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The choice between Full and Partial Acquisition in the Italian Fashion Industry: an empirical analysis

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Introduction

The international expansion of firms often requires the critical decision of how to enter foreign markets. Among the various entry strategies available, mergers and acquisitions (M&A) have emerged as a prevalent mode, particularly in sectors where access to brand value, creativity, and intangible assets is essential (Hennart & Reddy, 1997; Chari & Chang, 2009).

Within this broader category, firms face a further strategic dilemma: whether to pursue a full acquisition, acquiring 100% of the target firm's capital and control, or a partial acquisition, in which a minority or majority stake is obtained without full integration. This choice shapes the acquiring firm's control over strategic decisions, post-acquisition synergies, and cultural or brand identity preservation (Hennart & Chen, 2002; Brouthers & Hennart, 2007). This issue becomes particularly complex in the Italian fashion industry, where companies are characterized by their strong family ownership, artisanal heritage, and creative independence. The industry stands at the intersection of tradition and innovation and is increasingly exposed to global consolidation driven by luxury conglomerates and private equity funds.

The strategic rationale behind these choices, why some firms are fully acquired while others retain partial independence, has not been fully examined in the literature, particularly in terms of empirical evidence. The aim of this thesis is to investigate the determinants that lead acquiring firms to prefer full or partial acquisitions in the context of the Italian fashion industry and, drawing on the theoretical lenses, this research explores how various firm-level, deal-specific, and contextual factors influence the entry mode decision. It builds on the foundational works of Hennart (1991), Dunning (1988), and Barney (1991), and responds to recent calls for industry-specific applications of entry mode theories (Canabal & White, 2008; Slangen & Hennart, 2007). The empirical part of the thesis employs a dataset of M&A transactions involving Italian fashion firms between 2020 and 2024, including variables such as deal size, percentage acquired, country of origin of the acquirer, and financial indicators of the target firms. This data will allow a comparative analysis of patterns associated with full versus partial acquisitions, identifying trends and correlations relevant for both academic research and managerial practice. The structure of the thesis is organized into three chapters, each of which plays a distinct role in addressing the research question and building a coherent narrative around the determinants of full versus partial acquisitions in the Italian fashion industry.

In chapter 1, an extensive literature review on entry mode strategies in international business is conducted.

It first tackles internationalization by framing mergers and acquisitions (M&A) in the context of equity entry modes, with emphasis on full and partial acquisitions. Later in the chapter, explanatory theories of entry mode choices are introduced and analysed, including the Transaction Cost Economics (TCE) theory that claims full rationality through risk minimization, cost avoidance, and efficiency, the Resource-Based View (RBV) of a firm's control over strategic resources, Institutional Theory with its regulative and socio-culturally contextual focus, and the Eclectic Paradigm (OLI) that combines ownership, location, and internalization advantages. It finishes with a call for focus on under-researched areas, especially sectors like fashion, where brand identity and creative freedom influence entry mode decisions as intangible assets. Chapter 2 redirects the attention from generic theory to industry context and analyses the Italian fashion industry on its structure, evolution, and strategic features. The chapter reviews the economic relevance of the Italian sector, discussing its ownership structure (predominantly family-owned or privately held) and its position in the luxury market. It then covers the principal reasons for consolidation and acquisition activity in the sector, including globalization, digitization, and the increasing influence of international and private equity firms. Much attention is devoted to the issues involved in acquiring expensive fashion brands, especially in maintaining an appropriate level of managerial integration versus the preservation of brand heritage. The second half of this chapter presents the empirical analysis of this study and provides an initial overview of the data to highlight some noticeable changes in trends concerning acquisitions to set the stage to investigate more in-depth in the subsequent chapter. Chapter 3 is devoted to the empirical analysis of the determinants influencing the choice between full and partial acquisitions.

Building on the hypotheses formulated in light of the theoretical frameworks, the chapter conducts a structured examination of the dataset to identify correlations and trends.

The analysis explores whether and how variables such as acquirer nationality, deal value, and target financial performance (including sales, profitability, and company size) affect the likelihood of full versus partial acquisitions. Where possible, the chapter also investigates the impact of institutional and strategic considerations, for example, whether foreign acquirers tend to prefer partial stakes to mitigate cultural distance, or whether higher-performing targets are more likely to retain independence. The findings are interpreted through the lenses of the theoretical models discussed in Chapter 1, allowing the reader to evaluate the explanatory power of each framework in a real-world, industry-specific context.

It concludes with a discussion of the theoretical contributions of the research, as well as the managerial implications for investors, strategists, and decision-makers involved in fashion

industry acquisitions. In closing, this thesis aims to enrich the academic conversation on entry mode strategies by providing new empirical evidence from a culturally rich and strategically complex sector. It also aspires to offer actionable insights to managers and investors seeking to navigate acquisition decisions in industries where the balance between control and creativity is especially delicate.

CHAPTER 1 – Internationalization and the role of M&A

1.1 International Expansion and Entry Modes

1.1.1 Definition of internationalization and motivation for international expansion

The notion of internationalization has evolved significantly over the past decades, redefining both how it is theorized and how it is strategically implemented by firms. Historically, it was understood primarily in geographical terms, referring to the physical expansion of a company's operations across national borders. The first theories that elaborated the concept of internationalization mainly referred to the expansion of business activities on foreign markets, placing emphasis on the need of supply resources, expand commercial spaces and reduce dependence on the domestic market which is often very competitive and in the process of saturation (e.g., Hymer, 1976; Vernon, 1966). One of the first scholars of the phenomenon of internationalization of companies was Stephen Hymer, who outlined a clear distinction between foreign direct investments (FDI) and portfolio investments, highlighting how internationalization activities arise not only for reasons of investment diversification but rather from the desire of companies to enter different countries and exploit market asymmetries (Hymer, 1976). According to the Canadian scholar, companies launch into cross-border operations when they find themselves in situations of competitive advantage in terms of operational and organizational capabilities. That situation is one of the elements that pushes companies to exploit the structural differences of other markets by preferring direct investment rather than granting licenses to third parties and this marked a shift from neoclassical theories of capital movement to a more behavioural and strategic understanding of internationalization, centred on ownership, control, and the internalization of transactions.

Over time, the complex and increasingly interconnected competitive scenario and the growing development of internationalization activities have led scholars to rework the theory by outlining the choice to turn to foreign markets not only in light of the location of the investment but also of the entry methods and the economic, strategic and commercial objectives.

As Brouthers and Hennart (2007) observe, internationalization involves choices around governance structures, resource allocation, learning trajectories, and institutional adaptation, each of which shapes firm performance in the global arena. In this expanded view, internationalization is seen as “the process of increasing involvement in international

operations” (Welch & Luostarinen, 1988), including a variety of entry methods such as exporting, licensing, franchising, joint ventures, greenfield investments, mergers and acquisitions (M&As), and more recently, digital or ecosystem-based forms of presence (Brouthers et al., 2022). These modes differ widely in their levels of control, commitment, risk exposure, and capacity for knowledge transfer, thereby requiring in-depth strategic evaluations by companies. Considering the new competitive scenarios created by the digital revolution, Thomas L. Friedman in his book “The World is Flat” of 2005, observes that the global economic landscape has now become much more accessible than in the past, flattened by technological progress, deregulation of markets and widespread connectivity.

Yet, he also emphasizes that such a landscape is only exploitable by those firms that possess both the imagination to recognize cross-border opportunities and the courage to pursue them. This view contains the contemporary meaning of internationalization: a proactive, opportunity-driven process of expanding a firm’s presence and influence beyond its domestic market. Indeed, modern theories highlight that internationalization is not a linear process, but rather a continuous process of learning and adapting to the environmental and competitive situations of the target market (Meyer et al., 2009; Teece, 2014). This process may be incremental, following the so-called Uppsala model, theorized by Jan Johanson & Jan-Erik Vahlne in 1977, or may be less linear and focus on distant markets especially in the case of digital companies (Knights and Cavusgil, 2004). The original formulation of the Uppsala model emphasized the need for a gradual approach in the internationalization phase of a company. In particular, the initial commitment to investing in foreign markets should be gradual in order to acquire knowledge of the economic context, cultural and environmental differences and, based on this knowledge, decide what incremental level of commitment to devote to the foreign investment.

In this framework, companies typically tended to expand, initially, in markets that were culturally closer and more understandable before starting investments in more distant and complex markets. Actually, this gradual approach to foreign markets has not been confirmed over time, as contemporary companies, born global or digital native, have overcome these limitations: in the last decades those firms have been able to internationalize rapidly, leveraging digital infrastructures, global niche markets, and founder-specific international experience and overcoming the barriers traditionally associated with distance, uncertainty and cultural obstacles (Knight & Cavusgil, 2004; Autio et al., 2000). In this sense, internationalization is not solely about “being present” abroad, but about how firms engage with, adapt to, and influence foreign environments, often involving processes of resource recombination, capability development and institutional negotiation.

Companies that decide to internationalize often have to adapt to high levels of complexity in the competitive context, which may be conditioned by institutional and cultural resistance, as well as by different legal and regulatory systems (Kostova & Zaheer, 1999). The “liability of foreignness” can be highly relevant, as firms entering foreign markets may face higher costs due to unfamiliarity, discrimination, or coordination challenges.

Firms are also motivated to internationalize for a variety of strategic reasons (Dunning classification), including:

- **Market-seeking:** To reach new customers and diversify revenue sources.
- **Resource-seeking:** To access raw materials, specialized labour, or technological assets unavailable domestically.
- **Efficiency-seeking:** To exploit cost differentials, economies of scale, or logistics optimization.
- **Strategic asset-seeking:** To acquire brands, innovation capabilities, or distribution networks through cross-border mergers or alliances.
- **Learning and innovation:** To engage with knowledge-intensive clusters and participate in global innovation ecosystems (Cantwell, 2009).

Obviously, the main motivations for the decision to enter foreign markets vary substantially depending on the sector to which the investor belongs and, above all, on the strategic objectives that the company sets itself. It is clear that the approach to foreign markets of a company that operates in a mature sector will more likely be motivated by the need to reduce operating costs and find new commercial outlets. Differently, a high-tech company or an innovative start-up may find it interesting to enter foreign markets to have access to innovative networks and venture capital opportunities. In this sense, internationalization goes hand in hand with the strategic and operational flexibility of the firm vis-a-vis the new dynamic markets which evolve due to technological factors and regulatory and institutional changes over time.

For example, the existence of strong knowledge assets such as R&D capabilities, brand equity, or human capital may lead some firms to pursue the more committed high office construction mode of entry like greenfield investments or wholly owned subsidiaries because they provide greater control and potential for long term strategic integration. On the other hand, firms facing high uncertainty, institutional gaps, or liability of foreignness may choose more localized governance structures - like joint ventures or strategic alliances - that minimize risk and allows for local adjustments (Chari & Chang, 2009; Hennart & Chen, 2002).

These strategic choices, along with the broader taxonomy of entry modes and their determinants, will be examined in detail in section 1.1.2 (Entry Modes of Internationalization).

1.1.1.2 Theoretical foundations and frameworks of internationalization

Explaining internationalization requires more than a prescriptive account of how firms go abroad; it requires theoretical models to provide insights into the why, strategic choices, and outcomes of cross-border operations. Over the years, academics have developed several models explaining why firms internationalize, which mode of entry they use, and what drives foreign market performance. These perspectives respond to different assumptions of firm conduct, competition pressures, and institutional environments and this part provides an overview of the most influential theory that has shaped scholarly discourse on internationalization.

Transaction Cost Theory

One of the most influential theoretical frameworks for understanding firms' internationalization strategies is Transaction Cost Theory, originally introduced by Coase (The Nature of the Firm, 1937) and later refined by Williamson in 1985. The theory posits that firms internalize activities, rather than rely on external market transactions, when doing so minimizes transaction costs arising from opportunism, bounded rationality, and the challenges of contractual enforcement. In the instance of global growth, this explanation implies that businesses will choose modes of entry offering high control, e.g., wholly owned subsidiaries, particularly in environments with asset specificity, uncertainty, and great interactions (Anderson & Gatignon, 1986). Transaction Cost Theory has been extensively used to account for why companies shun arm's-length transactions in international markets and instead seek equity-based entry methods to achieve strategic control. The model has, nevertheless, been accused of concentrating excessively on cost minimization with a tendency to overlook broader strategic drivers like learning, innovation, and legitimacy. It also tends to describe companies as passive players with an inability to account for dynamic capabilities or swiftly changing international environments.

The Resource-Based View (RBV) and Dynamic Capabilities

As opposed to TCE, the Resource-Based View (RBV) focuses on a firm's internal capabilities and resources as the ultimate sources of competitive advantage (Barney, 1991). Internationalization, in this view, is not a spontaneous reaction to cost pressures or transaction

risks but a deliberate action undertaken with the objective of leveraging firm-specific assets, i.e., proprietary technology, brand equity, or managerial know-how, in overseas markets. Extending RBV, the Dynamic Capabilities perspective (Teece et al., 1997; Teece, 2014) emphasizes the capacity of a company to sense, seize, and transform in accordance with evolving global circumstances. The perspective is especially applicable in dynamic or innovation-based sectors, where responsiveness, flexibility, and organizational learning are essential. Dynamic capabilities offer a rationale for the reason why some firms opt for flexible or atypical entry modes that allow ample experimentation and learning. However, the two theories make the implicit assumption that companies have sufficient managerial capacity and independence to effectively allocate their resources within foreign markets, an assumption that may not always hold in politically turbulent or institutionally restricted environments.

The Eclectic Paradigm (OLI Framework)

Internationalization is more comprehensively described by Dunning's Eclectic Paradigm, or the OLI model (Ownership, Location, and Internalization) of the 1970s. The paradigm tries to explain why firms engage in foreign direct investment (FDI) as compared to other forms such as exporting or licensing. The FDI will be chosen by a firm, as suggested by Dunning, when there are three conditions: the firm possesses ownership-specific advantages (e.g., technology, brand, or know-how), the host country location has some benefits (e.g., closeness to customers, access to resources, or favourable regulation), and the firm is more capable of internalizing its activities than outsourcing via licensing or alliances. The ownership advantages are firm-specific intangible assets that are not readily imitable by competitors. Location advantages are the strategic benefits of being in a particular country or geography. Internalization advantages occur when companies maintain control over their capabilities and minimize risks of intellectual capital loss or quality control. These three together give us a holistic approach to understanding the motives of FDI decisions and are particularly useful when examining high-commitment, advanced internationalization strategies.

