

Department  
of Economics and Finance

Course of Management

The Challenge of Generational Change in Family  
Businesses:  
De Besi - Di Giacomo S.p.A. Study Case

Prof.ssa Francesca Capo

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SUPERVISOR

Doriano Di Giacomo (223141)

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CANDIDATE

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## INTRODUCTION

Family business is a commercial organization in which decision-making is influenced by multiple generations of a family, related by blood or marriage or adoption, who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals. Thus, these enterprises are distinguished from other organizational form by the overlap of family and work systems as members of the controlling family significantly influence the strategic direction, and in turn, performance, and survival of their enterprises. They are usually more complex than similar non-family businesses. As all the businesses, for longevity and prosperity, a family firm must achieve efficiency and effectiveness focused business objectives but, in addition, family-oriented goals such as harmony, generational transition, and ownership issues must also be managed.

The family businesses significantly contribute to the Italian and world economy. Checking to some data it is possible to observe that these firms represent the backbone of the Italian economy, they are about the 85% of all the Italian companies. Furthermore, worldwide speaking, the data do not change, indeed, it grows by settling at around 90% of all active businesses. Other important aspects of these kind of businesses are that they create jobs, tend to grow more than other types of companies, have higher profitability, and usually have a lower weakening ratio. Thus, having family business such a fundamental role, this work will start introducing the definition of these types of companies, their importance in Italy and in the world, their variety, and their strengths and weaknesses.

Going head, a phase that family businesses have to deal with and that is very crucial for them, is the generational process. If it is not addressed with the correct timing and methods, there is a risk of compromising the life of the company; in fact, only 25% of companies survive the first generational change and less than 15% survive the second. During their life, companies try to find an equilibrium between the past and future organization, providing intermediate stages between the management of the funder and that one of the descendants. If correctly managed an activity can lasts for an indefinite time. Thus, the aim of the entrepreneur is to transmit his own vision and his own desire of perpetuating the firm to his heirs, that in turn pass it on to their descendants, giving life to a temporal continuum. At the same point, it is not always sure that the descendants want to enter and continue the family business. Regarding this we find different types of commitment for which an heir decides to be part of the company or not. This is the topic that will be analysed on the second chapter.

To conclude we will move from the theoretical to the practical part by discussing the case of De Besi-Di Giacomo S.p.A. This is a family business found in the late 1950s and that has started its first generational change during the 1980s, which ended in the early 2000s and that is now about to go through a second succession process, with the third generation ready to enter the family business.

# CHAPTER 1: The Family Business

## 1.1 Definition of Family Business

*“A firm, of any size, is a family enterprise if: 1. The majority of decision-making rights are in possession of the natural person(s) who established the firm , or in possession of the natural person(s) who has/have acquired the share capital of the firm, or in possession of their spouses, parents, child or children’s direct heirs. 2. The majority of decision-making rights are indirect or direct. 3. At least one representative of the family or kin is formally involved in the management or administration of the firm. 4. Listed companies meet the definition of family enterprise if the person(s) who established or acquired the firm (share capital) or their families or descendants possess 25% of the decision-making rights mandated by their share capital.”<sup>1</sup>*

The Family Business Group, a body constituted by the European Union, has decided to tackle the complex issue of the definition of family business, subject of numerous debates and theories also very discordant with each other. Analysing its description, it is possible to find some widely shared elements:

- The family businesses can be of any size and not just as small as the name can suggests.
- It is not necessary for the family to own the entire capital of the company; in fact, majority control is sufficient for unlisted companies and the 25% of participation for a listed company.
- The founders can be 2 or more people even not belonging to the same family (with obvious limits to the number of families).
- It is not necessary the involvement of the founding family, the business remains family even if it is sold entirely to another family.
- The control can be direct but also indirect, through Holding companies or other tools.
- It is necessary that at least one member of the family must be operational with management or governance roles of the company.

However, the Family Business Group also tends to consider some case of questionable nature familiar:

- The enterprises where the 100% is controlled by the founder and he is the only familiar involved within the company. Sole shareholder leaves aside from the concept of family since a family, by definition, is characterized by a nucleus consisting of at least two people.
- The enterprises founded by a large group of partners without having any family or affinity ties between them; given that many businesses are made up of a large number of unrelated families, taking this notion true, any non-family business would be comparable to a family business.

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<sup>1</sup> European Commission, Family business definition, 2012

Despite the notion provided by the Family Business Group, the definition of family business is still a dilemma for scholars. Research conducted by ET&P<sup>2</sup> show how by interviewing a sample of similar companies not all the answers are univocal; in fact, there are there is someone who consider his own company as a family business and those who do not. The common decision is that in order to be a family business, a company must not only have family members working in it, but they must be influential to such an extent that they themselves can guide the company towards the chosen objective. Going more specifically, it can be said that a family business is considered as such when it is governed and managed with the intention of pursuing the objectives and the vision of the family (or of the majority of the family) in a potentially sustainable way through the next generations; through the vision it is meant a better future for the family using the company as means. However, to reach this type of conclusion, two enabling conditions are necessary: 1) the family must be united at least in the majority of the members when taking decisions, 2) the corporate vision must be oriented to exploit the family business as means to ensure continuity and prosperity for the next generations.

## **1.2 The importance of family businesses in Italy and around the world**

There exist some beliefs related to family businesses that are very common in the collective imagination, but which, as we will see, are mostly unjustified. The belief that family businesses are only small in size rests on the vision of the company as a nucleus, not considering the actual expansion that these can achieve; let's take a look, for example, at Wal-Mart, an American multinational retail corporation, which albeit in the hands of a family (Walton, currently in its second generation) today has more than 2 million of employees, having almost 11,500 stores worldwide and is first in the world for turnover. Another widespread belief is the existence of the phenomenon of capitalists without capital, that is the fact that the owner families do not have enough capital to support their growth and they have to entrust themselves most of the time to third parties. However, taking a look to the data of the "Osservatorio R&S-II Sole 24 Ore"<sup>3</sup> on large listed groups, we find that among the first twenty Italian groups, 12 results to be controlled by entrepreneurial families, and which of these eight have a very low equity leverage effect. We can cite, for example, the Berlusconi family (that owns Mediaset and Mondadori), Boroli-Drago family (Lottomatica and Toro), Del Vecchio family (Luxottica), all capitalists who have an equity leverage of less than 2,5. A third belief is that the most of the people think that the Italian family businesses grow at a lower rates than other types of enterprises. In this case it would be useful to consider the data provided by the "Osservatorio AUB" shown in figures 1 and 2 below, that clearly prove as, in the average, taking both medium to large companies and the small ones, the family businesses grow at higher rates than non-family businesses and excluding some cases (such as the 2009 crisis) they are never subject to major declines.

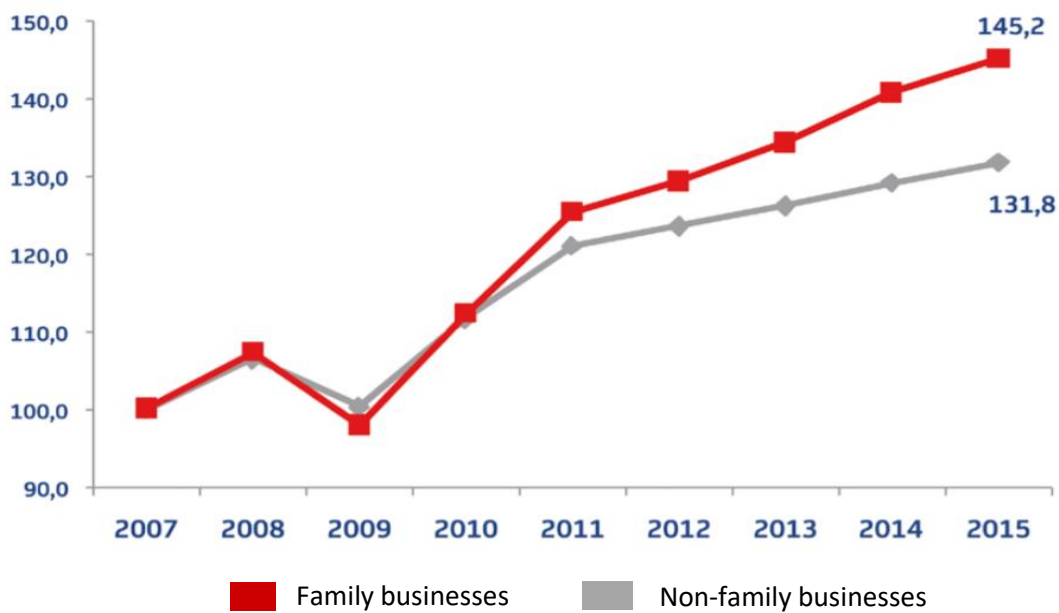
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<sup>2</sup> Entrepreneurship Theory and Practice

<sup>3</sup> Osservatorio R&S-II Sole 24 Ore, Grandi gruppi quotati, 2012

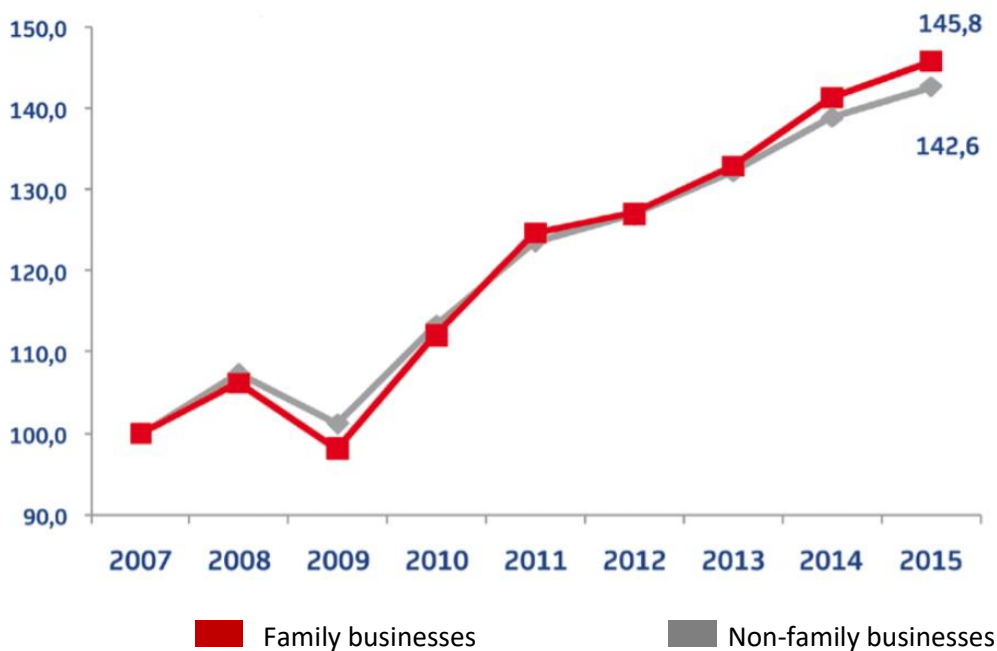
**FIGURE 1. GROWTH TREND IN MEDIUM TO LARGE COMPANIES**

Medium and large family businesses have grown more than non-family businesses



**FIGURE 2. GROWTH TREND IN SMALL COMPANIES**

Small family businesses have experienced growth rates in line with non-family businesses

