

Dipartimento
Di Impresa e Management

Management and Governance of Family Firms

Governance in family firms: differences and similarities by geographical areas

Prof. Fabio
Corsico

RELATORE

Prof.ssa
Federica
Brunetta

CORRELATORE

Vittorio Coscia
691961

CANDIDATO

Anno Accademico 2019/2020

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INTRODUCTION

This research focuses on the characteristics and specificities of the Family business model, on its importance in the particular reality of the Italian productive fabric, and on the analysis of some representative case studies of international importance. First of all, the peculiarities of the family business and its possible definitions are analyzed, starting from an illustration of the historical events of this type of entrepreneurial reality. It is generally believed that the vast majority of family businesses are of the size of a small or medium enterprise and that their disappearance over time does not represent a vital danger to a country's economy. However, as will be seen, the great economic power of these companies in the world is in most cases associated with their fragility, since statistics indicate that 70% of family businesses do not survive the first generation change. The compression of this vital sector and the disappearance of this type of reality can only represent a negative factor for the social and economic fabric of a country, especially of a country like Italy.

The problems connected to the organisational, structural and ownership heterogeneity of the family business and the difficulties of a single definition of this multiple and multifaceted organisational reality are examined in depth. On this background, the dominant control of the family as a distinctive element of the qualification of family business is highlighted, as well as the reference, always decisive, to the historical and cultural values of the family business and their relevance for the qualification of the family business.

The different types of family businesses are then retraced in the light of the different interpretations of the concepts of administration, control and organisation. The link between family enterprises and territorial links is then explored in depth, recalling the differences that can be identified in the different geographical areas at a global level, and then analysing the definitions of family enterprise according to the European vision, in the light of the presence and characteristics of family enterprises in Italy and Europe.

The attention is then focused on the organization of the family business in Asian markets, and on the main differences in economic and social terms with the "western" and Italian realities. From the point of view of organizational culture, the importance of the family in Japanese society and its economic and organizational centrality is recalled, illustrating the generational transition in family businesses and its relevance in terms of permanence and growth of businesses in the Japanese country, in the light of an empirical analysis and comparison between two family businesses active in the precious stones sector located in Japan and Italy. Finally, the case study represented by the precious stones market is presented, starting with a general illustration of production, processing and marketing. The importance of Italian family businesses in the processing and marketing of precious stones is illustrated by analysing in particular the case of the Piedmontese company Crivelli Gioielli. The long Asian tradition in the production, processing and marketing of pearls in Japan and China is recalled, and a comparison is made of the management characteristics of the family businesses operating in the precious stones sector in Japan and Italy, comparing the case of the large Otzuki Pearl Co. Ltd. to the reality of the Italian Crivelli Gioielli.

CHAPTER ONE

Family business

1.1. The family business and its characteristics: historical aspects

Talking about family businesses in Italy is particularly important. In reality, the phenomenon called family capitalism characterizes the whole of Europe. The case of Germany, for example, is emblematic, where small and medium sized enterprises represent an important link in the productive dynamics of the main economy of the Eurozone. In Italy, the phenomenon is much more deeply rooted. Italian manufacturing, which is famous throughout the world, has marked Italy's productive destiny. Made in Italy, in the past more than now, has become synonymous with quality and beauty universally recognized by families at the head of many companies, specializing in the production of goods of the highest value. Families and companies often of very small dimensions that have written the history of fashion, of high-end jewellery but also of mechanics. Small businesses have been transformed by the entrepreneurial spirit and the extraordinary skills of the families that managed them into benchmarks for the whole world. It should be pointed out that family capitalism is clearly not only that which has become famous throughout the world¹. Every day, family businesses are committed to facing the competitive market environment in order to survive and make available goods and services of unquestionable value². The history of Italian capitalism and not only Italian capitalism, as mentioned at the beginning of this paragraph, sees a multitude of companies working within the community, supported by different stakeholders and also considered an undisputed reference at the social level³.

¹ MORRESI, O. Il family effect su performance e risk-taking dell'impresa negli ultimi dieci anni. Evidenza internazionale a confronto. FrancoAngeli, 2009, p. 79 e ss.

² GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

³ BARCA, F., a cura di (2010), *Storia del capitalismo italiano*, Donzelli Editore, Roma, p. 147 e ss.

A company that is not separated from the community it belongs to because the family is at its centre: it is the family business model, a subject active in the production of economic and social capital, where its relationships with employees and suppliers are nothing more than relationships of a family with other families. This is the history of Italian family businesses. Many of our successful entrepreneurial realities - from the historical families protagonists of Italian "first capitalism" to those that have marked the development of industrial districts and the leading sectors of Made in Italy, from food to fashion - have always maintained in their DNA the identification with the history of the founding family. Following these types of considerations, we can also take note of the fact that currently family capitalism is widely dominant in Italy: just think that - according to the latest Unioncamere⁴ data for 2018- 90% of manufacturing SMEs between 20 and 499 employees is a family business, which in absolute terms means about 19,200 companies out of a total of 21,400 existing in this size class⁵.

The business literature⁶ asserts the presence of the character of business in the economic manifestations of life of the family communities, counted the relative phenomenology of the "family" institution in the field of business. During the seventies the already emerging desire to build a general business theory led these authors to the reflection on the possible definitions of a company within the scope of which the family institution was part. Supporters of the qualification of the family as a company have concentrated their observations mainly on the activities of use of resources finding the the company's own character in the management of consumption, rather than that in finding them⁷.

⁴ BARBARESCO G., Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss.

⁵ GIGLIOTTI A., GAVIOLI F., Impresa familiare: caratteristiche e problematiche fiscali, Ipsoa Editore, 2003, p. 189 e ss.

⁶ WARD J. L., Di padre in figlio: l'impresa di famiglia. Come preparare il passaggio generazionale e assicurare continuità e prosperità alle aziende familiari, Milano, Franco Angeli, 1990, p. 145 e ss.

⁷ DYER, W. G. . Examining the "family effect" on firm performance. Family business review, 19(4), pp. 253-273

Authoritative analysts⁸ have defined the family business as a production entity whose elements and factors are complementary in nature in order to be for a set of common purposes. When the economic-productive activity of an enterprise is reciprocally conditioned by the consumer economy of the subject or private subjects who own the capital, we are in the presence of a 'mixed enterprise that becomes "family" if these subjects are bound by family ties. It is a very different field from the one previously investigated in which we tried to define the family as a company: here the object of observation becomes the intersection between the two institutes, business and family, and falls into the search for characteristics that such a point of contact or, for better to say, that such an area of overlap must have. At this point, it is possible to mention who defines a family business such as one where policy and management are subject to significant influence from members of one or more families. This definition considerably expands a possible definition of a family business. In other words, it is understandable that the definition no longer covers only small businesses that are wholly owned and managed by family members, but also any kind of company that might receive considerable influence from them. For example, companies in which the majority (and not all) of the risk capital is owned by a family (or even only a significant proportion of the capital held to exercise a form of control) will also be in this position⁹. But the recognition of such a form of influence is nothing more than the first characteristic of a family business: a practical and useful definition must necessarily provide criteria that establish the presence and degree of the family's influence on the business¹⁰.

If ownership is the primary means of exercising control, it is not the only one, however. The property can in fact be integrated, and at the limit of replaced by other instruments of a

⁸ BARBARESCO G., *Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà*, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

⁹ BARBARESCO G., *Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà*, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

¹⁰ BARCA, F., a cura di (2010), *Storia del capitalismo italiano*, Donzelli Editore, Roma, p. 147 e ss.

contractual nature (e.g. shareholders' agreements), and informal in nature (family ties, relationships of trust, etc.). Instruments which is widely used. Altogether, two thirds of the companies of the presence of bonds of a very widespread nature is also very widespread family type, although it is considerably reduced in the case of larger dimensions. The instruments for separating ownership and control do not appear to have the following characteristics drastic changes have been made and are based on extensive use of the group and the informal relations, such as family links statutory clauses. In addition, the overwhelming majority of companies are destined for to remain in the hands of the controlling family. In the few cases where the control is transferred outside the family this is done through contacts and direct and often already acquired relationships. The framework is therefore that of a system in which the market and its institutions play a minimal, if not marginal, role in defining ownership and control of a holding: both the first and the second are a matter of character and are passed down from generation to generation. The intervention of external investors is rare and in most cases limited to minority interests¹¹. The corporate structure is spent armored by clauses, agreements or bonds that limit the change; any transfers are made in any case in prevalence without recourse to intermediaries. All this implies that the contestability of enterprises is extremely limited and the system is heavily ingrained in its ownership structures¹².

1.2 The organisational, structural and ownership heterogeneity of the family business and the difficulties of a single definition

Remaining always within multidimensional approaches for a definition of family business, some authors have taken in consideration of the three levels of ownership, governance and management of the enterprise as indicators of that "conditioning", in the sense of that a

¹¹ DYER, W. G. . Examining the "family effect" on firm performance. *Family business review*, 19(4), pp. 253-273

¹² ZELLWEGER, T.M.; EDDLESTON, K. A. E KELLERMANNNS, F. W.. Exploring the concept of familiness: Introducing family firm identity. *Journal of Family Business Strategy*, 1(1), 2010 pp. 54-63

majority (or significant portion) of the capital must be as well as the presence of family members in the governing and governing bodies is sufficient to ensure the control of the of decisions. Therefore, a distinction can be made between cases where the shareholder base is unitary and unitary (belonging to an individual or a family) from that in which it is articulated between a plurality of subjects, as well as cases where the structure tends to be stable from those where it's constantly changing. Hence, in addition to the business model a widespread property and the one with restricted property, is identified the owner's enterprise, characterized by the high concentration of the property, enclosed in a few hands, for the prevalence of a control and the presence of one or more of the holders of the capital in the administration¹³. Distinguishing a family business from a public company is not a difficult task, while it is intuitable how much between a family business and an individual business, to its founder (the one who in the literature Anglo-Saxon is defined as entrepreneurship), in which some family members start working. In this way, it is generally possible to classify a family business when a single subject, or a family, or several families (if they are linked by family ties) hold a share of total or majority risk capital or, in the case of in each case, sufficient to ensure control of the undertaking. A family business can also be said to exist when the members of the family that owns it (or of the family of the founder) are present between the governing bodies and government or, in the case of smaller undertakings, lend their own employment within the enterprise. It is also necessary to speak of a family business when there is a clear intention, on the part of the founder or of the founding and/or owner family, of transmission to the next generation. Therefore, this definition covers both companies of that of large size, not necessarily already in the second generation, it also includes sole proprietorships or the only ones that are founded are those that are to provide for the economic needs of the family, without intention or possibility of

¹³ BARBARESCO G., Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

major developments or the use of family members in the same family¹⁴. As an additional parameter you can go to analyze the relationships family-enterprise: family business is an entrepreneurial activity that can identify intimately with a family for one or more generations. The use of the adverb "intimately" gives the idea of how the company is not only experienced as place of work but as a second home, where family members take on a role maybe different from what they have in the family and where the family itself can find strength and continuity to be¹⁵. This link transcends pure interests economic, it must be based on values and assumptions that the members of a generation have considered as the most correct to conduct the enterprise and its relationship with the family, thus striving to pass them on to the generations following¹⁶. Finally, the share capital can also be considered. Enterprises in which share capital and fundamental management decisions result in controlled by a single family or by a few families linked together by family, close affinity, or strong alliance, are said to be undertakings which family members. However, a definition generally accepted by scholars has not yet been adopted exists. In any case, the most common currents of thought affirm the same ideas: they shape the family business in the figure of the founding entrepreneur, owner and manager. Being considered differently by each scholar and belonging to a wide range of businesses, family businesses are often not valued and considered for everything they represent. There are several elements that distinguish and characterize them: the full and strong conjunction and overlapping between two different organizational realities by nature and purpose: family and business; a significant share of the risk capital held by the family or by the allied households; the contribution of the entrepreneur and other family members, of multiple functions (e.g.

¹⁴ BARCA, F., a cura di (2010), *Storia del capitalismo italiano*, Donzelli Editore, Roma, p. 147 e ss.

¹⁵ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

¹⁶ POZZONI M., *Imprese e successione generazionale: il caso del Giappone*, in *Economia e Territorio*, 2017, V, 45

entrepreneurship, participation in the functions of high government, management, executive work).

1.3. The dominant control of the family as a distinctive element of the qualification of family business

The subject of corporate governance has been addressed from different disciplinary perspectives ranging from microeconomics to law and business economics; each of these disciplines has provided important contributions on corporate economic governance, contributions that can be "dismembered" into different strands of study such as, for example, those on agency costs and transition costs, which will be analyzed below.

The ownership structure is in family businesses, especially if small and medium size, very present and only responsible for business decisions. This type of structure involves the elimination of problems related to the famous agency costs that are always created when there is a sort of division between ownership structure and management of companies. The elimination of agency costs is also witnessed by several studies that agree that such assumptions are perceptible in those companies managed not by a single family, but by multiple families. This certainly entails potential contrasts between families, which shows that when decisions are taken centrally, opportunistic behaviour is eliminated. Clearly, this applies to small enterprises. In large enterprises, it is difficult to think that strategies are implemented by a single manager¹⁷.

¹⁷ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

According to Jensen and Meckling¹⁸ a privately held firm managed by a single owner will not incur agency costs as the conflicts of interest between the manager and the owner do not exist. Conflicts might arise when the firm is owned by multiple owners, However, such conflicts would be efficiently resolved as economically rational owners have incentives to do so. Thus, formal governance mechanisms are not only unnecessary but might be value reducing for private firms¹⁹. Different studies²⁰ challenge the notion that the agency cost of conflicts among owners is insignificant based on the argument that owners are exclusively motivated by economic rationale. These studies emphasize that preferences are not expressed in economic terms alone but in non-economic terms as well and people seek to maximize the utility they gain from both. The second type of altruism, the threat of self-control, often expressed in the forms of providing secure employment as well as perquisites and privileges to family members, is an important source of agency costs for a private firm. These theoretical currents establish that such a self-control problem is particularly troublesome when privately held firms are owned and managed by family²¹. This is because control over the firm's resources makes it possible for a family owner-manager to be unusually generous to their children and relatives. Therefore, self-control and altruism together create a distinct set of agency problems for family-owned private firms, threatening their performance. According with these studies a good corporate governance system is needed for private firms since additional costs of governance will outweigh the costs of self-control and altruism. To sum up, the two theories offer opposite implications regarding the

¹⁸ JENSEN MC, MECKLING WH Theory of the firm: managerial behavior, agency costs, and ownership structure. *J Financ Econ* 3, 1976, p. 305–360

¹⁹ MUKHERJEE T., SWAMI V., WANG W., Governance structure and performance of private family firms, *Journal of Economics and Finance*, 2019, 43, p. 713

²⁰ SCHULZE WS, LUBATKIN MH, DINO RN, BUCHHOLTZ AK Agency relationships in family firms: theory and evidence. *Organ Sci* 12, 2001, p. 99–116

²¹ BARBARESCO G., Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

role of governance for private firms: Jensen and Meckling²² suggest that governance system is costly, and therefore, value reducing for private-held family firms, while Schulze et al²³ conclude that the benefits of the governance system outweigh its costs. In this paper, we perform an empirical analysis to investigate whether a good governance system creates or destroys value of privately-held small family firms. An economy based on small and medium enterprises, characterized by a promiscuity of roles of ownership and management. Added to this is (i) a human capital that seems inadequate to the complexity of a globalized world and (ii) a social capital too often divorced from the respect of the rules. These are the small and medium-sized Italian companies and clearly not only Italian. Companies that are born from the strong will of the families that run them, although this can be a problem from a purely managerial or strategic point of view²⁴.

The literature²⁵ on the institutional structure of companies is rich in conceptual approaches but, often, they prove unreal, theoretical, abstract, and therefore unsatisfactory. Think for example of the vision of the institutional structures of the enterprises dominant in the culture of the western industrialized countries, in which the only two categories of actors considered are the providers of risk capital (the so-called "owners") and the managers, with the possible addition of the workers in general.

The first distinctive element of the institutional structure is given by the so-called "primary" subjects and their expectations of the company. They are "primary" subjects because the importance of their link with the company means that they are considered members of it;

²² JENSEN MC, MECKLING WH Theory of the firm: managerial behavior, agency costs, and ownership structure. *J Financ Econ* 3, 1976, p. 305–360

²³ SCHULZE WS, LUBATKIN MH, DINO RN, BUCHHOLTZ AK (2001) Agency relationships in family firms: theory and evidence. *Organ Sci* 12:99–116

²⁴ POZZONI M., Imprese e successione generazionale: il caso del Giappone, in *Economia e Territorio*, 2017, V, 45

²⁵ ZELLWEGER, T.M.; EDDLESTON, K. A. E KELLERMANNNS, F. W.. Exploring the concept of familiness: Introducing family firm identity. *Journal of Family Business Strategy*, 1(1), 2010 pp. 54-63

just as their institutional interests are considered; interests that may be of an economic or non-economic nature.

The reference theory identifies as primary subjects the ownership, that is, the providers of equity capital, and the employees, identifying as the ultimate goal of the company the remuneration of these subjects. As mentioned above, managerial theories focus on the leading role played by management within a company and the differences between this and the ownership of the company itself. In fact, on the one hand, shareholders pursue the maximization of their wealth in terms of, for example, dividends received; on the other hand, managers seek to maximize the company's turnover because its growth depends on the remuneration due to them, prestige, status and security²⁶.

The agency's theories seek to resolve the conflicts between property and management on the basis that this relationship is of a contractual nature, in which a principal (in this case the property) hires an agent (the managers), entrusting him with certain activities in his own interest.

The two theories mentioned represent a simplification of the business reality and many of these simplifications lead to neglect important elements for family businesses, such as, for example, the desire to pass on the legacy of the founders, or to give lustre to the image of the family through the success of the business; these and other reasons can be as strong as the economic ones of increasing the ownership shares. The theory of the agency, in any case, takes into account the coincidence between ownership and management typical of many family businesses; in particular, it is believed that companies directly governed by its members tend to last over time, because you avoid many conflicts, typical of the separation of ownership and management. Co-operative or partnership theories consider at least two

²⁶ BARBARESCO G., *Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà*, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

categories of primary actors, the risk capital providers and the employees, considered in the same way and placed on the same level, in relation to the contributions made to the company. In this case, the ultimate purpose of the company is extended and "doubled", to allow the remuneration of the two categories indicated. According to this approach, the economic entity is not composed of those who actually govern the company, but of those in whose interest the company is established. The application of this theory to the family business emphasises the fact that in order to survive and develop, the presence and contribution of both the categories indicated are necessary, overcoming the antagonistic and instrumental attitudes, in order to develop partnership relations in a logic of play with a sum greater than zero²⁷.

²⁷ BASCO R.. The family's effect on family firm performance: A model testing the demographic and essence approaches. *Journal of Family Business Strategy*, 4, 2013, pp. 42–66

1.4. The historical and cultural values of the family business and their relevance for the qualification of the family business

Family business has become a substantial field of research over the past two decades. Empirical studies indicate that concentration of ownership within a family is common among listed firms and predominant among unlisted firms; additionally, family firms contribute substantially to aggregate employment and income. Family businesses have also received increased political attention; they are considered the backbone of private industry and a key target for policies aimed at increased employment and economic growth. Consequently, many policies designed to encourage the establishment and growth of family firms have been proposed in Europe, USA and Asian market. As mentioned in the course of this work, the opinions of the company literature do not always recognize the merit of family businesses for having supported the production dynamics of our country. It is useful to remember that, for example, Barbaresco et al²⁸ underline that family capitalism has contributed to the lack of development of large companies. In particular, they state how important is the theme of the scarce space potentially available to large private companies, caught between the abnormal extension of the state industry and the extraordinary development of small and medium enterprises that have been able to better adapt to the difficult boundary conditions²⁹.

²⁸ BARBARESCO G., Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

²⁹ POZZONI M., Imprese e successione generazionale: il caso del Giappone, in *Economia e Territorio*, 2017, V, 45

The literature on family business prior to the 1980s has focused more on the limits of the family business, therefore the weaknesses, to explain the non survival of this type of business.

With the evolution of studies, the concept of family business as a link in the evolution of a company, destined to disappear with the increase in size and complexity of the company, has changed³⁰.