Institutional Theory

Whereas the models above place emphasis on economic rationale or internal drivers, Institutional Theory redirects attention to the external environment of internationalization. Institutional Theory emphasizes that companies are driven not just by concerns for efficiency but also by a desire to attain legitimacy within host countries' institutional frameworks (North, 1990; Scott, 2001).

These structures have formal and informal institutions like laws and regulations, institutional systems, on one side, and cultural traditions, social values, and trust, on the other. Institutional distance, which explains how dissimilar the two nations' institution environments are from one another (Kostova, 1999), is a focal point under this theory. The higher the institutional distance, the harder it is for companies to transfer practices, establish stakeholder relationships, and maintain compliance. Therefore, companies are likely to choose more adaptive entry modes, like joint ventures or local partnerships, to deal with unknown or intricate regulatory contexts. More recent research (e.g., Zeng et al., 2024) has developed this theory further by drawing attention to the role of subnational institutions, such as regional investment promotion agencies or city-level governance structures, in mediating the internationalization process. Institutional theory is thus extremely good at explaining sectoral and temporal variation in entry strategies as firms adapt to changing political and social expectations.

Network and Process-Based Theories

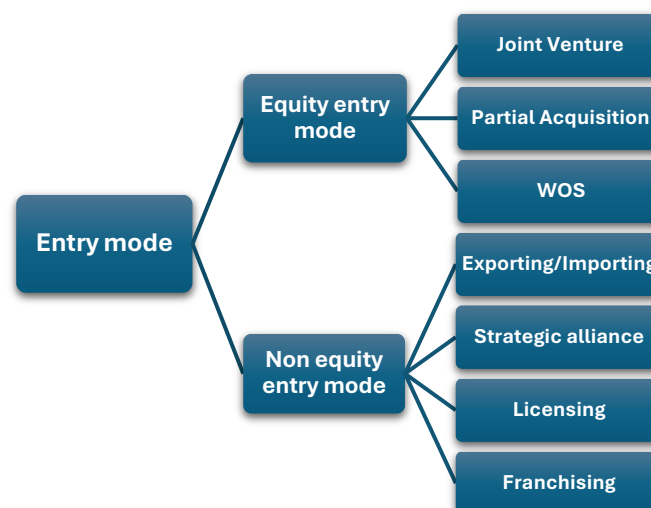
A second prominent school of research emphasizes the experiential and relational character of internationalization. One of the most cited models within this tradition is the Uppsala model (Johanson & Vahlne, 1977). It views internationalization as a path-dependent, incremental process, motivated by learning from experience and knowledge accumulation by the firm. The model explains that firms initially enter culturally and geographically close markets via low-commitment methods such as exporting, and only later move to more distant markets via higher-commitment methods. In a later modification of the model by the authors in 2009, the concept of liability of foreignness was added, where the issue that firms face when they lack access to valuable networks in the host nation was highlighted. This is consistent with network theory that views internationalization as embedded in inter-organizational relationships to provide access to information exchange, legitimacy, and opportunity recognition. This is especially so for those industries where reputation, trust, and informal exchanges are required. It would also explain how it is that smaller firms or born-global firms can internationalize early and quickly using digital infrastructures, niche communities, or established alliances to avoid traditional market entry barriers. All these theories give useful information on drivers, processes, and challenges of internationalization. Transaction Cost Economics addresses the efficiency of governance of entry modes, RBV and Dynamic Capabilities address strategic utilization of internal resources and adaptability globally, Institutional Theory emphasizes the requirement for legitimacy and compliance with local norms, while network and process theories emphasize the learning process and embedded relations.

These views are not incommensurable: in practice, firms are subject to several logics at the same time, trading off efficiency, legitimacy, flexibility, and learning in taking internationalization decisions. It is important to understand these theoretical underpinnings to come to grips with the second fundamental question of this thesis: how do firms select an entry mode?

1.1.2 Definition and determinants of entry modes

Entry modes refer to the different ways in which companies get established in international markets. The modes decide the level of control, commitment of resources, exposure to risk, and potential returns that a company is ready to undertake. Entry modes can be distinguished between equity mode and non-equity mode; the former involve ownership and direct control of foreign operations and consist of examples like wholly-owned subsidiaries, joint ventures, and mergers & acquisitions (M&A) (Hennart, 1988; Brouthers & Hennart, 2007). Equity modes are typically chosen when the firm desires to exert a high degree of control over its foreign operations and assets. Non-equity modes are ideal if companies need to reduce risk and resource dedication and still participate in international markets, they entail ownership and consist of alternatives such as exporting/importing, licensing, franchising, and contractual agreements (Canabal & White, 2008).

Figure 1: Types of entry mode



Source: own elaboration

The choice of entry mode is affected by many factors, which can be classified into firm-specific factors, industry-specific factors, country-specific factors, and transaction-specific factors:

Firm-specific factors: Firm-specific resources, objectives, and capabilities play a central role in determining the level of control and commitment required when entering foreign markets.

Table 1: representation of firm-specific factors

<i>Factor</i>	<i>Description</i>	<i>Implication of Entry Mode</i>	<i>Reference</i>
<i>Resource and capabilities</i>	<i>Proprietary assets (e.g., brand, tech) increase need for control.</i>	<i>Prefer equity modes (e.g., WOS, M&A)</i>	<i>Hennart (1988); Brouthers & Hennart (2007)</i>
<i>International experience</i>	<i>Firms with international know-how can manage subsidiaries efficiently.</i>	<i>Favor high-control strategies (e.g., WOS)</i>	<i>Hennart & Chen (2002)</i>
<i>Strategic objectives</i>	<i>Need for rapid expansion or strategic asset acquisition.</i>	<i>Choose full acquisition</i>	<i>Chari & Chang (2009)</i>
<i>Risk tolerance</i>	<i>Higher risk tolerance supports high-commitment strategies.</i>	<i>High → equity; Low → non-equity</i>	<i>Madhok, A. (1995)</i>

Source: own elaboration

Industry-specific factors: Industry characteristics shape the strategic choices firms make when entering new markets. The table below outlines how market structure and technological complexity influence entry mode preferences.

Table 2: representation of industry-specific factors

<i>Factor</i>	<i>Description</i>	<i>Implication of Entry Mode</i>	<i>Reference</i>
<i>Market barriers</i>	<i>Regulatory or capital-related restrictions may raise entry costs and risks.</i>	<i>Favor partnerships or joint ventures</i>	<i>Hennart & Chen (2002); Hennart (1998)</i>
<i>Competitive intensity</i>	<i>In highly competitive industries, firms seek rapid presence and control.</i>	<i>Full acquisitions preferred</i>	<i>Chari & Chang (2009)</i>

Technological complexity	<i>High-tech industries demand local know-how and collaboration.</i>	<i>Joint ventures or partnerships recommended</i>	<i>Hennart & Chen (2002)</i>
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Source: own elaboration

Country-specific factors: The host country's institutional and cultural context affects how firms approach foreign market entry. The following factors explain firms' preferences between high and low control strategies.

Table 3: Representation of country-specific factors

Factor	Description	Implication of Entry Mode	Reference
Cultural distance	<i>Cultural differences increase coordination costs and risks.</i>	<i>Joint ventures or partnerships favored</i>	<i>Chari & Chang (2009)</i>
Institutional environment	<i>Strong institutions support acquisitions; weak ones may require local partnerships.</i>	<i>Weak institutions → partnerships; strong → acquisitions</i>	<i>Canabal & White (2008); Hennart & Chen (2002)</i>
Political and economic risks	<i>Uncertainty due to instability discourages full ownership.</i>	<i>Low-control modes (e.g. licensing, JV) preferred</i>	<i>Wan et al. (2023)</i>
Foreign Direct Investment	<i>FDI provides long-term asset control; strategies vary between greenfield and brownfield.</i>	<i>Mode depends on investment type and control needed</i>	<i>Hatakeyama, K. (2021)</i>

Source: own elaboration

Transaction-specific factors: The nature of the transaction itself, including the specificity of assets and the degree of uncertainty, guides firms toward more or less committed entry modes.

Table 4: Representation of transaction-specific factors

Factor	Description	Implication of Entry Mode	Reference
Asset specificity	<i>High integration of assets with firm operations demands control.</i>	<i>Full acquisitions preferred</i>	<i>Hennart (1998)</i>

<i>Uncertainty and flexibility</i>	<i>High uncertainty makes flexible, lower-commitment options more attractive.</i>	<i>Joint ventures or partial acquisitions recommended</i>	<i>Chari & Chang (2009)</i>
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Source: own elaboration

1.1.3 Full vs partial acquisitions: a strategic trade-off

Making a choice between complete or partial acquisitions stands as one of the most important decisions regarding the internationalization of multinational enterprises planning to expand through merging and acquiring other firms. It requires balancing trade-offs such as control vs. flexibility, resource commitment, and steering through complex institutional systems. This issue is particularly pertinent to the current thesis, that seeks to explore these strategic decisions in the context of the Italian fashion industry which requires creativity, brand identity, and operative independence. When full integration of resources and strategic alignment goals are present, full acquisitions, where the acquiring firm undertakes complete ownership and control over the target firm, are often preferred. This is best when the acquiring firm has some prior experience with the specific acquisition, as it enhances capabilities related to managing, integrating, and improving the firm's endurance prospects (Hennart, 1998; Wang & Larimo, 2020). Moreover, full acquisitions are more likely to succeed in culturally similar nations, in relatively less developed economies, or where there is an escalation of country risk after entry. This is because the flexibility to adapt to changing conditions afforded by full control is crucial (Wang & Larimo, 2020). Furthermore, full acquisitions are often preferred when the acquiring firm seeks to achieve highest synergies through full integration of resources, processes, and corporate culture.

Focusing on creative industries (to compare the two options), where maintaining a consistent brand identity and ensuring high standards of quality are essential, full acquisitions provide a more reliable framework for applying uniformity across all operations. This level of control can be particularly important when companies need to create an integrated supply chain and immediately consolidate a strong presence in the new market according to their strategic vision. Complete acquisitions can also provide the advantage of eliminating or reducing potential conflicts of interest that may arise in the case of partial control or in joint ventures, giving the possibility to make the commercial and operational decisions deemed most effective without having to compromise. From a resource-based perspective, complete acquisitions allow the acquiring company to develop its capabilities and the value of its assets more effectively.

The ability to fully integrate the acquired resources improves and strengthens the ability of the acquiring company to create new capabilities and achieve a higher level of competitiveness (Hennart, 1998).

This aspect is particularly important when the main strength of the acquiring company is in a certain area such as technological capacity, brand value, management efficiency and must therefore be fully applied to ensure the success of the acquisition. Full acquisitions can also provide stronger protection for intellectual property and proprietary processes, which is particularly important in sectors driven by innovation and creativity. In the context of the Italian fashion industry, for instance, firms seeking to preserve their heritage and maintain creative control over their brands may find full acquisitions to be the most effective strategy for protecting their distinctive identity and safeguarding consistent quality across international markets. On the other hand, partial acquisitions are defined as the purchase of a controlling or non-controlling stake in a target company without the acquirer having full control. This is more effective when firms encounter high distances, whether cultural or institutional, with the host country: by having local partners, the acquiring firms are able to minimize the negative consequences of cultural differences and take advantage of the market intelligence offered by the local partner (Chen & Hennart, 2002). When firms face challenges in valuation or implementing local managers due to culture and institutional integration problems, partial acquisitions allow a firm to avoid these difficulties (Chari & Chang, 2009).

Recent literature has also highlighted the role of institutional and strategic fit in determining acquisition outcomes: when engaging in cross-border M&A, particularly within creative industries such as fashion and luxury, firms must align their acquisition strategies not only with market characteristics, but also with evolving institutional frameworks. Jakobsen and Meyer (2008) advise that the gradual accumulation of equity through partial acquisitions allows firms to adjust their strategies in response to shifts in regulatory policies or competitive dynamics. Moreover, Hennart (1998) and following studies have pointed out that partial acquisitions can work as a strategic option for firms to manage complex institutional environments, especially where rapid or challenging changes happen. This flexibility is especially relevant in industries like fashion and luxury, where evolving consumer preferences and regulatory standards can require rapid strategic adaptations. Therefore, the choice between full and partial acquisitions is not merely a matter of control versus flexibility, but also involves considerations of institutional sensitivity and responsiveness. By retaining local partners through partial acquisitions, firms can leverage their expertise in managing regulatory shifts or adapting to evolving cultural norms, improving their resilience in dynamic environments. Canabal &

White (2008) argue that partial acquisitions can strategically be used to enter very uncertain markets or ones with challenging institutional frameworks, as they allow firms to gain essential local insight without exposing themselves to too much risk. Also, empirical results from Wang & Larimo in 2020 suggest that, while no significant differences exist between full and partial acquisitions in terms of survival rate, there is a survival advantage in full acquisitions due to acquisition-specific experience of the acquiring firm. On the other hand, other cases of international experience and country knowledge seem to negatively impact survival rate, indicating that the complexity of full ownership requires specialized knowledge to navigate by the acquiring firm. According to Lian et al. (2024), subnational diplomacy, such as international friendship cities, positively influences partial acquisitions and these connections facilitate faster transaction processes, leading to higher acquired equity stakes, highlighting also the importance of local institutional goodwill and partnerships in supporting cross-border M&A activities. In the fashion and luxury sectors, for instance, partial acquisitions are often preferred to maintain creative autonomy while benefiting from external capital and resources (Hennart & Chen, 2002). Overall, the strategic trade-off between full and partial acquisitions requires firms to carefully assess their objectives, the characteristics of the target, and the broader institutional and market environment.

Understanding these dynamics is essential for making informed entry mode decisions, which will be further elaborated in the upcoming sections dedicated to mergers and acquisitions.