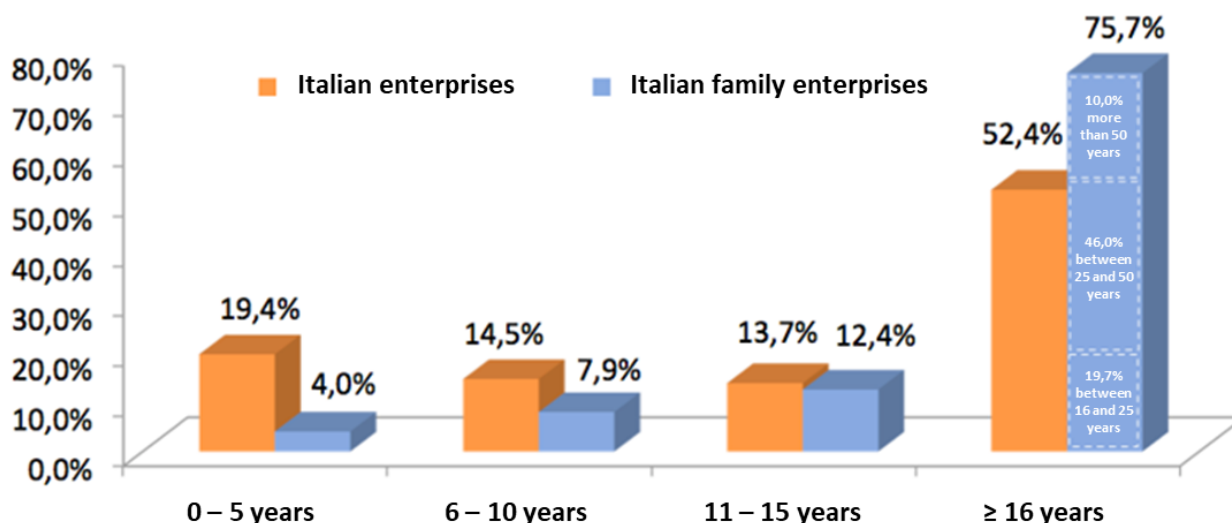


The family businesses represent a fundamental component of the area's economy on all continents, not only in terms of numbers but above all for their contribution to GDP and employment. Analysing the family businesses market, we can observe that it has a fundamental role. It constitutes the backbone of the Italian economy. Taking the data that concern these kind of enterprises we can see that the family businesses, having

an annual turnover greater than 20 million of euros, represent about the 65% of the Italian companies, generating a total turnover of about 730 billion of euros. Furthermore, if we also include smaller family businesses having a turnover lower than 20 million of euros, it is estimated that, the percentage of their presence in the Italian territory, grows by settling at about 85% <sup>4</sup>. Looking to the other main European countries we can notice that Italy is in line with the percentage of presence that the family businesses have in their respectively economy, as French (80%), UK (80%), Spain (83%) and Germany (90%). Moreover, worldwide speaking, the data do not change. The 90% of all active businesses are family ones. In the segment of medium and large companies (turnover > 50 millions), there are about 4,000 family businesses with an incidence of around 58% of the total turnover of the segment and are involved about 3 million of workers <sup>5</sup>.

As shown in the figure 3 the family enterprises enjoy an incredible resilience: in fact, the Italian companies having less than 10 years of life are about the 35% of the total, while the family businesses are about only the 12% (columns 1 and 2) and, moreover, the 10% of the latter have been founded more than 50 years ago.

**FIGURE 3.**

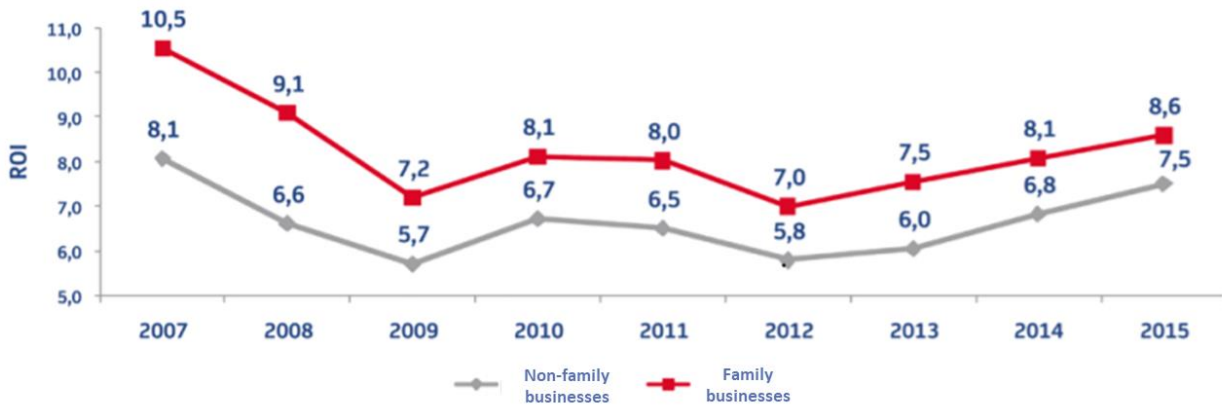


Speaking at an economic-financial level, besides the high growth rate mentioned above, we can underline that the profitability of family businesses is on average higher than that of non-family businesses, with peaks of more than 2 points, as is possible to see in figures 4 and 5.

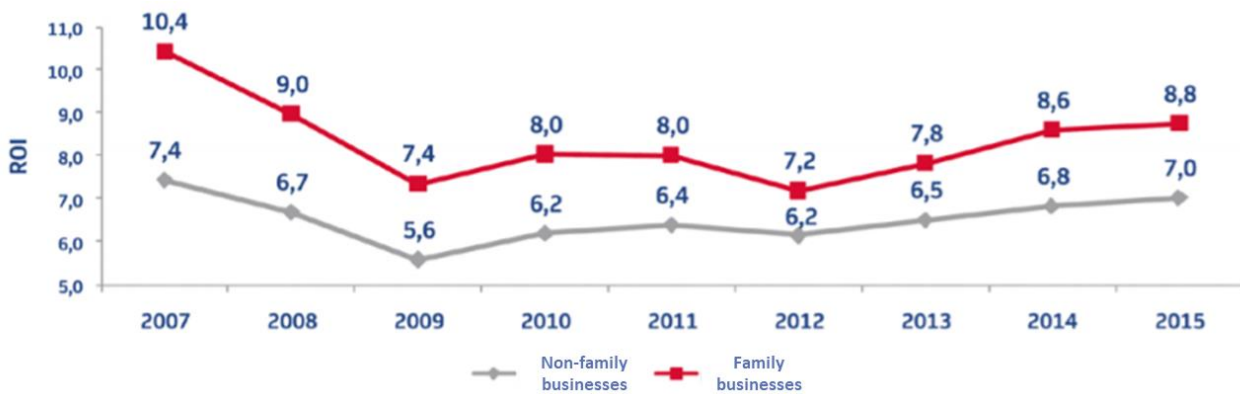
<sup>4</sup> Dati osservatorio AUB sulla presenza delle aziende familiari in Italia, 2014

<sup>5</sup> Dati osservatorio AUB imprese con fatturato >50 Mln, 2014

**FIGURE 4. OPERATING PROFITABILITY IN MEDIUM-LARGE COMPANIES**



**FIGURE 5. OPERATING PROFITABILITY IN SMALL COMPANIES**

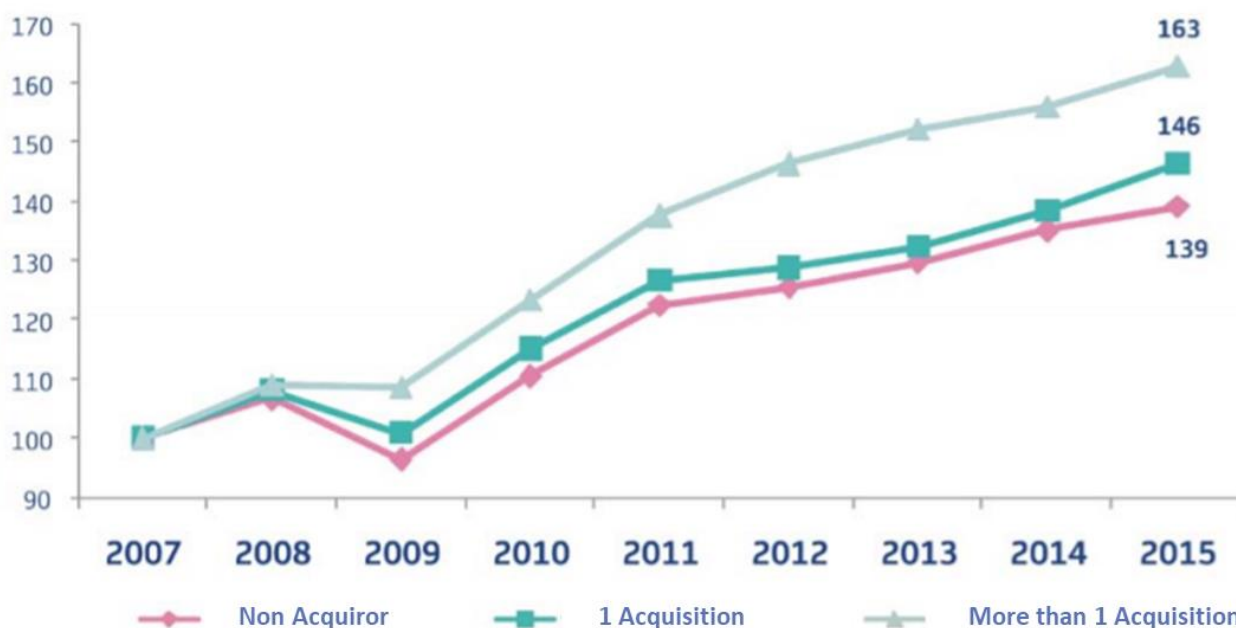


As said before, family businesses grow more than the non-familiar in the long run and, moreover, those that grow the most are the companies that make use of the instrument of acquisitions; so-called “acquiror” companies grow more significantly than non-acquiror and this phenomenon also affects profitability, albeit in a more attenuated way, as the difference in profitability is only relevant for those who have carried out more than one acquisition (figure 6).



**FIGURE 6. GROWTH RATES AND PROFITABILITY OF FAMILY BUSINESSES.**

Companies that have made more than 1 acquisition are those with the highest growth and profitability rates.