The strengths and weaknesses of a family business are linked to how the business perceives the family and vice versa, or the degree of separation between the family system and the business system, the so-called phenomenon of institutional overlap that has been analyzed in the previous paragraph³¹.

It can be considered a strong point of the family business, the consideration of the business as an extension of the family; this leads to ensure attention to management and production problems otherwise unknown. There is no search for profit in the short term and the overlap between business and family is perceived by the context in which the company operates and helps to strengthen its image. Another strong point is a greater organizational cohesion. Entrepreneurial values are shared by all (family members and external employees). In this type of business, especially if well managed, employees feel an integral part of the family, sometimes arriving at the paradox of "conventional attribution of kinship". We are therefore faced with greater flexibility and faster organisational adaptation. Greater managerial stability can also be considered a strength. Management turnover is in fact limited to family management, maintaining in the company a human capital accumulated over the years (if not generations). Moreover, family members develop a strong knowledge of the sector in

³⁰ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

³¹ BASCO R., *The family's effect on family firm performance: A model testing the demographic and essence approaches*. *Journal of Family Business Strategy*, 4, 2013, pp. 42-66

which the company operates. This means that every opportunity for meeting and debate creates new opportunities for mutual knowledge and exchange of views, ideas and solutions to better manage the business. It is a process of continuous learning that is all the stronger when entrepreneurial knowledge is difficult to theorise and formalise in models that make it transmissible to third parties³².

1.5. The different types of family businesses regarding the concept of administration, control and organization

Family businesses have their own characteristics that characterise them in a specific way. During this chapter we have tried to outline their characteristics, dwelling on the concept of efficiency of family management. In particular, reference was made to the theory of the agency, which finds an important test bed in family businesses. The presence of family members within the key roles of business management could decisively reduce the costs of

³² GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

the agency itself. However, empirical evidence does not always demonstrate such assumptions. There are many problems in managing family businesses, especially if they are medium or large in size. In particular, it can be noted that the same family uses different yardsticks of assessment against CEOs. In particular, if the person who runs the company is a non-family then the possibility of the same being fired as a result of negative data is very high. On the contrary, if the management becomes familiar and the CEO is part of the family, the termination of the administrator is very difficult³³.

Agency theory leverages <<on a number of simplifying assumptions about individuals, their knowledge, their motivations, their cognitive abilities, the origin of their utility and their attitudes toward risk. In particular, the principal is treated as a single individual, fully rational (therefore with a clear utility function) and risk neutral (given the opportunity to diversify his portfolio). The principal is also considered as perfectly informed, with the only exception being the information on the effort exerted by the agent and his/her intentions. The agent is also perfectly rational, as far as his utility function is concerned, and risk averse>>.

In practice, the empirical evidence <<shows that outside shareholders concentrate on short-term financial results in light of which they assess the performance of the CEO and of the top management team. Indeed, this phenomenon has been indicated as the main cause of the management myopia in outsider systems, particularly as far as R&D and training investments are concerned. On the other hand, when the principal can observe the action of the agent, he can properly assess his behavior. In this case, information asymmetry and agency costs disappear and the use of outcome-based indicators of performance becomes

³³ VISINTIN F., PITTINO D., MNICHILLI A., Financial performance and non-family CEO turnover in private family firms under different conditions of ownership and governance, *Corp Govern Int Rev.* 2017;25:312–337.

not only unnecessary but also inefficient.>>³⁴ Proponents of agency theory argue that in order to reduce opportunism on the part of executives who are not principals owners must have the knowledge and power to monitor their agents effectively. Indeed, in outsider systems the presence of large blockholders in listed firms has been systematically associated with a higher CEO turnover–performance sensitivity. In outsider systems large blockholders are typically outside shareholders and cannot but perform an active monitoring role based on outcome-based indicators. In insider systems, large blockholders in listed companies are, instead, typically insiders and can perform a monitoring role based on the behavioral assessment of the CEO>>³⁵.

The statements show that the family's relationship with the company can have different facets depending on the type of control over ownership and governance. This is because the family can have both ownership and management control, and in this case we speak of a "traditional" family business; but it can also have only control of the property and not of the governance, or vice versa, and then we speak of an "extended" family business, in the sense that the family's relationship with the business is extended to subjects outside the family itself who have control of the property or the management of the business. Family businesses are generally characterized by control systems that are mostly associated with the category of informal controls or social controls. The obvious family link between the different family members working in the company, which can be associated with the concept of parental altruism" usually does not work in the same way as the remains confined to such relationships but also extends to non-family members "thanks to ideologies of the workplace as a "family"." In general, in fact, the sharing of values, the high level of trust and

³⁴ SHUMPING LI, Increased non – family ownership in family-owned: how does it affect CEO turnover – performance sensitivity, *Strategic Management Journal*, 2018, 195 e ss.

³⁵ SHUMPING LI, Increased non – family ownership in family-owned: how does it affect CEO turnover – performance sensitivity, *Strategic Management Journal*, 2018, 195 e ss.

altruism limit the interest in introducing formal control systems. For this reason it is well known that there is a common sense that associates family businesses to the more general SMEs due to the prevalence of management and control systems unofficial. With specific reference to the types of family businesses, there are a variety of different situations depending on the size of the business, the elements of the structure and the relationships that are established between family, property and business. In fact, within the macro category "family business" we can identify different micro categories, different from each other but homogeneous within them. We can make different classifications using different criteria. The most common criterion used for the classification of businesses (and therefore not only family businesses) is to use the terminology large - medium - small, with reference to different distinctive criteria (turnover, number of employees, market share, etc.). These classifications are not useful from the point of view of our study because what interests us is to analyze the peculiarities of a family business regardless of its size³⁶. A first major classification uses as a discriminating criterion the family ties between the partners and distinguishes family businesses according to the existence of: a dominant shareholder (controlling owner), typically the founder alone or with his spouse (absolute control); a group of brothers and sisters (sibling partnership); a group of family members of various degrees. This classification can be further extended and elaborated. Reality showed that the case of the dominant shareholder is also found when the ownership structure includes the shareholder's children, i.e. his parents. As for the ownership structure made up of small groups of cousins linked to the company by a strong attachment from a professional and legal point of view, they are much more similar to sibling partnerships. The same groups of exceptionally large siblings tend to behave like cousin consortia. Still within the scope of sibling partnerships, we can distinguish different configurations depending on the

³⁶ BARBARESCO G., *Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà*, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

distribution of ownership shares and the degree of differentiation of roles, so as to expand the range of possible partners³⁷.

Another distinction is that which does not depend on the degree of kinship and adopts as a criterion for classification the number of members and families involved. According to this classification, we distinguish between "absolute", "narrow" and "extended" closed-owned enterprises. Strictly owned companies include first and second generation single-family businesses and first generation multi-family businesses. Partners are a limited number of family members, closely related, all or almost all engaged in the company as directors, managers or in other executive roles. The "enlarged" companies, on the other hand, include the single-family realities from the third generation onwards and the multi-family realities of the second generation. These realities are characterized by the presence of numerous family members who, usually, are related by more "distant" relatives and have the most varied roles in the company. In particular, in this type of company we distinguish between "operational" partners who work in the company and "non-operational" partners who do not work in the company. In this classification we identify four categories of companies: the first is a closed single-family company; the second is the company then we have the multi-family enterprise and the single-family managerialized enterprise³⁸. Another classification is based on the degree of separation between family and business. According to this criterion, we indicate four types of family business. The family business of work, characterized by the presence of many family members who work within the company, as the family owner intends to continue united in the ownership of the business³⁹. Then there

³⁷ FASIELLO R., TURCO M., La conservazione del valore nelle imprese familiari: un modello di gestione del passaggio generazionale basato sulle risorse intangibili, *Impresa Progetto – Elettronic Journal of Management*, n. 2, 2011, p. 189 e ss.

³⁸ BARBARESCO G., Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

³⁹ FASIELLO R., TURCO M., La conservazione del valore nelle imprese familiari: un modello di gestione del passaggio generazionale basato sulle risorse intangibili, *Impresa Progetto – Elettronic Journal of Management*, n. 2, 2011, p. 189 e ss.

is the family business of management, also here the family wants to continue united in the ownership of the company, but tends to assign the managerial roles to family members who prove more capable. Then there are, a family investment business, characterised by a more marked separation between family and business, where the family only makes investment decisions and controls the investments made. The family business, which differs from the others by the fact that the top family owners are precarious and therefore destined to change in the short term. The union of family members is more linked to historical factors deriving more from the fact of being heirs than from the desire to continue together in the business. The typologies indicated represent an extremity that is difficult to find empirical confirmation in a pure form; generally family businesses tend to take the form of a family business of work in the first years of life, to then evolve into a family business of management and, with the passing of time, tend to progress in one or the other of the remaining two. So, in summary, the family business has advantages and disadvantages, for and against, identified as: autonomy, rapid decision-making and great propensity to risk, flexibility, possibility of high profits, realization of ambitions and dreams, personal gratification with regard to the aspects in favor; considerable personal commitment, possibility of disagreement on strategies, passage / synergy / generational conflicts, difficulty in finding credit, talent and new partners, mixing of personal and corporate assets with regard to the aspects against⁴⁰.

⁴⁰ FASIELLO R., TURCO M., La conservazione del valore nelle imprese familiari: un modello di gestione del passaggio generazionale basato sulle risorse intangibili, *Impresa Progetto – Elettornic Journal of Management*, n. 2, 2011, p. 189 e ss.

CHAPTER TWO

Family businesses and territorial ties: the differences that can be identified in the different geographical areas at a global level

2.1. The definitions of family business according to the European vision: presence and characteristics of family businesses in Italy and Europe

Overall, family businesses in Europe employ almost 60% of the workforce and in the coming years we will see a massive number of business successions as 45% of business leaders are over sixty and the generation of "baby boomers", who founded or inherited their business in the second half of the twentieth century, will soon find themselves handing down the business to the next generation of "millennials".

Following the growing recognition, in recent years, of the crucial role that family businesses play in the development of the European economy, many European institutions have progressively increased their interest in this type of business, drawing up a shared definition of "family business" and undertaking a series of activities aimed at supporting the "sector" of the family business. At the same time, the number of associations of family businesses, researchers and family business research centres has grown exponentially across Europe. However, despite this growing interest, European politicians recognise that much remains to be done to support this important "sector" of the economy⁴¹. The choice of this organizational model is also dictated by strategic-competitive reasons and not only due to reasons of mere interest, such as obtaining tax benefits or maintaining family control⁴².

⁴¹ POZZONI M., Imprese e successione generazionale: il caso del Giappone, in *Economia e Territorio*, 2017, V, 45

⁴² KPMG, Il barometro delle imprese familiari europee, *European Family business*, 2017, p. 35 e ss.

The organisational and managerial aspect of medium-sized enterprises is naturally influenced by the family-controlled ownership structure which, through its members, governs and oversees the various strategic business functions. In Europe too, family capitalism is associated with the management of small and medium-sized enterprises, especially, although there are also examples of large companies. Family businesses are sensitive to the importance of innovation as a tool for growth. In addition to hiring new talent with specialist skills, family businesses have started to build partnerships with other companies to pool knowledge and experience. Family businesses have the ability to derive more value from their investments, proving to be much more efficient in their innovation processes. Investing in business to finance innovation will also be a strategic priority for future generations of entrepreneurs⁴³. The main strengths of family businesses lie in their long-term orientation, in the specific values that form their particular organisational culture and in their involvement in local communities. Their particular culture is based on the values promoted by the family members around the company, such as a high level of trust in the company and the high quality of the services or products offered⁴⁴. Family businesses, especially if taken into account from a point of view that we can consider purely productive, represent the excellence of manufacturing production in Europe too. In order to achieve their objectives, family businesses invest as much profit as possible in the creation of a stable, independent and innovative company, based on equity capital, with a particular focus on minimising risks so that the business can be passed on from one generation to the next. Family businesses are developing in a much more balanced way with the aim of achieving long-term (multi-generational) goals. In consideration of their importance for the health of the European economy, these enterprises are using their cohesion to make their voices

⁴³ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

⁴⁴ BASCO R., *The family's effect on family firm performance: A model testing the demographic and essence approaches*. *Journal of Family Business Strategy*, 4, 2013, pp. 42–66

heard. This cohesion is also reflected in the common belief that governments can, and indeed must, do more to support the success of family businesses. A recent survey ⁴⁵of European family businesses shows that entrepreneurs and managers at the helm of family businesses, even when the two figures do not coincide, are increasingly oriented towards fostering a long-term vision at a strategic level. Without the pressure of having to justify the results of each quarter, family businesses tend not to lose sight of long-term prospects. Most respondents said they had plans to reinvest the previous year's profits into the business.

Priorities for spending were corporate infrastructure, production and marketing for 47% of the participants, mainly in the UK and the Netherlands. Almost 30% of companies, mainly in Germany and the Netherlands, claims to have reinvested in human resources, with recruitment and training. A good 23% say they have loan repayment and savings plans, while only 7% plan to distribute all profits to shareholders⁴⁶. Confidence in the future is also reflected in staff growth plans. While 39% intend to maintain the current number of employees, 45% plan to take on new resources in the coming year, reflecting the fact that family businesses are among the main job creators in Europe⁴⁷. The typical vision of family management is to exploit the characteristics of one's own business and therefore the value of the same to produce value continuously over time. The aim of improving and updating production in order to keep it up to date seems to be central compared to other companies. From a point of view that we can define as organizational and managerial, family businesses can be considered more free than other companies for the simple reason that they do not have to distribute profits to shareholders in a forced manner. When shareholders coincide with a family structure even of small size, growth strategies can be easily shared, as is the

⁴⁵ KPMG, Il barometro delle imprese familiari europee, European Family business, 2017, p. 35 e ss

⁴⁶ BARBARESCO G., Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà, UNIONCAMERE 2018, Mediobanca, 2017, p. 11 e ss

⁴⁷Ibidem, p. 11 e ss.

widespread desire to go to protect the company and project it into the future. This allows you to work within a perspective not so much oriented to pursue short-term results to distribute any profitability. This type of evidence represents the main element of differentiation and at the same time of criticality in terms of management of the family business itself. When family businesses are managed by external managers, it is possible to verify that the latter manage the business with a view that does not adhere to the spirit of the family business itself.

2.2. The organisation of the family business within the Asian markets: main differences in economic and social terms

It is generally recognised that family businesses are characterised by three structures: the family, business and ownership structure. The presence of the family represents, in some cases, a strong point, while in other cases it is a very important problem, especially when the companies are equipped with subjects outside the family structure, in charge of the management. This is to affirm that, in fact, family businesses present important problems linked to the very nature of the capitalism they represent and these problems are also found in Asian markets. In this context, the weight of families in the management of many enterprises must be considered an important distinctive element within the reference markets. The ownership of a family business is not made up of liquid assets, but of something that has been built and developed by the family over generations, including values, traditions and know-how. Therefore, the transfer of ownership of the company from one The biggest challenge facing a company of this type is to ensure that the next generation is able to meet the next generation. Corporate control in many economies, including emerging markets, has gradually transitioned from a family-dominated structure to one with substantial non-family ownership⁴⁸.

Family businesses also have very recognisable characteristics within the Asian context. Clearly, the presence of the family in the decision-making mechanisms greatly simplifies the problems that characterize the management dynamics. However, it should be stressed that in medium-sized companies, the presence of a purely family-based decision-making structure is not always synonymous with efficiency. In particular, this aspect seems to be

⁴⁸ SHUMPING LI., Increased non-family ownership in family-owned firms: How does it affect CEO turnover performance sensitivity? *Strat Mgmt J.* 2018;39:3434–3457.

confirmed by the analysis of the characteristics of Asian family capitalism. In reality, from a purely logical point of view, it is clear that the size of the company makes the management of the company inadequate when the size increases and therefore the need to delegate becomes strategic. If, therefore, agency costs could increase, the company's performance could be higher in the case of a delegation of decision-making functions. The company's performance is increased in terms of efficiency because the family can certainly not cover all the organizational functions typical of a growing company⁴⁹.

Research⁵⁰ on corporate governance traditionally focuses on the consequences of a firm's ownership structure, in particular, as reflected in monitoring and controlling the agency costs, and in turn, shaping firm strategies, governance, and performance⁵¹. Notably, studies⁵² have recorded significant differences in performance and strategic choices between family-owned businesses and non-family businesses. The presence of non-family shareholders in family-owned firms has been documented increasingly important. Different studies⁵³ noted that non-family shareholders with significant stakes are common among family firms in Western Europe. Other studies⁵⁴ found that despite extensive family control in more than half of East Asian corporations, these More recently, Camey⁵⁵ said firms often also include non-family owners such as states. reported that while family control remains the most

⁴⁹ BASCO R.. The family's effect on family firm performance: A model testing the demographic and essence approaches. *Journal of Family Business Strategy*, 4, 2013, pp. 42–66

⁵⁰ CAMEY R. W., & CHILD, T. . Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics. *Journal of Financial Economics*, 107(2), 2012, p. 494–513

⁵¹ CONNELLY B. L., Hoskisson, R. E., Tihanyi, L., & Certo, S. T. . Ownership as a form of corporate governance. *Journal of Management Studies*, 47(8), 2010, P. 1561–1589.

⁵² ANDERSON R. C., & REEB, D. M. . Founding family ownership and firm performance: Evidence from the S&P 500. *Journal of Finance*, 58(3), 2003, P. 1301–1327.

⁵³ FACCIÒ M., LANG, L. H. . The ultimate ownership of Western European corporations. *Journal of Financial Economics*, 65(3), 2002, p. 5–395.

⁵⁴ CLAESSENS S., DJANKOV, S., & LANG, L. H. P. The separation of ownership and control in East Asian corporations. *Journal of Financial Economics*, 58(1), 2002, p. 81–112.

⁵⁵ CAMEY R. W., & CHILD, T. . Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics. *Journal of Financial Economics*, 107(2), 2012, p. 494–513

dominant form of ownership in 1,386 public firms in East Asia, it has declined in many economies, especially Japan, Korea, and Taiwan. Nonfamily shareholders such as foreign states are on the rise. Longitudinal analyses⁵⁶ based on 717 family-owned <<Taiwanese public firms from 1997 to 2011 demonstrate a positive relationship between CEO turnover and poor firm financial performance (or CEO turnover-performance sensitivity). This positive relationship is stronger when non-family ownership is higher in the firms. Further, the positive effect of non-family ownership on CEO turnover-performance sensitivity is stronger when the lack of governance transparency or a higher deviation between control rights and cash flow rights enables entrenchment of families>>⁵⁷. Examining Taiwanese public firms, for example, a study of found a positive association between CEO turnover and poor firm performance. Furthermore, the relationship was stronger with greater non-family

ownership in family-owned firms, mostly among those with at least 60% shareholding. The patterns were stronger when non-family shareholders were more likely to improve a firm's market efficiency because of a greater threat of entrenchment of family owners. That threat is related to two conditions: the firm's weaker governance transparency or a higher deviation between control rights and cash flow rights.

The findings are consistent with the observation in previous literature⁵⁸ on possible disciplining influences of non-family shareholders despite their low control in family-owned firms. The very widespread model of the family business also in Asia and especially

⁵⁶ SHUMPING LI., Increased non-family ownership in family-owned firms: How does it affect CEO turnover performance sensitivity? *Strat Mgmt J.* 2018;39:3434–3457.

⁵⁷ SHUMPING LI, Increased non – family ownership in family-owned: how does it affect CEO turnover – performance sensitivity, *Strategic Management Journal*, 2018, 195 e ss.

⁵⁸ BASCO R.. The family's effect on family firm performance: A model testing the demographic and essence approaches. *Journal of Family Business Strategy*, 4, 2013, pp. 42–66

in Japan is the one with a closed company, small in size. Usually these companies are very indebted, but supported by the

family assets guaranteeing bank debts therefore no longer seems adequate to support the competitive challenges⁵⁹.

The high financial risk that characterizes the poor business model, rich family is in fact incompatible with the high operational risk caused by the the changing external environment and the difficulty of developing sustainable success strategies. In practice, venture capital must enjoy a high degree of mobility such as to make it flexible and capable of accompanying financial needs that the company generates. This has a number of important consequences for the strategic finance for family businesses. First, the family business group should be willing to directly finance a large part of the company's strategic investments⁶⁰.