1.2 Mergers & acquisitions as an internationalization strategy

1.2.1 Definition of M&A and the difference between mergers and acquisitions

The terms Merger and Acquisitions are often used together but, actually, they include two operations that develop in very different ways. The term Merger refers to the integration of two or more companies within a new entity and is based on the agreement between the shareholders of the two companies in order to merge the industrial and operational structures and resources aiming to create synergies and improve competitiveness (Cartwright & Schoenberg, 2006). Differently, an acquisition occurs when a company acquires the majority or the entire share package of another company, thus obtaining complete control over the assets, activities and commercial portfolio. Unlike mergers, acquisitions do not necessarily end with the creation of a new company but, almost always, the acquiring company integrates the acquired company within its group. Acquisitions can be divided into total acquisitions, where the acquiring company obtains complete control, and partial acquisitions, where a part of the share package is purchased that can lead to a situation of control or mere participation in the acquired company (Chari & Chang, 2009; Canabal & White, 2008). M&A operations are considered fundamental for the growth of companies' business, for the development of the commercial network and the technological level and, obviously, to quickly enter new markets. These potentialities are reflected, moreover, in the complexity of M&A operations that require an accurate process of legal, financial, market and institutional context analysis where the investment is placed (Cartwright and Schoenberg, 2006). The complexity of M&A operations has attracted the attention of many experts from various sectors in a transversal vision that involves financial, sociological, corporate strategy and organizational design subjects.

Researchers in these fields of study have tried to define the drivers that influence the success or failure of M&A operations, reaching the conclusion that no discipline, individually, can understand and define the complexity of M&A activities. It emerges, instead, that an interdisciplinary approach is necessary to achieve a complete and exhaustive vision of all the facets of M&A activities that can embrace economic, financial, cultural, environmental, institutional issues, etc.

The distinction between mergers and acquisitions extends to their strategic intent and structural integration. The first are generally motivated by the desire to create synergies and achieve operational efficiency through resource sharing, while acquisitions are often pursued to gain control over valuable assets, technological capabilities, or market access.

Success or failure of M&A operations rely on the ability to manage pre-acquisition and post-acquisition stages effectively, where organizational and strategic competencies have a controlling position (Gomes et al., 2012). M&As can be classified as horizontal, vertical, and conglomerate based on the nature of the relationship among the involved firms. Horizontal M&A occur among firms within the same industry and are often undertaken for market share expansion or economies of scale. Vertical M&A occur between firms which find themselves at different stages of the production or supply chain, normally seeking efficiency improvements or resource security. The conglomerate M&A, on the other hand, involve firms operating in different and unrelated industries, and are usually driven by diversification objectives (Hennart & Chen, 2002; Canabal & White, 2008). The role of M&A within a firm's strategy is closely tied to its stage in the corporate life cycle and, as companies develop through different phases of growth and maturity, their strategic motivations for engaging in M&A tend to evolve over time. The motivations that drive companies to undertake M&A processes differ according to the stage of their company life. More mature companies tend to initiate M&A processes to counteract the decline in their profitability, find other commercial outlets in a phase of stagnation and support their growth. These are strategic phases that require significant technical and financial resources and solid managerial skills. Younger companies, on the other hand, usually opt for M&A operations to quickly acquire to gain access to strategic resources for the development of their business or quickly acquire greater operational capabilities that they are not yet able to develop internally (Owen & Yawson, 2010). This distinction highlights how the firm's life cycle stage influences not only the motives for pursuing M&A but also the preferred approach to integration and management. Furthermore, its effectiveness as a growth strategy is often enhanced by the establishment of a dedicated function within the firm.

In the study of Trichterborn et al., emerges that firms equipped with a formalized M&A unit can better manage the complexities of acquisition processes through structured learning activities. By codifying past experiences, disseminating knowledge throughout the firm, and learning from lessons, companies build unique capabilities that translate into better performance. More specifically, this routinized process enables organizations to ensure consistency in their M&A activities and minimize the risk of knowledge loss through turnover, thereby providing a sound foundation for strategic expansion. The development of such capability is not merely an internal exercise but also a reflection of how effectively firms can adapt to external environments.

As the authors cited before (Trichterborn et al.) suggest, creating databases of past transactions, establishing committees for knowledge dissemination, and developing best practices are all

essential steps that allow firms to capitalize on their cumulative experience. However, these capabilities are most valuable when they are adaptable, capable of responding to changing market conditions, regulatory frameworks, and cultural contexts encountered during cross-border acquisitions. (Trichterborn et al., 2016). This adaptability becomes especially important when firms use M&A as a vehicle for internationalization. Indeed, acquisitions are a preferred mode of foreign direct investment for multinational enterprises seeking to expand their operations into new markets.

As Hennart and Chen (2002) and Chari and Chang (2009) explain, the decision to pursue full or partial acquisitions is shaped by various external factors, including market barriers, cultural distance, institutional frameworks, and firm-specific capabilities.

As noted earlier, the smoother one is able to navigate these intricacies often depends on the firm's prior experience and sophistication with M&As. Hence, building a competent function within the firm not only enhances outcomes in domestic acquisitions, but also improves their chances of competing successfully in international markets.

1.2.2 Advantages and risks of M&A compared to other market entry strategies

Having determined the definition and essential nature of M&A, there is a necessity to consider the merits and dangers embodied by such undertakings compared to other market entry plans. Consequently, the following sections will strive to provide an extensive overview of the benefits as well as inherent drawbacks that merger and acquisition embody as a means of market entry.

The strategic benefits of mergers and acquisitions in comparison to other means of market entries are quite obvious.

M&A allows companies greater ease of entry to a market by using an already existing firm. Doing so allows the firm to quickly establish themselves in the market.

Companies are able to access customers, local expertise, and economies of scale, bypassing greenfield investments or licenses. M&A also has numerous advantages pertaining to competitively dominating or shutting down a market which greatly reinforces why companies should use mergers and acquisitions for gaining a competitive advantage.

Table 5: Advantages of M&A

<i>Advantage</i>	<i>Description</i>	<i>Compared to</i>	<i>Source</i>
<i>Speed of market entry</i>	<i>M&A allows rapid market access by acquiring already established operations.</i>	<i>Greenfield investment</i>	<i>Hitt et al. (2020); Grant (2019)</i>
<i>Access to customer base and brand recognition</i>	<i>Acquiring a local firm provides immediate access to its loyal customers and brand equity.</i>	<i>Greenfield, Franchising</i>	<i>Verbeke (2013); Gaughan (2017)</i>
<i>Acquisition of local knowledge</i>	<i>Provides market insights, cultural familiarity, and regulatory understanding.</i>	<i>Greenfield, Licensing</i>	<i>Peng (2021); Brouthers & Hennart (2007)</i>
<i>Economies of scale and scope</i>	<i>Shared resources and expanded offerings improve efficiency and value.</i>	<i>Joint ventures, Greenfield</i>	<i>Hill (2022); Porter (1985)</i>
<i>Competitive advantage via consolidation</i>	<i>Enhances market power, deters rivals, and strengthens positioning.</i>	<i>All modes</i>	<i>Anand & Delios (2002); Hitt et al. (2001)</i>

Source: own elaboration

However, as the second table highlights, the benefits of M&A come with considerable risks. The expected synergies may be destroyed as a result of issues associated with cultural integration, high financial expenditures, and intricate legal systems. Moreover, equity-based M&A strategies require greater initial expenditure than non-equity ones, such as franchising and licensing, which limits a firm's operational flexibility. The miscalculation of a firm's worth or failing to meet targets during the post-merger integration phase may also lead to a loss in value for the shareholders. These risks reinforce the relationship between organizational capabilities and strategic intent alongside the requisite balance of deep due diligence needed while considering mergers and acquisitions as an entry strategy.

Table 6: Risks of M&A

<i>Risk</i>	<i>Description</i>	<i>Compared to</i>	<i>Source</i>
<i>Cultural integration issues</i>	<i>Misalignment of corporate cultures often leads to conflict and integration failure.</i>	<i>Joint ventures, Greenfield</i>	<i>Osborn (2006); Weber et al. (2011)</i>
<i>High financial costs and debt</i>	<i>M&A requires major investment and may lead to long-term financial constraints.</i>	<i>Franchising, Licensing</i>	<i>Gaughan (2017); Sudarsanam (2010)</i>
<i>Regulatory and legal challenges</i>	<i>Cross-border deals face legal hurdles including antitrust laws and foreign ownership restrictions.</i>	<i>Licensing, Joint ventures</i>	<i>Hill (2022); Weston & Weaver (2001)</i>
<i>Risk of overpayment and poor valuation</i>	<i>Valuation errors can result in acquisitions that destroy value rather than create it.</i>	<i>Greenfield, Franchising</i>	<i>Sirower (1997); Bruner (2004)</i>
<i>Post-merger integration difficulties</i>	<i>Achieving synergy requires coordinated integration of systems, people, and operations.</i>	<i>Joint ventures</i>	<i>Cartwright & Cooper (1996); Haspeslagh & Jemison (1991)</i>
<i>Loss of strategic flexibility</i>	<i>M&A is a high-commitment strategy with high exit costs and low reversibility.</i>	<i>Licensing, Franchising</i>	<i>Peng (2021); Grant (2019)</i>

Source: own elaboration

When compared to other strategies of entering a market, M&As have a completely different approach in terms of resource allocation, control, risk exposure. For example, joint ventures and strategic alliances apply to a local firm's resources and expertise, but it comes with shared ownership and decision making which can limit the strategic independence of the investing firm. Meanwhile, franchising and licensing are appealing for their low-risk, low-commitment nature, but they offer far less control and potential for economies of scale than M&A (Meyer & Peng, 2016; Rugman & Verbeke, 2004).

On the other hand, greenfield investments provide firms with full ownership and control, allowing them to build entirely new operations that align perfectly with their corporate culture and standards, but this approach demands significant time and capital investment, making it less suitable for companies seeking rapid market entry or immediate access to local expertise (Johanson & Vahlne, 2009).

Ultimately, the strategy a firm decides to go with will depend on their risk appetite, resources available and M&A primary goals. While M&A can be an effective means of gaining rapid access to new markets and resources, the associated risks require careful consideration and meticulous planning.

1.2.3 Sustainability, regulation, and strategic integration

Over the past decade cross-border mergers and acquisitions have provided another opportunity for firms to extend their global reach. However, these complex transactions often involve regulatory, economic, political, and cultural obstacles that may arise both in the country of the acquirer firm and in that of the target company. In the last years ESG (Environmental Social and Governance) has shifted from an ancillary concern to a key driver of successful outcomes in deal-making, which has created an increased focus on responsible business practices as a critical component of strategic decision-making.

Deloitte states that "...65% of executives who lead M&A expect their company's focus on responsible and sustainable practices to increase over the next three years, and recognize the importance of responsible business practices in creating long-term value..." (Deloitte, 2024). Firms that are perceived as higher quality, with strong responsible business commitments, are often considered lower risk, which translates into higher acquisition premiums. This tendency was highly evident in deals between developed market acquirers and emerging market targets. As Gupea (2024) demonstrates companies with superior environmental and social performance received higher acquisition premiums, thereby demonstrating the attractive qualities of these dimensions of corporate business practices.

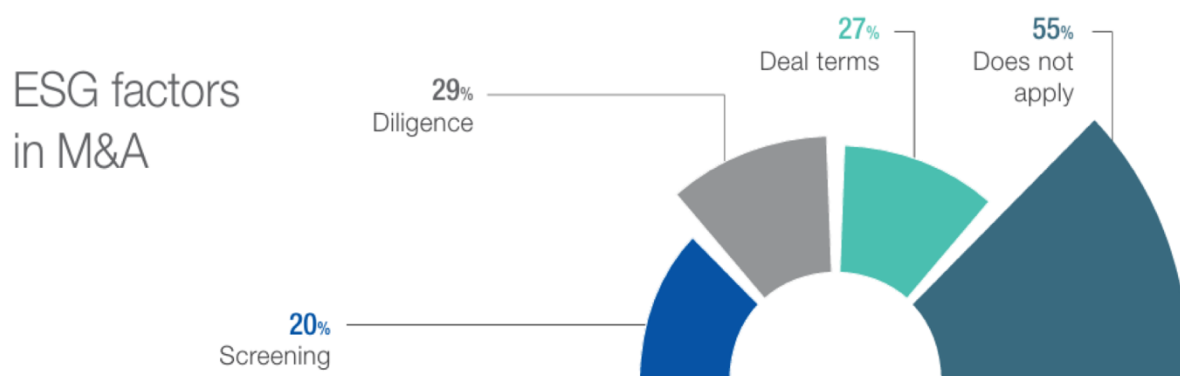
These considerations are now becoming integral to the due diligence process, where potential risks and opportunities are assessed beyond traditional financial metrics. Reputational and financial liabilities related to the environment, the social aspect, and potential governance issues have a direct impact on the valuation and integration of the acquired firm.

Cross-border transactions, in which ESG regulations are different (or even lacking) from the country of origin, add a layer of risk to the due diligence and potentially resulting acquisition of target firms.

Research suggests that regulatory discrepancies related to responsible business practices can hinder or delay cross-border mergers and acquisitions, particularly in product and service sectors subject to high compliance scrutiny. These evaluation stages in M&A processes are characterized by a rather asymmetric consideration of ESG factors.

As shown in Figure 2, companies integrate ESG considerations primarily during the due diligence (29%) and deal definition (27%) phases, yet a significant 55% of companies still report a lack of ESG criteria in their transactions (IJSRT, 2024).

Figure 2. Integration of ESG factors in M&A processes



Source: IJSRT (2024)

The impact of sustainability and governance issues extends beyond the valuation and structural architecture of acquisitions. Investors acknowledge that companies with a high reputation for ethical practices are willing to pay more for the company, as they believe they have a low-risk investment with long-term growth potential. A study by Rodl & Partner (2024) found that 75% of investors are willing to pay a premium of between 1 and 10% for targets that demonstrate strong social and environmental credentials (Rodl & Partner, 2024).

Conversely, firms with weak compliance or disagreements in these areas, are likely to face lower valuations or even deal abandonment and, increasingly, acquiring companies incorporate clauses within transaction agreements aimed at addressing potential social or environmental risks identified during the due diligence phase (Mallia-Dare & Kim, 2022).

The integration phase between companies can be very challenging, but also provides the opportunity to take advantage of the moment to align ESG policies, improve and harmonize processes, strengthen the Group's reputation and achieve a higher level of satisfaction among employees. Failure to properly manage the integration phase can lead, over time, to difficulties in developing the potential expressed by the incorporated or acquired company and also damage to its image or sanctions for failure to comply with regulations.

Actually, a Boston Consulting Group's research (2023) highlights how a structured approach to the integration phase of companies undergoing M&A, in terms of care and alignment of responsible business practices, is critical in order to achieve the full potential of cross-border

acquisitions. ESG regulations at local level can vary significantly, so some issues, such as climate change, can influence the evaluation of the integration procedures of companies undergoing M&A.