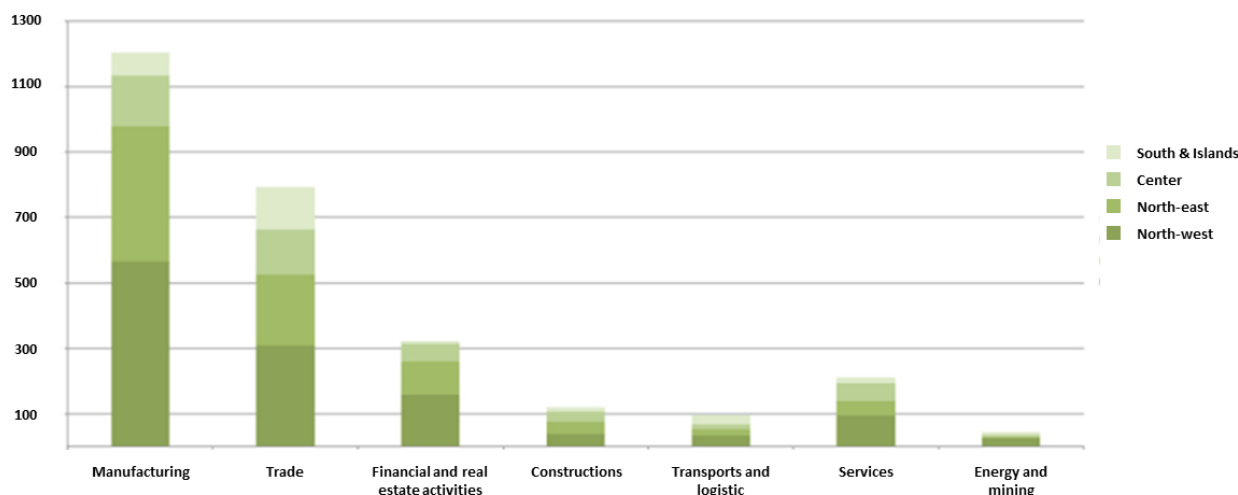


In terms of sectoral distribution, the family businesses, annually monitored by the AUB Observatory, are mainly concentrated in the manufacturing and commercial sectors (respectively 43% and 28%), while is less significant the presence in financial and real estate activities (28%), services (8%), construction sector (4%), transports (3%) and energy and mining (2%)<sup>6</sup>.

From a geographic point of view, the 74% of medium-large family businesses is present in the north of the country, the 16% in the Centre and the 10% in the South and Islands.

<sup>6</sup> Dati Osservatorio AUB sulla presenza delle imprese familiari nei settori chiave dell'economia, 2014

**FIGURA 7.**



The family businesses numerically represent about 60% of the Italian stock market (which sees a total of about 290 listed companies) and account for over 25% of the capitalization. In particular, small and medium-size family businesses are listed mainly concentrated in the industry and consumer goods sectors. Almost 90%<sup>7</sup> of the family businesses are listed on the MTA (Mercato Telematico Azionario), of which about 30% on the STAR segment, while the remainder is on AIM Italia (Mercato alternativo).

### 1.3 The variety of Family Business

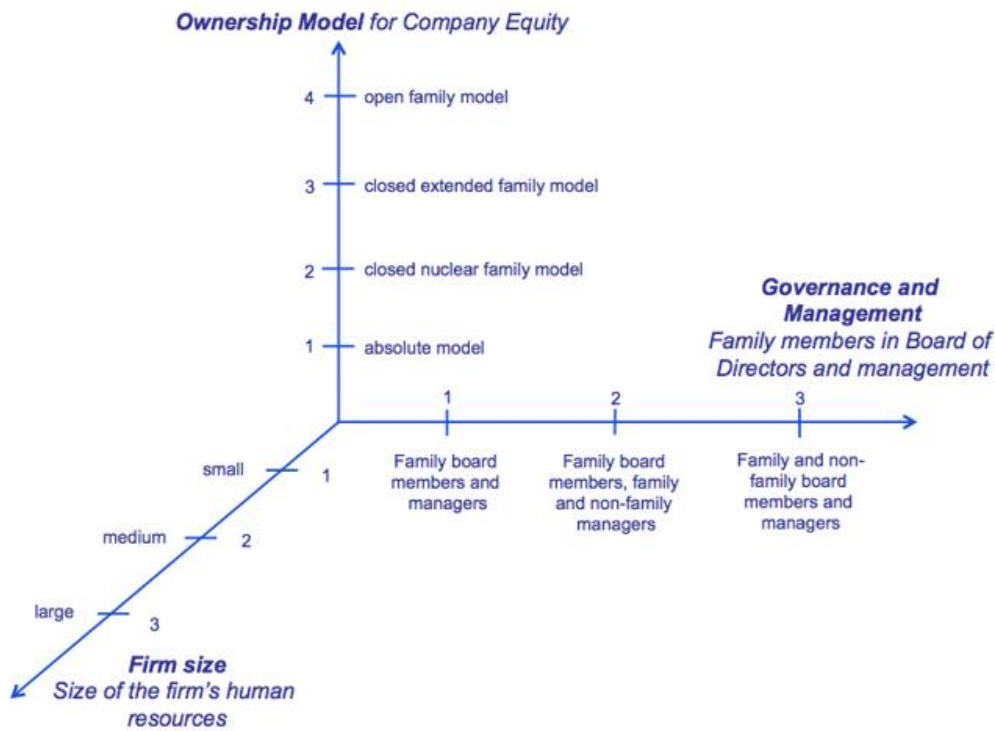
Whatever the definition adopted is, what characterizes the world of family businesses is their variety. The articulation within these companies means that they take on different configurations on how some variables of the company structure manifest themselves in the specific case considered.

A variety analysis model, distinguishes family members on the basis of three variables<sup>8</sup>:

- Ownership model
- Governance and management
- Firm size

<sup>7</sup> Dati Osservatorio R&S-II Sole 24 Ore sui grandi gruppi quotati, 2012

<sup>8</sup> Corbetta G. Le aziende familiari. Strategie per il lungo periodo, Milano, Egea, 2010



Through the combination of these variables it is possible to obtain 4 classes of family businesses.

### *Domestic family businesses*

The model of domestic family businesses is mainly present in small enterprises, which have recently been established; in them, their capital is totally in the hands of one or a few family members who hold important roles within the board of directors, from which non-family members are excluded. The company staff is made up of family members who can be joined by some external collaborators but in a limited number, given the elementary nature of the organizational structure. These companies are characterized by the high intensity of the relationship with the family, which if on the one hand can be an advantage, on the other it could compromise the business performance, the transparency of the company and its effective evaluation. They usually operate in a competitive context appropriate to their small size and which allows them to persist over time, provided that no major changes occur in the context and that they are able to balance their structure without giving in to the temptation to accelerate growth, in the mirage of a more consistent but not always sustainable profit.

### *Traditional family businesses*

The traditional family businesses differ from domestic ones not so much in size but as in the composition of the management bodies, which, here, can also be composed of people not belonging to the owner family. Usually, this type of company operates in medium-sized contexts with competitive borders, including those of international nature. The human resources of the family are no longer sufficient to feed the growth process and there is therefore a need to include external collaborators, even in key roles for the company. The members outside the family have different expectations than the family members and the company must take more cautious and professional attitudes towards them. The insertion of an external manager is a highly delicate process and need to be carried out gradually, starting with a period of coaching; this period is intended to bring the manager into the business perspective, so much so that he shares the objectives and makes him feel an integral part of the company and consequently of the family.

### *Extended family businesses*

The extended family businesses have a similar structure to traditional businesses, albeit always larger in size, with the difference of greater openness to people outside the family; in fact, if in the traditional model there were managerial positions held by non-familiar members, now they can also take senior positions within the Board of Directors (BOD). The presence of external members in the BOD is generally limited by the family members who fear a change of course by those who see the company only as a machine to be squeezed for their own profits, without taking into account how it can also represent a value to be handed down indissolubly linked to the family.

### *Open family businesses*

The open family business model is as close as possible to unfamiliar business. If in the extended family model, the opening to capital was somehow limited by family members, here there are real participants in the capital without kinship or affinity with the family to which the company originally belonged. This type of model is usually adopted in the large sized enterprises, where the need for capital requires an opening that goes beyond the borders of the family to end up in the arms of investors. The limiting case of this model is the listing on the stock exchange, where the opening of the capital occurs in partially uncontrolled manner; partially since the members of the family must be able to, at the time of listing, or more simply at the time of the sale of

equity investments, to limit the exposure of the capital, trying to keep the majority and, consequently, the control. The corporate predisposition to the open family model must be carefully planned and managed by the family, also through the so-called “buy-sell agreements”. The buy-sell agreements allow for the management of family members’ share to be legally established, in the case they were to be liquidated (death of the shareholder or his will to terminate) in favour of family members, these contracts allow not to run into situations of loss of the majority.

#### **1.4 Strengths and Weaknesses**

The family business has unique characteristics, not comparable to any other business structure and as such it has both advantages and disadvantages.

The long-term vision and perspective, in ownership and management, is the founding element of family businesses. It arises from the sense of belonging to the family and especially from the will of the elderly members to pass on to future generations a financially solid and competitive witness at the business level. This desire for intergenerational continuity leads to a high level of economic and emotional involvement on the part of family members, who value the company as an asset to be preserved and increased. The safeguarding of business continuity is also sought for the negative consequences on the reputation of the family in the area in which it operates if this continuity fails. The long-term vision allows the holding of a “patient” capital, which does not require an immediate economic return, but can be used for longer-term strategies such as growth. The unity that characterizes the corporate vision in family businesses allows for coherent decisions to be made in the long run, ensuring that stakeholders can establish stable relationships over time. The resources invested in the company allow the family business greater flexibility and autonomy, often ensuring, at the same time, that the funds are not at risk from repayment requests. The family culture is an inestimable value for the company; the synergies and complicity, resulting from the overlap of personal values with those of the company, eliminate agency costs and create the harmony that is a key factor for business success. The strong personality of the family business reduces the rigidity of a non-family business, breaking down bureaucratic schemes and thus allowing greater speed which is fundamental in decision making; in fact it is known that it is sometimes essential to make immediate choices. Finally, the knowledge of the business of the elderly allows them to exploit learning economies, carrying out an early preparation of future leaders; this is very important in terms of continuity of leadership, which does not change its objectives but rather focuses itself with new forces.

On the other side of the coin, long-term orientation can lead to an excessively prudent attitude, which translates into pure risk aversion; this, as is well known, negatively affects company performance and, most of the time, in the case of family businesses leads to a real inner closure, oriented to the aforementioned domestic model. The most relevant problem of this closure is the loss of opportunities such as the acquisition of external capital, vital for a sustainable growth of the company, and the adverse selection in the choice of managers; with

reference to the latter, it is normal in fact that, within the family business, priority is given to family members without prior checking of their actual abilities. Furthermore, if the company were to demonstrate that it is able to hire external managers, they would in all likelihood be victims of nepotism and placed in the background compared to internal ones, fuelling the phenomenon of adverse selection. Belonging to the family entails, on the part of the family members involved in the business, a dual role, that of family member and official of the business. Although we have previously underlined how the overlapping of these two roles can bring enormous benefits to the company, a possible conflictual relationship between relatives can be exasperated in the workplace, creating a climate of tension that is anything but in line with the harmony that should characterize the business. In the worst case, conflicts can lead to a slowdown in the decision-making process and in choices not shared by all, sometimes even drastic, up to the point of exclusion. Another recurring problem in these companies is the resistance exerted by the strong corporate culture; in fact, a consolidated and shared vision is difficult to change in situations of need, with devastating consequences from a competitive point of view. Finally, there is widespread knowledge of the phenomenon of those members who see the family business as a cushion on which to rest, an inexhaustible source of liquidity, believing that the kinship with those in control of the company is sufficient reason to justify their presence on the item of budgetary costs. The inertia that characterizes this type of people ends up with the creation of tensions, guided by comparisons and opinions, which certainly do help the growth of the company.