⁵⁹ CONNELLY B. L., Hoskisson, R. E., Tihanyi, L., & Certo, S. T. . Ownership as a form of corporate governance. *Journal of Management Studies*, 47(8), 2010, P. 1561–1589

⁶⁰ CAMEY R. W., & CHILD, T. . Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics. *Journal of Financial Economics*, 107(2), 2012, p. 494–513

2.3. The importance of the family in Japanese society and its economic and organisational importance

The Japanese family plays a key role in the successful integration into Japanese society. It is rigidly based on the line of succession, where descendants and children are linked together by an idea of family genealogy, which does not mean relationships based on mere succession of blood, but rather on a relationship link with the end centred on the maintenance and perpetuation of the family itself as an institution. Moreover, it is precisely on the family nucleus that the foundations of Japan's modern and industrial development were laid at the beginning of the last century⁶¹.

The productive and commercial expansion reinforces the tendency towards industrial concentration and the interconnection between bank and industrial capital, thus reinvigorating the imperialist connotations of the Japanese power that will soon throw itself, with renewed vigour and strength, into the struggle for the sharing of the world market. The process of concentration and centralization of capital sees as absolute protagonists few and important industrial and financial agglomerations, capable of operating in several sectors simultaneously: the zaibatsu. Zaibatsu in the wake of the productive and commercial development following the First World War, became the undisputed rulers of the post-war Japanese economy. Four are the most relevant groups (Mitsui, Mitsubishi, Sumotomo,

⁶¹ MAZZEI F., Il capitalismo giapponese. Gli stadi di sviluppo, Liguori editore, 1983, p. 189 e ss.

Yasuda), but others operate in defined and specialized economic sectors, such as shipbuilding (Kawasaki), copper and electricity (Furukawa) and cement (Asano). Although with specific and particular organizational forms, all the large zaibatsu maintain the common characteristic of a control implemented by the reference family and its main and collateral branches⁶². The ownership control exercised by the family, through a financial command company, remains even when the individual subsidiaries are entrusted to the management of salaried managers and coming from the best university centers in the country⁶³.

Suzuki, for example, is Japan's fourth largest car manufacturer (after Toyota, Nissan and Honda) and one of the largest in the world. Its president and managing director has been 82-year-old Osamu Suzuki for more than 20 years, who has made the company great and who is famous for his filthiness. Suzuki joined the company at the end of the 1950s. The way he joined Suzuki, however, is rather unusual: the founder of the car company, Michio Suzuki, had three daughters and the eldest, in turn, five daughters. To save the "masculine" line in the management of the company, founded in 1909, one of the grandchildren married - in a combined marriage - to Osamu Matsuda, who took the surname of his wife. This is not a rare practice in Japan, involving some of the largest companies in the country⁶⁴.

Moreover, for much of the 20th century, the ideal family model used in Japan was the *ie*, characterised by a patrilineal system and a rigid hierarchy structured according to the age of its members. Family responsibilities take precedence over individual desires, since the family, rather than the individual, is considered the glue that guarantees survival within the social system⁶⁵.

⁶² SHUMPING LI., Increased non-family ownership in family-owned firms: How does it affect CEO turnover performance sensitivity? *Strat Mgmt J.* 2018;39:3434–3457

⁶³ MAZZEI F., *Il capitalismo giapponese. Gli stadi di sviluppo*, Liguori editore, 1983, p. 96 e ss.

⁶⁴ SHUMPING LI., Increased non-family ownership in family-owned firms: How does it affect CEO turnover performance sensitivity? *Strat Mgmt J.* 2018;39:3434–3457

⁶⁵ MAZZEI F., *Il capitalismo giapponese. Gli stadi di sviluppo*, Liguori editore, 1983, p. 96 e ss.

With the same principles, the Japanese family manages the business of the family business. Family capitalism is widespread. The Japanese hardly allow the company to be contaminated by business links outside the family itself. When generational succession is called into question, they proceed with the adoption of subjects, especially men, in charge of carrying on the tradition.

The subtle balance between family and business has always been a challenge for family businesses. Making objective decisions, without considering the effects on the family, can create conflicts and undermine the harmony of the family. Excess in the opposite direction can also lead to dangerous decisions that harm the business⁶⁶. The current trend is for Japanese family businesses to seek progressive market opening. In fact, very often these companies are currently looking for people from outside the family who can place themselves between the family and the market to ensure new opportunities for growth⁶⁷. The increase in the percentage of external managers is due to also to the fact that the increasing fragmentation of the social dimension in the transition from one generation to the next can widen and diversify the group of owners belonging to the family and, as a result, the families recognise the advantage of being represented in the business by external managers. In addition, potential successors may decide to follow their aspirations outside the family business while retaining their role as responsible owners, without actively working in the business⁶⁸.

The governance choices of Japanese family businesses can be traced back to a set of typologies: on the one hand, we have the governance decisions of the business in the strict sense, i.e. the set of basic business decisions and choices regarding the establishment and

⁶⁶ SHUMPING LI., Increased non-family ownership in family-owned firms: How does it affect CEO turnover performance sensitivity? *Strat Mgmt J.* 2018;39:3434–3457

⁶⁷ MAZZEI F., *Il capitalismo giapponese. Gli stadi di sviluppo*, Liguori editore, 1983, p. 96 e ss.

⁶⁸ CONNELLY B. L., Hoskisson, R. E., Tihanyi, L., & Certo, S. T. . Ownership as a form of corporate governance. *Journal of Management Studies*, 47(8), 2010, P. 1561–1589

extinction of the business. On the other hand, the choices of direction and operation of the company itself. Choices and decisions which for their long-term systemic structural impact usually have the strategic nature both in Japan, and everywhere. Decisions which may be pertinent to the property, to the board of directors and, possibly, to the bodies of maximum management, for the more structured enterprises⁶⁹.

On the other hand, on the other hand, we have the decisions of government "of the property", that is, relating to its internal configuration, the rules of operation and the setting of relations with the company. Clearly, decisions on the governance of property have a significant impact on the governance choices of the company, as they determine the context in which these choices mature and are made⁷⁰.

Within the second dimension identified is the structure of economic governance, represented by the so-called decision-making tables, or the system of governance bodies. This system includes, in the Japanese family business, the presence, alongside the so-called "official" bodies (shareholders' meeting, chairman of the company, board of directors, executive committee, etc.), of typically family governing bodies, such as, for example, the family council, which represents a support body for the government of this category of businesses, which is very important in Japan. The body can be variously articulated and formalized, or structured in the form of periodic informal meetings⁷¹.

The third dimension concerns the processes, i.e. the ways in which decisions are formulated and implemented through the management of the above-mentioned bodies or through the

⁶⁹ VILLALONGA, B. E AMIT, R., Family control of firms and industries. *Financial Management*, 39, 2010, pp. 863-904

⁷⁰ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

⁷¹ CAMEY R. W., & CHILD, T. . Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics. *Journal of Financial Economics*, 107(2), 2012, p. 494–513

use of mechanisms typical of family businesses, such as the stipulation of family agreements or other similar agreements⁷².

Another firm point concerning Japanese family business governance is that the key player directly or indirectly responsible for government decisions is deemed to be the owner. In conclusion, it should be stressed that choices, structures and processes must be designed and built on the basis of the complexity of ownership and enterprise; for example, if the social structure is very concentrated and the economic structure is very simple, the system of governance will necessarily have to be composed of a limited number of bodies composed of the controlling subjects. Therefore, a lean structure, typically Japanese, is functional to the small size of the company and the degree of simplicity of the corporate structure⁷³.

⁷² CONNELLY B. L., Hoskisson, R. E., Tihanyi, L., & Certo, S. T. . Ownership as a form of corporate governance. *Journal of Management Studies*, 47(8), 2010, P. 1561–1589

⁷³ SHUMPING LI., Increased non-family ownership in family-owned firms: How does it affect CEO turnover performance sensitivity? *Strat Mgmt J.* 2018;39:3434–3457

2.4. The generational transition in family businesses and its relevance in terms of permanence and growth of businesses

The governance of family businesses does not have a one-size-fits-all approach. Every business is unique in its structure and needs. In addition to the fact that good governance is a success factor for the growth of family businesses, each business will need to have its own governance structure that will evolve as the business grows and matures. This type of problem can be found everywhere and, therefore, both within the Asian and European markets. In most cases, and especially in the Asian market, while the board of directors has the task of managing the business, the family council decides and regulates family matters by creating a set of common rules that establish the conditions for entering the ownership structure of the family, in the decision-making bodies or in the operational positions of the company⁷⁴. Especially within very complex competitive contexts such as those that characterize, for example, Japan's very own family councils also define the conditions for training and development, the skills required, the motivation and experience required for the company. The councils formally establish or informally, the links between the family and the business⁷⁵.

In adopting these and other mechanisms, it is equally important to ensure clarity of roles and responsibilities, especially since the attention of some board members can be divided between family and business⁷⁶.

⁷⁴ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

⁷⁵ BASCO R., *The family's effect on family firm performance: A model testing the demographic and essence approaches*. *Journal of Family Business Strategy*, 4, 2013, pp. 42–66

⁷⁶ MORRESI, O. *Il family effect su performance e risk-taking dell'impresa negli ultimi dieci anni. Evidenza internazionale a confronto*. FrancoAngeli, 2009

When family members are willing to take over the reins of the business, the challenge is to ensure a smooth transition to the new generation, both in terms of direction and ownership. The transition must serve the interests of the family and ensure that new entrepreneurs are adequately prepared. Entrepreneurs who want to pass on the baton recognise the importance of to prepare a sound succession plan in order to protect the long-term viability of the business. The succession process comprises two distinct aspects: succession in the property and succession in the management. Family businesses need to set up processes to manage both aspects⁷⁷. Recent empirical research⁷⁸ conducted in our country has shown the difficulty, for many large and medium companies, to reach a size that can achieve leadership positions at international level⁷⁹.

This difficulty depends on many factors including, in particular, the fact that the ownership and control of these companies have been concentrated for decades in two classes of subjects, without sufficient capital for development: typically large families and the State, before the wave of privatizations. These studies⁸⁰ have provided a fundamental contribution to knowledge about the ownership and governance of Italian companies.

With regard to family businesses, which are the subject of our work, the main focus was on the problem of how to facilitate the transfer of control outside the family, which is, therefore, one of the main issues in terms of family business. On the other hand, the stability of government can be a factor for development if a correct conception of the relationship between business and family is rooted, combined with responsible exercise of ownership and control.

⁷⁷ VILLALONGA, B. E. AMIT, R., Family control of firms and industries. *Financial Management*, 39, 2010, pp. 863-904

⁷⁸ BASCO R.. The family's effect on family firm performance: A model testing the demographic and essence approaches. *Journal of Family Business Strategy*, 4, 2013, pp. 42-66

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⁸⁰ BASCO R.. The family's effect on family firm performance: A model testing the demographic and essence approaches. *Journal of Family Business Strategy*, 4, 2013, pp. 42-66

Therefore, it is not enough to keep the family sphere separate from the business sphere, but it is necessary to be aware that incorrect planning of the rules of governance can lead to imbalances and inefficiencies in management.

In other words, the achievement of the business purpose, which most often consists of achieving the common good of the business and the family, may be frustrated by inadequate governance rules that refer to insufficient knowledge of the subsystems and mechanisms that underlie the family business. It is therefore necessary to identify processes and structures capable of ensuring the inviolability of both the family and the business. The conclusion we come to is represented by the need, at international level, to provide the family business with a "framework for corporate governance" aimed at effective and efficient management, which takes into account all the interests of the actors, in various ways, involved in the business. This framework must be able to keep the family firmly united with the company; it must create a symbiosis between the two institutions, creating the conditions for a relationship of mutual exchange⁸¹.

⁸¹ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

CHAPTER THREE

Empirical analysis and comparison between two family businesses active in the precious stones sector located in Japan and Italy

3.1 The precious stones market: general considerations on production, processing and marketing

Gems are minerals found in nature as crystalline substances, endowed with a series of characteristics, including in particular an ordered and symmetrical atomic structure, represented by the "unitary cell" which consists of a defined number of elementary atoms that make up the crystal. The units are repeated in all directions to form the normal reticular arrangement of the atoms, which is invariable for any crystalline species, but is different for several crystalline species (e.g. the structure of the ruby is different from that of the diamond). However, in some cases the same atoms may adopt different structures, giving rise to completely different minerals (e.g. diamond and graphite).

In the past, it was common to divide stones used in jewelry into two groups: "precious stones" and "semi-precious stones. However, since there is in fact no clear dividing line between these two groups, it is better to consider them all under the general term of gems. The most common gemstones on the market are diamond, ruby, sapphire, emerald, pearl and, perhaps, opal. In the group of so-called "semi-precious" stones, such as tourmaline, zircon or peridot, the value also varies considerably according to the fashion and taste of the moment, which are, as is known, quite volatile factors. All the stones mentioned have, among other things, special qualities that make them particularly precious. The most important factors of this preciousness are beauty, durability and rarity.⁸²

The idea that some stones are precious and others only semi-precious is familiar to all buyers of "colored" stones. Gemstones, such as diamond, ruby, sapphire and emerald, traditionally

⁸²DIEUFLAFAIT, L. *Diamonds and Precious Stones*. London: Blackie and Son, 1874. Dixon, Simon. *The Modernisation of Russia, 1676-1825*. Cambridge: Cambridge University Press, 1999.

have the highest market price because of their extraordinary color or their brightness and extreme rarity.

While gemstones are deservedly famous, the conventional distinction between precious and semi-precious stones is full of myths and ideas that are not technically and historically rigorous.

One misconception is, for example, that the distinction between precious and semi-precious stones is traditional and goes back centuries. In reality this is definitely a novelty, an idea that was born and developed in the nineteenth century. The first use of the term "semi-precious" to refer to "a stone of lesser commercial value than a precious stone" only dates back to 1858.

Another misunderstanding is that the distinct list of the most famous precious stones is ancient and consolidated in the history of gemmology. In fact, the traditional list of precious stones is quite long and also, to a certain extent, "variable", and includes some surprising elements. The pearl, although not a stone in the strict sense, has always been considered "precious", as has the opal. But one of the most traditional precious stones, with a history dating back to ancient Greece, was amethyst. Amethyst was reclassified as a semi-precious stone after large deposits were discovered in Brazil and Uruguay in the first half of the 19th century. The introduction of the term "semi-precious" in the English language is due to the new discoveries of amethysts in the 19th century⁸³.

Of all the precious stones, the diamond is the one that boasts the greatest number of myths. However, it is interesting to know that myths have a rather modern rather than ancient origin. Historically, coloured stones, such as ruby and sapphire, were more valuable than diamonds, basically because diamonds were not a rare stone. However, an important change

⁸³HURWIT, KARIN N. (Gem Trade Lab notes: Pearls, black, from Baja California. *Gems & Gemology*, v. 28, n. 2, 1992, p. 126.

occurred in the 20th century. First, a large number of discoveries in South Africa led to an even greater demand for quality gemstones and diamonds.⁸⁴ At the same time, the perceived value of diamonds has increased to the point where today it is fair to say that they guide the list of precious stones in the current mentality and desires of the public that buys them and demands them from the market. What has happened? Do gemstones not become famous above all for their rarity? In the nineteenth century, world production of diamonds consisted of only a few kilos a year. After the discovery of the huge diamond mines in South Africa in 1870, diamonds were literally mined by the ton. There was such an oversupply and such small demand that British financiers in the mines in South Africa ran the risk of losing their investments at some point. The solution was to create the powerful De Beers cartel, which today controls world production and supply of diamonds. In fact, the quality of diamonds is not at all low. But De Beers controls how much it enters the market and this keeps prices high⁸⁵.

The De Beers consortium has also organized for decades a coordinated advertising campaign to associate diamonds with love, engagement and marriage, with the slogan "a diamond is forever", which is extremely familiar to us today. The diamond engagement ring, previously unknown in various parts of the world (including Europe) is now considered an essential part of the wedding ritual. It is difficult to avoid concluding that the special position the diamond occupies as a precious stone is due, in its majority, to economic monopoly and social engineering.

Currently some rare "semi-precious" stones, such as alexandrite, demantoid garnet, tsavorite garnet and tanzanite, can be as expensive as ruby and sapphire. Tourmalines, spinels and large aquamarines also regulate market prices. It is fair to say that we have reached a point

⁸⁴HÄNNI, HENRY A. (2008) More natural pearls tested in labs. *Jewellery News Asia*, p. 68. Heebner, Jennifer (2010) Shell shocked. *JCK*, v. 141, n. 9, pp. 76-80. How La Peregrina got its lustre back: Liz Taylor's pearl jam (2012) *NCJV Valuer*, v. 30, n. 1, pp. 7-10.

⁸⁵LION'S Paw scallop pearls (2003) *Gemmology Queensland*, v. 4, n. 8, p. 17.

where the distinction between precious and semi-precious stones no longer makes sense. The Federal Trade Commission of the United States periodically considers banning the use of these terms in general to reduce the confusion they cause consumers. The American Gem Trade Association (AGTA) has already added the following express statement to its Code of Ethics: "Partners should avoid using the term semi-precious when describing gemstones"⁸⁶.

As regards the beauty and quality of stones, it is well known that " crude" gems are sometimes also beautiful objects, but above all their maximum aesthetic expression is obtained only after the work of a qualified lapidary who sculpts and polishes them to reveal, to a greater extent, their optical effects and colour. Durability is another essential quality because a jewel must resist the passage of time, the abrasive influence of dust, impacts or rubbing other objects, fogging and chemical damage caused by humidity, smoke or other atmospheric factors. Furthermore, it must be able to last for a long time without altering its colour. Rarity also plays a very important role in the value of gems and can have a greater influence than durability or beauty. Rarity is, in turn, governed by supply and demand based on the whims of the moment and, consequently, the value of the market can be strongly influenced by this factor⁸⁷.

One of the fundamental characteristics of gems is also represented by the defined external geometric shape, delimited by flat faces (for example a cube, an octahedron). The regularity of their internal structure manifests itself in the external form or when the crystals are free to grow without obstacles. Minerals are found as beautiful crystals of regular and symmetrical shapes, with flat faces and natural sheen⁸⁸. Some spinel crystals found in Myanmar are so perfect that they are used in jewelry without the need to carve or polish them. In theory it would be possible to expect symmetrical shapes in all crystals, but the

⁸⁶HYATT, A Lab notes: Strand of natural nacreous and non-nacreous pearls. *Gems & Gemology*, v. 42, n. 4, pp. 264-265.

⁸⁷ALESKEYEV, V., V.. *The Last Act of a Tragedy*. Ekaterinburg: Russian Heritage, 1996.

⁸⁸LEVI, E. *The key of the great mysteries*. Red Wheel / Weiser, 2001.

obstacles during their growth and, perhaps, the possible deterioration suffered over millions of years, mean that this natural perfection often diminishes, disappearing in most cases and remaining observable only on rare occasions (e.g. crystals found in gravel). In any case, any fragment of a crystal, even if it does not show any sign of crystalline faces, always maintains its structural order and, consequently, the whole series of physical attributes derived from that atomic order, as it remains a crystalline substance.

The ordered arrangement of the structure implies the existence of symmetry, internal and external, which allows the crystals to be classified into 32 different classes of symmetry and 230 spatial groups, grouped into seven crystalline systems, which are the basis of all crystallographic studies, especially in aspects related to their morphology and physical and optical properties. Each mineral species generally has a characteristic or usual crystallographic form, defined as the most common way in which the mineral presents itself. It is usually a geometric shape or a combination of two or more geometric shapes⁸⁹.

The case of pearls is obviously very different from that of the other "gems", and in fact they are included among the "precious stones" only conventionally. Pearls have always been one of the most sought after symbols of luxury and wealth. They have adorned the most regal necks of Europe; they caused wars and conquests and induced men to play their lives to conquer them. Pearls, precious stones that are born inside a living organism, have been and still are objects of luxury and desire, but what exactly are they? When an organism or a foreign body is introduced into an oyster, a defense process begins by releasing calcium carbonate that covers and captures the invader. As this reaction occurs, the perlickation increases every year with new layers, so it may take up to five or more years before the pearl is fully formed⁹⁰.

⁸⁹GROVE-WHITE, W., C.. The Manufacture of synthetic crystals in the plant at I.G. Farbenindustrie, Oppau-Ludwigshafen.