The consideration and care for the alignment of social and environmental responsibility principles has, therefore, become a crucial element in the study and implementation phases of investment operations on foreign markets. This trend is reflected in statistical data that shows European and Middle Eastern companies increasingly prioritizing social and environmental issues in their acquisition strategies, with 64% of companies in these regions reporting a significant operational impact due to climate change. This percentage compares with 50% in the Asia-Pacific region and 46% in North America (Deloitte, 2024).

Furthermore, some regulatory developments such as the “European Union’s Corporate Sustainability Due Diligence Directive” (CSDDD) have established new regulations that require companies to observe respect for human rights and prevent social and environmental damage in their supply chains. These ESG regulations, of fundamental importance for the sustainable development of our economies are, however, a factor of complexity in the M&A phases and, in general, in the evaluation of cross-border investments as they require an in-depth assessment of the compatibility between local regulations and the standards required in other markets (Financial Times, 2024).

The importance of compliance with ESG regulations has, generally, changed the way in which companies develop expansion strategies on foreign markets and M&A operations and, in concrete terms, the ability of companies to effectively manage the adaptation of their processes and commercial policies to ESG standards represents an effective factor of competitiveness and potential growth.

1.3 Application to the fashion industry

1.3.1 Specificities of the fashion sector

The fashion and luxury sector has a unique set of characteristics that shape how firms design and implement their internationalization strategies, especially mergers and acquisitions. Fashion firms' competition is based not only on price or efficiency, as in other more standardized industries, but also on intangible and symbolic assets such as brand heritage, aesthetic identity, artisanal craftsmanship, and cultural significance associated with product and narratives (Fionda & Moore, 2009; Rigaud-Lacresse & Pini, 2017). These types of intangible assets are not easily codified, transferred, or replicated, and are based on deeply-rooted traditions, local savoir-faire and reputational capital accrued over generations. A characteristic of the Italian fashion industry is its family-run ownership structure that relies on a network of suppliers largely made up of small and medium-sized enterprises (SMEs). These firms often exhibit high degrees of embeddedness in their communities and high levels of social capital, with a long-term vision that is often incompatible with the short-term performance orientation of external investors or global conglomerates. In this case, family control's emotional and symbolic value can override economic value and tactical decisions, including the full-acquisition of equity by foreign investors, creating hesitation and reluctance. For example, in 2021 L Catterton, the private equity arm backed by LVMH, acquired a majority stake in Etro, but the founding family retained significant minority ownership and influence over the creative direction of the label. It took decades for the Italian luxury apparel brand Missoni to allow an external investor into the family business, and in 2018, the company sold a 41.2% stake to FSI (Fondo Strategico Italiano); while assuring the public it intended to maintain the brand's identity and heritage, while accessing investment capital and managerial resources to expand the brand globally. Such cases accentuate the tactical rationale for lower equity stakes in the fashion sector, allowing companies to leverage external resources while safeguarding creative independence and brand heritage. Creativity and design are paramount sources of value in fashion and luxury, and depend significantly upon individual skill, vision of the founder and brand coherence; this is a critical factor in determining sensitivity in an integration process post-acquisition. A significant and emblematic case can be that of Gucci in the 90s where, due to some problems in the internal balances of the company, managerial instability and brand dilution occurred.

Only in the following years did the situation see significant improvements under the creative leadership of Tom Ford and the corporate management of Domenico De Sole.

The former requires creative autonomy and entrepreneurial freedom to achieve the fashion house's expressive results, while the latter requires a strategy based on corporate goals. Both must be aligned, but this is often difficult to achieve. Additionally, the fashion business has a seasonality and trend-driven nature. When a firm takes a fashion brand either domestically, or shows interest in international expansion, there is an implied need for speed, nimbleness, and cultural sensitivity. The process of international expansion is more than establishing a business model or commercializing principles simply by linking experiences as a fashion brand across regions, and involves multiple diversities in commerce and cultural traditions that require engagements with consumers with as much local meaning as possible around the global "business of fashion." Because of this complexity, successful models in some markets will not always apply equally to others. Fashion firms prioritizing speed and expediency may favour entry modes that allow for local adaptation. This is particularly true in regard to cultural differences, and therefore many fashion firms will enter into a joint venture, franchise or partial acquisition when entering a newer or predominate culture of discretion market such as China, the Middle East, or Japan (Moore et al., 2000; Guercini, 2004). On the one hand, the luxury segment of the fashion industry complicates things even further.

Luxury brands should delicately manage scarcity, exclusivity and brand mystique as there can be a backlash against the larger parent corporation due to overzealous growth strategies or aggressive corporate operationalization. Even global players such as LVMH or Kering will often select bespoke mechanisms of governance when acquiring family-owned Italian brands, for example, to be able to respect the creative soul of the brand and keep in sync with the aesthetic vision of the brand's founders. Kering's purchase of Bottega Veneta is often cited as an example of "silent integration," where the parent company could bring sophisticated resources and strategic direction while implicitly permitting creative latitude to the design team and management in the company to reconfigure the brand towards a successful relaunch under Daniel Lee as a creative director.

To conclude, the fashion and luxury sector is characterized by high brand sensitivity, symbolic capital, artisanal production, and a long tradition within culture and identity. This renders it a unique and difficult context to consider acquisition-driven internationalization based on mergers and acquisitions. The ultimate choice of a full acquisition or partial acquisition will not only be informed by efficiency and control but also by firm creative condition, legacy, and position in the global cultural markets.

This sector-specific complexity will be further explored in the next sections, with a focus on how Italian fashion companies navigate international expansion while preserving the essence that makes them globally admired.

1.3.2 Brand creativity and managerial control

In the fashion and luxury sectors, brand creativity represents both a strategic asset and a source of vulnerability in the context of mergers and acquisitions. Unlike industries, where competitive advantage is primarily grounded in technological capabilities or operational scale, the value of fashion firms is often deeply tied to intangible assets such as design originality, expressive style, emotional suggestion, and the reputation of creative figures (Fionda & Moore, 2009; Rigaud-Lacresse & Pini, 2017). These dimensions of creativity and style are essential for brand strength and positioning, but also represent the basis for emotional loyalty by consumers, in this way affecting the visibility and market performance of the brand.

These strengths and resilience of fashion companies, however, constitute a potential problem in the integration phases as the acquiring company must modulate its insertion into the corporate structures in order to achieve an adequate level of operational, financial and commercial control without compromising the intangible and unique aspects of fashion companies. Managerial control refers to the extent to which the acquiring firm impacts key strategic, operational, and organizational decisions of the target firm: while full acquisitions may grant access to economies of scale, strategic alignment, and efficient governance, they also carry the risk of diluting or stifling the creative processes that support brand value (Cartwright & Schoenberg, 2006; Gomes et al., 2013). This could be critical and, potentially, value destructive, in the case of family-owned or founder-led brands, where creative vision is often closely tangled with corporate identity and heritage. The fashion sector as an example illustrates the harmonious blend between creativity and management.

With Fendi, LVMH took control but offered relative liberty to the sisters and Karl Lagerfeld during the brand's relaunch and this approach helped maintain Fendi's distinct Roman character while integrating it into LVMH's framework.

Also in Valentino, Mayhoola for Investments kept the brand's operational leadership under Pierpaolo Piccioli for many years post-acquisition, allowing the brand to retain the hallmark aggressive aesthetic.

These cases highlight that the integration phase of acquisition can safely overlap with organizational creativity as long as there is strategic fit and cultural sensitivity.

Conversely, when creative activities are integrated too quickly or are conditioned/subordinated to financial or operational needs, this can lead to brand dilution, internal conflict, or even market backlash.

The case of Gucci under multiple changes of creative and executive leadership in the early 2000s, shows how a lack of coordination between the needs of managerial control and the brand vision can create instability and hurt long-term value creation. Only with the appointment of a new creative director (Alessandro Michele, in 2015), and a renewed alignment between creative activity, aesthetic identity and corporate direction of the group, the brand could return to sustained growth, underlining the need for a strategic fit between creativity and control. Academic literature has increasingly recognized that in creative industries, and particularly in fashion, standard M&A integration models often fail due to the symbolic nature of value creation (Moore & Burt, 2007; Guercini, 2004). In the integration phase of creative companies, especially in the fashion sector, it is of fundamental importance to manage with flexibility and attention the introduction of new operational management models in order not to compromise that particular creative atmosphere that inspires the development of fashion products. In such situations, managerial control must be exercised with respect for the firm's identity.

Partial acquisitions or, more often, governance models involving dual leadership, transitional autonomy, or hybrid decision-making structures, are often used as strategic tools to balance these competing logics (Hennart & Reddy, 1997; Chen & Hennart, 2002).

This is especially actual in the Italian context, where creative directors are not just aesthetic leaders but also cultural ambassadors of brand heritage. In conclusion, the history, identity and vision of the target company must not conflict with the management structures of the acquiring company: brand creativity and managerial control are not necessarily in opposition, but they require careful orchestration. In the internationalization of fashion firms through M&A, especially in the luxury segment, acquiring companies must develop integration models that protect creative capital while gradually introducing managerial control and global coordination.

1.3.3 Implications for acquisition mode

The fashion and luxury sector presents distinctive dynamics that have direct implications for the choice between full and partial acquisitions in international expansion. As discussed in the theoretical section of this chapter, the selection of entry mode is influenced by a range of firm-specific, country-specific, and transaction-specific factors (Canabal & White, 2008; Chari & Chang, 2009).

In this industry, however, the strong reliance on intangible assets and the need for brand continuity introduce specific challenges that make traditional acquisition models less linear and predictable. Full integrations certainly offer advantages in terms of strategic alignment, operational control, possible economies of scale and efficiency of corporate structures, but the acquisition process, as mentioned, must be gradual and respectful of the identity values of the target company. Full acquisition can also favor the coordination of commercial policies and the creation of synergies between multiple brands of the group (Cartwright & Schoenberg, 2006; Wang & Larimo, 2019). However, the same control that enables efficiency may also generate risks of misalignment with the brand's original positioning, creative culture, or consumer expectations (Gomes et al., 2013).

Rushed integration, particularly in fashion, can result in the erosion of brand distinctiveness and reputational damage. Consequently, partial acquisitions, in some cases, may emerge as a preferred entry mode. By acquiring a minority or majority stake without assuming full control, firms can access strategic resources, such as brand reputation, design expertise, or established supply networks, while preserving continuity in leadership and local operations. This model allows for a more gradual transition, reducing resistance and enabling mutual adaptation between acquirer and target (Hennart & Reddy, 1997; Chen & Hennart, 2002).

Acquisition mode, therefore, should be taken not only in terms of ownership and control, but also in relation to strategic fit and organizational compatibility. For instance, several fashion conglomerates adopt transitional governance models, initially maintaining the existing creative direction and gradually increasing integration over time. Kering's strategy with brands like Saint Laurent or Bottega Veneta demonstrates how a progressive approach can strengthen performance while safeguarding core brand attributes. In Italy, acquisition mode decisions are often shaped by complex negotiations involving identity, tradition, and future vision.

Italian fashion companies have historically shown selective openness to external investors, often favouring solutions that allow them to retain creative and operational influence (Rabimov, 2023; Corbellini & Saviolo, 2009). As such, the acquiring firm's approach to governance, respect for heritage, and long-term commitment may be as important as financial terms in determining the outcome of the deal. In conclusion, in the fashion and luxury sector, entry mode decisions, particularly between full and partial acquisitions, require a context-sensitive approach.

The next chapter will further explore how these strategic choices manifest in practice, analysing empirical evidence from M&A transactions involving Italian fashion firms.

CHAPTER 2 – The Italian fashion industry in the context of M&A

2.1 Overview of the Italian fashion ecosystem

2.1.1 Industry characteristics and global relevance

The Italian fashion industry is generally regarded as a strength of the national economic structure and is one of the world's examples of successful industrial activity in the field of luxury and design and enjoys, at an international level, a unique positioning thanks to the prestige of “Made in Italy”. It includes a wide range of large or small-to-medium sized enterprises operating in the field of high fashion, leather, pret-a-porter, footwear and all the services that belong to the sector. According to data from the National Chamber of Italian Fashion and ISTAT, as of 2024, there are over 60.000 enterprises in Italy's fashion sector, employing more than 600.000 individuals and, if the commerce and service-related activities are considered, over 1,2 million people, accounting for about 5,8% of the national workforce. These enterprises generate production primarily destined for foreign markets, contributing significantly to Italy's trade surplus. In 2023, the Italian fashion industry achieved a total turnover exceeding €102 billion, marking a 4% increase compared to the previous year. Moreover, the sector contributes approximately 5% to the national GDP.

Table 7: Fashion sector in Italy as of 31.12.2023

Indicator	Value
<i>Fashion sector turnover</i>	<i>102 bn €</i>
<i>% of national GDP</i>	<i>5,1%</i>
<i>Export</i>	<i>65 bn €</i>
<i>% of Italian export</i>	<i>10%</i>
<i>Small and artisanal businesses</i>	<i>43.000</i>
<i>% of artisanal businesses</i>	<i>50,4%</i>
<i>Employment</i>	<i>1,2 million</i>
<i>% of national employment</i>	<i>5,8%</i>
<i>Share of European suppliers (fashion)</i>	<i>29%</i>
<i>Share of European suppliers (luxury)</i>	<i>66%</i>
<i>Employees % in companies <50 employee</i>	<i>65,3%</i>

Source: own elaboration based on data

It is, therefore, a strategic sector that is constantly evolving and is characterized by great creativity, dynamism and that relies on a vast network of small to medium-sized companies that are, mostly, family owned. These enterprises are mainly concentrated in industrial districts, renowned for their specialization and craftsmanship, which include Prato for textiles (it stands out as the largest industrial district in Italy, with over 6.500 enterprises operating in the sector), Biella for wool, Carpi for knitwear, Civitanova Marche for footwear, and the Veneto region for accessories. This decentralized model fosters specialization, innovation, and flexibility, enabling companies to adapt swiftly to market trends and consumer preferences; the merging of the design, production, and distribution functions within the districts proved robust even during market contractions and disruptions to the supply chain.

Indeed, operational and commercial agility in an industry deeply impacted by digital trends is a characteristic of resilience and strength, as well as effectiveness in the time to market of new products.