## CHAPTER 2: The Generational Process

### 2.1 Typical Phases

The generational change, or corporate succession, in a company is the moment in which the funders give up their place and new forces take over the management of the activity. It is not just a matter of a transfer of company know-how, that is, of managerial management skills and knowledge. The succession process aims to ensure the continuity of the business, prepares the introduction of the new generation, and allows to know and plan business development, through the observation and in-depth analysis of strengths and weaknesses. According to the data given by the AUB observatory, about 35% of the business leaders are under the age of 50, the 27% are between 50 and 60 years old, the same percentage for those between 60-70 to end up with an 11% of leaders who exceeds 70 years of age. The succession in family businesses, although it is very frequent, is a strong risk factor for the solidity of the activity; in fact, it is estimated that only about 50% of enterprises pass to the second generation and only 15% pass to the third<sup>9</sup>. The generational change takes place in a short time, but it has years of work behind it, composed of a set of phases that begin when the children are young, continue in a period in which the relationships and roles between parents and children are changing and end up with a new structure of ownership, governance and management of the company.

The process of generational handover starts when parents begin to wedge the desire to pass on the business, a lifelong job, to their children. Sometimes it may not even be the result of a desire (of the parents) but of the emergence of some facts such as a disease or simply reaching an age for which they prefer to stop working. From that moment on, the planning of the change starts, according to some phases that begin from the school education of the children, continue with the entry of the children into the company, go on with the coexistence marked by the education and end up with the passing of the baton, that is with the real taking of command of the business by the children. During these phases there is a need to check the quality and the actual abilities of the successors, to understand if they are actually suitable for the role; if this is not the case, it may be necessary to resort to external managers or, in extreme cases, to evaluate a possible sale of the company. Before joining the business, it is advisable for children to finish their studies, as proof of their ability to achieve a goal; the choice to attend the university is not a mandatory step, since it is not a guarantee of better future performance, but allows the successor to obtain a qualification and to consolidate their culture, acquire specific knowledge, face complex situations and develop new methods. The choice of university studies is valid for any faculty; in fact, what matters the most is the training experience. Certainly some study guidelines could be more useful than others within the family business, but it is better not to discourage a young person from his areas of interest, as this could lead to demotivation; in fact, following what one feels most suitable for leads the individual to develop enthusiasm and passion, with benefits that can be found in terms of involvement in the

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<sup>9</sup> Osservatorio AUB statistiche sul successo nel passaggio generazionale, 2014

company. A family member forced to abandon his passions could accuse the family, and consequently the company, of not allowing him to pursue his dreams, immediately creating a climate of tension within the company.

Given that today's business challenges increasingly take on international characteristics, it is necessary that the heir, who is preparing to join the company, will be able to operate in a multicultural context. To make that this happen, it is necessary to learn English, the main language at an international level, and the habit of living in foreign contexts even for relatively long periods. During his studies and before joining the family business, the young man needs to find the job that best enhances his characteristics and that comes as close as possible to his desires. The parent must be able to make young people discover their own vocation, moving in this direction through guidelines:

- Everyone has a vocation to look for in the belief that it belongs to each individual, bearing in mind that father and son may have different entrepreneurial vocations.
- The vocation adapts to the individual's abilities and habits, which may be innate or the result of an educational process.
- The vocation is revealed through the satisfaction and the sense of renewed energy that its practice provokes.
- The discovery of a vocation is not an immediate path, we often set out along many wrong paths before discovering the right one.

Consequently, it is evident that the first responsibility of a parent is to accompany the children's journey to discover their vocation, avoiding impositions and defining a training path that allows them to recognize the consistency between their own attitudes and the entrepreneurial role; it is therefore advisable to plan work activities to guide children towards certain areas and understand the predispositions towards each of them, bringing them closer to the family business through short jobs as, for example, internships and summer chores. In this phase it is important to start forming the character of young people, preparing them to take responsibility and, at the same time, increasing their self-confidence. It is essential to develop in them an adaptability to rapid changes and a humble attitude, ready to recognize their limitations and to appreciate the contribution of others. Furthermore, it is necessary to teach them tenacity, to resist the competitiveness that characterizes most sectors, and an attitude based on listening and positive research, which leads to never losing the confidence to find a valid solution to every problem.

Once they have finished their studies, it is important that the young man gain work experience before joining the company; while the jobs that usually are carried during the summer were used to insert him into the environment, it is essential that the first real work experience is carried out in other companies and possibly abroad.



Leaving one's corporate habitat has the purpose of having professional and temperamental training. Especially, in companies that are often larger and more competitive, it helps to demonstrate one's abilities and to develop realistic assessments about one's potential. In fact, it is important to learn to depend on a boss who is not a family member, whose evaluations are in no way vitiated by some emotional relationship. This type of experience aims to allow young people to measure their abilities in contexts where initial errors do not affect either the possibility of learning or credibility in the eyes of collaborators, also permitting them to return to the company with a title and with the ability to play a role beyond the surname brought. The experience is also useful for the family as a tool for further assessing the professional profile of successors and their propensities for business.

In the first years within the family business, the children do not necessarily have to carry out the same tasks as parents, theirs must be a gradual path, designed ad hoc, taking into account both company needs and personal characteristics. It is important that future successors carry out a so-called apprenticeship period; this is useful for the individual to understand the mechanisms well before becoming part of them, and not to give an idea of nepotism phenomena, as would happen if they entered directly into key roles in comparison to those who had to work hard to occupy them. In the most of the companies this paper is addressed to, current executives have had to endure a long apprenticeship before being able to fill senior positions; today, however, young people need to know many more concepts and aspects of the company than their parents had when they started and, for this reason, the training must be accelerated. New recruits must begin as soon as possible to take on increasing responsibilities that can result in rapid and effective learning. The psychology stresses to us how difficult it is to learn intangible assets, such as the skills of the manager, and, it is therefore a very difficult task to happen to parents who cannot transfer their knowledge in the form of a list of instruction to follow. The importance of the parent's closeness to the child's first steps does not apply only in the first years of age, but also in those in which he enters the company; in fact, only by being close to the parent and looking at his or her attitudes you can quickly and effectively grasp some subtleties that will then be fundamental to becoming a good manager.

The final step of this intergenerational process is the taking over of the heir who has proved suitable in the role of the father or mother. This is a very delicate step, that needs to be implemented with the right timing. While for the young person this moment crowns the aspirations, for the parent it may not be as positive, since "passing the baton" can be seen as a symptom of old age. It is important that some conditions are met so that this step is not delayed too much:

- Communication of mutual expectations.
- Parents' understanding that taking over their children is not a sign of surrender but of company renewal and the possibility of survival for further generations.
- Gradual exit of the incumbent with the possibility of filling a role that allows them not to completely detach themselves from the company.

## 2.2 Different Commitment Types

Although successor commitment toward family business has been identified as a key desirable attribute, commitment has been treated as unidimensional construct in family business research. Drawing on commitment literature, we propose four bases of successor commitment: affective (based on perceived desire), normative (based on perceived sense of obligation), calculative (based on perceived opportunity costs involved), and imperative (based on perceived need). A model of antecedents of each of these bases of commitment is developed, connected to incumbent behaviours and family culture.

### *Affective Commitment*

Affective commitment is based on an individual's "emotional attachment to, identification with, and involvement in the organization". Thus, it is characterized by a desire to fulfil any actions to reach the targets of the family business. Who have a high level of affective commitment has generally a coincidence between his goals and firm ones. The individual wants to contribute to the achievement of these targets. He feels that his aspirations can be satisfied in the family business. Usually individuals can experience this mind-set when they perceive an alignment between *identity* of self and that of an organization, and *career interests* and opportunities available in the organization. When such alignments are perceived, individuals become involved in, and recognize the value-relevance of pursuing a career in the organization, thereby exhibiting affective commitment.

### *Normative Commitment*

Normative commitment is based on the feeling of the family member of obligation. The individual senses that he has to pursue a career in his family business and to remain steadily in the firm. Thus, the "push factor" is duty, rather than an intrinsic desire. In this way family members may accept this influence on their choices about work, wishing to establish and maintain satisfying relations. This sense of obligation may be relatively difficult to find in non-blood related employer-employee relationships. However, it is quite prevalent in family firms as a sense of duty or obligation toward the family plays a key role in the career decisions of family members.

two factors that might be antecedents to normative commitment are: *family norms related to gender and birth-order*, and *institutionalization of norms*. About the first one, the way of conceiving individual's attitudes, values, and behaviours in a family firm, provides to influence the perception on what is acceptable or not; in particular this influence of family on the values retained "right" is linked with some aspects to the succession,

as the expected role of family members in a family business based on their gender and birth order. These norms may require one or more members of the next generations to pursue a career in their family firm and assume its leadership. On the latter, the norms of succession are seen with a good eye by some members of the next generation, but others can feel frustrated an unfair, especially when they do something they dislike. Although next generation family members may disagree with the established rules and feel a need to detach from the prevailing cultural norms.

#### *Calculative commitment*

This kind of commitment is based on knowledge of the next-generation family member of the costs associated with leaving an organization. It is possible to assess that this type of commitment is based on the “cost-avoidance” mind-set. There are two dimensions linked with this type of decision: the perception about sacrifices and costs associated with leaving the organization and the realizing of lack of other opportunities of work. Thus, we define the calculative commitment as the impression of the individual to lose a valued investment if he does not join the family business. Another reason to pursue a career in the family business can be the perception of the financial and/or social opportunity costs. Talking about the first there is a phenomenon called “endowment effect” for which an individual values dearly what he already possesses, respect the opportunity to buy an object. In the context of family firms, family members often have property rights accorded to them based on their position within the family, obtaining during the time. It is quite possible that these individuals would perceive losing their status and/or the value of their investment if they did not pursue employment in the family business. On the other hand, not only economic factors influence the decision to join the family, there are also social costs. Successful family firms also provide non-economic benefits to the family members. One of them can be the possibility of the transfer of relationships or social capital across generations.

#### *Imperative commitment*

Imperative and calculative commitment may both be considered cost- or constraint-based forms of commitment that result from the perceived lack of better opportunities available outside the firm, but they differ in the following way. Calculative commitment is linked to the perception that pursue a career in the family firm is the best solution among other option while imperative commitment is the situation in which the individual feels that remaining in the family business is “the only choice” or the least bad of a number of unattractive alternatives. The underlying mind-set in this case is a “need to” pursue such a career. An individual chooses to stay in his family firm because he feels that he has no other opportunities for his career. The perception of not having career options available for them outside their family business can be caused by their limited exposure to alternate career paths and/or perceived lack of marketable skills.