⁹⁰PELLANT, C, RUSSELL, H . *Encyclopedia of Rocks, Minerals, and Gemstones*. San Diego, CA: Thunder Bay Press. Krzemnicki, Michael S.; Friess, Sebastian D.; Chalus, Pascal; Hänni, Henry A.; Karampelas, Stefanos

Thousands of years ago, long before written history began, the first men probably discovered the first pearl while searching for food by the sea. Throughout history, the pearl, with its warm inner glow and sparkling iridescence, has always been considered one of the most precious and coveted gems. Countless references to pearls have been found in the religion and mythology of many cultures since ancient times. The ancient Egyptians loved pearls so much that they let themselves be buried with them⁹¹. In antique Rome, pearls were considered the highest symbol of wealth and social position. The Greeks held pearls in high regard both for their incomparable beauty and for their association with love and marriage. During the early Middle Ages, while the beautiful maidens of the nobility kept necklaces of delicate pearls, the valiant knights took pearls with them to the battlefield; they believed that the magic of these gems could protect them from all evil. The Renaissance saw the royal courts of Europe literally flooded with pearls. Because pearls were so well regarded, several European countries passed laws prohibiting the use of pearls by citizens who did not belong to the nobility.⁹²

During the European expansion into the New World, the discovery of pearls in the waters of Central America contributed to Europe's wealth. Unfortunately, greed and greed for sea pearls led to the depletion of the entire population of American pearl-producing oysters by the 17th century. Until the beginning of the 20th century, natural pearls were only available to particularly rich and famous people. In 1916, the famous French jeweler Jacques Cartier bought his historic factory on Fifth Avenue in New York City, exchanging two pearl necklaces for the precious property.

Today with the introduction of cultured pearls, these jewels are more available to anyone.

(2010) X-ray computed microtomography: Distinguishing natural pearls from beaded and non-beaded cultured pearls. *Gems & Gemology*, v. 46, n. 2, pp. 128-134.

⁹¹BRUHNS, KARL. *Life of Alexander von Humboldt*. London: Longman Green and Co, 1873.

⁹²DIEUFLAFAIT, L. *Diamonds and Precious Stones*. London: Blackie and Son, 1874. Dixon, Simon. *The Modernisation of Russia, 1676-1825*. Cambridge: Cambridge University Press, 1999.

More than 2000 years ago, the Chinese believed that pearls had the power of eternal youth. Even these days, pearls are used in cosmetics and serums to prevent aging. In the past, the pearl was not only highly valued, but was also considered a healing amulet. The Greeks, for example, claimed that it served to strengthen cardiac activity. It was also used as a healing drink, breaking it up and mixing it with seawater to drink it. In the 17th century, some drugs prescribed by doctors of the time contained, among other things, lemon juice and pearl powder.⁹³.

Their healing value is based on the belief that they facilitate cardiac functioning. Pearls are formed in marine bivalves similar to oysters, freshwater oysters and sometimes even in some snails. The pearl is formed when a bivalve mollusc deposits a substance called mother-of-pearl around the irritant, be it a parasitic organism or a grain of sand. Any mollusc can produce a pearl, but only the species that have a nacreous coating (the mother-of-pearl) can give rise to a pearl useful as a gem. The highest quality pearls are produced in salt water, almost exclusively from the species of Pinctata molluscs, known as Margaritifera or Meleagrin.

The birth of a pearl is a wonderful event. Unlike precious stones or metals that have to be extracted from the earth, pearls are created from living oysters in the depths of the sea. As we have seen, precious stones need to be polished before they show their beauty; pearls do not need such treatments to reveal their charm. They are born from mother oysters with an iridescent glow and soft inner luster that doesn't match any other gemstone in the world.

As mentioned, a natural pearl begins its life when a foreign object, such as a parasite or a particle of sand, accidentally deposits itself in the soft body of the oyster from which it cannot be expelled. In an attempt to alleviate this discomfort, the body of the oyster initiates

⁹³PELLANT, C, AND RUSSELL, H. *Encyclopedia of Rocks, Minerals, and Gemstones*. San Diego, CA: Thunder Bay Press, 2001, p. 123 e ss.

a defensive action. The oyster begins to secrete a smooth crystalline substance and at the same time lasts around the irritating object in order to protect itself. This substance is called mother-of-pearl. As long as the foreign body remains inside the body of the oyster, it will continue to secrete the mother-of-pearl around the object, layer after layer. After several years, the irritating object will be completely enclosed in this silky crystalline layer. The result: the precious and brilliant gem called the pearl⁹⁴.

The history of pearls is linked to that of luxury and exclusivity. Until the beginning of the 20th century, the only way to get them was to dive to great depths, extract the oyster, open it and check if there was luck and a pearl occupied its interior. It was the poorest heads of families on the islands and along the coasts of the eastern seas who performed this arduous task. It is estimated that in order to obtain a truly precious natural pearl, it is necessary to extract 200,000 oysters, so it is not difficult to imagine how little gratifying this task is, not to mention the risks that these people plunged to great depths counting only on the air in their lungs. To be so exclusive and difficult to obtain pearls were and are synonymous with wealth and luxury and, therefore, the object of desire of the richest and most powerful. Among Julius Caesar's motivations in venturing to conquer Great Britain was the control of the pearl trade in Scotland. One of the most important points about pearls is the need to learn to distinguish natural pearls from cultured pearls⁹⁵.

Legend has it that Cleopatra had bet with Mark Antony that she would be able to prepare the most sumptuous dinner in the world, even richer and more luxurious than those organized in Rome. Mark Antony, in disbelief, accepted the bet and when he arrived at the appointment, which obviously did not lack either delicious food or crowds of servants, he was little impressed by the party and so he communicated it to his hostess. Cleopatra then

⁹⁴GROVE-WHITE, W., C.. The Manufacture of synthetic crystals in the plant at I.G. Farbenindustrie, Oppau-Ludwigshafen, H.M. Stationery Office, 1946.

⁹⁵BRUHNS, KARL. Life of Alexander von Humboldt. London: Longman Green and Co, 1873.

took one of the pearls from the earrings and dipped it in wine until it dissolved. While the queen was drinking that particular "pearl" wine Mark Antony had to admit that he had lost the bet. Another version of the legend says that Cleopatra dissolved a pearl in a glass of wine and drank it, to win a bet with Mark Antony that she could consume the wealth of an entire country in a single meal.

The demand for pearls led to the depletion of reserves at the end of the 19th century, so the sector began to study other ways to obtain the precious substances. It was Japan's Tokichi Nishikawa who patented the system for obtaining cultured pearls at the beginning of the 20th century, and his country would be the world leader in pearl production until the last decade, when China surpassed Japanese production⁹⁶.

There are two main types of pearls. Natural pearls, are very rare and difficult to obtain and, therefore, the most appreciated and those that reach a higher price on the market. Prices can exceed one million dollars. Cultured pearls, which are the majority of pearls sold in jewelry stores. To obtain them you need to perform a small surgery on each oyster to introduce the foreign body. From that moment, a two to four year wait begins in which the oyster's environment is checked until the stone is obtained⁹⁷.

The pearl cultivation technique has been perfected and it is now possible to introduce small moulds to obtain pearls of certain shapes. The price of a cultured pearl will depend on its size, shape, colour, brightness and the nature of the mother-of-pearl. The most common ones are around 65 euros per piece. The more defects the pearl has, of course, the lower the price and the more perfect it is, the more the price increases. How to distinguish a natural pearl from a cultured one? Only experts are able to distinguish a natural pearl from a cultured

⁹⁶ MACINNES, D. Synthetic gem and allied crystal manufacture. Noyes Data Corp, 1973.

⁹⁷HAINSWANG T., KARAMELAS S., FRITSCH E., NOTARI F. Luminescence spectroscopy and microscopy applied to study gem materials: a case study of C centre containing diamonds. *Mineralogy and Petrology: Luminescence special issue*, Vol. 107, N°3, 2013, pp 393 - 413.

pearl. For this they need to examine the core of the piece, a method for which sophisticated X-ray systems are used. Most of the pearls sold today, as mentioned above, are cultured pearls.⁹⁸ How is it formed in practice what an oyster considers a simple protection against irritation, is one of nature's most precious secrets. Because mother-of-pearl is not just a soothing substance. It is composed of microscopic crystals, each perfectly aligned with the other so that the light passing through the axis of one is reflected and refracted by another to produce a rainbow of light and color. Cultured pearls are formed by oysters in an almost identical way. The only difference is that the man's hand surgically implants the irritating object - a small piece of polished shell - into the oyster, instead of letting nature and the oyster work the "miracle" independently.

The size of the pearls oscillates between that of a pin and that of a pigeon egg. The largest pearl ever found weighs 450 carats. It is not possible to guarantee the life of a pearl for a certain time. It is estimated to reach 100 to 150 years. But there are several pearls that maintain an unbeatable appearance for hundreds of years. The cure contributes to their preservation. Dryness and high humidity are harmful. They are very sensitive to acids, sweat, cosmetics and lacquer⁹⁹.

⁹⁸KARAMPELAS S., HAINSCHWANG T. Natural pearls from the Pectenidae family: Review and origin of colour. *Gems & Gemology* Vol 46, No. 2, 2010, pp. 149 – 150.

⁹⁹MATLINS, ANTOINETTE L., AND BONANNO, A. C. *Gem Identification Made Easy*, 2nd edition. Woodstock, VT: Gemstone Press. Karampelas, Stefanos; Gauthier, Jean-Pierre; Fritsch, Emmanuel; Notari, Franck (2009) Gem news international: Characterization of some pearls of the Pinnidae family. *Gems & Gemology*, v. 45, n. 3, 1997, pp. 221-222.

3.2. The importance of Italian family businesses in the processing and marketing of precious stones: the case of Crivelli Gioielli

The gems market in the Italian case is connected with an ancient and illustrious tradition of goldsmithery and jewellery among the most important and well-known in the world. Italian goldsmithery and jewellery is one of the wonders of Made in Italy. In a strong connection between tradition and modernity, the love for beauty and craftsmanship experience and the ability to preserve ancient knowledge have made Italy one of the world leaders in the production of jewelry and goldsmithing. These sectors are fully integrated within a fabric of medium-sized companies in which the cultural and organizational contribution of the family business model is decisive. In Italy, as is well known, there is a flourishing luxury market of international renown, represented by the so-called districts that are divided into important production areas, dedicated to jewellery and goldsmithery. Among the various examples that could be mentioned in this regard, think of the district of Valenza, which is one of the best known and most important in the jewellery sector at an international level¹⁰⁰.

A short distance from the large cities of northern Italy such as Genoa, Milan or Turin, the district of Valenza includes eight neighboring municipalities where high-end jewels and goldsmith's workshops are produced and sold all over the world. The city, which was included among the places of particular interest for the Milan Expo, also opened a Jewellery Museum in 2015. The small Piedmontese city has the highest density of goldsmiths in Italy, the largest number of goldsmiths and jewellers and combines the solid tradition of high craftsmanship with a great capacity for technical, stylistic and material innovation. The high level of design, a lively production network and an internationally renowned fair, as well as

¹⁰⁰<https://orafoitaliano.it/2019/04/istat-2018-fatturato-orafo-esportazioni/> , consultazione gennaio 2020

its training centres and a strong goldsmithing tradition rooted in the territory make Valenza a privileged target for luxury tourists, onlookers and amateurs alike¹⁰¹.

The jeweller's or goldsmith's craft is one of the most widespread professions in Italy, with deep local roots and regional specializations, where companies are often, as said, family-run and make personalized jewelry for their customers. Numerous localities and districts of jewellery and goldsmithing illustrate this typically Italian artistic vocation. Another of these production areas of high technical excellence is the goldsmith-silver district of Vicenza, which specializes in high quality jewellery and produces silverware, pottery, decorative accessories, prints, sculptures and paintings. This district accounts for 30% of Italian exports, which are generally directed towards Russia, Turkey and the United Arab Emirates. The city of Vicenza is itself a jewel city par excellence. In this city around 1300 there were 150 members in the brotherhood of goldsmiths. At that time the fame of its artisan jewelers had already crossed the borders to be a reference in the field¹⁰².

On the suburbs of the city, there is one of the most emblematic workshops of Vicenza jewellery. The Roberto Coin workshop. Hidden behind several doors and security gates, it houses workers in green overalls who polish metals and precious stones next to machines and computers, who print wax models and transform precious metal wires into elastic tubes. Here production starts on the computer, where designers and creatives generate the models in 3D images. There are about 700 different models per year. In the next room the 3D printers make wax models which are then made in gold or silver and meticulously assembled with precious stones. Carlo Coin, son of the company's creator, explains that the use of 3-D in this company is not like in most jewelry companies today, to reduce production, but in the case of his workshop, it is aimed at obtaining complex designs that would be impossible to make

¹⁰¹<https://www.federpreziosi.it/breve-fotografia-del-mercato-italiano-del-comparto-oreficeria-e-gioielleria/> , consultazione gennaio 2020

¹⁰²<https://orafoitaliano.it/2019/04/istat-2018-fatturato-orafo-esportazioni/> , consultazione gennaio 2020

by hand. For example, he shows a bracelet. Traditionally, these pieces are prepared in a rubber mould, reducing them to a two-part composition: the front and the back, which are then welded. With 3D printing, the limits of space disappear. But the design can now become extremely complex with thin intertwined components that are hand polished to create lines of different brightness. By combining high technology with traditional craftsmanship, it becomes possible to create something extremely new in these businesses¹⁰³.

Italy has another of its many jewellery capitals in Arezzo, famous for its quality jewelry production and for its training and research centres, as well as for its historical importance as a supplier to the great jewelers of Florence. The Tuscan city hosts every year "Oro Arezzo", a fair that brings together numerous specialists in the field, not only from Italy but from many parts of the world. We must also mention the Neapolitan jewellery district, with a tradition of more than 2000 years, which runs along a route from Naples to Torre del Greco.

Another place where jewellery has centuries of history is the metropolis of Milan, the centre of fashion and elegance. In the workshop of Vhernier, a company renowned for its contemporary design pieces, perfection is sought after by following another path. "The jewel must be made manually," explains Angela Camurati, production manager of the company. "The computer here is only used to perfect the technical details of the pieces, but the beauty of the jewel can only be achieved by the hand of the craftsman. At Vhernier, it is believed that if technology takes the lead in production, jewelry loses its magic and poetry. In 2014 Vhernier introduced the first Plissé bracelet, a piece of crossed metal that seems to have been made on a computer, but it is explained that it all started with a paper mold, folded and braided and then translated into metal in a long process. The bracelet was a real sales boom. The company does not underestimate the technology as an aid. They make a wax model through 3D printing to benefit from the advantages that can also be derived from the use of

¹⁰³<https://www.federpreziosi.it/breve-fotografia-del-mercato-italiano-del-comparto-oreficeria-e-gioielleria/> , consultazione gennaio 2020

this equipment. Buccellati's workshops are located in a not particularly conspicuous building on the suburbs of Milan, and nothing suggests that some of the most extraordinary jewels in the world are made here, using techniques and tools that - according to Andrea Buccellati, president of the company - have not changed since the Renaissance. His sister Maria Cristina Buccellati, the company's communications director, says they are the only goldsmiths who continue to use these methods¹⁰⁴.

In effect, if you visit the atelier, you can see one room after the other, where the craftsmen work using ancient tools to work the metal, leather pads filled with sand to lay the pieces they are working on, wax bowls to make moulds and shapes, according to the system used by Cellini, and a drill made of wood, rope and steel to perform hand drilling, the same type of tool with which Leonardo da Vinci worked. According to Mr. Buccellati, this drill is better than a machine because it facilitates a greater sensitivity to the craftsman in perceiving the process. On the walls are hung plaster forms, with designs by jewelers from 100 years ago. Mr. Buccellati says that it is much better than archiving photocopies. Each piece of Buccellati jewelry can take between a month and a year to complete. Like the great Italian houses - Fendi, Ferragamo, Versace, Pucci, Bulgari - Buccellati continue to run the business through family management. The origins date back to 1750, with the goldsmith Contardo Buccellati. But it was in 1919 that the family's real jewellery business began, which thrives to this day among the great names of jewellers in Italy.

As mentioned, there are numerous events and fairs in the goldsmith and jewellery sector in our country, as well as the mentioned Vicenza Oro and Orogamma in Arezzo, and they are among the most important at international level. Spread throughout the Italian territory, in them you can admire goldsmiths and collections of high jewelry typical of the tradition of our country¹⁰⁵. The popularity of Italian jewelry, sensual beauty and extraordinary

¹⁰⁴Si veda <http://it.buccellati.com/it/>? Consultazione gennaio 2020

¹⁰⁵<https://www.federpreziosi.it/breve-fotografia-del-mercato-italiano-del-comparto-oreficeria-e-gioielleria/> ,

craftsmanship is based, as we have seen, on the ancient wisdom acquired in many cases since the Middle Ages and transferred from generation to generation to the present day, jealously guarding its secrets. Italian jewelry today has been profoundly revolutionized by new technologies, but the authentic form of this art, represented in traditional goldsmiths, has never been separated from its traditional origins¹⁰⁶.

The international jewellery house Crivelli Gioielli has one of its branches in the Piedmontese district of Valenza¹⁰⁷. The company saw the light in the seventies in Valenza, by Bruno Crivelli. He, we read on the company's website, "decided to transform the skills and abilities gained in the world of precious craftsmanship into entrepreneurial activity".

According to the portal: "The quality of the executions, the refinement of the combinations of stones and metals, the identification of original technical solutions, but above all the refinement of the creative composition have met the taste of consumers of different cultural traditions. The choice of such rigor has been rewarded with a constant success that has allowed the company to be one of the most appreciated on the Italian and international market. Crivelli distinguishes itself with a production of jewelry ranging from limited series products to unique pieces of exceptional quality. The adherence to the concept of jewellery in its most mature meaning is reconfirmed by all its creations, with particular attention to achieving a refined elegance. The strength of his language becomes the ability to rework the classic style in many variations. Today Crivelli is synonymous with richness: with the chromatic combinations of precious stones, the surfaces dressed with refined finishes, the lively sparkles that embellish even hidden spaces with surprising textures"¹⁰⁸.

Crivelli is therefore heir to the refined goldsmithing tradition of the district of Valenza, and

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¹⁰⁶<https://www.clubdegliorafi.org/uploads/files/scheda-statistica-iii-trimestre-2018-agg12019.pdf> ,

consultazione gennaio 2020

¹⁰⁷Si veda <https://crivelligioielli.com/> , consultazione gennaio 2020.

¹⁰⁸Si veda <https://crivelligioielli.com/> , consultazione gennaio 2020.

expresses the purely Italian taste for precise and refined craftsmanship, accompanied by the best current technologies. Thus, jewels with a high innovative potential are created for their workmanship, their treatments, the technical solutions they represent and the materials that compose them. Skill, attention to detail, creativity and dedication are the basis of the company's know-how and in general in the high jewelry sector; Crivelli has been able to appropriate these values, enriching them with a commitment to innovation and an international presence.

The company started its activity by combining old techniques with new technologies for the production of high quality jewellery. As mentioned above, Valenza, located in north-western Italy, is the capital of jewellery with a world-famous goldsmithing tradition dating back to the nineteenth century and which is passed down from generation to generation. With strong roots in Italian lifestyle and culture, technical and artistic skills, frequent trips abroad and cultural exchanges are the strong points of the company's vision.

The company produces several product lines, some are produced for its collections, others are developed exclusively for some customers, and there are also unique products, according to the specific needs of customers, which allow us to offer a "tailor-made" service for every need.

In addition to the production of traditional design jewelry, revised in a modern style, the company also produces more informal lines with semi-precious stones such as tourmaline, peridot, amethyst, topaz, citrine, rose quartz, lemon, smoked.

Crivelli, in spite of its international presence, has maintained its strong artisan vocation, thanks to the world-renowned experience of the master goldsmiths of Valenza who also work using the latest and most innovative technologies at their disposal to obtain a high quality product with finishes made with the utmost care, and in which a very important part of the production process, in order to obtain the highest quality, lies mainly in the choice of

materials. Specialized gemmologists personally select the precious stones used in Crivelli products, and are also active in the participation and study of stone cuts and non-traditional methods to improve the design of the jewel, which is developed specifically for the company in a process of creation is always different from time to time.

