfamily members:

(a) Family _____ %

(b) Nonfamily _____ %

2. Are shares held in a holding company or similar entity (e.g., trust)? 1. %o Yes 2. %o No

If YES, please indicate the proportion of ownership:

(a) Main company owned by: (i) direct family ownership: _____%

(ii) direct nonfamily: ____% ownership: ____%

(iii) holding company: _____%

(b) Holding company owned by: (i) family ownership: _____%

(ii) nonfamily ownership: __%

(iii) 2nd holding company: __%

(c) 2nd holding company owned by: (i) _____ family ownership: _____%

3. Does the business have a governance board? 1. % Yes 2. % No

If YES:

(a) How many board members does it comprise? _____ members

(b) How many board members are family? _____ family members

(c) How many nonfamilies (external) members

nominated by the family are on the board? _____ nonfamily members

4. Does the business have a management board? 1. % Yes 2. % No

If YES:

(a) How many persons does it comprise? _____ members

(b) How many management board members are family? _____ family members

(c) How many nonfamily board members are chosen through them? _____ nonfamily member

DEFINITIONS:

- The *founding generation* is viewed as the first generation.

- *Active family members* involve those family members who contribute substantially to the business. These individuals might hold official positions in the business as shareholders, board members, or employees.

PART 2: THE EXPERIENCE SUBSCALE

1. Which generation owns the company? _____ generation
2. Which generation(s) manage(s) the company? _____ generation
3. What generation is active on the governance board? _____ generation
4. How many family members participate actively in the business? _____ members
5. How many family members do not participate actively in the business but are interested? _____ members
6. How many family members are not (yet) interested at all? _____ members

PART 3: THE CULTURE SUBSCALE

Please rate the extent to which:

1. Your family has influence on your business. Not at all To a large extent
1.....2.....3.....4.....5
2. Your family members share similar values. Not at all To a large extent

1.....2.....3.....4.....5

3. Your family and business share similar values. Not at all To a large extent

1.....2.....3.....4.....5

Please rate the extent to which you agree with the following statements:

4. Our family members are willing to put in a great deal of effort beyond that normally expected to help the family business be successful.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

5. We support the family business in discussions with friends, employees, and other family members.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

6. We feel loyalty to the family business.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

7. We find that our values are compatible with those of the business.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

8. We are proud to tell others that we are part of the family business.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

9. There is so much to be gained by participating with the family business on a long-term basis.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

10. We agree with the family business goals, plans, and policies.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

11. We really care about the fate of the family business.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

12. Deciding to be involved with the family business has a positive influence on my life.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

13. I understand and support my family's decisions regarding the future of the family business.

Strongly disagree Strongly Agree

1..... 2..... 3..... 4.....5

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2. INTERVIEW AND CASE STUDIES QUESTIONS

FAMILY FIRM:

1. WHAT IS THE VISION OF THE FIRM?
2. WHAT ROLE DOES THE FAMILY HAVE WITHIN THE COMPANY'S ADMINISTRATION?
3. WHAT ROLE DOES THE FAMILY DIMENSION OF THE COMPANY PLAY IN THE CONSUMERS CHOICE?

GENERATIONAL CHANGE:

1. WHAT NUMBER OF GENERATIONAL CHANGES HAS THE COMPANY REACHED?
2. HAS THE SUCCESSOR IN OFFICE IMMEDIATELY HELD THE TOP POSITION?
3. HAS THE SUCCESSOR MADE ANY SUBSTANTIAL CHANGES TO THE FAMILY FIRM'S VISION?
4. IS THE OLDER GENERATION STILL PRESENT WITHIN THE ORGANIZATION?

INTERNAZIONALITAZION:

1. WHERE DID THE NEED TO INTERNATIONALIZE IN ASIA COME FROM?
2. DID YOU USE LOCAL PARTNERS TO ENTER CHINA?
3. IS THERE A RE-ADAPTATION OF THE PRODUCT TO SELL IN CHINA?
4. WHICH ARE THE SALES CHANNELS?

5. IN CONCLUSION, WHAT FUTURE OBJECTIVES HAS THE COMPANY PUT FORWARD?

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