### 2.3 The Incumbent Influence

First of all, it is necessary to consider that the link between the ownership and the business in family firms has a special strength. In family companies, the ownership takes part intensively in the life of the firm, this combines the economic and emotional sides making the exit process difficult to achieve. This linkage between the family and the business has both positive and negative aspects. The former is related to the complete devotion that the family has toward the firm. The latter show up in possessive attitudes and in refusing to make the necessary distinction between the needs of the firm and the needs of the owning family. The succession process could be observed in different ways according how the incumbent deals with his withdrawal from the firm.

We can firstly frame his exit styles to analyse which will best fit with the commitment types we listed before.

#### - *Monarch Style*

He is the last to leave, strictly related to the saying “the captain is the last to leave the boat”. Until his mental facilities will support him, he will continue to retain close control on strategic decision. Their most difficult tasks are to delegate and assign power to others as they consider themselves as the only figure capable of taking right decisions. Severely attached to the firm and the office they continue to rule until they are forced to leave.

#### - *General Style*

He is not surrounded with the same fame of the Monarch incumbent, so his retire will be easier to claim. The problem is that the General is so attached to the firm he cannot imagine himself doing something else. He will spend his empty days trying to find a way back in the enterprise.

#### - *Governors Style*

They live their role as a mere duty, something defined by time and generally they look forward leaving and dedicate to something else, probably some hobby since working in the firm has absorbed all their energy. Governors usually lack performance, and do not mind of having a good succession plan, the important thing is that they know that someone will take their place, no matter who. Governors leave the company with no intention of coming back, detaching from any possible link.

*- Ambassadors Style*

It is the most normal way of leaving, ambassadors recognize when it is the time to step down, continuing as advisors if their help is needed. They are not influenced by the vision they had during their control period, and they look with interest in new generations, conscious that someday the student will overcome the teacher.

*- Master Style*

The enterprise is part of him so are his children, there is no such natural thing as generational continuity. The incumbent sees that the only way he can pass his throne is by passing it to a family member. Company is family, and family has to remain united, whoever leaves the company consequently betrays the family. This type of incumbent will not let go until he is assured that ownership will belong always to family.

It is simply stated how Monarch and General styles of exit, cause in an individual sense of insecurity and fear of intake. These type of exit styles will bring an individual with an affective commitment to leave to find fortune somewhere else, but rarely we will find children with normative commitment in a family whose parents are so reluctant to leave their places. What we will probably find in these families is the Imperative commitment and his self-doubts, generated by the limited space they are granted.

Governor style probably does not influence too much commitment in an individual. Surely, we will not find affective commitment, values in a governor incumbent are hard to find and consequently hard to aim. Maybe calculative commitment could come out from an individual who sees in the owner's unconcern the possibility of a simple and low energy cost career.

Ambassador's sense of duty emphasizes the affective commitment, goals are defined and the incumbent ready to leave as soon as the heir can demonstrate his skills, and his capacity to contribute to these goals. No normative or imperative commitment will be generated, the individual will be able to decide by itself.

Master style is the cause of "ought to" that characterizes normative commitment. No matter what your passions are if the incumbent employs this type of exit style, you will have to join the company whether to maintain relations between the family steady. The other types of commitment are simply wiped out from the master style. maintain relations between the family steady. The other types of commitment are simply wiped out from the master style.

Another important consideration can be made on the types of family from which the incumbent comes from, family is the first generator of attitude and through her analysis we can predict the future conception of the firm and the means that push individuals to pursue goals. We can divide families in 6 types:

### 1. *Royal Families*

Families who are sure that the guide of the firm belongs to the oldest son, who generally corresponds to the one who enters for first. Generally, these families think that the company has to be entitled only to male offspring. There is no rational explanation of this believe, however it is the easier way to keep the firm under the ownership of the family and could also represent a justification of an unfair treatment in respect to the other children. This approach nowadays is not so frequent, even because it is not true that the eldest son has to be the best one. From this type of family, we can predict that likely most of the incumbent will assume a Monarch style.

### 2. *Anarchic Families*

There is no plan, no regulations to help orient the firm for the future. Parents think that each child is likely to have an equal share of the enterprise, and everybody has some kind of power to join the BOD and make decisions. This is accompanied by the conviction that every heir has to choose his own path, it follows that children join and leave the firm as they like. In this way ownership spreads, decisions are made in a slow way and oriented towards who has the ability to manipulate others. In this type of families, we are likely to see Ambassador incumbents and even if not frequently governors' styles.

### 3. *Laissez Faire Families*

Similarly, to the anarchic family, heirs do whatever they believe is better for them. They therefore consider to not continue the business so that they can sell it to divide prevents in equal parts. Parents consider themselves as an example, but children have to make their own effort to follow this example. From this type of family, we are most likely to find governors incumbents.

### 4. *Democratic Families*

These families think that each heir has to receive in proportion of his contribution and merit. Regulation is based on the principle of merit, every subdivision is oriented to this norm, proportions for roles, salaries, incomes, etc.

It is though difficult to measure the real contribute of each individual to the firm, this type of family lead to conflict due to the subjectivity of the merit evaluation. In these family we are more likely to find Ambassadors incumbents.

## 5. *Entrepreneur Families*

The founder of the firm and generally of the family, is a classic entrepreneur he believes that no one can follow his tracks. He thinks that he is the only one capable of running the firm and he is unlikely to succeed. He is reluctant in dividing his jewel with others even if we are talking about his children. Obviously in this case the incumbent will assume a Monarch style of exit.

## 6. *Utopic Family*

This type of family thinks that the firm is something really important through which the family will consolidate. Ideals and values are elevated, and relations are cultivated to be every day closer. Family creates the opportunity and family members have to exploit it. Master incumbent exit style is the most present figure in this type of family.

### **2.4 Recurring Problems**

It has already been mentioned above how succession is an extremely delicate and very difficult process and how errors in this matter are frequent and of a different nature. Furthermore, special situation can then arise that complicate this intergenerational swift, inevitably affecting company performance.

A first type of problem arises when there is an overlap between roles in the same individual, as often happens in small family businesses, where management and control are headed to the same person. There is then the risk that we have a confusion of roles and competences; for example, being an owner is a right but being a manager requires specific skills and if you were to think that the manager has these skills by right you run into what we have defined as the problem of overlapping roles.

It is natural that a parent who has built a business wishes to pass it on to their children, teach them the trade and place them in the company. It is absolutely wrong, however, that this step is forced, that the parent manipulates the heir from early education in order to guide him in a one-way direction that leads to the enterprise. Sooner or later the young man will reflect on his past, regretting not having had a choice and having dedicated his efforts to what was not his vocation; for this reason there will be a difficulty in the identification with the family business.

The passing of the baton, as we have seen previously, is something that materially occurs in an instant; the day before the leader is the father the day after the son takes over, but although it may seem quick, this intake is the result of a long and well-planned process, or so it should be. Considering the succession as a single event leads to an inevitable slowdown of the business, due to<sup>10</sup>:

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<sup>10</sup> "How to avoid mistakes in succession processes", Guido Corbetta in J. Tapies, J.L. Ward, "Family values and value creation" Palgrave MacMillan, 2008

- Lower propensity to change with strategic-organizational delays.
- Parents holding of competences and responsibilities for a too long period, which will put the children in a position of not knowing how to act when their time comes.
- Excessive influence of parents on children, who will assume a conservative character, compromising innovation.

The innovative process within a company owes a lot to the generational change and its new recruits, who with knowledges and experiences bring that wind of change necessary for the business survival. The entrepreneurial family must develop the enterprising attitude of their descendants, so that in the future they can have young people ready to proactively contribute to the family business. It is certainly a mistake on the part of parents not to stimulate these skills, this should be done by allowing the young person a complete education, a wealth of experiences and a specific training. The lack of communication between the new and old generation is the cause of poor company performance; in fact, the relationship that is established between parents and children is important for the growth and professional learning of the latter. The absence of dialectic does not allow the young person to develop his own personality in the family business, thus preventing his leadership. Harmful is also the case in which communication exists but at a conflict level, leading to a climate of tension within the company that is very detrimental to performance.

Given the difficulty of the succession, it is good that in all companies that face this process there is a third party, who helps the controlling family to cope with the generational change. First of all this organ, which to facilitate the understanding of the text we would reduce to a single individual, must understand and remedy any errors that may have occurred in the head of the heir, and in a second moment he must reduce the vast emotional area that is created around a succession, taking a key role in this process. Therefore, it is important that this “third party” is a person with the skills and requisites necessary to lead the business without it being harmed by the succession process. The choice of this individual will be guided by some key skills: the patience necessary to manage a process that could take several years between sudden accelerations and inexplicable slowdowns; the use of a human approach aimed at fully understanding the relationships within the family that could not be fully explained if a technocratic approach were used; the ability to contribute to the decision-making process without actually making decisions, leaving the main actors to decide.

Nowadays new problems emerge regarding the process of generational change; in fact, the increase in life expectancy inevitably prolongs coexistence between generation in the company, making timely replacement essential. A young man who enters the family business has an average of forty years of work ahead of him, during which the interaction with two other generations is almost secure. This type of interaction is positive only if it is synergistic between visions that differ for their nature. The existence of so many heirs is also a problem that should not be underestimated; all family members have the right to participate in the business but, obviously, not everyone will be able to be part of it. The presence of numerous children risks



compromising the company's capital structure, with risks of splitting not only its capital but also its assets that belong to it.

## 2.5 Facilitating Factors

Generally, all family members share the goal of making the company survive for as long as possible, beyond the life of the founder; however, this is not enough to ensure that the heirs really want to take care of the family business. There are also a series of obstacles due to the feelings existing between parents and children; the desire for their descendants to take over the company is sometimes accompanied by the fear that they may not be able to manage it, or that their existing relationships will change in a conflicting manner, or that the entry of children may ultimately cause tension among the workers. On the other hand, children are also afraid of changing relationships with their parents, they fear bad figures in front of their loved ones and are afraid of being seen as "those who have chosen the easier path". This ambivalence determines a climate of tension that amplifies every choice or accident, compromising the chances of success. The latency that is created in these specific situations results in misunderstandings and mistakes; if parents, for example, do not openly express their desire for their children to be part of the company, they are led to think they are not wanted on their part. Another example can be identified by the existence of expectations not communicated; a parent who wants his child to join the company immediately may be disappointed if the latter, in the belief that he will meet expectations, undertakes an external experience. Parents who wish to involve their children in business should express themselves clearly but with sufficient tact, relying on the feelings of welcome, involvement and necessary support without making their desire perceive as an imposition. It is important to make the business environment special and stimulating, speaking positively about it, and placing the emphasis on the results achieved and personal satisfaction. Those that were latent norms have to be transformed and developed in time, so as to be clear and explicit; it matters little what the rules are, what is important is that they are not intrusive in any way and that they leave all the space for young people to first follow their own vocations.

The ground rules should be related to the following aspects<sup>11</sup>:

- When and under what circumstances the children can enter the company, specifying whether there is a special position for them or should they wait for the vacancy of a job.
- The age limit for joining the company.
- The possibility of filling more than one role.
- The possibility of simultaneously carrying out two or more jobs not related to the company.

These rules must be respected and protracted over time; if they were to be changed, the change should be notified to everyone with the reasons for the change; any lack of information would lead to undermining the family's trust base, negatively affecting the stability of the company.