The collections are sometimes designed on the basis of studies and observations on past or current trends, and are sometimes the result of a series of drawings and sketches made in synergy with the clients themselves. What happens is that inspiration comes from the study of new stone cuts, the investigation of new materials or any other use of existing ones, or simply from everyday life. A team of designers and expert goldsmiths, each for their part of the process, is committed to transform these ideas into operational projects for the production of new models and collections. The progress of the project team is constantly followed by sharing information and opinions in order to obtain the best result for the new model. Thanks to this intelligent use of craftsmanship and technology, the collaboration between the design and production departments, Crivelli Gioielli is often able to offer its customers, as mentioned above, a "tailor-made" product.

Crivelli's management relies heavily on direct contact with the customer, which is not only considered rewarding from a commercial point of view, but also very useful from a professional point of view, as it allows an exchange of opinions on design, market trends and the integration of the range of models. Usually, the meeting with customers takes place at some of the most important events in the jewelry sector, such as Basel, Hong Kong, Las Vegas, Valencia, where new collections and new models are always presented.

The main target markets are, of course, the European market and the United States, where Crivelli jewels are universally and continuously published in the most important magazines of the sector. Other markets in which the company operates are South America, the

Caribbean area, South Africa, some North African countries, and the Far East market¹⁰⁹.

3.3. The long Japanese and Chinese Asian tradition in the production, processing and marketing of pearls

Pearl growers who earn their living in the sparkling waters of Mie Prefecture owe a great debt to the patience and perseverance of Mikimoto Kōkichi (1858-1954), a native of those places.

The eldest son of the owner of a restaurant in udon, in what is now the city of Toba, he became a merchant of marine products in the prefecture of Mie in the 1880s. He sold dried oysters and dried sea cucumbers in distant Tokyo. It is said that during one of his travels Mikimoto was fascinated by pearls, which at the time were even more precious than they are today, as they had never been successfully grown¹¹⁰.

Great efforts had been made in this regard, especially in Europe, but no attempt had borne fruit. Resolved to solve the mystery, Mikimoto began cultivating Akoya oysters in the bay of Ago, after five years of trial and error he had managed to produce hemispherical pearls that grew like blisters stuck inside the oyster shell. But the progress he had worked for was not far off¹¹¹.

Mikimoto shares the podium with two other pearl researchers active at the dawn of the 20th century: Mise Tatsuhei (1880-1924) and Nishikawa Tōkichi (1874-1909). These two men

¹⁰⁹Si veda <https://crivelligioielli.com/>, consultazione gennaio 2020.

¹¹⁰KARAMPELAS S., HAINSCHWANG T. Natural pearls from the Pectenidae family: Review and origin of colour. *Gems & Gemology* Vol 46, No. 2, 2009 pp. 149 – 150.

¹¹¹MATLINS, ANTOINETTE L., AND BONANNO, A. C. *Gem Identification Made Easy*, 2nd edition. Woodstock, VT: Gemstone Press. Karampelas, Stefanos; Gauthier, Jean-Pierre; Fritsch, Emmanuel; Notari, Franck (2009) Gem news international: Characterization of some pearls of the Pinnidae family. *Gems & Gemology*, v. 45, n. 3, 1997 pp. 221-222.

presented in 1907 two patents on techniques for creating spherical pearls. After reaching an agreement to cooperate in the development of pearls, the "Mise-Nishikawa method" they gradually began to gain strength in the field. But it was Mikimoto who made the expected breakthroughs in his work to receive a patent for the cultivation of round pearls in oyster cloaks in 1916, thus starting the first commercially viable business for spherical pearls.

A century later, Mikimoto's pioneering method, now revered as the "King of Pearls", is still used. And although much of the process of growing a pearl is still done in the traditional way, more and more technology is being used to protect oysters. A warning system, called "Shell-Lingual", has been developed to alert growers when the water conditions in which oysters grow are deteriorating. Environmental changes can affect the very important amount of oxygen in the water. Every year millions of oysters are put into cultivation. But only a small part survives to produce high quality cultured pearls. Cultured pearls cannot be produced, as in a factory. Much depends on the whims of nature. Many oysters do not survive the surgical implantation of the nucleus. Others are weak and susceptible to disease. Heavy rains can flood the bays with fresh water, reducing salinity and killing the oysters. Sometimes, some species of plankton go through periods of explosive growth, creating the dreaded "red tide" that depletes the oxygen in the bay and suffocates the oysters. There are also typhoons, attacks by predators and parasites or lack of nutrients in the water. All this can pose a danger to shellfish. Sensors are placed in a number of oysters to allow growers to monitor the extent of the shell opening. Rapid opening and closing indicates that the oysters are in danger; a message is automatically sent to the growers' mobile phones, allowing them to move the shellfish to another part of the bay or position them at different depths.¹¹².

¹¹²VAN DER BOGERT C.H., SMITH C.P., HAINSCHWANG T., MCCLURE S. Gray-to-Grayish Blue and Gray-to-Grayish Violet Hydrogen-Rich Diamonds from the Argyle Mine, Australia. *Gems & Gemology.*, Vol. 45, No. 1, 2009, pp. 20 – 37. Campbell Pedersen, Maggie. (2004) *Gem and ornamental materials of organic origin*. Elsevier Butterworth-Heinemann, Oxford, pp. 116 e ss.

Today the small island near Toba, where Mikimoto made his discoveries, has become a museum in his honour. At the dawn of the pearl cultivation, foreigners were not allowed to enter the island. This changed in 1951, however, and the millions of visitors who have come since then have included queens, princes, statesmen and kings of business, all attracted to these beautiful translucent spheres.

The ground floor of the Mikimoto Pearl Museum houses numerous exhibits that describe how Mikimoto first cultivated a pearl. There are around 100,000 different varieties of oysters, but only six are suitable for pearl cultivation. While Mie growers generally use Akoya oysters, Tahitian black-cut oysters are preferred for black pearls, and larger oysters with white edges create the large South Sea pearls¹¹³.

The exhibition shows that only 5% of the collected oysters contain perfect pearls, while up to 50% of oysters die in the process. Imperfect pearls are not discarded, however, but are used for medical supplements and, more recently, for cosmetics. The museum also shows how pearls are selected for inclusion in silk threads. Those responsible for the selection must have a good eye for choosing pearls of similar luster, colour and size. The lower area of the building also houses an extensive collection of photos of the pearl industry from around the world, including pictures of the famous ama women, spearfishers from the prefecture of Mie¹¹⁴.

On the upper level of the museum, visitors can admire the works of art that pearls can become. The museum started collecting samples of jewelry in which pearls are used in 1985 and already has a collection of about 250 works. The exhibits include a gold brooch from southern Germany dating back to 1600 and containing pearls and jade. There is also a mortar

¹¹³HAINSWANG T., KARAMPELAS S., FRITSCH E., NOTARI F. Luminescence spectroscopy and microscopy applied to study gem materials: a case study of C centre containing diamonds. *Mineralogy and Petrology: Luminescence special issue*, Vol. 107, N°3, 2013, pp 393 - 413.

¹¹⁴CAMPBELL PEDERSEN, MAGGIE. *Gem and ornamental materials of organic origin*. Elsevier Butterworth-Heinemann, Oxford, 2004, pp. 116 e ss.

cross set with pearls and emeralds, made in England around 1830. Mikimoto's craftsmen have also created a number of impressive works of art, including a reproduction of the priceless biwa (similar to a lute) which has been preserved in the Shōsōin deposit, as well as the remaking of a Byzantine crown from the Middle Ages which took 14 months to produce, and has 796 pearls of the highest quality and 17 diamonds.¹¹⁵

Pearls are the real treasures of the sea, appreciated over the centuries for their delicate shine. After the pearl cultivation techniques developed in Japan, the country soon began to produce beautiful pearls that aroused admiration all over the world and started a tradition that has not been interrupted until today. Japanese oyster breeds have evidently proved to be particularly suitable for the application of the new techniques. The pearl is created inside the body of a bivalve marine mollusk widespread on the Japanese coast, the akoya oyster, the most famous for the production of its pearls¹¹⁶.

As we have said, nowadays almost everywhere natural pearls collected in a natural environment are very rare (and it has always been so: as we have said, natural pearls are so rare that in ancient times only a very limited number of people possessed these types of gems). The techniques initially identified by Kokichi Mikimoto evolved quite quickly and the Japanese grower, after finding a way to cultivate hemispherical pearls in 1893, managed to cultivate almost perfectly spherical pearls in 1905, paving the way for the world-wide cultured pearl industry.

As has been said, his method, which is basically the one still adopted today, consists of introducing a foreign body into an akoya oyster to make the receiving oyster form a pearl around that body. What is the difference between a cultured pearl and a natural pearl? In

¹¹⁵FARN, ALEXANDER E. *Pearls: natural, cultured, and imitation*. Butterworths-Heinemann, Oxford, 150 pp. Federman, David (2004) Gem profile: black pearl. *Modern Jeweler*, v. 103,1991, n. 10, pp. 55-56.

¹¹⁶KOIVULA, JOHN I.; KAMMERLING, ROBERT C.; Fritsch, Emmanuel (1992) Gem news: Natural pearls from the New World. *Gems & Gemology*, v. 28, n. 3, p. 202.

fact, the only difference is the way the foreign body enters the shell: in the natural pearl it is somehow random and in the cultured pearl it is due to human intervention. Once removed from the shell, both natural and cultured pearls are "authentic pearls," without any difference. Before Kokichi made his discovery, pearls reached very high prices all over the world. They were more expensive than a diamond of similar size. As we have seen, only people who belonged to the highest spheres of society, a small minority, could afford one. Kokichi is famous for his statement: "I will give women all over the world the opportunity to decorate themselves with pearls. And he kept his promise. Pearls cultivated with the techniques he soon developed began to highlight the charm of women all over the world, and from the middle of the 20th century, the soft splendor of pearls adorned many women's necks.

A sophisticated but simple beauty, thanks to an ideal climate for pearl cultivation. As mentioned, the key factors in assessing the value of a gemstone are its size, colour, shape and condition. In the case of pearls, two other criteria have to be added: maki (literally, "wrapping layers") and teri ("shine"). Maki is the thickness of the layers of mother-of-pearl around the core, while teri is the brightness that emerges from the inside. The thicker the maki, the more intense the luster, with a corresponding increase in price.

Maki and teri are the factors that give Japanese pearls their value. Harvesting takes place in November and December, when seawater temperatures start to drop, creating the right conditions to harden the crystalline structure, forming thin layers of mother-of-pearl. When the layers develop uniformly, the light reaching the pearl creates a soft, deep teri. This subtle yet sumptuous luster is a characteristic of cultured pearls in Japan, a country that has very pronounced seasonal differences. This is why Japanese pearls are considered the best .

Another country that has gained an important position in the pearl market is China. The cultivation of freshwater pearls in China began in the 1960s and at that time production was only half a ton per

year. If we move on to the 2006-2017 period, production exceeds 1,500 tons per year, reaching peaks of 3,000 tons. This production represents 90-95% of world production. However, in the figures for 2015, the turnover is a few hundred million dollars. Only 10% of the international turnover. In the rest of the world, the relationship is exactly the opposite¹¹⁷.

However, in recent years production has fallen from 1,500 tonnes per year to 800 tonnes. There are two factors that explain this phenomenon: the first is environmental problems and the second is grafting technology. Chinese industries, faced with these problems, are concentrating on a quantitatively lower but higher quality production.

For example, a strand of pearls without a core of the best quality produced in fresh water in China can cost around one hundred dollars. The same wire with Ming or Edison pearls can cost about \$1,000. This type of pearls is the one already used for fine jewelry. In fact, a necklace of the best quality and size can cost as much as \$500,000. A strand of coreless pearls of the best quality produced in fresh water in China can cost about \$100. The same thread of Ming or Edison pearls can be worth about \$1,000. The growing demand for pearls has led to growing them in large quantities. These cultured pearls, as has been pointed out, are not an imitation, but a natural product born of man's intervention. Cultured pearls currently account for 90% of the total pearl trade. China has a centuries-old tradition in this sector. Already in the 13th century, small lead figures depicting the Buddha were attached to the inner wall of shells so that they were covered with mother-of-pearl.

¹¹⁷KOIVULA, JOHN I.; KAMMERLING, ROBERT C.; FRITSCH, EMMANUEL (Gem news: Natural pearls from the New World. *Gems & Gemology*, v. 28, n. 3, 1992, p. 202.

3.4. Comparison of management characteristics of family businesses active in the precious stones sector in Japan and Italy: Otsuki Pearl Co. Ltd. Vs Pasquale Bruni

One of the most prestigious entrepreneurial realities of the Japanese market in the precious stones sector is represented by Otsuki Pearl Co , a company that, not too surprisingly, shares with its Italian counterparts active in this field, the synergy between the artisan tradition of an important family business and the openness towards the use of new technologies.

Since its foundation in the early 1930s, K.Otsuki Pearl Co., Ltd. has been synonymous with high quality and excellence in all fields of the pearl trade, including the cultivation of South Sea pearls in Timor, Indonesia. The company is engaged not only in the processing of pearls, their sale and export, but also in the manufacture of many other gems and jewelry. Two divisions of the company are operational, with an integrated production and sales system that addresses the demand for high quality products and the luxury market. Akoya pearls coming from Japan and Kobe pearls. In both cases it is a stable supply of high quality pearls that have been highly appreciated by an international clientele for decades.

The starting point of K.Otsuki Pearl Co. was the cultivation of pearls, as mentioned above, in the years when the introduction of new techniques in this field were revolutionizing the market of these gems. The founder, Kikuo Otsuki, after graduating from the former Imperial Fisheries Institute (now Tokyo University of Marine Science and Technology), founded a pearl cultivation factory in Ehime Prefecture in 1930. The company then opened its office in Kobe in 1935 and began wholesale and export. In 1954, in order to carry out the complex cultivation process more efficiently, the cultivation department was separated from the strictly commercial department and became a subsidiary company, the Otsuki Cultivating Company.

The company owns more than 10 cultivated pearl farms on the two islands, including Japan's main island. With the goal of achieving superior quality pearl cultivation, efforts are

constantly being made to improve the technology available in every aspect. In 1994, the company began large-scale cultivation of South Sea pearls in Indonesia¹¹⁸.

Today, the Otsuki Pearl group is a grower with two national growers and two overseas subsidiaries, as well as an internationally active pearl trader and a producer with a strong combination of every technological resource and after a careful selection process. The integrated production, processing and distribution system is the true strength of the Otsuki pearl group, and the basis of its high competitive status in the pearl industry globally.

Pearl oysters are mainly grown in the Ehime, Mie, Nagasaki and Kumamoto areas. As mentioned, the group includes a company directly involved in the cultivation, which produces large quantities of pearls every year. In addition, Otsuki purchases pearls from local growers to meet the needs of its customers, bidding and trading at the local Pearl Cultivation Union. The company now buys between 30% and 35% of the entire market, which is why it is now regarded as the largest and most important pearl company.

Otsuki is also the best exporter. The group is in fact well known not only in Japan but worldwide as the best and largest producer in the pearl field. This is because the company continues to hold the highest place in exports since 1975. The company's ability to meet the needs of a select international clientele is made possible by the richness of its stock, a highly qualified selection of parts and a high level of processing technology.

To date, the following companies are part of the large Japanese group, with offices in Japan, Indonesia and Honk Hong. In Japan they belong to Wakasa Otsuki Pearl Cultivators Co., Ltd.; Kagoshima Otsuki Pearl Cultivators Co., Ltd.; Paluna Co., Ltd.

Daisei Co., Ltd.; OP Trading Co., Ltd. In Indonesia PT. Timor Otsuki Mutiara; PT. Maria South Sea Pearls Indonesia. A d d Hong Kong K.Otsuki Pearl (Hong Kong) Ltd. These

¹¹⁸<https://www.otsuki-pearl.com/profile/index.html>

companies are in various ways active in the cultivation and production of pearls, export and wholesale. The main export countries of the Otsuki Group are Germany, France, Italy, Spain, Switzerland, United Kingdom, Austria, Belgium, United States, Canada, Australia, Hong Kong, China, Korea, Taiwan, Singapore, Thailand, United States, Israel, etc...¹¹⁹.

Below are the results of a Qualitative Survey carried out at Otsuki Pearl Co, by submitting a questionnaire consisting of a series of questions to one of the company's top management managers.

1 - Is the Precious Stones sector showing important signs of change? What are the main threats? What are the possible opportunities that could be created in the near future?

“honestly speaking ten twenty years ago our main market was Europe and states, they were the two biggest market for us. But, today as u know Europe is not so good as well as US market.

Today new markets appear in Asia, in particular Mainland China. So we shift gradually to care more and more about China market that helps us to survive in a such difficult moment.

About the business model it could change according to each customer but basically our way to work is the same.. since we're wholesalers not retailers.”

2- Is the role of family management in the precious stones sector, based on certain principles and tradition, a factor generating competitive advantage in the modern context or are certain management principles an obstacle?

¹¹⁹<https://www.otsuki-pearl.com/profile/index.html>

“Our company started in 1930, so next year we’ll turn 90 years... if we’re still in the business is also thanks to the policy company that has been always the same, even if sometimes we had to change some part of it... I think that a balanced mix of historical policy and innovation represent the best way to get success”

3- *Could you list the types of elements that, in your opinion, hinder management paths that could enhance production and thus increase sales and market share?*

“As told before we’re not retailers, so we don’t need a nice packaging or a good advertising to increase sales... We just keep a constant and long relationship with our customers, trying to understand what really customers need... we feel our customers as partner in business since we are interested in a long term business, not in a spot sale... of course keeping a wide assortment and an excellent value for money”

4- *What are the strengths that a management based on family tradition could allow for better performance?*

“our company total staff is around 250 employees and of course we have 4 owner families. The board members of course get some decisions but they also rely a lot on the executive staff... I think that the mutual trust and the loyalty between the executives and the owner family represent the biggest point of strength of our company... even when we have different point of view... by communicating we always succeed in finding a common solution”

5- *Interacting with different suppliers, national and international competitors, what kind of differences did you notice in the family management of the company?*

“Honestly for us is easier to deal with company family owned... the communication and also the decision making process is much more fast, since the boss make his decision. While with non family owned each manager have always to report to his boss... I think that in our business the personal judgment and the business acumen could really represent a competitive advantage

6- *Does the transition from one generation to the next also present critical issues within your company? Have there been any contrasts between, say, older management styles and current strategic guidelines?*

“Even if we had some changes in our organization, the common values and respect for each other have always helped us to overcome generational problems..”

7- *Will the new generations know how to honour tradition? Are you optimistic or pessimistic about this?*

“Japan is a place where traditions are always respected from everybody... I’m optimistic about the future since new generations are educated from people that have always worked in this business... in this way they had the opportunity to learn not only the know how but also some secrets, tips, and values..”

8 – *Family management and the attachment of many families to family businesses is greater in Europe or Japan. Do you think that the family business model is successful and compatible with the dimensional development of the company itself?*

“We feel that in Europe the family business is more diffused. In Europe we use to have a lot of customers in Italy, Germany, France and so on... the most of them were owned family business.

I think that the success and the growth of a family firm is strongly related to the character, the personality and to the passion of the owner.

In our business those element makes really the difference between success and failure.”

9- *What do you think of Italian family capitalism? Does it represent a limit for the economic development of the country or an opportunity? In what way could it represent an opportunity?*

“About the pearl business i think definitely that family owned business could represent a great opportunity. Today, even if the market is suffering we still keep good relations with lots of Italian companies from more than 30 years... this has been possible also thanks to the personal relationship between us and the entrepreneur (the owner of the company), while this would have been much difficult if we have to deal with an external manager...”