In recent years there has also been a combination of traditional craftsmanship, high quality of raw materials and an increasing industrialization of creative activities thanks to the inclusion of innovative technologies in production chains (Altagamma, 2024). The role of the Italian fashion industry, moreover, is not limited to direct production activity for the market but also to its strategic role as a supplier within the value chain of the luxury sector. The Fashion industry in Italy demonstrates a higher export propensity compared to the manufacturing benchmark, with nearly 70% of the sector's turnover derived from exports. Many small and medium-sized Italian companies manage to supply high quality handcrafted and finished products to the world's leading fashion houses. The B2B dimension assumed by the national production structure, expresses the competitiveness and adaptability of the model that is now at the centre of the global fashion market (National Chamber for Italian Fashion, 2024). The Italian fashion industry plays a strategic role in the global luxury value chain. Approximately 29% of European fashion suppliers are Italian, a figure that rises to over 66% in the luxury segment. This underscores Italy's position as a leading producer of high-quality, handcrafted products for the world's foremost fashion houses. In recent years, the industry has embraced digital transformation and sustainability initiatives and investments in these fields have accelerated production timelines and enhanced market sensitivity.

Indeed, Italian companies in the Fashion sector have made progresses in innovation and digitalization; however there remains room for improvement as the shares of innovative and highly digital-intensive companies are slightly below the EU average (*Eurostat, Prometeia Economics Database*). Finally, sustainability has become a crucial factor in the fashion

industry transformation, with collaborations involving international ESG certifiers and initiatives like the “CNMI Sustainable Fashion Awards” promoting transparency, traceability, circularity, and innovation (CNMI, 2023). From this, one can propose that, for Italy, the fashion industry represents the most refined and sophisticated industrial sector with an image of unrivalled mastery where, through its, Italy is perceived as an icon across the globe, and a force of soft power due to the deep sense of beauty and creativity it possesses and conveys. The link to art, architecture and craftsmanship makes it a more sophisticated type of cultural diplomacy that transcends commerce and fuel Italy’s image of being an innovative and elegant nation in the international arena (Censis, 2023).

2.1.2 Ownership structures and governance models

The fashion and luxury sector in Italy is characterized by a significant variety of ownership structures and governance models, the result of a stratified entrepreneurial history, a strong manufacturing tradition and constantly evolving economic and financial dynamics. According to Saviolo and Corbellini (2009), most Italian fashion companies, especially in the luxury and “high-end ready-to-wear” sector, were born as family businesses, often maintaining a concentrated ownership structure and governance centralized in the hands of the founder or heirs. *Il Sole 24 Ore* (2023) quotes more than seventy-five percent of companies in the Italian fashion sector being family businesses, highlighting the prevalence of this model in the entrepreneurial landscape. This typically Italian model has guaranteed a coherent vision over the years, a strong brand identity and particular attention to craftsmanship and product quality but, at the same time, has placed limits on managerial growth and the opening of capital to external investors. The prevailing configuration, according to ISTAT (2024), is represented by SMEs, which constitute over 90% of the production fabric of the fashion sector in Italy. These companies, as already said, are often family-run, with informal and highly personalistic governance. The proximity between ownership and control allows for great flexibility and rapid decision-making but can hinder the adoption of more advanced management models and the inclusion of external expertise, especially in strategic areas such as internationalization, digitalization and sustainability. Although the strategic control granted by the founder's intentions can be advantageous, family firms are faced with planning effective generational transitions, in parallel with modern managerial structures. In fact, as highlighted by research on family firms (Miller & Le Breton-Miller, 2006), the family management approach itself tends to put firms at risk due to succession, generational change and adaptability to ever-changing global markets.

Governance progress, like the formation of independent boards of directors, external advisory boards, and other sound practices, are particularly necessary within the domains of sustaining business operations, enabling innovations, and gaining entry into international markets. Giorgio Armani Group shows a significant case study of family governance practice, because the company is family-owned and controlled by the renowned designer himself. Though he has chosen to maintain its independence, it did formulate a succession plan by establishing a foundation, with the aim of ensuring sustainable, long-term business growth while protecting the company's identity and creative heritage. This corporate structure should allow the company to continue on its path, even as it seeks to gradually move away from founder-centric leadership. Missoni, owned by its founding family until the 2018, became another interesting case when they sold the minority stake to the Fondo Strategico Italiano. This event marked a shift of the company's international expansion plans and the brand then became an example of a hybrid governance model where family control coexists with external finance, professional management, and their organization.

As mentioned by "Area Studi Mediobanca" (2023), there are 152 Italian fashion companies and a significant number of them are still owned by families, but there is some positive trend towards external finance, especially for larger companies or those facing greater international competition. This evolutionary trend of many companies in this field can be read with the help of Stewardship Theory (Davis, Schoorman & Donaldson, 1997), according to which the owners of family businesses tend to act as custodians of the family business, trying to maintain and cultivate it for posterity, rather than as opportunistic agents with short-term profit prospects. Alongside these family businesses, there are also companies funded by investment firms like Moncler and Salvatore Ferragamo, which started adopting more sophisticated governance strategies tailored for international markets. These employ governance systems whereby boards include a reasonable proportion of family members together with suitably qualified and independent directors. In addition, they have internal control units like audit, remuneration, and risk committees along with specialized committees for sustainability, innovation, and operational management.

The recruited professional managers are usually outsiders which minimizes the agency problems and increases accountability to shareholders. The transformation within the Italian mid-sized and large fashion firms, from family governance to hybrid or fully professionalized governance, shows change it's happening on a very widespread scale. Indeed, separation of ownership and management functions is increasingly being formalized through countless governance documents, succession plans and corporate policies that adopt internal procedures

in line with ESG frameworks. These systems enable companies to keep their entrepreneurial and family traits, while professionalizing and internationalizing to compete in the international market. Moreover, this organizational change has induced an evolutionary push that has allowed the adoption of more divisional governance models and greater attention to ESG issues, because the social and environmental aspects of sustainability, thanks also to supranational and national regulations such as the Corporate Sustainability Reporting Directive (CSRD), are now systematically integrated into the activities of boards of directors and have led to the creation of specific ESG committees. As a result, fashion industry governance goes beyond simple compliance with regulations and instead focuses on managing and defending corporate reputation and building investment and operational resilience. It is important to underline that this organizational change in the fashion and luxury sector in Italy has been accelerated, in the last decades, with the acquisition of important Italian brands by large foreign luxury conglomerates. According to the Mediobanca Report (2023), this trend has contributed significantly to the global expansion of many Italian fashion houses, but has also generated concerns about the preservation of industrial sovereignty, local expertise and traditional manufacturing skills. In short, ownership structures and governance models in Italian fashion are more and more established as a dynamic balance between tradition and innovation, with the family ownership centrality more and more mixed with managerial logic, external capital openness, and respect for the highest international standards of sustainability, social responsibility, and transparency.

2.2 Mergers and acquisitions in the Italian fashion sector

2.2.1 Recent trends and characteristics of operations

The last few years have witnessed an increase in both domestic and foreign investments targeting the Italian fashion industry. According to numerous strategic and financial economic studies, the rise in mergers and acquisitions has been driven by shifting market structures alongside the evolving priorities and ambitions of younger business owners. Consolidation has emerged as a dominant theme in the growth dynamics, which is why they appeal. Furthermore, in the context of internal succession shifts, many fashion companies are seen as valuable assets that could benefit from more effective management and organizational improvements. In an Italian sector framework that includes over 60.000 fashion-related companies (ISTAT, 2023), with a predominant presence of small businesses with fewer than 50 employees, M&A are now considered not only a growth and organizational evolution strategy, but also as a competitive tool for succession planning. This trend towards consolidation has involved the fashion sector across the board, with not only brands, but also third-party manufacturers, fabric suppliers and service providers. From 2020 to 2024, M&A activity in the Italian fashion sector has highlighted a fluctuating but very dynamic trend.

Excluding the critical period linked to the outbreak of the Covid-2019 pandemic, which caused a sharp contraction in transaction volume in 2020, the number of deals has grown in recent years. In 2020, the number of operations more than halved compared to 2019, with a 51% drop and approximately 22 deals concluded in the fashion sector. In addition, the total value of transactions increased by 177% in the same year, reaching around €2 billion, due to two mega deals: the acquisition of Stone Island by Moncler (estimated value over \$1 billion) and the sale of the Golden Goose brand to the Permira fund for around €1.3 billion.

Around 63% of the transactions completed in 2020 involved private equity funds. In 2021, Italy saw a significant increase in M&A deals across all commodity sectors, with a total value of over €70bn and an estimated 40-45 deals in the fashion sector, while the overall value decreased compared to 2020. This highlights the perduring strong international interest in the domestic market and production environment (Mediobanca 2023; KPMG. 2022) According to PwC (2023), in 2022 Italy registered over 60 operations in the consumer and retail space, with more than 30% of these involving companies operating in the fashion and luxury segments. This trend continued in 2023, with approximately 78 transactions recorded in the fashion and luxury

space alone, maintaining Italy among the top three European countries in terms of deal volume in fashion-related sectors.

The absence of multi-billion acquisitions kept the overall value around 1 billion euros. Among the most significant operations are the acquisition of strategic suppliers by LVMH Métiers d'Art, and the joint ventures between Chanel and Brunello Cucinelli, as well as Prada and Zegna, for the investment in companies in the supply chain. During this period, the market was driven by the dynamism of private-equity companies, which supported managerial development and innovation by investing in the sector's digitalization. In 2024, the sector slowed sharply, with a 21,7 % decline in transaction volume, however, investor interest has remained high and forecasts for 2025 indicate a likely recovery, driven by strong international interest in Made in Italy brands and distribution networks (Pambianco, 2025).

The PwC Global & Italian M&A Trends in Consumer Markets and Outlook 2025, in fact, reports a drop in fashion deals in the year 2024, down to 61 from 78 (-21,7%), compared to a general decline of -18% in deal volumes in Italy. In order to provide a comprehensive overview of M&A activity in the Italian fashion sector from 2020 to 2024, a structured table below was developed using the most recent and reliable data available from official publications, reports, and sector-specific studies. The table includes key indicators such as the number of deals, year on-year variation, total deal value, and the share of private equity involvement.

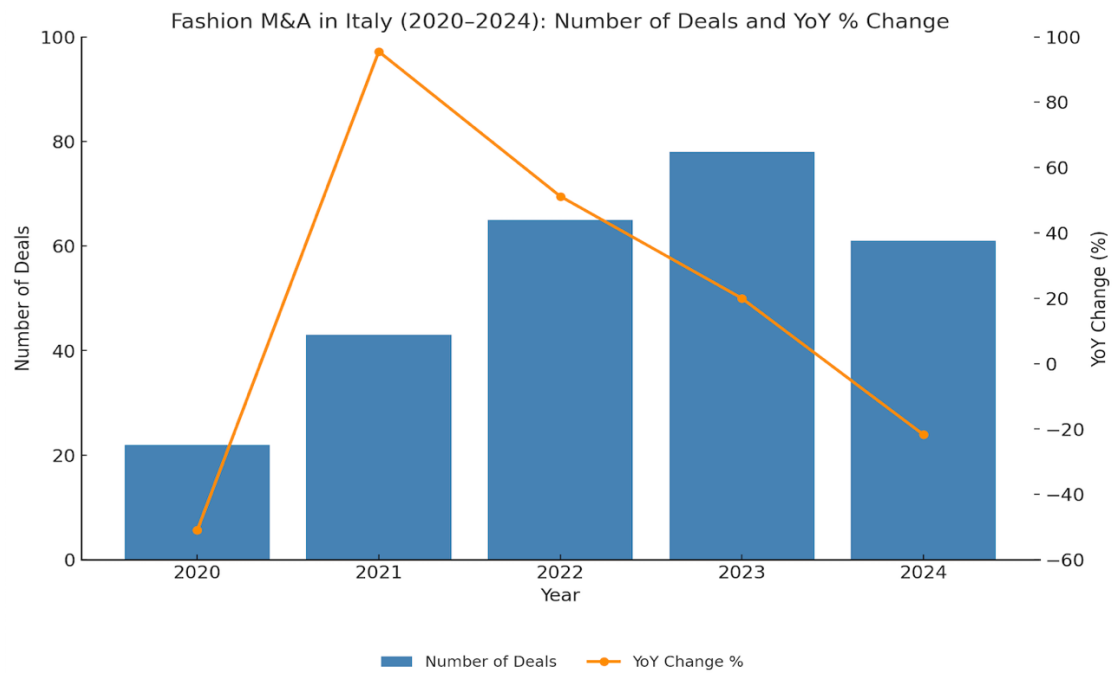
Table 7: *Trends in M&A activity in the Italian fashion sector (2020–2024)*

<i>Year</i>	<i>Fashion M&A Deals (Number)</i>	<i>Change vs Previous Year</i>	<i>Total deal value (€ Billion)</i>	<i>Private Equity Share</i>
2020	~22	-51%	~2.0	~63%
2021	40-45	95.5%	<3.2*	34%
2022	65	51.2%	~1.0	36%
2023	78	20%	~1.0	38%
2024	61	-21.7%	~2.1	40%

Source: own elaboration based on data

Complementing the table, the graph below visually represents the year-over-year change in deal volume alongside the absolute number of transactions, helping to highlight both the cyclical nature and underlying evolution of M&A dynamics in the sector over the five-year period.

Figure 3: *Annual trend of M&A deals in the Italian fashion sector (2020–2024)*



Source: own elaboration based on data presented in Table 2

There are multiple converging factors that seem to explain the increasing rate of mergers and acquisitions in the Italian fashion industry over the past several years.

The convergence strategy has become more discernible, particularly for mid-sized companies undergoing generational shifts or experiencing an absence of continuity at the management level. In this regard, mergers and acquisitions serve far more than expansion; they are essential for operational, organizational, or business modernisation and enduring competitiveness. In this scenario, the scope of M&A activity has widened to not only fashion brands, but now also includes suppliers, contract manufacturers, technology platforms, and providers of services in the digital economy. This mirrors a strategic realignment toward merging horizontally and vertically, integrating more fully and controlling the entire value chain. Investment in digital transformation as well as ESG compliance has placed the greatest attention on this shift. Fashion companies pursuing these acquisitions seek to quickly externalise digital assets, including e-commerce infrastructure, 3D design systems, and data analytics.

As Zhu (2023) stresses, these acquisitions and partnerships are increasingly viewed as vital not just for expanding market presence but also for enhancing innovation and operational flexibility.

This is especially evident in the case of SMEs and start-ups with an active support of private equity (PE) or venture capital (VC) as they introduce specialized assets and flexible structures.