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<sup>11</sup> Guido Corbetta in J. Tapies, J.L. Ward, *ibidem*.

It is desirable that the future heirs of the company be taught a series of values and that a step-by-step path is planned that will allow them to make a career within the enterprise. In reality, this path is rarely travelled; in fact, it can be accelerated, as in the case of a sudden health problem of the parent, or excessively delayed, due to a reluctance on the part of the entrepreneur to leave the helm. Regardless of the situation in which an individual may find himself, a personal training plan is essential. A solid training helps the heir to overcome sudden difficulties, also allowing to plan long-term goals. An adequate training plan must provide the skills necessary for managing the company and help to develop one's character to assume managerial skills. The heirs will try to develop a well-rounded knowledge with skills that also cover areas neglected by the parents, so as to be able to support them with innovative outputs. By operating in complementary areas, conflicts arising from competition are avoided and the company is helped in those terrains that previously seemed slippery. The young person must take advantage of the wind that his generation can blow in the sails of the company, for example by focusing on the importance of introducing new technologies, functional to the running of the business. Having these skills is also an opportunity to strengthen organizational ties and stand out in the eyes of parents and collaborators, where there is a need to train in the use of new technologies. Parents are often anchored in the pure observation of competition and prefer a wait-and-see and conservative strategy, both for fear of unbalancing and because they have lost that attitude to change that, instead, characterizes the new generation. Here too the role of the young person can be extremely important; in fact, if he manages to grasp with his own spirit of renewal which changes may be necessary and which opportunities can be exploited, he will acquire a capacity for perception and management that in future will be decisive, even if in all probability he will not be able to develop his own ideas immediately. Setting challenging objectives has the advantage of understanding one's own abilities and progress, also allowing, in the case of a group of collaborators, to evaluate their work as well.

The set of values that these factors determine in the individual lead him to a training capable of giving continuity to the family project.

In the situation that more than one child is ready to succeed, the company would face one of the most difficult choices in the life cycle. However, the importance of taking the reins of the situation and making a choice despite the inevitable repercussions at company that remains without a guide cannot be directed towards its objectives; if the situation would last too long, it could cause serious damage to the company. It is important, if not vital, that families take certain aspects into consideration, so as "selection methods". Establishing a rigid rule addresses the problem of choice by referring to a traditional principle of the type "the major will be the president". These rules are usually implicit in family tradition and are revealed only in the actual moment of succession. On the contrary, it would be ideal if these rules were applied in advance, to reduce the climate of indecision. Clear and unequivocal rules represent the shield behind which to take shelter in order to avoid any kind of indecision, even if it is an arbitrary choice there will be occasions for conflict. Choosing the best candidate is configured as a valid alternative, in which the decision is left in the hands of one's children; it is, therefore, up to them to let emerge who is best suited to fill the leadership role. The final choice will be based

on the evaluation, over a sufficiently long period of time, of the professional profiles of the successors and will be made by the entrepreneur or by a committee of managers. Alternatively, in the cases of large families, the practice of a formal election by family members is recurrent. This approach has the advantage of letting the family choose the most suitable candidate, in a situation in which all have equal opportunities, but on the other hand it can develop exaggerated competition between siblings. A third alternative for successor selection is to choose someone who is not a family member for a limited period of time. This solution is ideal when the heirs are still too young to take control of the company; the external manager manages the company giving the heirs time to mature and develop the right skills to take over. The external manager can also help the heir to grow by making him work alongside him, explaining the choices and doing whatever is necessary for the young to become a suitable successor.

Families are usually undecided about when to divulge the news of the choice, whether it is appropriate to communicate it in time or to wait as long as possible; generally they tend to postpone the announcement, waiting for some event that forces them to manifest it. The greatest advantages, however, are to be attributed to the choice of immediate communication, which reassures employees, clients, and suppliers about the future of the company. Family members themselves will benefit from this attitude; there will be the opportunity and time to meet those who have been disappointed and the possibility for the excluded to plan their lives properly and learn to collaborate in the new situation of distribution of power.

An extremely important element, which conditions the success of the generational transition, is represented by the attitude of the entrepreneur- father with respect to this process. It should be remembered that parents are usually reluctant to leave the company, seeing this gesture as a declaration of surrender to old age; the most of the time this involves fluctuating decisions on the definitive abandonment of the company, characterized by continuous returns and exits. This excessive attachment leads to confusion within the company which does not find clear guidance, inevitably affecting its stability. It is therefore essential that the parent plans a definitive exit for himself, dedicating his time to travel, hobbies and whatever else to keep him at a safe distance from what was once his business.

Sometimes succession is a process to be observed almost entirely from a psychological point of view, but sometimes attention must also be paid to some economic aspects. The passing of the baton can lead the company into difficult waters from an asset point of view since there is often the need to liquidate part of the heirs, causing a drain on liquidity. Therefore, it is necessary to plan the establishment of a separate asset from the company or other tools that make it possible for family members to leave without affecting the company capital. Where there are economic difficulties in creating this heritage, it is important that there is a solid majority able to deal with the dissatisfaction of shareholders who are disinterested in the family business.

## CHAPTER 3: The De Besi - Di Giacomo S.p.A. Case

### 3.1 De Besi – Di Giacomo S.p.A. Overview

De Besi – Di Giacomo S.p.A. is a small to medium sized enterprise operating in the field of Insurance Consulting, Brokerage and Claims Management. The company started its life in the late 1950s from the collaboration of the two founding partners, Antonio De Besi and Dorian Di Giacomo, who, after their common background at *Assicurazioni Generali* naturally developed the activity with the opening of an independent Insurance Agency. The partnership of the two families, De Besi and Di Giacomo, officially started in 1959. In a short time, the company became a multi-firm agency and intensified its firsts international contacts with the prestigious Prudential Assurance Company. The company is among the first Italian correspondents of Lloyd's of London and today it represents the oldest Lloyd's correspondent within the market. The great leap forward occurred in the 1980s, when the company turned into a S.p.A. and joined the newly established Official Insurance Brokers Register<sup>12</sup>.

The business has grown and expanded over the following 50 years, and nowadays is led by the second generations. The two founders have built a partnership that their children are continuing and strengthening. The founding principles, both professional and ethical, inherited from them allow today to run the company in harmony and agreement, both by conveying the passion to all employees which have spent many years in the enterprise and building long-term relationship with clients and inside insurance market.

The operational structure is represented by a registered and headquarter office in Rome, a headquarter office in Milan and dedicated offices at FAO, WFP, IFAD, ESSO Petroli and RomaTRE University, through which the staff operates efficiently both in Italian and international insurance markets. The team of the company counts about 60 people, including 25 brokers. The dedicated staff is composed by experts specialized in risk analysis, contracts, costs control, selection of insurance coverage and policy handing. The company places any kind of insurance for industries, paying great attention to the quality of services offered to its customers; it also operates with the Public Administration and personalizes the insurance needs according to the individual Professionals and Professional Studies. It is specialized in property risks, public liability, industrial risks, bonds, credit, cyber & computer risks, employees' benefits and commercial and/or personal line risks.

The organizational structure of the company is characterized by three dimensions: vertical differentiation, that refers to the location of decision-making responsibilities within a structure; horizontal differentiation, which concerns the formal division of the organization into subunits and the third dimension that refers to the integrating mechanisms that coordinate subunits. For what concerns the vertical differentiation, De Besi – Di Giacomo S.p.A. applies a differentiation strategy: routine issues are faced and solved in real time by lower-level managers. In this way, time-budget represents an incredible added value within a market that is so much competitive. The company is much more flexible, individuals are motivated by the sense of responsibility,

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<sup>12</sup> <http://www.debesidigiacomo.it/?setlang=en>

considering valuable their potential because of the relatively autonomous and self-contained subunits they belong to. For what concerns in terms of horizontal differentiation, De Besi – Di Giacomo S.p.A. over the years completely changed its internal structure. At the beginning the company did not have any kind of formal structure; today it requires and is based on a divisional structure that allows the staff to deal, simultaneously among services, customers and partners they work with. Lastly, focusing on the third dimension, we need to consider that De Besi – Di Giacomo S.p.A. is pursuing an international strategy and tries to profit from the transfer of core competencies and skills among units at home and abroad. However, we have also to consider that as SME, the company still does not need high integrating mechanism support, indeed coordination, within the firm, is controlled thanks to liaison roles.

What characterizes the services offered by De Besi – Di Giacomo S.p.A. is the reactivity with which they address their customers' needs, notwithstanding the fact that they easily offer very responsive and high-quality services, available 24/7. Peculiarities, which are pursued through the research and the technical and legal expertise of selected professionals that, altogether, made it possible for the company to internationalize their services.

The corporate structure of De Besi – Di Giacomo S.p.A. allows them to perfectly meet many of the issues related to the industrial, commercial, and individual framework. Their work starts from the assessment of all the risks connected to a specific problem and leads to the arrangement of the most suitable insurance solution which best fits the customer's needs.

Especially when we talk about insurance-covering consultancy, De Besi – Di Giacomo S.p.A. operates in five main sectors and have five major types of clients. The first one is tailored for companies. The enterprise can offer any types of insurance for companies, from All Risks to the Director & Officers policies. Thanks to the personal assistance of a dedicated broker and to the expertise of the team, De Besi – Di Giacomo S.p.A. offers a tailor-made insurance policy resulting from a well-consolidated *modus operandi*. Starting from the analysis of the risk associated to the issue, a specific report containing the risks that can be levied on the insurance market, or to the management itself, is created.

The second sector within which the company works is the public one. By assisting public administration and public entities, the company can assess the risk to be transferred to the insurance market in order to be the most cost-efficient solution as possible. They also act as consultants for the day-by-day claims and contracts' management.

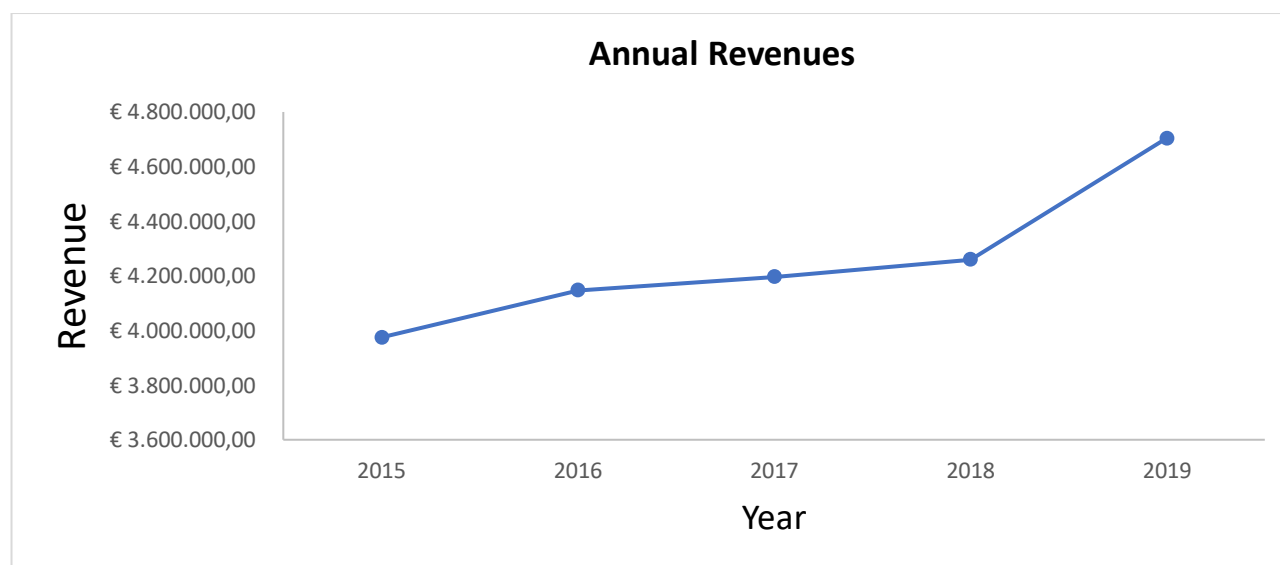
The sector of professionals has been constantly increasing in the last few years. This increased demand for tailored policies was born because, subject to few exceptions, the Professional Liability Insurance Policy is now compulsory for all professional areas, for errors and omissions related to the specific personal activities and to the activities of collaborators.