The strength of the family bond underpinning the Japanese company is centrae. If Italian capitalism can be considered closed and in some respects also conditioned by the consistent presence of family-run companies, it can be said that in the Japanese multinational the weight of the family is central. The interviewee knows the European reality and the weight of families within the capitalist dynamic. What is certain is that in the Japanese company

there is a veneration for the history of the company, for the founder whose character and charisma is always present in any strategic choice. Outside the family, it is impossible to think about possible developments. The answers given are clear. In strengthening the company's production strategies, the way is certainly not the opening of capital or expansion through a modification of the business model. The focus is directly on marketing and sales. The recurring theme of the interview is in fact the company's history. The interviewee strongly emphasizes that this is a secular company and that it bases its success on the strength of its founder and owner. The success is, therefore, traced back to the family dynamic and therefore to the reduction in agency costs that are created within more articulated companies with administrators who exercise powers through delegation mechanisms. The same judgement on the development possibilities of European companies is always anchored on the evaluation of family ties at the base of such companies. On the whole, the interview showed that in Japan the family-firm link is very strong. There is also a strong link with tradition, which is exalted, just as the choices of the predecessors are venerated, especially if they are members of the founding family of the company. This vision is then placed within the company's organizational dynamics traditionally oriented to maximize the relationships of the individual in a perspective that we can define as corporate. The objective is to pursue quality and therefore to place the worker within a company project that can make him or her participate in the objectives of the property. Mutual respect within the production organization generates value for the company and for the project of the family itself. In conclusion, it can be said that the relational aspect allows family businesses, in the pearl production sector, to produce value. The strong relationships that are built between family members are the antidote to management inefficiencies. Such relationships and, in general, excessive closure, however, risks penalizing the development of a company, provided that it wants to grow and develop. With this we want to affirm that too much concentration and exaltation of the past could lead to close in an anachronistic

isolation not very suitable to innovate the business model. Even in a sector such as jewellery and precious stones, the innovation of the business model should not be considered absolutely secondary. Recent history has shown how needs change with the generations. To isolate oneself and close oneself off from tradition could definitively mean a sort of natural end to a historical yet successful evolution. The adherence to the characteristics of Italian family businesses is, despite everything, very marked. Italy has not only small and medium sized enterprises that are completely family-run, as is often read in the specialist literature. The largest Italian companies, Ferrero is an example, have been characterized by a family management that we can define as almost "totalitarian". Closed companies, even with reference to the specificity of production. In the field of jewellers the situation is similar. The same internationally renowned Bulgari watchmaking and jewellery, now no longer Italian with reference to the ownership of the same, was born from the work of two brothers. The same interview commented for the Japanese group was addressed to Fausto Goffarini, former commercial director of the company Pasquale Bruni Spa. Goffarini as manager responds in a different way than the Japanese interlocutor. In Japan, it is the family itself that manages the company and gives strict directives, controlling the work of the organizational structure. In Pasquale Bruni the impression is that the company wants to expand and delegate, but in fact does not overcome the obstacle related to the ability to delegate functions. Further criticism is levelled at the generational changeover. Topic, for example, left out in the interview with the Japanese manager. This is, in fact, an important problem especially for the organizational structure. In Japan, the rigid management of the organizational structure limits such problems. In fact, it is one of the main problems in family businesses. These problems risk stiffening the company's strategy for a market that requires flexibility and the ability to cope with changing customer tastes. Let's see the answers.

1. *Does the precious stones sector show important signs of change? What are the main threats? What*

are the possible opportunities that could be created in the near future?

We are certainly in a time of great change. The main threat I think is due to a whole series of factors that have taken away the value of both the symbolic and the jewel. Just think that Morellato or Brosway today are considered jewels. The new generations do not approach jewellery in the strict sense of the word. The opportunities are represented by the personalization of the product.

2. How many years has your family been active in the precious stones sector? Do you think that this activity will always remain managed by the family, or could it be ceded to external figures to meet market or even family needs?

Pasquale Bruni is one of the few unlisted spas. The company is owned by a family. The problem arises when an intergenerational change occurs. This has an impact on style. The solution is to give the company to multinational companies that can through specialized managers to keep the brand alive and develop it through the aid of communication and other marketing levers. Especially Pasquale Bruni, apart from the early 2000s has never made communication but has always considered its flagship product itself.

3. Is the role of family management in the precious stones sector, based on certain principles and tradition, a factor generating competitive advantage in the modern context or are certain management principles an obstacle?

Unfortunately for management it is an obstacle because the family knows what it wants to do but does not want to do it. The family hardly accepts directives other than what they think. The management is therefore not in the best position to operate, since in fact it does

not have full decision-making freedom. So much so that in many of these companies there is a very high turnover on these figures. What I have learned from my experiences is that these companies want to do the things they have always done but at the same time they hope to get different results.

4- Could you list which types of elements in your opinion hinder management paths that could enhance production and therefore increase sales and market share?

Objective market analysis: there is low investment in both market research and market analysis, i.e. companies that do not invest to read the market. Their driver is more their perception of the market than the needs of the market itself. This is a big mistake, because unless you are a colossus and have huge investments in marketing the market does not suit you. If the average price in the jewelry world goes from X to 2X, they don't consider it but sometimes they also go in the opposite direction.

5- What are the strong points that a management based on family tradition could allow better performance?

They are the DNA, the fact of keeping the brand message strong and identity, the consistency that the company is able to maintain between the vision and what it really does. There are many examples of companies that have fallen apart because the young generation, attracted by new markets or other mirages, has lost the identity and DNA that has always characterized the company. Innovating without upsetting this is the key to success. One company, for example, that was able to do this was Fope, which despite the various problems it faced, has always been able to stay true to its DNA.

6- Interacting with different suppliers, competitors at national and international level, what kind of differences did you notice in the family management of the company?

Let's say that you cannot generalize, but the individual behaviours are to be reported to the individual people. The father many times can have completely different ways from those of the son and vice versa. Certainly the common thread can be found in the values and education that belong not to the individual but to the whole family.

7- Does the transition from one generation to the next present any critical issues also within your company? Have there been contrasts between, let's say, less recent management styles and the current strategic directives?

No, there is no consistency with the past. The idea of the importance of the brand, for the new generation, goes hand in hand with the rarity of the product on the market. Family companies with big brands think that being precious or being a luxury brand is exclusively linked to being expensive and unobtainable. This only works if someone wants to find you (e.g. Rolex), because vice versa you hide from the market.

8- Will the new generations know how to honour tradition? Are you optimistic or pessimistic about this?

In this case I do not foresee a rosy future precisely because of the inability to read the market and to adapt accordingly.

9 - Family management and the attachment of many families to family businesses is greater in Europe or Japan. Do you think that the family business model is successful and compatible with the dimensional development of the company itself?

Absolutely yes, in the luxury world the correct size of a company is a medium-small size - therefore between 50 and 100 million turnover -. Such a company could be serenely managed by a family, obviously with precise roles and leaving the management free to operate.

10- What do you think of Italian family capitalism? Does it represent a limit for the economic development of the country or an opportunity? In what way could it represent an opportunity?

It represents an opportunity when you are willing and willing to invest in style. We Italians are the ones who should at least teach elegance to the whole world. When you are able to channel capital in the right and functional direction and spread this elegance that we possess in terms of product, relationship management and relationships, you are winning

CONCLUSIONS

As has been pointed out, family businesses are in many cases a decisive component of a country's economic fabric. If these companies are equipped to function as large companies and not as comfortable family "shelters", sheltered from risk and business culture, they can not only enjoy longevity and prosperity, but also play their vital role in sustaining the economy. They not only contribute to a country's wealth, but are also job generators and often very innovative players in their respective fields of action.

In many cases they are family businesses that dominate national economies and some of them have an important representative force in the world economy, which confirms once again the importance for global economic stability of the permanence of these businesses. If there are so many examples of successful family businesses in the world, why are there so few that can go a long way? It is clear that family businesses are complex because they function as gears of three subsystems: family, business and assets. They all interact and evolve. The family grows with the generations, the company grows and incorporates employees from different social backgrounds, and the structure of assets on its part becomes increasingly complex. For the same reason, these assets must be kept separate to understand the special interests of the family, employees and property.

So what is the way to ensure that family businesses do not die? Experience has shown that each family is a different universe. Likewise, it is important to keep in mind that the power and wealth of family businesses is not only in the bank in these businesses, but there is also a fundamental heritage of talent, experience and culture, and this, the ability of these elements to produce value, is also quantifiable. As is well known, the notion of "corporate culture" focuses on the conjunction of more or less shared values, beliefs, attitudes and behaviours which, deeply rooted and internalised, are able to determine the ways, actions and ways of doing things in the corporate sector. It is the set of fundamental or basic beliefs,

expectations and principles shared by the members of a given organizational reality. These beliefs and expectations produce norms that powerfully shape the behavior of individuals and groups in the company, and in this way, determine the difference of a company compared to other organizations. The term corporate culture in the case of a family business can be considered as the basic ideology followed by the owner family, which is characterized by values, norms, traditions or ways of doing things in economic and social life.

The corporate culture of a family business is essentially defined as the set of values, defined by behaviours, that "endure" in a company, as a result of the leadership exercised over time by family members. These principles also define the family unit and the natural relationship between family and business. The culture of the family business therefore plays a crucial role in determining the success of these business models, and can manifest itself, in intangible aspects, in the set of ideas and actions that an individual puts into practice to deal with a problematic situation; in values, such as honesty, customer service, quality, traditional craftsmanship, and the relationship with the territory. These values can be formal or informal and they give the company's philosophy its own character. However, it is necessary to distinguish between the ideal values and the real values of a group when analysing the culture of a company. The culture in the family business is the product of beliefs, values, expressions, deep-rooted convictions, history and social relations. The transmission of these cultural models is shared, relatively stable, both within the family and within the company. Therefore, all the information, values, models and beliefs that from the beginning are shared by family members, condition their behaviour and development, and therefore that of the company. These cultural and identity assets represent in all cases extraordinary riches for the productive and social fabric of a country. Both in Italy and Japan, as the examples analyzed show, family businesses have some distinctive characteristics, including in particular an expressed desire for continuity of the business in the hands of the family, which nurtures a sense of inheritance and identity. In both cases,

the working environment contains elements of the family business culture that influence the sense of belonging of its members and their desire to continue to cultivate it and make it relevant, as a resource to face the challenges of the present and future.

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Dipartimento
Di Impresa e Management

Management and Governance of Family Firms

Governance in family firms: differences and similarities by geographical areas

Prof. Fabio
Corsico

RELATORE

Prof.ssa
Federica
Brunetta

CORRELATORE

Vittorio Coscia
691961

CANDIDATO

SUMMARY

This research focuses on the characteristics and specificities of the Family business model, on its importance in the particular reality of the Italian productive fabric, and on the analysis of some representative case studies of international importance. First of all, the peculiarities of the family business and its possible definitions are analyzed, starting from an illustration of the historical events of this type of entrepreneurial reality. It is generally believed that the vast majority of family businesses are of the size of a small or medium enterprise and that their disappearance over time does not represent a vital danger to a country's economy. However, as will be seen, the great economic power of these companies in the world is in most cases associated with their fragility, since statistics indicate that 70% of family businesses do not survive the first generation change. The compression of this vital sector and the disappearance of this type of reality can only represent a negative factor for the social and economic fabric of a country, especially of a country like Italy. Family business has become a substantial field of research over the past two decades. Empirical studies indicate that concentration of ownership within a family is common among listed firms and predominant among unlisted firms; additionally, family firms contribute substantially to aggregate employment and income. Family businesses have also received increased political attention; they are considered the backbone of private industry and a key target for policies aimed at increased employment and economic growth. Consequently, many policies designed to encourage the establishment and growth of family firms have been proposed in Europe, USA and Asian market. As mentioned in the course of this work, the opinions of the company literature do not always recognize the merit of family businesses for having supported the production dynamics of our country. It is useful to remember that, for example, Barbaresco et al¹²⁰ underline that family capitalism has contributed to the lack of development of large companies. In particular, they state how important is the theme of the scarce space potentially available to large private companies, caught between the abnormal extension of the

¹²⁰ BARBARESCO G., Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

state industry and the extraordinary development of small and medium enterprises that have been able to better adapt to the difficult boundary conditions¹²¹.

The literature on family business prior to the 1980s has focused more on the limits of the family business, therefore the weaknesses, to explain the non survival of this type of business.

With the evolution of studies, the concept of family business as a link in the evolution of a company, destined to disappear with the increase in size and complexity of the company, has changed¹²².

The strengths and weaknesses of a family business are linked to how the business perceives the family and vice versa, or the degree of separation between the family system and the business system, the so-called phenomenon of institutional overlap that has been analyzed in the previous paragraph¹²³.

It can be considered a strong point of the family business, the consideration of the business as an extension of the family; this leads to ensure attention to management and production problems otherwise unknown. There is no search for profit in the short term and the overlap between business and family is perceived by the context in which the company operates and helps to strengthen its image. Another strong point is a greater organizational cohesion. Entrepreneurial values are shared by all (family members and external employees). In this type of business, especially if well managed, employees feel an integral part of the family, sometimes arriving at the paradox of "conventional attribution of kinship". We are therefore faced with greater flexibility and faster organisational adaptation. Greater managerial stability can also be considered a strength. Management turnover is in fact limited to family management, maintaining in the company a human capital accumulated over the years (if not generations). Moreover, family members develop a strong knowledge of the sector in

¹²¹ POZZONI M., *Imprese e successione generazionale: il caso del Giappone*, in *Economia e Territorio*, 2017,V,45

¹²² GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

¹²³ BASCO R., *The family's effect on family firm performance: A model testing the demographic and essence approaches*. *Journal of Family Business Strategy*, 4, 2013, pp. 42–66

which the company operates. This means that every opportunity for meeting and debate creates new opportunities for mutual knowledge and exchange of views, ideas and solutions to better manage the business. It is a process of continuous learning that is all the stronger when entrepreneurial knowledge is difficult to theorise and formalise in models that make it transmissible to third parties¹²⁴.

The problems connected to the organisational, structural and ownership heterogeneity of the family business and the difficulties of a single definition of this multiple and multifaceted organisational reality are examined in depth. On this background, the dominant control of the family as a distinctive element of the qualification of family business is highlighted, as well as the reference, always decisive, to the historical and cultural values of the family business and their relevance for the qualification of the family business.

The different types of family businesses are then retraced in the light of the different interpretations of the concepts of administration, control and organisation. The link between family enterprises and territorial links is then explored in depth, recalling the differences that can be identified in the different geographical areas at a global level, and then analysing the definitions of family enterprise according to the European vision, in the light of the presence and characteristics of family enterprises in Italy and Europe.

The attention is then focused on the organization of the family business in Asian markets, and on the main differences in economic and social terms with the "western" and Italian realities. From the point of view of organizational culture, the importance of the family in Japanese society and its economic and organizational centrality is recalled, illustrating the generational transition in family businesses and its relevance in terms of permanence and growth of businesses in the Japanese country, in the light of an empirical analysis and comparison between two family businesses active in the precious stones sector located in Japan and Italy. Finally, the case study represented by the precious stones market is presented, starting with a general illustration of

¹²⁴ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

production, processing and marketing. The importance of Italian family businesses in the processing and marketing of precious stones is illustrated by analysing in particular the case of the Piedmontese company Crivelli Gioielli. The long Asian tradition in the production, processing and marketing of pearls in Japan and China is recalled, and a comparison is made of the management characteristics of the family businesses operating in the precious stones sector in Japan and Italy, comparing the case of the large Otzuki Pearl Co. Ltd. to the reality of the Italian Crivelli Gioielli. The business literature¹²⁵ asserts the presence of the character of business in the economic manifestations of life of the family communities, counted the relative phenomenology of the "family" institution in the field of business. During the seventies the already emerging desire to build a general business theory led these authors to the reflection on the possible definitions of a company within the scope of which the family institution was part. Supporters of the qualification of the family as a company have concentrated their observations mainly on the activities of use of resources finding the company's own character in the management of consumption, rather than that in finding them¹²⁶.

Authoritative analysts¹²⁷ have defined the family business as a production entity whose elements and factors are complementary in nature in order to be for a set of common purposes. When the economic-productive activity of an enterprise is reciprocally conditioned by the consumer economy of the subject or private subjects who own the capital, we are in the presence of a 'mixed enterprise that becomes "family" if these subjects are bound by family ties. It is a very different field from the one previously investigated in which we tried to define the family as a company: here the object of observation becomes the intersection between the two institutes, business and family, and falls into the search for characteristics that such a point of contact or, for better to

¹²⁵ WARD J. L., *Di padre in figlio: l'impresa di famiglia. Come preparare il passaggio generazionale e assicurare continuità e prosperità alle aziende familiari*, Milano, Franco Angeli, 1990, p. 145 e ss.

¹²⁶ DYER, W. G. . *Examining the "family effect" on firm performance*. *Family business review*, 19(4), pp. 253-273

¹²⁷ BARBARESCO G., *Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà*, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

say, that such an area of overlap must have. At this point, it is possible to mention who defines a family business such as one where policy and management are subject to significant influence from members of one or more families. This definition considerably expands a possible definition of a family business. In other words, it is understandable that the definition no longer covers only small businesses that are wholly owned and managed by family members, but also any kind of company that might receive considerable influence from them. For example, companies in which the majority (and not all) of the risk capital is owned by a family (or even only a significant proportion of the capital held to exercise a form of control) will also be in this position¹²⁸. But the recognition of such a form of influence is nothing more than the first characteristic of a family business: a practical and useful definition must necessarily provide criteria that establish the presence and degree of the family's influence on the business¹²⁹.

If ownership is the primary means of exercising control, it is not the only one, however. The property can in fact be integrated, and at the limit of replaced by other instruments of a contractual nature (e.g. shareholders' agreements), and informal in nature (family ties, relationships of trust, etc.). Instruments which is widely used. Altogether, two thirds of the companies of the presence of bonds of a very widespread nature is also very widespread family type, although it is considerably reduced in the case of larger dimensions. The instruments for separating ownership and control do not appear to have the following characteristics drastic changes have been made and are based on extensive use of the group and the informal relations, such as family links statutory clauses. In addition, the overwhelming majority of companies are destined for to remain in the hands of the controlling family. In the few cases where the control is transferred outside the family this is done through contacts and direct and often already acquired relationships. The framework is therefore that of a system in which the market and its institutions play a minimal, if not marginal, role in defining ownership and

¹²⁸ BARBARESCO G., *Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà*, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

¹²⁹ BARCA, F., a cura di (2010), *Storia del capitalismo italiano*, Donzelli Editore, Roma, p. 147 e ss.

control of a holding: both the first and the second are a matter of character and are passed down from generation to generation. The intervention of external investors is rare and in most cases limited to minority interests¹³⁰. The corporate structure is spent armored by clauses, agreements or bonds that limit the change; any transfers are made in any case in prevalence without recourse to intermediaries. All this implies that the contestability of enterprises is extremely limited and the system is heavily ingrained in its ownership structures¹³¹. Remaining always within multidimensional approaches for a definition of family business, some authors have taken in consideration of the three levels of ownership, governance and management of the enterprise as indicators of that "conditioning", in the sense of that a majority (or significant portion) of the capital must be as well as the presence of family members in the governing and governing bodies is sufficient to ensure the control of the of decisions. Therefore, a distinction can be made between cases where the shareholder base is unitary and unitary (belonging to an individual or a family) from that in which it is articulated between a plurality of subjects, as well as cases where the structure tends to be stable from those where it's constantly changing. Hence, in addition to the business model a widespread property and the one with restricted property, is identified the owner's enterprise, characterized by the high concentration of the property, enclosed in a few hands, for the prevalence of a control and the presence of one or more of the holders of the capital in the administration¹³². Distinguishing a family business from a public company is not a difficult task, while it is intuitable how much between a family business and an individual business, to its founder (the one who in the literature Anglo-Saxon is defined as entrepreneurship), in which some family members start working. In this way, it is generally possible to classify a family business when a single subject, or a family, or several families (if they are linked by family ties) hold a share of total

¹³⁰ DYER, W. G. . Examining the "family effect" on firm performance. *Family business review*, 19(4), pp. 253-273

¹³¹ ZELLWEGER, T.M.; EDDLESTON, K. A. E KELLERMANNNS, F. W.. Exploring the concept of familiness: Introducing family firm identity. *Journal of Family Business Strategy*, 1(1), 2010 pp. 54-63

¹³² BARBARESCO G., Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

or majority risk capital or, in the case of in each case, sufficient to ensure control of the undertaking. A family business can also be said to exist when the members of the family that owns it (or of the family of the founder) are present between the governing bodies and government or, in the case of smaller undertakings, lend their own employment within the enterprise. It is also necessary to speak of a family business when there is a clear intention, on the part of the founder or of the founding and/or owner family, of transmission to the next generation. Therefore, this definition covers both companies of that of large size, not necessarily already in the second generation, it also includes sole proprietorships or the only ones that are founded are those that are to provide for the economic needs of the family, without intention or possibility of major developments or the use of family members in the same family¹³³. As an additional parameter you can go to analyze the relationships family-enterprise: family business is an entrepreneurial activity that can to identify intimately with a family for one or more generations. The use of the adverb "intimately" gives the idea of how the company is not only experienced as place of work but as a second home, where family members take on a role maybe different from what they have in the family and where the family itself can find strength and continuity to be¹³⁴. This link transcends pure interests economic, it must be based on values and assumptions that the members of a generation have considered as the most correct to conduct the enterprise and its relationship with the family, thus striving to pass them on to the generations following¹³⁵. Finally, the share capital can also be considered. Enterprises in which share capital and fundamental management decisions result in controlled by a single family or by a few families linked together by family, close affinity, or strong alliance, are said to be undertakings which family members. However, a definition generally accepted by scholars has not yet been adopted exists. In any case, the most common

¹³³ BARCA, F., a cura di (2010), *Storia del capitalismo italiano*, Donzelli Editore, Roma, p. 147 e ss.