As a matter of fact, private equity investors have been gaining dominance within the Italian fashion M&A market.

Private Equity firms accounted for 38% of all M&A transactions in 2023, marking a rise from 36% in 2022 and 34% in 2021, as stated in the 2024 KPMG report. Their typical approach often includes buy-and-build strategies, streamlining operations, and positioning companies for future exits, through IPOs or secondary sales.

However, as Zhu (2023) warns, such financially driven logic must be balanced with attention to brand identity, creative autonomy, and corporate culture, especially in a sector where authenticity and symbolic value are critical assets. Another defining trend in the Italian fashion M&A landscape is the growing role of cross-border acquisitions. KPMG (2024) reports that nearly 60% of fashion-related deals in 2023 involved foreign buyers, mainly from France, the United States, and Asia.

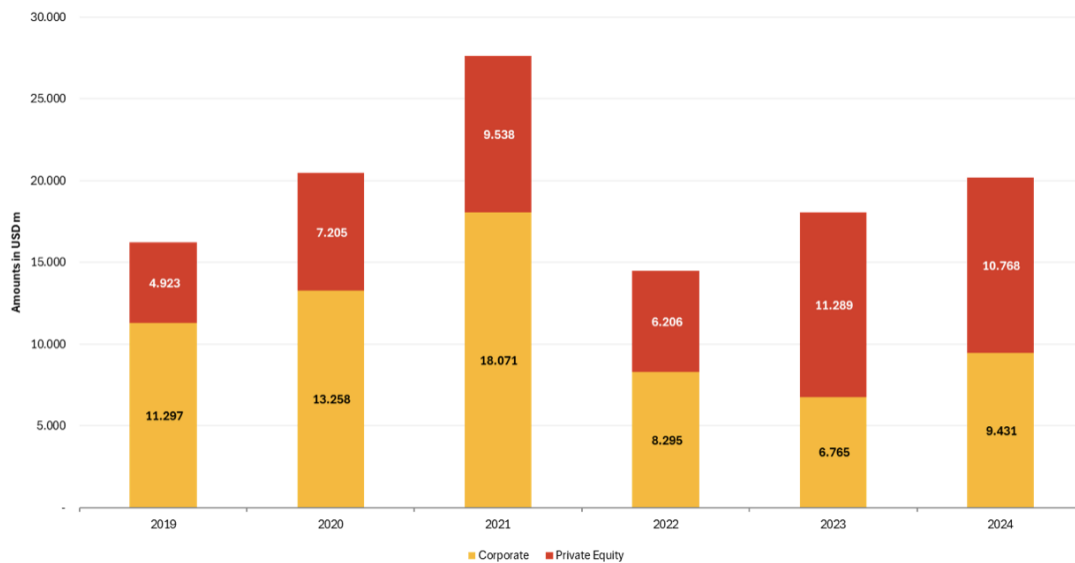
This continues a pattern observed since 2020, when cross-border deals represented 48% of the total.

French luxury conglomerates such as LVMH and Kering remain highly active in acquiring Italian assets to expand their brand portfolios and reinforce supply chain integration. American investors, especially private equity and lifestyle-focused groups, have increasingly targeted niche Italian firms with strong export potential, while Asian buyers have shown a marked interest in Italian craftsmanship and brand authenticity as levers for market entry.

This strong international interest is also reflected in the broader dynamics of M&A capital flows within the Italian consumer market.

The chart below, based on PwC's Global and Italian M&A Trends in Consumer Markets and Outlook 2025 (2025), illustrates the aggregate value of M&A transactions in Italy from 2019 to 2024, segmented by investor type financial (e.g., private equity) versus strategic (corporate buyers).

Figure 4: Announced transaction values in the fashion sector by investor type (2019–2024): strategic (corporate) vs. financial (private equity) buyers, in USD million



Source: Pwc - Value of transactions announced by financial and strategic operators (2019 - 2024)

Though the data does not solely focus on the fashion industry, it does capture the increasing financial investor activity within high-value consumer transactions, especially during and after the post-Covid surge. Interestingly, the fashion-related transactions are on the decline in 2024, which is quite contrary to the investor segment's relative increase in value of transactions, indicating the ongoing accumulation of money into fewer, more impactful operations.

Such trends further establish Italy's allure as a target for investment on a global scale, but simultaneously highlight some possible issues regarding industrial sovereignty, governance, and brand reputation. The majority of firms that are acquired still operate their headquarters, design studios, and factories in Italy, which gives them a certain identity. However, the foreign investors that hold more and more responsive control over the firm's equity structure dictate the strategic and long-term design processes, raising questions on the attractiveness for capital versus protective boundaries on national pride.

The relationship of M&A activity with export performance is another key element of interest. In 2023, the export value for the Italian fashion industry was noted to be over €65 billion, which is approximately 10% of Italy's total exports. Although it is hard to define causality, foreign acquisitions may have sustained exports during the pandemic by enhancing fuel capital and market access. But the recent decline in exports, even where M&A activity continues, indicates that the international environment's demand pressures tend to dominate.

This illustrates the lack of coherent post-acquisition plans that go beyond financial rationalizations to real business expansion. On the whole, it is evident that this kind of activity in the Italian fashion industry shifts from opportunistic expansion toward planned-driven transformation.

Recent M&A activities focus on innovation, sustainability, and growth potential, moving past just acquiring market share.

Such developments indicate more profound shifts within the fashion industry's structural and strategic frameworks. These gaps serve as the empirical and conceptual scaffolding of this thesis, which seeks to explore the what, why, and so what of Italian fashion industry M&A activity in a figurative and literal fashion.

2.2.2 Type of acquirers

In this context, there is an increasing heterogeneity of buyers involved, a reflection of the growing strategic attractiveness of the sector. The appeal of Italian brands, thanks to their cultural heritage, manufacturing excellence and global recognition, has attracted a variety of players with different interests and approaches. Buyers can be classified into three main categories: luxury conglomerates, private equity funds, and family offices or other strategic investors. Each of these categories has specific motivations for acquisition: ranging from the search for operational synergies and portfolio expansion by large luxury groups, to the maximization of financial value and performance pursued by investment funds, to the construction of long-term wealth platforms in the case of family offices.

As Wu (2024) highlights in her analysis of LVMH's M&A strategy, conglomerates often pursue acquisitions not only to consolidate market share but to strategically control supply chains and brand narratives. At the same time, they also differ in terms of investment time horizon, risk appetite, and post-acquisition integration strategies adopted vis-à-vis the acquired brand, particularly with respect to its governance, management structure, and the protection of its creative and cultural heritage. Sehgal notes that the entry of private equity into fashion has introduced new governance models and a more aggressive value-creation logic, often reshaping traditional brand cultures. Similarly, it has been argued that M&A has become a central pathway for luxury brands to accelerate internationalization, especially when paired with capital-intensive expansion plans. This increasing diversification has had a significant impact on the structure and dynamics of the Italian fashion industry, both industrially and financially contributing to its progressive transformation (Sehgal, P., 2023).

2.2.2.1 Luxury conglomerates: long-term strategic investors

Large fashion and luxury groups such as LVMH, Kering and Richemont have built large multi-brand conglomerates by acquiring, over time, high-end fashion houses around the world. Their growth strategies have been based on acquisitions aimed at strengthening their market position through portfolio diversification, brand synergies and economies of scale. Since the 1980s, mergers and acquisitions have been the main growth tool for these groups, and this has led to a gradually oligopolistic luxury market dominated by a few players. A clear example of this process can be found in the case of the two large luxury groups LVMH and Kering who have dedicated decades to identifying and acquiring leading brands, integrating them into their portfolios. This phenomenon, particularly evident in the luxury sector, has involved many prominent Italian companies:

- Gucci, acquired by Kering with a 42% stake in 1999.
- Fendi, majority-owned by LVMH since 2001.
- Versace, acquired by Michael Kors Holdings (now Capri Holdings) in 2018 for \$1.8 billion, and recently acquired by the Prada Group for \$1.25 billion. (Vogue Business, 2023)

The success of these acquisitions has triggered a trend that has marked the transition of many icons of Italian luxury to French-based conglomerates. These groups have implemented their expansion strategy by diversifying acquisitions towards luxury brands in different sectors, from leather goods to jewellery, to expand their presence by exploiting their charm and attractiveness. The final effect of this phase has been a rather polarized sector in which a few conglomerates control numerous prestigious fashion houses. The distinctive feature of the acquisitions developed by the large fashion groups is a long-term strategic perspective: these companies look for brands with a solid reputation, assets and growth potential to "expand their luxury empire" (BSMAC, 2023). Once acquired, the target brand receives substantial resources: capital, access to high-end retail outlets, distribution networks, and managerial talent that would be difficult to obtain independently. For example, large groups can secure coveted stores on Via Montenapoleone or the Champs-Élysées and invest in advanced e-commerce technologies that smaller companies cannot easily afford and nevertheless, they also stimulate the brand's marketing and creative development. Large luxury groups tend to preserve the creative independence and identity of a brand after the acquisition, providing centralized back-office support (finance, IT, sustainability initiatives, etc.).

This approach tends to protect the craftsmanship and image of the brand so as not to dissipate the value acquired over time. As one study observes, the partnership with a large industry in the sector often allows for “preserving creative independence and brand identity” while benefiting from the size and experience of the parent company. A prominent motive is synergy: by uniting brands under one umbrella, conglomerates leverage shared resources and expertise for efficiency and growth. M&A creates economies of scale, opening doors to better procurement, more negotiating power, and broader customer reach. In essence, the conglomerate model is to buy “luxury fashion brands with strong reputations, assets, and history,” inject investment and global infrastructure, and thus ensure these brands flourish internationally (BSMAC, 2023; Lincoln International, 2023).

Recent notable examples include:

- **LVMH’s \$15.8 billion acquisition of Tiffany & Co. (2021)**, aimed at consolidating its leadership in fine jewellery and adding a major American brand to its portfolio. Despite disruptions due to the pandemic, LVMH believed that Tiffany “perfectly complements its position in the jewellery business,” strengthening its position in the industry alongside Bulgari (acquired in 2011) (The Fashion Law, 2020).
- **Kering’s 30% stake in Valentino (2023)**, acquired by Mayhoola for €1.7 billion, with an option to acquire 100% by 2028. The deal reflects Kering’s goal to diversify its brand portfolio and reduce its dependence on Gucci. The high valuation (16 times EBITDA) illustrates the scarcity and value of elite Italian houses (Reuters, 2023).
- **Richemont’s acquisition of Buccellati (2019)**, which integrated the Milanese jewellery company into its portfolio of high jewellery brands. While focusing primarily on its Swiss and French holdings, Richemont has maintained a consistent focus on Italian artisanal charm (Forbes, 2019).

The multiple acquisitions of Italian brands by foreign groups have also prompted a backlash to create, in Italy too, an “Italian champion” conglomerate. For example, Moncler acquired the brand Stone Island in 2020 for € 1.15 billion, creating a national high-end outerwear group. Similarly, Exor, the Agnelli family's investment company, acquired a 24% stake in Christian Louboutin in 2021 and was supposed to be considering a deal with Armani and more recently (April 2025) the Prada Group finalized the acquisition of the Versace brand from Capri Holding for 1.25 billion euros, bringing a historic national fashion brand back under Italian control.

Nonetheless, the prevailing trend remains that of independent Italian companies merging with large European groups. As analysts note, “European luxury brands are likely to sell to other European luxury organizations,” given the strategic advantages of scale. Overall, luxury conglomerates act as long-term “stewards” of acquired fashion houses.

They seek to expand portfolios, preserve brand heritage, and achieve global scale. Their approach is patient and brand-centric: even when a brand hits a rough patch, conglomerates often invest in turnarounds instead of divesting. For example, Kering has owned Gucci for over 20 years, navigating through declines and creative overhauls without selling off the brand, a stark contrast to how a short-horizon investor might act. As Vogue Business noted, “if conglomerates behaved like typical Private Equity investors with 5–7 year timelines, Kering would be selling off Gucci... rather than rebuilding it”. Instead, these groups double down on brand value, illustrating their commitment to long-run brand equity and market dominance (Vogue Business, 2023).

2.2.2.2 Private equity: Short-term financial investors and strategic accelerators

Private equity firms and investment funds have also become powerful players in fashion M&A, particularly for Italian brands requiring capital or restructuring. Unlike conglomerates, which are strategic industry buyers, Private Equity firms are financial investors: their primary purpose is to acquire companies, increase their value, and eventually realize a profit (often by resale or public listing). During the years 2020–2024, investor interest in the luxury sector surged and, for instance, in 2021 alone there were 156 M&A deals in personal luxury goods globally (apparel & accessories accounted for the most deals), a rise in both deal volume and average deal size compared to 2020. Deloitte’s industry survey noted a 10% increase in medium-to-large targets being sold, a sign that many sizable fashion brands were entering the market and attracting investors. This uptick reflects how private capital, from traditional Private Equity funds to sovereign investors, sees luxury fashion as an attractive sector for high returns (BSMAC, 2023). Private equity acquisitions in fashion often target mid-sized or emerging brands with growth potential or underutilized brand equity.

Private Equity investors frequently step in when a founder or family is seeking expansion capital, succession solutions, or a turnaround plan. The Private Equity firm injects funds and managerial expertise, scales up the business (opening stores abroad, expanding e-commerce, improving operations), and aims to significantly increase revenues and profitability within a few years.

In luxury, this means taking a label that might have a cult following or rich heritage, and providing the fuel to grow it into a much larger enterprise. Because private equity funds typically have a 5–7 year investment horizon, their strategy is often to grow the brand quickly and then exit. This exit could be a sale to a larger strategic buyer (often one of the conglomerates), a “plug and play” strategy where Private Equity firms build up a brand and then sell it to fill a gap in a luxury group’s portfolio, or via an IPO or sale to another investor. In other words, private equity frequently serves as a stepping stone in the consolidation process, taking brands from family-owned stage to a scale attractive enough for acquisition by large corporations. Unlike conglomerates, Private Equity firms are less interested in long-term ownership or synergy between brands and this often means they can be more aggressive in cutting costs or overhauling strategy to boost short-term performance.