Last but not least, the insurance and policy sector for commercial risks. Regardless of the company' size, whether involving manufacturing or trade activities, the aim of the company is to offer viable insurance solutions protecting both civil liabilities, sold goods and any wrongful action of employees.

It is especially for this kind of commercial needs that De Besi – Di Giacomo S.p.A. decided to implement an international service. In the 80s, a customer of their, required a dedicated assistance for a special deal to be made in Switzerland and in the USA. He required technical and legal assistance in a foreign framework, which was very different from the Italian one. Thus, they hired two ad hoc brokers in the respective country to analyse the issue to be taken care of. This has been the first step towards a process of internationalization.

As said before in the lasts 50 years De Besi – Di Giacomo S.p.A. has incredibly grown: consider that revenues for 1997 amounted to £ 2.351.231 that corresponds to € 1.214.310, whereas, nowadays and, specifically in 2019, the revenues amounted to € 4.704.030<sup>13</sup>, it is almost quadrupled. Therefore, it is clear which has been the development of the company trend since the early years of its life until now. Over the time, the insurance market, that was not so accomplished, continued to grow, becoming even more important. Despite the difficult context, in the last years De Besi – Di Giacomo S.p.A. kept going on with its path, focusing on its strengths and trying to distinguish itself from other competitors who tried to stand out within the market, both the Italian and the international.

**FIGURE 8.**



Even if the numerical results do not appear blatant, what during the years allowed the company to grow, has been its capacity to maintain a solid relation with its clients, to build a fidelity affinity with them and with its partners. Nowadays, especially in this kind of market (the services market) the goodwill between insurers and its clients became fundamental and the reputation that the company got, also among its competitors, is what gave them the chance to grow and to gain a foothold in the international market.

<sup>13</sup> Data on 31.12.2019

## 3.2 Generational Process

At the beginning of the 80s, with the entry into the company by 5 of the 7 children of the two founding families, the generational change started.

Alessandro, the De Besi's eldest son, is the first to enter the family business at the age of 19; he starts from the least qualifying jobs, at half of the lowest salary, as a sign that there are no privileges but that he has to work hard to earn a top position. Starting from the archive and following the entire course of the corporate career, today Alessandro is the chairman of De Besi – Di Giacomo S.p.A.

At the age of 20 years old, during the 1978, Antonella Di Giacomo was the first of the Di Giacomo family and of the second generation to join the company. After a short university course, Antonella decides to devote herself full-time to what will make her responsible for the administrative area.

The following year Giovanni De Besi also joins the company, whose definitive entry will take longer than expected due to his attitudes different from those necessary for the small family business.

Paola, the youngest daughter of the De Besi family, approaches the company immediately and after finishing the high school she decides to pursue a career within the family walls in 1986.

Finally, Andrea Di Giacomo decides only in 1988 to join the De Besi – Di Giacomo S.p.A., as his foreign experiences and his qualified professional profile made him attractive to numerous jobs offers from competitors.

In the second chapter we analysed the various forms of commitment during the succession process, now we try to have an empirical comparison with the theory we studied. We are going to compare what we have seen in the case of De Besi – Di Giacomo S.p.A. through a series of interviews we analyse the generational transition from the first founding generation to the second, which took place within the company in the 1980s and ended with the departure of those who founded it in 2006.

### 1) Describe your path before entering the firm.

#### Alessandro De Besi (chairman)

*“As soon as I finished school I joined the company, exactly 40 years ago, in the mean time I enrolled in University, which I did not conclude, overwhelmed from the activities I was called to carry out with clients. I started inside the offices, entering as a normal employee, beginning from the easier works. I worked as the deliveryman, in the archive, for several years until I was sent to London, where I practiced English nowadays fundamental for business. There, I also attended a course of insurance at the Chartered Insurance Institute of London, which is the oldest and most important institute of insurances. Then I worked for Prudential and for a broker in the assurance field. After these experiences I came back in the company and step by step I followed the enterprise path.”*

Antonella Di Giacomo (Accounting Responsible)

*“After High school diploma, I joined immediately the company. I enrolled at University in Economics where I passed my first exams, but for personal reasons I had to give up studying. In the firm I found a person which introduced me and taught me all about accounting and administration, and I personally attended some courses such as a Master in Business and Management at LUISS business school, and Euro conference courses on accounting.”*

Giovanni De Besi (informatic Responsible)

*“I started with little jobs for the company before joining in 1979, then I was sent for a few months in another insurance company to supervise some informatics programs. This external company employed me in their data elaboration centre, where I was a programmer for 2 years, attending in the meantime I attended some informatics courses. After this experience I went working for another enterprise always in the data elaboration centre, and after 5 years I started to look around frightened by the fact that the enterprise was borderline with failure. What immediately caught my sight was the growth of our family firm, in terms of people and informatics systems, so I decided to join our company and dedicate me to all the informatics stuff.”*

Paola De Besi (Client Responsible)

*“I joined immediately after school, I worked a few months before leaving for London, where I studied English. There I stayed for a month and a half after which I came back to the company.”*

Andrea Di Giacomo (CEO)

*“I left the school and I started working as a warehouse man in a book company for elementary and middle school. For the same society I worked as a book seller and debt collector, knocking on each door to seek for defaulters. Afterwards I did for 12 months the policeman, to then go to England with the intention to stay there for 6 months but I actually stayed for 5 years. In England I worked for the company leader of the market of reinsurance, first as an archivist then after a few years I gained the experience to assist the representative of the company in London. In the meantime while I was in London I passed some exams at the Chartered Insurance Institute, however I had to drop out when I entered the firm, where I gradually made career and today I cover the CEO role.”*

**2) How did you see the enterprise before being part of it? Did you want to be inside from the beginning or did the vocation came in a second moment?**

Alessandro De Besi

*“I did never make any consideration on the firm, I simply founded me inside. If I have to be honest it was a natural flow, that was part of our life; our father was a hard worker, he was rarely at home. Mine was not a*



*focused choice, how it should be, but it was our parents attitude which led us to follow them, learning the job from them, more from Dorianio (he refers to the other founder of the enterprise Dorianio Di Giacomo) than from my father I have to admit.”*

Antonella Di Giacomo

*“I would have done another job, but I understood that what I wanted to do could not be done, so I sheltered on the family firm that in the end is something ours and it is right to contribute.”*

Giovanni De Besi

*“I remember when we came here in summer to do some little works, absolutely I did not imagine myself inside the company, especially because I started attending architecture at University. My decision to join the firm, was driven by the fact I started working part time to earn some money. I did the pre-contractual inspector linked to the architect, evaluating structures and buildings. However, this work occupied too much time even the one I had to use to study, and because I was earning, but my studies weren't advancing, I decided to leave university swallowed by my job. My work stretches little, I do not have many possibilities of a open job, like architecture would assured me, and in effect I would have tried that type of career. I did not search this job, I have some regrets, but I think I overall cannot complain.”*

Paola De Besi

*“We lived enough the firm; in summer periods we came here to help with some jobs. I do not remember precisely how I first saw the company, surely, I knew that I could have been part of it if I'd desired to. My addition was not programmed, it just happened.”*

Andrea Di Giacomo

*“We were very close to the firm because in summer we spent a portion of our time to help with little jobs. Despite this I had no idea how I would have approached the enterprise. The idea of joining the company passed through my mind when my father called me to inform me, that a place had become free, advising me that if I didn't caught this chance, spaces for my integration would have become narrow. I thought through this decision for some months and then I decided to jump in the company.”*

**3) Process of intake, how did it happen? problematics? Eventually resolution.**

Alessandro De Besi

*“I joined the company earning half of the lowest salary, to signal that nothing was owed, but I had to achieve it on the field. Sincerely I never noticed colleagues unhappy with my addition to the firm, I think no one felt*

victim of nepotism. The path I followed in the firm, starting from the archive to the chairmanship, was characterized by transparency and equity, no one was damaged by my work, and with the respect for my colleagues and my dedication for the enterprise, I consider to have deserved my actual position.”

Antonella Di Giacomo

“Our process of intake was hard, our parents presumed that we gave the example, arriving first at work always smiling and such things. As you can imagine at 19 it is not easy. I was under pressure not only of our parents but also of the eldest colleagues. They did not let us feel as privileged, the words “thank you” and “brava” were not at daily’s order, but today I thank it has gone this way.”

Giovanni De Besi

“My process of intake went along quite simply, this thanks to my experiences that facilitated me in becoming a useful tool for the firm.”

Paola De Besi

“My process of intake was quite difficult, despite the fact that I entered early I did never have a stable role, I had competences of everything but nothing indeed. I skipped from a role to another, I was not steady, and I was affected by these continuous changes. My father and my colleagues believed I could know every function of the office, this caused in me a burnout. I couldn’t manage the things I did, I felt I was an instrument to pass from an office to another.”

Andrea Di Giacomo

“The fact that I always got along well with Alessandro (chairman) has simplified this process, he introduced me in the job, we worked together until I had the skills to manage in autonomy. In terms of work though I could had considered myself as a structured person, pondering the fact that I had already 5 years of experience.”

**4) What type of relation did you have with your father before you entered?**

Alessandro De Besi

“My father was a mysterious job man, what he did inside the company was to us unknown, until I got inside. He always was barely clear, he spent little time at home, since he travelled a lot, we saw him in occasion of holidays and this sort of events. He was an authority figure, outcome of his time, we felt his presence even though the rare time he spent with us.”