¹³⁴ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

¹³⁵ POZZONI M., *Imprese e successione generazionale: il caso del Giappone*, in *Economia e Territorio*, 2017,V,45

currents of thought affirm the same ideas: they shape the family business in the figure of the founding entrepreneur, owner and manager. Being considered differently by each scholar and belonging to a wide range of businesses, family businesses are often not valued and considered for everything they represent. There are several elements that distinguish and characterize them: the full and strong conjunction and overlapping between two different organizational realities by nature and purpose: family and business; a significant share of the risk capital held by the family or by the allied households; the contribution of the entrepreneur and other family members, of multiple functions (e.g. entrepreneurship, participation in the functions of high government, management, executive work). The ownership structure in family businesses, especially if small and medium size, is very present and only responsible for business decisions. This type of structure involves the elimination of problems related to the famous agency costs that are always created when there is a sort of division between ownership structure and management of companies. The elimination of agency costs is also witnessed by several studies that agree that such assumptions are perceptible in those companies managed not by a single family, but by multiple families. This certainly entails potential contrasts between families, which shows that when decisions are taken centrally, opportunistic behaviour is eliminated. Clearly, this applies to small enterprises. In large enterprises, it is difficult to think that strategies are implemented by a single manager¹³⁶.

According to Jensen and Meckling¹³⁷ a privately held firm managed by a single owner will not incur agency costs as the conflicts of interest between the manager and the owner do not exist. Conflicts might <<arise when the firm is owned by multiple owners, However, such conflicts would be efficiently resolved as economically rational owners have incentives to do so. Thus, formal governance mechanisms are not only unnecessary but might be value reducing for private firms>>¹³⁸. Different

¹³⁶ GIGLIOTTI A., GAVIOLI F., *Impresa familiare: caratteristiche e problematiche fiscali*, Ipsoa Editore, 2003, p. 189 e ss.

¹³⁷ JENSEN MC, MECKLING WH *Theory of the firm: managerial behavior, agency costs, and ownership structure*. *J Financ Econ* 3, 1976, p. 305–360

¹³⁸ MUKHERJEE T., SWAMI V., WANG W., *Governance structure and performance of private family firms*, *Journal of Economics and Finance*, 2019, 43, p. 713

studies¹³⁹ challenge the notion that the agency cost of conflicts among owners is insignificant based on the argument that owners are exclusively motivated by economic rationale. These studies emphasize that preferences are not expressed in economic terms alone but in non-economic terms as well and people seek to maximize the utility they gain from both. The second type of altruism, the threat of self-control, often expressed in the forms of providing secure employment as well as perquisites and privileges to family members, is an important source of agency costs for a private firm. These theoretical currents establish that such a self-control problem is particularly troublesome when privately held firms are owned and managed by family¹⁴⁰. This is because control over the firm's resources makes it possible for a family owner-manager to be unusually generous to their children and relatives. Therefore, self-control and altruism together create a distinct set of agency problems for family-owned private firms, threatening their performance. According with these studies a good corporate governance system is needed for private firms since additional costs of governance will outweigh the costs of self-control and altruism. To sum up, the two theories offer opposite implications regarding the role of governance for private firms: Jensen and Meckling¹⁴¹ suggest that governance system is costly, and therefore, value reducing for private-held family firms, while Schulze et al¹⁴² conclude that the benefits of the governance system outweigh its costs. In this paper, we perform an empirical analysis to investigate whether a good governance system creates or destroys value of privately-held small family firms. An economy based on small and medium enterprises, characterized by a promiscuity of roles of ownership and management. Added to this is (i) a human capital that seems inadequate to the

¹³⁹ SCHULZE WS, LUBATKIN MH, DINO RN, BUCHHOLTZ AK Agency relationships in family firms: theory and evidence. *Organ Sci* 12, 2001, p. 99–116

¹⁴⁰ BARBARESCO G., *Venti anni di medie imprese: cosa è stato, cosa poteva essere, cosa sarà*, UNIONCAMERE 2018, Mediobanca, 2017, p. 152 e ss

¹⁴¹ JENSEN MC, MECKLING WH Theory of the firm: managerial behavior, agency costs, and ownership structure. *J Financ Econ* 3, 1976, p. 305–360

¹⁴² SCHULZE WS, LUBATKIN MH, DINO RN, BUCHHOLTZ AK (2001) Agency relationships in family firms: theory and evidence. *Organ Sci* 12:99–116

complexity of a globalized world and (ii) a social capital too often divorced from the respect of the rules. These are the small and medium-sized Italian companies and clearly not only Italian. Companies that are born from the strong will of the families that run them, although this can be a problem from a purely managerial or strategic point of view¹⁴³. The presence of the family represents, in some cases, a strong point, while in other cases it is a very important problem, especially when the companies are equipped with subjects outside the family structure, in charge of the management. This is to affirm that, in fact, family businesses present important problems linked to the very nature of the capitalism they represent and these problems are also found in Asian markets. In this context, the weight of families in the management of many enterprises must be considered an important distinctive element within the reference markets. The ownership of a family business is not made up of liquid assets, but of something that has been built and developed by the family over generations, including values, traditions and know-how. Therefore, the transfer of ownership of the company from one The biggest challenge facing a company of this type is to ensure that the next generation is able to meet the next generation. Corporate control in many economies, including emerging markets, has gradually transitioned from a family-dominated structure to one with substantial non-family ownership¹⁴⁴.

Family businesses also have very recognisable characteristics within the Asian context. Clearly, the presence of the family in the decision-making mechanisms greatly simplifies the problems that characterize the management dynamics. However, it should be stressed that in medium-sized companies, the presence of a purely family-based decision-making structure is not always synonymous with efficiency. In particular, this aspect seems to be confirmed by the analysis of the characteristics of Asian family capitalism. In reality, from a purely logical point of view, it is clear that the size of the company makes the management of the company inadequate when the size increases and therefore the need to delegate becomes strategic. If, therefore,

¹⁴³ POZZONI M., *Imprese e successione generazionale: il caso del Giappone*, in *Economia e Territorio*, 2017,V,45

¹⁴⁴ SHUMPING LI, *Increased non-family ownership in family-owned firms: How does it affect CEO turnover performance sensitivity?* *Strat Mgmt J.* 2018;39:3434–3457.

agency costs could increase, the company's performance could be higher in the case of a delegation of decision-making functions. The company's performance is increased in terms of efficiency because the family can certainly not cover all the organizational functions typical of a growing company¹⁴⁵.

Research¹⁴⁶ on corporate governance traditionally focuses on the consequences of a firm's ownership structure, in particular, as reflected in monitoring and controlling the agency costs, and in turn, shaping firm strategies, governance, and performance¹⁴⁷. Notably, studies¹⁴⁸ have recorded significant differences in performance and strategic choices between family-owned businesses and non-family businesses. The presence of non-family shareholders in family-owned firms has been documented increasingly important. Different studies¹⁴⁹ noted that non-family shareholders with significant stakes are common among family firms in Western Europe. Other studies¹⁵⁰ found that despite extensive family control in more than half of East Asian corporations, these More recently, Camey¹⁵¹ said firms often also include non-family owners such as states. reported that while family control remains the most dominant form of ownership in 1,386 public firms in East Asia, it has declined in many economies, especially Japan, Korea, and Taiwan. Nonfamily shareholders such as foreign states are on the rise. Longitudinal analyses¹⁵² based on 717 family-owned <<Taiwanese

¹⁴⁵ BASCO R.. The family's effect on family firm performance: A model testing the demographic and essence approaches. *Journal of Family Business Strategy*, 4, 2013, pp. 42–66

¹⁴⁶ CAMEY R. W., & CHILD, T. . Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics. *Journal of Financial Economics*, 107(2), 2012, p. 494–513

¹⁴⁷ CONNELLY B. L., Hoskisson, R. E., Tihanyi, L., & Certo, S. T. . Ownership as a form of corporate governance. *Journal of Management Studies*, 47(8), 2010, P. 1561–1589.

¹⁴⁸ ANDERSON R. C., & REEB, D. M. . Founding family ownership and firm performance: Evidence from the S&P 500. *Journal of Finance*, 58(3), 2003, P. 1301–1327.

¹⁴⁹ FACCIO M., LANG, L. H. . The ultimate ownership of Western European corporations. *Journal of Financial Economics*, 65(3), 2002, p. 5–395.

¹⁵⁰ CLAESSENS S., DJANKOV, S., & LANG, L. H. P. The separation of ownership and control in East Asian corporations. *Journal of Financial Economics*, 58(1), 2002, p. 81–112.

¹⁵¹ CAMEY R. W., & CHILD, T. . Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics. *Journal of Financial Economics*, 107(2), 2012, p. 494–513

¹⁵² SHUMPING LI, Increased non-family ownership in family-owned firms: How does it affect CEO turnover performance sensitivity? *Strat Mgmt J.* 2018;39:3434–3457.

public firms from 1997 to 2011 demonstrate a positive relationship between CEO turnover and poor firm financial performance (or CEO turnover-performance sensitivity). This positive relationship is stronger when non-family ownership is higher in the firms. Further, the positive effect of non-family ownership on CEO turnover-performance sensitivity is stronger when the lack of governance transparency or a higher deviation between control rights and cash flow rights enables entrenchment of families¹⁵³. Examining Taiwanese public firms, for example, a study of found a positive association between CEO turnover and poor firm performance. Furthermore, the relationship was stronger with greater non-family ownership in family-owned firms, mostly among those with at least 60% shareholding. The patterns were stronger when non-family shareholders were more likely to improve a firm's market efficiency because of a greater threat of entrenchment of family owners. That threat is related to two conditions: the firm's weaker governance transparency or a higher deviation between control rights and cash flow rights. The findings are consistent with the observation in previous literature¹⁵⁴ on possible disciplining influences of non-family shareholders despite their low control in family-owned firms. The very widespread model of the family business also in Asia and especially in Japan is the one with a closed company, small in size. Usually these companies are very indebted, but supported by the family assets guaranteeing bank debts therefore no longer seems adequate to support the competitive challenges¹⁵⁵. The high financial risk that characterizes the poor business model, rich family is in fact incompatible with the high operational risk caused by the the changing external environment and the difficulty of developing sustainable success strategies. In practice, venture capital must enjoy a high degree of mobility such as to make it

¹⁵³ SHUMPING LI, Increased non – family ownership in family-owned: how does it affect CEO turnover – performance sensitivity, *Strategic Management Journal*, 2018, 195 e ss.

¹⁵⁴ BASCO R.. The family's effect on family firm performance: A model testing the demographic and essence approaches. *Journal of Family Business Strategy*, 4, 2013, pp. 42–66

¹⁵⁵ CONNELLY B. L., Hoskisson, R. E., Tihanyi, L., & Certo, S. T. . Ownership as a form of corporate governance. *Journal of Management Studies*, 47(8), 2010, P. 1561–1589

flexible and capable of accompanying financial needs that the company generates. This has a number of important consequences for the strategic finance for family businesses. First, the family business group should be willing to directly finance a large part of the company's strategic investments¹⁵⁶. These characteristics are found in family businesses all over the world. Family businesses are present in any production sector and are the starting point, in many cases, for the industrial development of a given country. In our case, pearls have been the subject of study in this paper. It is not by chance that this sector was chosen. The sector was chosen because of the writer's knowledge of the pearl market in particular and to show how the importance of the family element is present in a decisive way in Japan, a country in which leading companies in the production of pearls are born. The characteristics of Japanese family capitalism are then compared with those of the same company operating in the same sector in Italy, in order to highlight the differences. These differences also emerged after the interview with two managers, one in Japan and another in Italy. The gems market in the Italian case is connected with an ancient and illustrious tradition of goldsmithery and jewellery among the most important and well-known in the world. Italian goldsmithery and jewellery is one of the wonders of Made in Italy. In a strong connection between tradition and modernity, the love for beauty and craftsmanship experience and the ability to preserve ancient knowledge have made Italy one of the world leaders in the production of jewelry and goldsmithing. These sectors are fully integrated within a fabric of medium-sized companies in which the cultural and organizational contribution of the family business model is decisive. In Italy, as is well known, there is a flourishing luxury market of international renown, represented by the so-called districts that are divided into important production areas, dedicated to jewellery and goldsmithery. Among the various examples that could be mentioned in this regard, think of the district of Valenza, which is one of the best known and most important in the jewellery sector at an international level¹⁵⁷.

¹⁵⁶ CAMEY R. W., & CHILD, T. . Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics. *Journal of Financial Economics*, 107(2), 2012, p. 494–513

¹⁵⁷<https://orafoitaliano.it/2019/04/istat-2018-fatturato-orafo-espportazioni/> , consultazione gennaio 2020

A short distance from the large cities of northern Italy such as Genoa, Milan or Turin, the district of Valenza includes eight neighboring municipalities where high-end jewels and goldsmith's workshops are produced and sold all over the world. The city, which was included among the places of particular interest for the Milan Expo, also opened a Jewellery Museum in 2015. The small Piedmontese city has the highest density of goldsmiths in Italy, the largest number of goldsmiths and jewellers and combines the solid tradition of high craftsmanship with a great capacity for technical, stylistic and material innovation. The high level of design, a lively production network and an internationally renowned fair, as well as its training centres and a strong goldsmithing tradition rooted in the territory make Valenza a privileged target for luxury tourists, onlookers and amateurs alike¹⁵⁸.

The jeweller's or goldsmith's craft is one of the most widespread professions in Italy, with deep local roots and regional specializations, where companies are often, as said, family-run and make personalized jewelry for their customers. Numerous localities and districts of jewellery and goldsmithing illustrate this typically Italian artistic vocation. Another of these production areas of high technical excellence is the goldsmith-silver district of Vicenza, which specializes in high quality jewellery and produces silverware, pottery, decorative accessories, prints, sculptures and paintings. This district accounts for 30% of Italian exports, which are generally directed towards Russia, Turkey and the United Arab Emirates. The city of Vicenza is itself a jewel city par excellence. In this city around 1300 there were 150 members in the brotherhood of goldsmiths. At that time the fame of its artisan jewelers had already crossed the borders to be a reference in the field¹⁵⁹.

Other markets in which the italians company operates are South America, the Caribbean area, South Africa, some North African countries, and the Far East market¹⁶⁰. Pearl growers who earn their living in the sparkling waters of Mie Prefecture owe a great debt to the patience and perseverance of Mikimoto Kōkichi (1858-1954),

¹⁵⁸<https://www.federpreziosi.it/breve-fotografia-del-mercato-italiano-del-comparto-oreficeria-e-gioielleria/> , consultazione gennaio 2020

¹⁵⁹<https://orafoitaliano.it/2019/04/istat-2018-fatturato-orafo-esportazioni/> , consultazione gennaio 2020

¹⁶⁰Si veda <https://crivelligioielli.com/> , consultazione gennaio 2020.

a native of those places.

The eldest son of the owner of a restaurant in udon, in what is now the city of Toba, he became a merchant of marine products in the prefecture of Mie in the 1880s. He sold dried oysters and dried sea cucumbers in distant Tokyo. It is said that during one of his travels Mikimoto was fascinated by pearls, which at the time were even more precious than they are today, as they had never been successfully grown¹⁶¹.

Great efforts had been made in this regard, especially in Europe, but no attempt had borne fruit. Resolved to solve the mystery, Mikimoto began cultivating Akoya oysters in the bay of Ago, after five years of trial and error he had managed to produce hemispherical pearls that grew like blisters stuck inside the oyster shell. But the progress he had worked for was not far off¹⁶².

Mikimoto shares the podium with two other pearl researchers active at the dawn of the 20th century: Mise Tatsuhei (1880-1924) and Nishikawa Tōkichi (1874-1909). These two men presented in 1907 two patents on techniques for creating spherical pearls. After reaching an agreement to cooperate in the development of pearls, the "Mise-Nishikawa method" they gradually began to gain strength in the field. But it was Mikimoto who made the expected breakthroughs in his work to receive a patent for the cultivation of round pearls in oyster cloaks in 1916, thus starting the first commercially viable business for spherical pearls.

A century later, Mikimoto's pioneering method, now revered as the "King of Pearls", is still used. And although much of the process of growing a pearl is still done in the traditional way, more and more technology is being used to protect oysters. A warning system, called "Shell-Lingual", has been developed to alert growers when the water conditions in which oysters grow are deteriorating. Environmental changes can affect the very important amount of oxygen in the water. Every year millions of oysters are put into cultivation. But only a small part survives to produce high quality cultured

¹⁶¹KARAMPELAS S., HAINSCHWANG T. Natural pearls from the Pectenidae family: Review and origin of colour. *Gems & Gemology* Vol 46, No. 2, 2009 pp. 149 – 150.

¹⁶²MATLINS, ANTOINETTE L., AND BONANNO, A. C. *Gem Identification Made Easy*, 2nd edition. Woodstock, VT: Gemstone Press. Karampelas, Stefanos; Gauthier, Jean-Pierre; Fritsch, Emmanuel; Notari, Franck (2009) Gem news international: Characterization of some pearls of the Pinnidae family. *Gems & Gemology*, v. 45, n. 3, 1997 pp. 221-222.

pearls. Cultured pearls cannot be produced, as in a factory. Much depends on the whims of nature. Many oysters do not survive the surgical implantation of the nucleus. Others are weak and susceptible to disease. Heavy rains can flood the bays with fresh water, reducing salinity and killing the oysters. Sometimes, some species of plankton go through periods of explosive growth, creating the dreaded "red tide" that depletes the oxygen in the bay and suffocates the oysters. There are also typhoons, attacks by predators and parasites or lack of nutrients in the water. All this can pose a danger to shellfish. Sensors are placed in a number of oysters to allow growers to monitor the extent of the shell opening. Rapid opening and closing indicates that the oysters are in danger; a message is automatically sent to the growers' mobile phones, allowing them to move the shellfish to another part of the bay or position them at different depths.¹⁶³ Today the small island near Toba, where Mikimoto made his discoveries, has become a museum in his honour. At the dawn of the pearl cultivation, foreigners were not allowed to enter the island. This changed in 1951, however, and the millions of visitors who have come since then have included queens, princes, statesmen and kings of business, all attracted to these beautiful translucent spheres.

The ground floor of the Mikimoto Pearl Museum houses numerous exhibits that describe how Mikimoto first cultivated a pearl. There are around 100,000 different varieties of oysters, but only six are suitable for pearl cultivation. While Mie growers generally use Akoya oysters, Tahitian black-cut oysters are preferred for black pearls, and larger oysters with white edges create the large South Sea pearls¹⁶⁴.

The exhibition shows that only 5% of the collected oysters contain perfect pearls, while up to 50% of oysters die in the process. Imperfect pearls are not discarded, however, but are used for medical supplements and, more recently, for cosmetics. The museum

¹⁶³VAN DER BOGERT C.H., SMITH C.P., HAINSWANG T., MCCLURE S. Gray-to-Grayish Blue and Gray-to-Grayish Violet Hydrogen-Rich Diamonds from the Argyle Mine, Australia. *Gems & Gemology.*, Vol. 45, No. 1, 2009, pp. 20 – 37. Campbell Pedersen, Maggie. (2004) *Gem and ornamental materials of organic origin*. Elsevier Butterworth-Heinemann, Oxford, pp. 116 e ss.