However, Private Equity investors in luxury know that brand equity is paramount as customers will only pay luxury premiums if the brand’s allure and identity are preserved, so even financial buyers must be careful not to dilute a brand’s exclusivity or heritage. The target for Private Equity is to professionalize and expand the business (e.g., improve supply chain, expand retail, hire professional managers) while maintaining the reputation that makes it valuable. Because they lack the in-house industry infrastructure of conglomerates, Private Equity owners often plan for an eventual sale to a strategic owner who can provide that global platform. Indeed, a common playbook is to buy, grow, and then sell to a larger luxury group, as seen repeatedly in recent years (Lincoln International, 2023).

Key examples involving Italian brands:

- **Valentino:** The Valentino fashion house was acquired in 2007 by private equity firm Permira. After a few years, in 2012, Permira sold the brand to Mayhoola, the investment division of the Qatari royal family, and in 2023 Kering began the process to acquire a 30% stake in the company. Over the course of 15 years, Valentino has gone through several ownership models, from family to private equity to a strategic conglomerate (Reuters, 2023).
- **Versace:** In 2014, Blackstone acquired a 20% minority stake in Versace to support international growth. In 2018, the company was sold to Michael Kors’ Capri Holdings for 2.12 billion Usd. Finally, in April 2025, the Prada Group concluded the acquisition of Versace for 1.25 billion Usd. (BSMAC, 2023)

- **Golden Goose:** Carlyle acquired Golden Goose in 2017 for approximately 440 million € and sold the company to Permira in 2020 for 1.2 billion €. The brand had already been owned and resold in 2015 and 2017, making it an exemplary case of private equity-led value creation (Lincoln International, 2023).
- **Moncler:** Remo Ruffini relaunched Moncler in 2003. Private equity funds Progressio (2005), Carlyle (2008) and Eurazeo (2011) later invested in the brand, leading to its listing on the stock exchange in 2013. Moncler's growth, driven by private equity, is considered one of the most successful cases in the Italian luxury sector (Lincoln International, 2023).
- **Etro and others:** In 2021, L Catterton (LVMH) acquired a 60% stake in Etro, aiming to modernize and expand the brand globally. Missoni followed a similar path in 2018, selling 41% to Fondo Strategico Italiano. These investments illustrate how private equity firms are helping to prepare family brands for integration into larger groups (Business of Fashion, L Catterton, 2021; Vogue Business, 2023).

In summary, private equity firms play a crucial role in the fashion M&A ecosystem, identifying promising brands, investing in them to accelerate their growth, and often paving the way for these brands' next chapter. Their primary motivation is financial gain, which drives a focus on performance improvement and a defined exit strategy. This differs from the long-term vision of luxury conglomerates. However, the two models are not mutually exclusive: many conglomerates indirectly rely on private equity to incubate and prepare brands for integration. The result is a continuous cycle in which Private Equity capital fuels growth and reinvention, often before passing the brand on to strategic groups like LVMH or Kering. While the first type acts as stewards of brand heritage with a focus on long-term global positioning, the least play the role of short-term growth enablers, often preparing brands for a future within larger groups. Rather than competing directly, these two models often operate sequentially: private equity firms professionalize and scale brands, and conglomerates provide stability, international reach, and strategic synergy (BSMAC, 2023; Lincoln International, 2023; Vogue Business, 2023).

To conclude, a comprehensive table highlighting the main differences and characteristics of both luxury conglomerates and private equity is presented:

Table 8: differences and characteristics of luxury conglomerates and private equity

<i>Characteristic</i>	<i>Luxury conglomerates</i>	<i>Private equity firms</i>
<i>Time horizon</i>	<i>Long-term</i>	<i>Short to medium term (5-7 years)</i>
<i>Primary objective</i>	<i>Sustainable brand development</i>	<i>Maximization of investment returns</i>
<i>Brand management</i>	<i>Preservation of identity and creative autonomy</i>	<i>Restructuring and operational optimization</i>
<i>Exit strategy</i>	<i>Long-term ownership</i>	<i>Sale or IPO</i>
<i>Example</i>	<i>LVMH with Tiffany & Co.</i>	<i>Carlyle with Golden Goose</i>

Source: own elaboration

While the first type acts as stewards of brand heritage with a focus on long-term global positioning, the least play the role of short-term growth enablers, often preparing brands for a future within larger groups. Rather than competing directly, these two models often operate sequentially: private equity firms professionalize and scale brands, and conglomerates provide stability, international reach, and strategic synergy (BSMAC, 2023; Lincoln International, 2023; Vogue Business, 2023).

2.2.2.3 Family Offices as strategic investors

Mergers and acquisitions in the luxury fashion industry increasingly involve actors whose motivations extend beyond mere financial returns. Among these entities, in particular, are family offices and strategic investors who, unlike purely financial investors, adopt a patient approach to investment and look primarily at the development of the target company, the value of the brand and the development of creative capabilities. As private entities dedicated to the enhancement of the assets and management of investments of one or more wealthy families, they can maintain long-term strategies with patient and value-oriented investments, often with a strong focus on the emotional, historical and cultural elements of the brand.

A particularly notable example is “Mayhoola for Investments”, a fund backed by the Qatari royal family. Although it is, legally, a sovereign-backed vehicle, it exhibits many of the hallmarks of a family office: centralized control, strategic coherence, long-term financial logic

and a focus on consolidating high-end brands. Since its acquisition of Valentino in 2012, “Mayhoola for Investments” has played a central role in the brand’s international growth. Moreover, according to the Financial Times (2023), the fund continues to strengthen its grip on Valentino, showing how state-linked investors are reshaping the luxury landscape through targeted, long-horizon acquisitions. In this scenario, equally meaningful is Exor, the investment company of Italy’s Agnelli family; despite its status as a listed holding, Exor retains a family-led governance model and strategic coherence typical of an advanced family office. The investment company, in 2021, acquired a minority stake (24%) in Christian Louboutin for €541 million, a move aimed at strengthening its luxury platform and diversifying its investment portfolio beyond the automotive sector. This decision highlights the role of long-term investors in the development of luxury brands, who maintain an active presence in supporting the operational and financial activities of target companies without compromising their creative independence. In recent years, the presence and influence of these strategic investors in the main financial and strategic deals in Italy has grown significantly.

According to the Family Office Observatory of the Politecnico di Milano and Magstat Consulting, the number of family offices increased from 195 in 2022 to 222 in 2024, of which 113 were single-family offices (SMO) and 91 were multi-family offices (MFO).

Together, they manage over 136,9 billion euros of assets in 2023, with the majority located in Lombardy, Veneto and Emilia-Romagna. This growth highlights a structural shift in Italian private wealth management towards more direct involvement in entrepreneurial activities and corporate governance and the trend is also reflected in specific investment operations: in 2024, the investment vehicle “NUO”, owned by Exor, acquired a stake in Subdued, an Italian fashion brand, further consolidating the Agnelli family’s expansion into the fashion sector. Such deals illustrate how Italian family offices are evolving from passive capital allocators to active strategic investors, capable of influencing brand trajectories. The philosophies of such investments often go beyond mere financial gain as asset allocation in the fashion field often focuses on the opportunity to support brands that are in line with their values, their cultural heritage or their aesthetic vision. Also, the fashion industry offers the possibility of acquiring reputation, sharing entrepreneurial adventures that are inked to the cultural and artisanal history of the territories and, finally, cultivating the philanthropic purposes that animate the intentions of the founders. Unlike traditional private equity firms, which often operate on short time horizons and seek quick returns, family offices tend to favour patient capital strategies, allowing brands to preserve creative direction and make long-term investments in key values of the sector. This approach is more compatible with the drivers of fashion companies and the

sensibilities of founders, who are reluctant to lose control or compromise the corporate identity through aggressive financial management. Finally, family offices are increasingly participating in club deals, in which multiple families invest in the same strategic objectives, because these structures not only allow for risk sharing, but also facilitate access to specialized expertise in different sectors. Following the trend, some of these strategic investors are creating dedicated teams for luxury and lifestyle sectors, or partnering with experienced managers to scale up operations.

2.3 Strategic issues in acquisition mode decision

2.3.1 Control vs Autonomy in Creative Industries

One of the most critical aspects in developing integration between creative firms that are acquired or merged and the new group to which they belong is the balance between exercising managerial control and maintaining creative autonomy. This criticality is particularly pronounced in the fashion and luxury sectors, where the value of a brand is deeply linked to the artistic vision, brand authenticity and symbolic capital of its creative leaders. Some research has identified a fundamental “integration-autonomy dilemma” as a key managerial challenge in post-merger integration (Haspeslagh & Jemison, 1991). On the one hand, integration and control are necessary to express synergies and enhance group economies, for example by leveraging the acquirer’s global commercial network and optimizing the cost structure.

On the other hand, excessive control and loss of autonomy can compromise the target firm’s innovative capabilities, compromise brand image and identity and even drive away key creative talent (Graebner et al., 2017).

Creative industries present a context in which much of a firm’s value resides in intangible assets such as design talent, brand equity, and creative know-how, which are fragile and difficult to restore if they are dispersed. Loss of autonomy following an acquisition can compromise the target firm’s creative capabilities and lead to the loss of valuable personnel (Ertug & Castellaneta, 2020). Imposing rigid control can stifle the artistic freedom and morale of creative teams, prompting designers or artists to leave the firm and, perhaps, take with them the visionary capacity that built the brand’s fortune. Given these risks, acquirers often adopt a deliberately soft integration strategy in creative industries. Haspeslagh and Jemison (1991) propose integration approaches such as “retention,” which keeps the acquired entity relatively autonomous, and “symbiosis,” a gradual and selective integration. These approaches align with what the industry calls a “hands-off” strategy, aimed at preserving brand identity and creative agility.

In the luxury fashion industry, an often-cited best practice is the LVMH model, which integrates new brands into its portfolio while maintaining the autonomy of each brand, allowing each house to retain its own identity and creative control (Saviolo & Testa, 2005). For example, even after LVMH acquired the Italian cashmere brand Loro Piana, the house continued to operate with its own management and design philosophy and this decentralized governance is

credited with helping LVMH preserve the heritage and innovation of brands such as Dior, Fendi or Louis Vuitton, while continuing to achieve group-wide growth.

The challenge in integration processes is to find a balance: acquirers must integrate enough to achieve strategic synergies, but not so much as to alienate creative staff. This balance often requires careful planning of the post-merger integration, as well as sensitivity to the human and cultural aspects of the operation (Birkinshaw et al., 2000).

This issue has been evident in several recent fashion acquisitions. Italian and European luxury conglomerates have learned from experience that poor management of this phase can make or break an acquisition. This section examines several case studies, including Marni, Maison Margiela, Ermenegildo Zegna, Versace, Coach/Stuart Weitzman, and Jil Sander, to demonstrate how acquirers balanced (or failed to balance) creative autonomy and control, and how this influenced their decisions about how to acquire.

The case of Marni, acquired in 2013 by Renzo Rosso's OTB Group, exemplifies a gradual integration strategy: OTB initially acquired a 61% majority stake, allowing the Castiglioni family to retain control over creative and operational decisions and only after several years, in 2015, did OTB transition to full ownership. Throughout the process, the group maintained a strategy aimed at respecting Marni's creative vision while strengthening its international reach (Muret, 2015).

In contrast, OTB's acquisition of Maison Margiela is often cited as a negative example: the founder of the company left shortly after OTB acquired a majority stake in 2002. His departure, perceived by many as a reaction to growing commercial pressure, deprived the brand of its creative inspiration and the person who embodied the company's vision, initiating a period of uncertainty until the subsequent appointment of John Galliano (BoF, 2014).

This case highlights the risks of poorly managing the balance between autonomy and control. If an acquirer compromises the creative autonomy of a visionary founder, the first may abandon the company, resulting in the loss of the very creative capital the acquirer sought.

Another instructive example is the acquisition of an 85% stake in Thom Browne by the Ermenegildo Zegna Group in 2018. Zegna's CEO emphasized the importance of preserving the brand's independence: "My goal is to keep Thom Browne independent... If something is working, don't change it, just support it" (Godinho, 2018). Thom Browne continued to operate independently, with the founder remaining in his role as creative director, leveraging Zegna's resources while retaining strategic and creative autonomy.

In the 2018 full acquisition of Versace by Capri Holdings, similar care was taken to preserve brand identity. Donatella Versace remained as creative director, and the company was allowed

to operate with considerable autonomy. Capri's goal was to provide capital and retail expertise while maintaining Versace's brand DNA (Capri Holdings, 2019).

Recently, as will be more fully indicated in 1.3.2.1, Versace was the subject of a new acquisition by the Prada Group.

When Coach Inc. acquired Stuart Weitzman in 2015, the founder stayed on for a transition period to ensure continuity and assist in selecting a successor, helping to preserve the brand's identity and reduce cultural disruption. This kind of phased transition allows the acquirer to gradually increase control while minimizing disruption.

A counterexample is the 1999 acquisition of Jil Sander by Prada Group. Despite the potential synergies, tensions arose between the creative founder and the acquiring firm. Jil Sander resigned shortly after the acquisition, reportedly due to disagreements over control, and the brand suffered from instability and reduced coherence in the following years (Rigaud-Lacresse & Pini, 2017).

Prada's experience reflects the risks of disregarding creative autonomy in favour of centralized control. These examples demonstrate that acquisition mode and post-acquisition governance are linked. Partial acquisitions, or staged integrations, can offer a strategic compromise: they grant the acquirer influence while preserving autonomy and building trust with creative stakeholders. When full acquisitions occur, they must often be accompanied by contractual or governance mechanisms to simulate autonomy, such as independent brand units or founder retention. Acquisition strategy must also account for temporal dynamics.

Founders may wish to exit gradually, and acquirers can phase in control to avoid abrupt cultural shifts. Some founding designers may plan an exit a few years after the acquisition, at which point the acquirer can gently transition to new creative leadership. Such was the case with Stuart Weitzman and with many LVMH "maison" where creative directors were gradually replaced with successors aligned to the brand's heritage.

In summary, the unique dynamics of creative industries, the central role of artistic vision, the importance of brand authenticity, and the presence of symbolic and cultural capital, create distinctive integration challenges in acquisitions. Acquirers must adapt their acquisition mode and integration approach to manage the control-autonomy tension. A one-size-fits-all strategy does not work: too much control risks "killing the golden goose" of creativity, while too little control can weaken the potential benefits of synergy or scale. Successful strategies often combine resource provision and managerial support with careful preservation of creative independence, particularly in the initial years post-acquisition.