Antonella Di Giacomo

*“We have always had a good relation, we had the same character, so we often collided, but we knew both when to stop. We were very close, even though he was a busy businessman he was able to support me in most of my choices.”*

Giovanni De Besi

*“Our relationship was awkward, it was not very conflicting, but a father ruler did not help. He affected my university studies, making me enrol at engineering instead of architecture, because he thought that an engineer was more valuable than an architect. Despite that I consider him a smart person, since building an enterprise is not an ordinary thing, but our relation is not really positive.”*

Paola De Besi

*“The relationship with my father was very conflicting, I was a difficult girl to deal with, and a father with a lot of authority.”*

Andrea Di Giacomo

*“Our relation was detached, he worked for 10 years in Milan, he was very busy in company issues with a poor attention to family activity.”*

**5) Do you think it did somehow change when you decided to enter? Was your relation different inside and outside the company?**

Alessandro De Besi

*“In office when we started to work together, there was not space for argues, what he said was right. He had though the great merit to leave us our space, he didn't impose us anything, this because we assumed a humble approach, conscious that they had lots of experiences and that from them we had loads of things to learn. For the first 20 years I was an employee of the firm, I was not in the position to manage it. My father was the boss and I have always tried to learn from him knowing that soon I had to succeed. My father never made the weight of our surname come out, there was no occasion in which someone could perceive that I was “son of my father”, perhaps the contrary happened, to demonstrate that I was there to learn.”*

Antonella Di Giacomo

*“In the first years I joined there was no space for argues, I did what I was told from my father, there were no discussions. I was placed in administration because for them I did not have the skills for the commercial part, I was given no choice, children of today have more possibilities than I had. With time though my experience raised, I had a tough debate with my father, and from there everyone linked to his desired position. Meanwhile*

*I first felt under a strict boss, when I understood that my father esteemed me for how I grew up, our relationship stabilized towards harmony. There was an agreement, beside urgent cases, nobody could talk about business outside the firm.”*

*Giovanni De Besi*

*“Our relation changed after I joined the firm, he insisted a lot so that I could make new experiences, 10 years away from the company was fundamentally his decision. Today these experiences characterize my personality, they helped me understand how it is being an employee and I think this is a major feature of my character. It became a merrier rapport, due to the more time we spent together. Outside the offices we didn’t talk much about the firm.”*

*Paola De Besi*

*“When I started to work our relation changed significantly, especially because I matured. The hard work I did in the most various jobs, helped me underline all my teen mistakes and I realized that with a humble approach I could get along better with my father. Outside and inside the company was very similar, he never took me apart to talk about work as sometimes he did with my brothers.”*

*Andrea Di Giacomo*

*“When I came inside the company, we came closer, even though we had more space for conflicts how it happens when 2 mentalities collide. The fact I had experience in other companies helped me a lot, I felt to have the right to exploit what I have learned. Outside the company fortunately se spent more time talking about family than business.”*

**6) Roles, salaries, and mansions. How did you arrive to these decisions?**

*Alessandro De Besi*

*“We did not decide who did what, it simply happened. I grew up with Dorianò in the commercial field, but I also covered, when there was the need, roles of agent and broker. It was a process in which we found us doing things without recognizing we were working on those stuffs. It all happened rapidly we followed what our parents did, apprehending from them, but even coping with the different situation we had to face. The decision of salaries was very easy, in my case I received in proportion with what I did and the time I spent in the firm. Mansions and roles where never discussed, nor from our colleagues neither from members of both families, they were defined from attitude, maybe even for age, but among my brothers I was the one with more predisposition in covering this type of role. We each covered the role we felt on our skin, without a pre-definition, like a non-programmed evolution.”*

Antonella Di Giacomo

*“Definition of roles and mansion was at the beginning something on which we didn’t have any power of decision. We were not given the possibility to have voice. Within time though this possibility came up, every member of the family had the right to decide for himself.”*

Giovanni De Besi

*“My position is a logic consequence of my skills and educational path, it was a intake accepted and willingly saw, due to the necessity of my figure.”*

Paola De Besi

*“At the time of our intake things were already determinate, then within some years when we found ourselves managing the company, things changed and defined in a natural way.”*

Andrea Di Giacomo

*“This has been a mixed path between a common decision and an imposition of those who were the actual president and CEO. I always stated that the role I cover, I would have occupied non as a son, but as a competent person capable of assuming his own responsibilities and bringing benefits to the firm.”*

**7) Plan of succession of future generation. What do you wish for the future of your children?**

Alessandro De Besi

*“Unfortunately, on this point we started late, but we already illustrated to the children what is the society, with the aid of 2 external managers, we explained them what our aims and their opportunities are. We cannot program our kids, we cannot decide what they want to do, we give them the chance and they will have to achieve it. For example my daughter Martina when we opted to star introducing the firm to our children, she had already finished her University path, and now I am treating with her to let her in the enterprise (currently she works in London for an insurance company) trying to leave out from this talks wives and husbands. We also decided all together to impose rules to join the firm: Graduate; Learn languages, English especially; Foreign experience, possibly in this field and in another company.”*

Antonella Di Giacomo

*“Plan is defined, we have some rules. Personally, for my daughter I hope she will take the road she desires, and I wish this path will be different from what I am currently doing.”*

Giovanni De Besi

*“Sincerely I would had pursued the architecture career, in my opinion I hope they follow the path they decide. It is natural that I would like to see them in our company, but if their passion will be another it is important that they can follow it. I do not support the thesis of mandatory joining, if you have to get in it’s because you want so, and you wish to spend your future contributing to the firm’s growth.”*

Paola De Besi

*“We currently have rules to enter the company. However, in my situation it is early to think about the future of my children, since they are too young.”*

Andrea Di Giacomo

*“We have rules to join (see Alessandro De Besi) and I will add for my children one rule, to make 2 years of experience in an external company. It is really important that they work for a company that is not ours, to understand their roles in a different world than that of the family. They have to be able to manage their position as a worker and as a member of the family, respect and making these roles not overlap is not an easy task. I wish that 2/3 kids will join the company, it will be a pity if our work of perpetuating the firm, could be appraised from no family member of the De Besi and Di Giacomo families.”*

According with the previous interviews<sup>14</sup>, what emerge is that each member of the family can be associate at different type of commitment. For instance, in the case of Alessandro De Besi, chairman of the firm, there is not a specific correspondence to a type of commitment, since he answered to the questions using history. Despite this, it is possible to track a likely hypothesis; the fact that he talks directly of his experience it is probably because his ambition was to join the family, and make all the possible practices to acquire competences to develop the family business. For these reasons Alessandro could have been through an “affective commitment”. Instead, in the case of Antonella Di Giacomo, motivations that brought her to pursue a carrier in the family firms are clear and easily connectable to the “imperative commitment” since she reputes the career inside the society as the only possible satisfactory path for her.

Giovanni De Besi can be identified with another type of commitment, the “calculative commitment”, since he could have had some other interesting opportunities from which he chose his company, certainly the most secure. In this case we can also affirm that calculative commitment is reinforced, Giovanni wanted to work in another field, but under advise of his father and on what he retained more convenient for his career, he decide to join the family firm. The case of Paola De Besi can be considered as “normative commitment”, since she never reflected on the decision of joining the company, for her it was normal. At the same time thought, she passed all her life in the enterprise without having the opportunity to test her skills outside maybe with other

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<sup>14</sup> De Besi – Di Giacomo family members interview, 06.08.2020

work experiences; for this reason we could also link her to an “imperative commitment”. In the specific Paola was affected from what in our commitment analysis is called: “limited exposure to alternate career paths”, one of the internal aspects of imperative commitment.

The last interviewed, Andrea Di Giacomo, decided to enter the company after a proposal of his father and considering the opportunity as the most convenient for his career. Therefore, it is possible to identify his choice as “calculative commitment.

### **4.3 Future Challenges**

Today De Besi – Di Giacomo S.p.A. is approaching a new generational change. The third generation is ready to take over the company under the leadership of the previous one. The owners, assisted by an external consultant, planning the succession, so as not to repeat the mistake of the two founders. The elaboration process was based on the awareness by the previous generation that the company in the future will be different from that of now, even if today’s business is enjoying success; from the moment of the entry of the first heir, the actions that will be undertaken by him or that will be taken towards him will determine the characteristics of the company of tomorrow. With regard to the succession plan, access rules have been imposed, so that the company is not a mere support for those who have not been able to pursue their own career.

To define the access criteria, the Board of Directors was specially convened and approved the following rules:

1. Be graduated. It is not necessary that there is an affinity between the business and the degree achieved, but rather that the mindset that helps to face all the corporate vicissitudes has been acquired.
2. Knowing languages well: the knowledge of English is essential as a preparation for business.
3. Conduct an experience with third parties, possibly abroad (so as to also incorporate rule 2). It is important that each heir understands what it means to work as an employee in a company other than their own and that their role and interests are understood within the company. The experience gained from having worked before in another company, means that everyone can learn the difference between a role within the company and a role within the family and how to respect both.

However, De Besi – Di Giacomo S.p.A. has a particular situation in matters of succession; in fact, having reached the third generation, twenty-one heirs will have to learn to manage the company together. As already mentioned in the recurring problems in succession, the number leads to an excessive splitting of the company shares with consequent dispersion of powers; therefore, it is important to develop a strategic plan that avoids it by trying to concentrate the decision-making power of the company as much as possible.

This concentration will have to take place by pruning the company family tree with the use of some stratagems:

- Provide financial incentives to persuade some children to give up their ownership stake in favour of others more interested in working in the company.
- To resort to the financial market so as to discourage those who aim only at passive maintenance of the share.
- Insert succession clauses in the company contract that provide that in the case of the sale of their share, the other members of the family can have the right of first refusal in proportion to the share relating to each one.



## CONCLUSION

In the end we can state that, even if it was not easy to find a definition that satisfied all the various intrinsic facets of family businesses, the latter represent a true cornerstone of the entire economy. Family enterprises are of an often-underestimated importance because most people hardly think that these constitute the largest slice of the active business pie in Italy and in the world. Furthermore, family businesses are the type of company with the longest lifespan, having an average growth rate higher than non-family businesses and, at the same time, they create a lot of work.

The most critical step, as we analysed in the second chapter, is the generational change. This process, which all family businesses have to face, is very complicated as it is threatened by many variables that could compromise the continuity of the company and, also, damage family ties. In order to reduce the risk of this happening as much as possible, it is necessary to immediately clarify the situation to possible future heirs and possibly put some rules in order to avoid future inconsistencies and let future generations enter with, at least, a basic preparation suited to the working environment.

The De Besi – Di Giacomo S.p.A. is a small economic reality that, although not listed on the stock exchange, has been able to successfully operate since 1959 in a sector that is not without competition thanks to the ability of the two founding partners, able to exploit the skills acquired during the years. Great traders and administrators, Dorian Di Giacomo and Antonio De Besi, were very passionate about their work and proud of what they had built from scratch. Enthusiastic about the action that building a company represents and the commitment it entails, they have not bothered to frame the future of it. The absence of a succession plan demonstrates how the company has focused on the exploiting phase. The succession plan is a corporate stratagem aimed at increasing the organization and information of the generational change; without it, one would rely on instinct or chance, which would only create tension in one of the most delicate moments for the company. Despite the absence of a defined plan, the company managed to survive the generational change thanks to the cohesion that actually exists between these two families. The roles were defined by the two founding partners and this allowed that between siblings there was never the kind of competition that runs through the veins of a non-family business. Now, however, as the company has grown and, having a fairly high number of potential successors, the second generation, as we have seen in the interviews, asks for some minimum requirements to enter in the business in order to face the imminent arrival of the third generation in the best possible way.

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