¹⁶⁴HAINSWANG T., KARAMELAS S., FRITSCH E., NOTARI F. Luminescence spectroscopy and microscopy applied to study gem materials: a case study of C centre containing diamonds. *Mineralogy and Petrology: Luminescence special issue*, Vol. 107, N°3, 2013, pp 393 - 413.

also shows how pearls are selected for inclusion in silk threads. Those responsible for the selection must have a good eye for choosing pearls of similar luster, colour and size. The lower area of the building also houses an extensive collection of photos of the pearl industry from around the world, including pictures of the famous ama women, spearfishers from the prefecture of Mie¹⁶⁵.

On the upper level of the museum, visitors can admire the works of art that pearls can become. The museum started collecting samples of jewelry in which pearls are used in 1985 and already has a collection of about 250 works. The exhibits include a gold brooch from southern Germany dating back to 1600 and containing pearls and jade. There is also a mortar cross set with pearls and emeralds, made in England around 1830. Mikimoto's craftsmen have also created a number of impressive works of art, including a reproduction of the priceless biwa (similar to a lute) which has been preserved in the Shōsōin deposit, as well as the remaking of a Byzantine crown from the Middle Ages which took 14 months to produce, and has 796 pearls of the highest quality and 17 diamonds.¹⁶⁶

Pearls are the real treasures of the sea, appreciated over the centuries for their delicate shine. After the pearl cultivation techniques developed in Japan, the country soon began to produce beautiful pearls that aroused admiration all over the world and started a tradition that has not been interrupted until today. Japanese oyster breeds have evidently proved to be particularly suitable for the application of the new techniques. The pearl is created inside the body of a bivalve marine mollusk widespread on the Japanese coast, the akoya oyster, the most famous for the production of its pearls¹⁶⁷.

As we have said, nowadays almost everywhere natural pearls collected in a natural environment are very rare (and it has always been so: as we have said, natural pearls are so rare that in ancient times only a very limited number of people possessed these

¹⁶⁵CAMPBELL PEDERSEN, MAGGIE. *Gem and ornamental materials of organic origin*. Elsevier Butterworth-Heinemann, Oxford, 2004, pp. 116 e ss.

¹⁶⁶FARN, ALEXANDER E. *Pearls: natural, cultured, and imitation*. Butterworths-Heinemann, Oxford, 150 pp. Federman, David (2004) Gem profile: black pearl. *Modern Jeweler*, v. 103,1991, n. 10, pp. 55-56.

¹⁶⁷KOIVULA, JOHN I.; KAMMERLING, ROBERT C.; Fritsch, Emmanuel (1992) Gem news: Natural pearls from the New World. *Gems & Gemology*, v. 28, n. 3, p. 202.

types of gems). The techniques initially identified by Kokichi Mikimoto evolved quite quickly and the Japanese grower, after finding a way to cultivate hemispherical pearls in 1893, managed to cultivate almost perfectly spherical pearls in 1905, paving the way for the world-wide cultured pearl industry.

As has been said, his method, which is basically the one still adopted today, consists of introducing a foreign body into an akoya oyster to make the receiving oyster form a pearl around that body. What is the difference between a cultured pearl and a natural pearl? In fact, the only difference is the way the foreign body enters the shell: in the natural pearl it is somehow random and in the cultured pearl it is due to human intervention. Once removed from the shell, both natural and cultured pearls are "authentic pearls," without any difference. Before Kokichi made his discovery, pearls reached very high prices all over the world. They were more expensive than a diamond of similar size. As we have seen, only people who belonged to the highest spheres of society, a small minority, could afford one. Kokichi is famous for his statement: "I will give women all over the world the opportunity to decorate themselves with pearls. And he kept his promise. Pearls cultivated with the techniques he soon developed began to highlight the charm of women all over the world, and from the middle of the 20th century, the soft splendor of pearls adorned many women's necks.

A sophisticated but simple beauty, thanks to an ideal climate for pearl cultivation. As mentioned, the key factors in assessing the value of a gemstone are its size, colour, shape and condition. In the case of pearls, two other criteria have to be added: maki (literally, "wrapping layers") and teri ("shine"). Maki is the thickness of the layers of mother-of-pearl around the core, while teri is the brightness that emerges from the inside. The thicker the maki, the more intense the luster, with a corresponding increase in price.

Maki and teri are the factors that give Japanese pearls their value. Harvesting takes place in November and December, when seawater temperatures start to drop, creating the right conditions to harden the crystalline structure, forming thin layers of mother-of-pearl. When the layers develop uniformly, the light reaching the pearl creates a soft, deep teri. This subtle yet sumptuous luster is a characteristic of cultured pearls in Japan, a country that has very pronounced seasonal differences. This is why Japanese

pearls are considered the best .

Another country that has gained an important position in the pearl market is China. The cultivation of freshwater pearls in China began in the 1960s and at that time production was only half a ton per year. If we move on to the 2006-2017 period, production exceeds 1,500 tons per year, reaching peaks of 3,000 tons. This production represents 90-95% of world production. However, in the figures for 2015, the turnover is a few hundred million dollars. Only 10% of the international turnover. In the rest of the world, the relationship is exactly the opposite¹⁶⁸.

However, in recent years production has fallen from 1,500 tonnes per year to 800 tonnes. There are two factors that explain this phenomenon: the first is environmental problems and the second is grafting technology. Chinese industries, faced with these problems, are concentrating on a quantitatively lower but higher quality production. For example, a strand of pearls without a core of the best quality produced in fresh water in China can cost around one hundred dollars. The same wire with Ming or Edison pearls can cost about \$1,000. This type of pearls is the one already used for fine jewelry. In fact, a necklace of the best quality and size can cost as much as \$500,000. A strand of coreless pearls of the best quality produced in fresh water in China can cost about \$100. The same thread of Ming or Edison pearls can be worth about \$1,000. The growing demand for pearls has led to growing them in large quantities. These cultured pearls, as has been pointed out, are not an imitation, but a natural product born of man's intervention. Cultured pearls currently account for 90% of the total pearl trade. China has a centuries-old tradition in this sector. Already in the 13th century, small lead figures depicting the Buddha were attached to the inner wall of shells so that they were covered with mother-of-pearl. One of the most prestigious entrepreneurial realities of the Japanese market in the precious stones sector is represented by Otsuki Pearl Co , a company that, not too surprisingly, shares with its Italian counterparts active in this field, the synergy between the artisan tradition of an important family business and the openness towards the use of new technologies.

Since its foundation in the early 1930s, K.Otsuki Pearl Co., Ltd. has been synonymous

¹⁶⁸KOIVULA, JOHN I.; KAMMERLING, ROBERT C.; FRITSCH, EMMANUEL (Gem news: Natural pearls from the New World. *Gems & Gemology*, v. 28, n. 3, 1992, p. 202.

with high quality and excellence in all fields of the pearl trade, including the cultivation of South Sea pearls in Timor, Indonesia. The company is engaged not only in the processing of pearls, their sale and export, but also in the manufacture of many other gems and jewelry. Two divisions of the company are operational, with an integrated production and sales system that addresses the demand for high quality products and the luxury market. Akoya pearls coming from Japan and Kobe pearls. In both cases it is a stable supply of high quality pearls that have been highly appreciated by an international clientele for decades.

The starting point of K.Otsuki Pearl Co. was the cultivation of pearls, as mentioned above, in the years when the introduction of new techniques in this field were revolutionizing the market of these gems. The founder, Kikuo Otsuki, after graduating from the former Imperial Fisheries Institute (now Tokyo University of Marine Science and Technology), founded a pearl cultivation factory in Ehime Prefecture in 1930. The company then opened its office in Kobe in 1935 and began wholesale and export. In 1954, in order to carry out the complex cultivation process more efficiently, the cultivation department was separated from the strictly commercial department and became a subsidiary company, the Otsuki Cultivating Company.

The company owns more than 10 cultivated pearl farms on the two islands, including Japan's main island. With the goal of achieving superior quality pearl cultivation, efforts are constantly being made to improve the technology available in every aspect. In 1994, the company began large-scale cultivation of South Sea pearls in Indonesia¹⁶⁹. Today, the Otsuki Pearl group is a grower with two national growers and two overseas subsidiaries, as well as an internationally active pearl trader and a producer with a strong combination of every technological resource and after a careful selection process. The integrated production, processing and distribution system is the true strength of the Otsuki pearl group, and the basis of its high competitive status in the pearl industry globally.

Pearl oysters are mainly grown in the Ehime, Mie, Nagasaki and Kumamoto areas. As mentioned, the group includes a company directly involved in the cultivation, which

¹⁶⁹<https://www.otsuki-pearl.com/profile/index.html>

produces large quantities of pearls every year. In addition, Otsuki purchases pearls from local growers to meet the needs of its customers, bidding and trading at the local Pearl Cultivation Union. The company now buys between 30% and 35% of the entire market, which is why it is now regarded as the largest and most important pearl company.

Otsuki is also the best exporter. The group is in fact well known not only in Japan but worldwide as the best and largest producer in the pearl field. This is because the company continues to hold the highest place in exports since 1975. The company's ability to meet the needs of a select international clientele is made possible by the richness of its stock, a highly qualified selection of parts and a high level of processing technology.

To date, the following companies are part of the large Japanese group, with offices in Japan, Indonesia and Hong Kong. In Japan they belong to Wakasa Otsuki Pearl Cultivators Co., Ltd.; Kagoshima Otsuki Pearl Cultivators Co., Ltd.; Paluna Co., Ltd. Daisei Co., Ltd.; OP Trading Co., Ltd. In Indonesia PT. Timor Otsuki Mutiara; PT. Maria South Sea Pearls Indonesia. And Hong Kong K.Otsuki Pearl (Hong Kong) Ltd. These companies are in various ways active in the cultivation and production of pearls, export and wholesale. The main export countries of the Otsuki Group are Germany, France, Italy, Spain, Switzerland, United Kingdom, Austria, Belgium, United States, Canada, Australia, Hong Kong, China, Korea, Taiwan, Singapore, Thailand, United States, Israel, etc...¹⁷⁰.

Below are the results of a Qualitative Survey carried out at Otsuki Pearl Co, by submitting a questionnaire consisting of a series of questions to one of the company's top management managers.

1 - Is the Precious Stones sector showing important signs of change? What are the main threats? What are the possible opportunities that could be created in the near future?

“honestly speaking ten twenty years ago our main market was Europe and states, they were the two biggest market for us. But, today as u know Europe is not so good as well

¹⁷⁰<https://www.otsuki-pearl.com/profile/index.html>

as US market.

Today new markets appear in Asia, in particular Mainland China. So we shift gradually to care more and more about China market that helps us to survive in a such difficult moment.

About the business model it could change according to each customer but basically our way to work is the same.. since we're wholesalers not retailers."

2- Is the role of family management in the precious stones sector, based on certain principles and tradition, a factor generating competitive advantage in the modern context or are certain management principles an obstacle?

"Our company started in 1930, so next year we'll turn 90 years... if we're still in the business is also thanks to the policy company that has been always the same, even if sometimes we had to change some part of it... I think that a balanced mix of historical policy and innovation represent the best way to get success"

3- Could you list the types of elements that, in your opinion, hinder management paths that could enhance production and thus increase sales and market share?

"As told before we're not retailers, so we don't need a nice packaging or a good advertising to increase sales... We just keep a constant and long relationship with our customers, trying to understand what really customers need... we feel our customers as partner in business since we are interested in a long term business, not in a spot sale... of course keeping a wide assortment and an excellent value for money"

4- What are the strengths that a management based on family tradition could allow for better performance?

"our company total staff is around 250 employees and of course we have 4 owner families.

The board members of course get some decisions but they also rely a lot on the executive staff... I think that the mutual trust and the loyalty between the executives and the owner family represent the biggest point of strength of our company... even when we have different point of view... by communicating we always succeed in finding a common solution"

5- Interacting with different suppliers, national and international competitors, what kind of differences did you notice in the family management of the company?

“Honestly for us is easier to deal with company family owned... the communication and also the decision making process is much more fast, since the boss make his decision. While with non family owned each manager have always to report to his boss... I think that in our business the personal judgment and the business acumen could really represent a competitive advantage

6- Does the transition from one generation to the next also present critical issues within your company? Have there been any contrasts between, say, older management styles and current strategic guidelines?

“Even if we had some changes in our organization, the common values and respect for each other have always helped us to overcome generational problems..”

7- Will the new generations know how to honour tradition? Are you optimistic or pessimistic about this?

“Japan is a place where traditions are always respected from everybody... I’m optimistic about the future since new generations are educated from people that have always worked in this business... in this way they had the opportunity to learn not only the know how but also some secrets, tips, and values..”

8 – Family management and the attachment of many families to family businesses is greater in Europe or Japan. Do you think that the family business model is successful and compatible with the dimensional development of the company itself?

“We feel that in Europe the family business is more diffused. In Europe we use to have a lot of customers in Italy, Germany, France and so on... the most of them were owned family business.

I think that the success and the growth of a family firm is strongly related to the character, the personality and to the passion of the owner.

In our business those element makes really the difference between success and failure.”

9- What do you think of Italian family capitalism? Does it represent a limit for the economic development of the country or an opportunity? In what way could it represent an opportunity?

“About the pearl business i think definitely that family owned business could represent a great opportunity. Today, even if the market is suffering we still keep good relations

with lots of Italian companies from more than 30 years... this has been possible also thanks to the personal relationship between us and the entrepreneur (the owner of the company), while this would have been much difficult if we have to deal with an external manager...”

The strength of the family bond underpinning the Japanese company is central. If Italian capitalism can be considered closed and in some respects also conditioned by the consistent presence of family-run companies, it can be said that in the Japanese multinational the weight of the family is central. The interviewee knows the European reality and the weight of families within the capitalist dynamic. What is certain is that in the Japanese company there is a veneration for the history of the company, for the founder whose character and charisma is always present in any strategic choice. Outside the family, it is impossible to think about possible developments. The answers given are clear. In strengthening the company's production strategies, the way is certainly not the opening of capital or expansion through a modification of the business model. The focus is directly on marketing and sales. The recurring theme of the interview is in fact the company's history. The interviewee strongly emphasizes that this is a secular company and that it bases its success on the strength of its founder and owner. The success is, therefore, traced back to the family dynamic and therefore to the reduction in agency costs that are created within more articulated companies with administrators who exercise powers through delegation mechanisms. The same judgement on the development possibilities of European companies is always anchored on the evaluation of family ties at the base of such companies. On the whole, the interview showed that in Japan the family-firm link is very strong. There is also a strong link with tradition, which is exalted, just as the choices of the predecessors are venerated, especially if they are members of the founding family of the company. This vision is then placed within the company's organizational dynamics traditionally oriented to maximize the relationships of the individual in a perspective that we can define as corporate. The objective is to pursue quality and therefore to place the worker within a company project that can make him or her participate in the objectives of the property. Mutual respect within the production organization generates value for the company and for the project of the family itself. In conclusion, it can be said that the

relational aspect allows family businesses, in the pearl production sector, to produce value. The strong relationships that are built between family members are the antidote to management inefficiencies. Such relationships and, in general, excessive closure, however, risks penalizing the development of a company, provided that it wants to grow and develop. With this we want to affirm that too much concentration and exaltation of the past could lead to close in an anachronistic isolation not very suitable to innovate the business model. Even in a sector such as jewellery and precious stones, the innovation of the business model should not be considered absolutely secondary. Recent history has shown how needs change with the generations. To isolate oneself and close oneself off from tradition could definitively mean a sort of natural end to a historical yet successful evolution. The adherence to the characteristics of Italian family businesses is, despite everything, very marked. Italy has not only small and medium sized enterprises that are completely family-run, as is often read in the specialist literature. The largest Italian companies, Ferrero is an example, have been characterized by a family management that we can define as almost "totalitarian". Closed companies, even with reference to the specificity of production. In the field of jewellers the situation is similar. The same internationally renowned Bulgari watchmaking and jewellery, now no longer Italian with reference to the ownership of the same, was born from the work of two brothers. The same interview commented for the Japanese group was addressed to Fausto Goffarini, former commercial director of the company Pasquale Bruni Spa. Goffarini as manager responds in a different way than the Japanese interlocutor. In Japan, it is the family itself that manages the company and gives strict directives, controlling the work of the organizational structure. In Pasquale Bruni the impression is that the company wants to expand and delegate, but in fact does not overcome the obstacle related to the ability to delegate functions. Further criticism is levelled at the generational changeover. Topic, for example, left out in the interview with the Japanese manager. This is, in fact, an important problem especially for the organizational structure. In Japan, the rigid management of the organizational structure limits such problems. In fact, it is one of the main problems in family businesses. These problems risk stiffening the company's strategy for a market that requires flexibility and the ability to cope with changing

customer tastes. Let's see the answers.

1. Does the precious stones sector show important signs of change? What are the main threats? What are the possible opportunities that could be created in the near future?

We are certainly in a time of great change. The main threat I think is due to a whole series of factors that have taken away the value of both the symbolic and the jewel. Just think that Morellato or Brosway today are considered jewels. The new generations do not approach jewellery in the strict sense of the word. The opportunities are represented by the personalization of the product.

2. How many years has your family been active in the precious stones sector? Do you think that this activity will always remain managed by the family, or could it be ceded to external figures to meet market or even family needs?

Pasquale Bruni is one of the few unlisted spas. The company is owned by a family. The problem arises when an intergenerational change occurs. This has an impact on style. The solution is to give the company to multinational companies that can through specialized managers to keep the brand alive and develop it through the aid of communication and other marketing levers. Especially Pasquale Bruni, apart from the early 2000s has never made communication but has always considered its flagship product itself.

3. Is the role of family management in the precious stones sector, based on certain principles and tradition, a factor generating competitive advantage in the modern context or are certain management principles an obstacle?

Unfortunately for management it is an obstacle because the family knows what it wants to do but does not want to do it. The family hardly accepts directives other than what they think. The management is therefore not in the best position to operate, since in fact it does not have full decision-making freedom. So much so that in many of these companies there is a very high turnover on these figures. What I have learned from my experiences is that these companies want to do the things they have always done but at the same time they hope to get different results.

4- Could you list which types of elements in your opinion hinder management paths that could enhance production and therefore increase sales and market share?

Objective market analysis: there is low investment in both market research and market analysis, i.e. companies that do not invest to read the market. Their driver is more their perception of the market than the needs of the market itself. This is a big mistake, because unless you are a colossus and have huge investments in marketing the market does not suit you. If the average price in the jewelry world goes from X to 2X, they don't consider it but sometimes they also go in the opposite direction.

5- What are the strong points that a management based on family tradition could allow better performance?

They are the DNA, the fact of keeping the brand message strong and identity, the consistency that the company is able to maintain between the vision and what it really does. There are many examples of companies that have fallen apart because the young generation, attracted by new markets or other mirages, has lost the identity and DNA that has always characterized the company. Innovating without upsetting this is the key to success. One company, for example, that was able to do this was Fope, which despite the various problems it faced, has always been able to stay true to its DNA.

6- Interacting with different suppliers, competitors at national and international level, what kind of differences did you notice in the family management of the company?

Let's say that you cannot generalize, but the individual behaviours are to be reported to the individual people. The father many times can have completely different ways from those of the son and vice versa. Certainly the common thread can be found in the values and education that belong not to the individual but to the whole family.

7- Does the transition from one generation to the next present any critical issues also within your company? Have there been contrasts between, let's say, less recent management styles and the current strategic directives?

No, there is no consistency with the past. The idea of the importance of the brand, for the new generation, goes hand in hand with the rarity of the product on the market. Family companies with big brands think that being precious or being a luxury brand is

exclusively linked to being expensive and unobtainable. This only works if someone wants to find you (e.g. Rolex), because vice versa you hide from the market.

8- Will the new generations know how to honour tradition? Are you optimistic or pessimistic about this?

In this case I do not foresee a rosy future precisely because of the inability to read the market and to adapt accordingly.

9 - Family management and the attachment of many families to family businesses is greater in Europe or Japan. Do you think that the family business model is successful and compatible with the dimensional development of the company itself?

Absolutely yes, in the luxury world the correct size of a company is a medium-small size - therefore between 50 and 100 million turnover -. Such a company could be serenely managed by a family, obviously with precise roles and leaving the management free to operate.

10- What do you think of Italian family capitalism? Does it represent a limit for the economic development of the country or an opportunity? In what way could it represent an opportunity?

It represents an opportunity when you are willing and willing to invest in style. We Italians are the ones who should at least teach elegance to the whole world. When you are able to channel capital in the right and functional direction and spread this elegance that we possess in terms of product, relationship management and relationships, you are winning

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