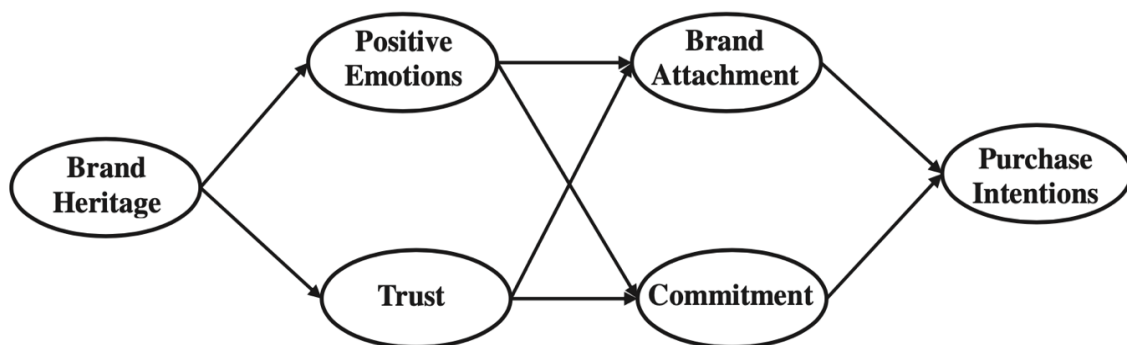
The goal is to create a structure in which creative brands can flourish under a larger corporate organization without losing their essence.

2.3.2 Brand heritage and post-acquisition integration

As already cited, in the luxury fashion industry, brand heritage represents one of the most valuable and intangible assets a company can possess. It includes the legacy, craftsmanship, founding values, creative vision, and emotional resonance built over time. For many fashion houses, heritage is not just a marketing narrative but an authentic foundation of identity that influences product design, customer perception, and brand positioning. Brand heritage goes beyond historical continuity: it is embedded in artisanal know-how, localized production, founder stories, iconic designs, and a consistent aesthetic language; it fosters emotional attachment and trust among consumers, which translates into brand equity and pricing power (Alexander, 2009). Particularly in the Italian context, where fashion houses are often closely tied to specific regions (e.g., Florence, Milan, Venice), heritage also carries cultural and territorial significance. Moreover, from a strategic standpoint, it serves as a source of differentiation in a crowded global luxury market and, in times where many fashion products can be replicated or imitated, authenticity becomes a competitive advantage.

The figure below (Merchant et al., 2016) shows the conceptual model linking brand heritage to consumer purchase intention through trust, emotions, attachment, and commitment.

Figure 5: “The conceptual model linking brand heritage to consumer purchase intention”



Source: Merchant et al., 2016

Thus, preserving heritage is not merely about honouring the past, but about ensuring the brand's relevance, desirability, and prestige in the future (Fionda & Moore, 2009). The importance of brand heritage in post-acquisition integration has also been explored in consumer behaviour studies. Merchant et al. (2016) propose a conceptual model that illustrates how brand heritage influences consumer purchase intentions through a series of affective and cognitive mechanisms. Specifically, their research demonstrates that it triggers positive emotions and trust, which foster brand attachment and commitment, increasing the likelihood of purchase. They underline how the effectiveness of heritage communication changes depending on the consumer's regulatory focus. Individuals who value stability and continuity, are more positively influenced by brand heritage than consumers who seek novelty and innovation. This psychological mechanism reveals why post-acquisition strategies must go beyond operational and managerial integration. They have to take into consideration the impact of a brand's capital on consumer emotions and identity. For instance, if the acquiring firm is too quick to implement perceivably disruptive changes, like too fast replacing creative directors, changing product design, or moving the manufacturing to another country, consumers might see the brand as no longer genuine and their emotional attachment would weaken. So, brand heritage should be understood not just as an historically preserved resource, but also strategically managed asset that acquirers need to protect and utilize as a foundation for brand loyalty.

The challenge for acquirers lies in integrating the target brand into a broader portfolio or financial structure without weakening its identity. This process includes aligning operations, managerial structures, and long-term objectives, while maintaining creative autonomy and the brand's unique DNA (Corbellini & Saviolo, 2009).

Luxury conglomerates are typically more sensitive to these challenges. Their long-term investment horizon allows them to approach integration gradually and with sensitivity to the existing culture of the brand. LVMH, for example, almost always retains key creative directors, continues to produce in the brand's home region, and invests in single-brand boutiques that maintain the brand's heritage (Kapferer & Bastien, 2012).

Centralized support functions, such as finance, IT, and human resources, that form the background of the company's business, are integrated, but creative direction and product development remain largely independent. This dual structure allows for improved operational efficiency while preserving the unique characteristics and attractiveness of the brand.

Private equity investors, in contrast, often face tighter timeframes and higher expectations of financial returns from their shareholders. Although many private equity firms have become more careful in managing luxury brands, if they are constrained by the fund's profitability goals

and the competitive and financial environment in which they operate, they may be more inclined to implement rapid organizational changes that risk disrupting the brand's heritage. These may include relocating production, replacing long-time executives, or changing product strategies to capture larger markets (Marks & Mirvis, 2011).

Such interventions, while sometimes necessary for growth, must be managed carefully to avoid alienating loyal consumers or damaging the brand's credibility.

2.3.2.1 Case Focus – Prada's Acquisition of Versace

Of particular interest, in the context of this research, is the case of the very recent acquisition of Versace by the Prada Group in April 2025. Both companies have Italian origins but their entrepreneurial history and cultural and aesthetic roots are very different. Prada is known for intellectual minimalism, discreet luxury and innovation in materials and sustainability, while Versace embodies audacity, glamour and a strong connection with celebrity culture (The Guardian, 2025).

Among the many possible synergies between the two brands there are, for sure, economies of scale, access to advanced supply chain capabilities that the Prada group can make available, operational and managerial skills and a very strong retail infrastructure, in particular in Asian markets where Versace could have ample room for expansion. Also from a sustainability perspective, the integration of the Versace brand can generate value because it will be able to exploit the group's know-how in sustainable innovation (for example, Re-Nylon).

In addition, a more traditional approach could benefit from marketers' digital transformations in terms of growth, something that will be important for brand culture and the dual brand's creative management strands. Their varied customer identities are a reality that poses a danger to the synergistic growth of the two entities. To further elaborate, the clientele of Prada refers to a more discreet and sophisticated elegance while Versace lures customers to bold and high-impact aesthetics. An imposition of either a creative or aesthetic integration could push the brand into steep decline. It goes without saying that numerous experts of the industry have deemed the success of this operation as primarily bound to instilled willingness and capacity from the erstwhile head of strategy at Prada on her "non-invasive" approach, reminiscent of LVMH for their acquisitions of Bulgari and Fendi. Positive outcomes could stem from the acquisition, so long as there are no restrictions placed under the command of Donatella Versace and as long as the brand retains its heritage DNA while being supported financially and logistically by Prada.

If, on the other hand, there were to be forcing and Prada tried to impose its own aesthetic or organizational logic, the cultural and symbolic distance between the two brands could compromise the strategic benefits of the operation. The Prada-Versace acquisition can therefore become a paradigmatic case of effective or ineffective integration methods in the Italian high fashion sector. The evolution of the two brands in the coming years will show whether the post-acquisition integration has been carefully designed to protect the heritage, emotional capital and symbolic uniqueness that underpin the long-term value of the brand.

CHAPTER 3 – Empirical research and findings

3.1 Research design and methodology

3.1.1 Research question and hypotheses

This chapter aims to empirically investigate the factors that influence investors' choice between full and partial acquisitions in the internationalization strategies of Italian fashion companies. Based on the theoretical foundations exposed in the previous chapters, this section of the thesis aims to address the main research question by using and analysing company data, related to M&A target companies, collected over a five-year period (2020-2024). It is believed that this time frame can effectively reflect the most recent strategic developments and post-pandemic consolidation trends in the global fashion industry.

The decision to make a full or partial acquisition is a fundamental strategic choice in the context of international expansion and requires an in-depth assessment of a complexity of economic, environmental and regulatory factors that may compromise the future prospects of the acquisition. Full acquisitions allow total control of the target company, facilitating integration and alignment with the acquirer's global strategy, but they also entail higher financial and organizational costs and increase the risk of post-acquisition integration failure.

This may be true, in particular, in cross-border contexts, where institutional and cultural differences amplify complexity and can make the alignment phase of operational practices long and costly. On the other hand, partial acquisitions allow for a more flexible and less risky approach, giving investing firms the possibility to gradually increase their commitment and control depending on how the investee company's business develops. Therefore, understanding the motivations that determine the preference for one type of investment over another is essential to understand how firms shape their entry methods based on their internal resources, the external context and the size and industrial characteristics of the target company.

This study aims to contribute to this debate by examining mergers and acquisitions involving Italian fashion companies that have particular characteristics such as a strong brand identity, a tradition of craftsmanship and a strong visibility and international appeal.

In this context, and based on the theoretical principles of Transaction Cost Economics (Williamson, 1985), the Uppsala Model (Johanson & Vahlne, 1977, 2009) and the empirical framework proposed by Hennart et al. (2019), the following hypotheses are formulated:

H1: Larger firms are more likely to be partially acquired than fully acquired in cross-border M&A deals.

H2: The interaction between profitability and the foreign status of the acquirer positively influences the likelihood of a full acquisition.

The detailed empirical results, model specifications, and robustness checks that support these conclusions are presented in the following sections of this chapter.

3.1.2 Data collection and sample

The empirical analysis is based on a manually constructed dataset composed of 127 M&A transactions involving Italian fashion and luxury firms over the period 2020–2024. The data were extracted exclusively from the Orbis database and the initial dataset included a broader set of deals, which was then refined to ensure consistency and analytical rigor.

To guarantee the reliability and comparability of the observations, the dataset was carefully cleaned according to the following criteria:

- Only “Completed” transactions were retained. Deals classified as “assumed,” “pending,” or with uncertain status were excluded to ensure that the ownership change effectively took place. This decision strengthens the causal interpretation of the entry mode, as it eliminates speculative or incomplete transactions.
- Deals were included only if the target company was headquartered in Italy and operated in the fashion and luxury sector, including apparel, accessories, footwear, and related creative industries.
- Only deals announced and completed between 2020 and 2024 were retained, in order to capture recent post-pandemic dynamics in the fashion and luxury sector. This timeframe allows for the analysis of current internationalization trends and strategic responses to recent market shifts.

After applying these filters, the final sample consisted of 127 high-quality observations suitable for statistical analysis. In order to construct the firm-level variables required for the regressions, financial and structural data were retrieved for each target company, including number of employees, total revenues (sales), EBITDA margin and profit margin.

These were collected from Orbis and verified through available financial statements where possible. In cases where specific values were missing, mean imputation was applied: the missing entry was replaced with the arithmetic mean of the non-missing values for the same variable. Although this method introduces some estimation bias, it was preferred over listwise deletion to maintain sufficient sample size and preserve the statistical power of the models. This dataset allows for an in-depth examination of how internal firm characteristics, such as size, performance, and profitability, interact with the international dimension of the acquirer to influence the ownership structure chosen in cross-border acquisitions.

The richness of the data and the clarity of the inclusion criteria ensure a solid empirical foundation for the analysis presented in the following sections.

3.1.3 Variables and operationalization

The variables included in the analysis were selected to reflect both theoretical insights and empirical feasibility. They are designed to capture the key firm-level characteristics that may influence the choice between full and partial acquisitions in cross-border M&A operations. The operationalization is aligned with previous literature on international entry modes and follows best practices in quantitative research.

Table 9: Overview of Variables

Variable Name	Type	Description
<i>full_acquisition</i>	<i>Dependent</i>	<i>Binary variable: 1 = full acquisition (100%), 0 = partial acquisition</i>
<i>log_employees</i>	<i>Independent</i>	<i>Natural log of number of employees (proxy for firm size)</i>
<i>sales</i>	<i>Independent</i>	<i>Annual revenues (in euros)</i>
<i>ebitda_margin</i>	<i>Independent</i>	<i>EBITDA divided by total sales (proxy for profitability)</i>
<i>foreign_acquirer</i>	<i>Independent</i>	<i>Dummy: 1 = acquirer is foreign, 0 = acquirer is Italian</i>
<i>foreign_ebitda_int</i>	<i>Interaction</i>	<i>Interaction between ebitda_margin and foreign_acquirer</i>

Source: own elaboration

The details of the operationalization are listed below:

- Dependent variable: the entry mode is captured by the binary variable `full_acquisition`, where a value of 1 indicates a 100% stake was acquired, and 0 indicates any partial stake. This distinction reflects different levels of strategic control and commitment in M&A deals.
- Firm size: `log_employees` is used as a size indicator, derived from the natural logarithm of the number of employees. This transformation normalizes the distribution and reduces the effect of outliers. `sales` (annual revenues) is also included to account for market presence.
- Profitability: the `ebitda_margin` measures the operating performance of the target, capturing how efficiently the company turns revenue into earnings. This variable serves as a key proxy for the attractiveness of the firm to potential buyers.
- Acquirer nationality: The dummy variable `foreign_acquirer` distinguishes between domestic and international deals. It reflects potential cultural, institutional, and strategic differences in acquisition behaviour.
- Interaction term: to examine whether the influence of profitability differs depending on the acquirer's nationality, an interaction term `foreign_ebitda_int` was created by multiplying `ebitda_margin` with `foreign_acquirer`.

All variables were formatted and analysed in SPSS. For missing data, mean imputation was applied to preserve sample size and analytical consistency. Before regression analysis, a correlation matrix was examined to ensure the absence of harmful multicollinearity, particularly between `log_employees` and `sales`.

This operational framework enables the empirical testing of the hypotheses outlined in Section 3.1.1, using a structured and theory-driven approach. In the following section (3.2.1), a descriptive overview of the dataset will be provided, including summary statistics for each variable and key insights into the structure of the sample.

3.2 Empirical results

3.2.1 Descriptive overview

This section provides an overview of the main descriptive statistics for the variables included in the regression models, as well as the distribution and preliminary associations of the dependent variable. The purpose is to offer a general understanding of the sample composition, and the variability of the firm-level indicators used in the empirical analysis. Table 4 presents the summary statistics of the main independent variables.

Table 10: Descriptive statistics of the main variables included in the regression models

Variable	n.	Min	Max	Average	Standard deviation
log_employees	127	0.69	9.84	5.41	1.56
sales	127	571,895	4,638,194,277	45,266,225	76,770,209
ebitda_margin	127	-0.27	7.33	0.23	0.65
foreign_ebitda_int	127	-0.27	7.33	0.17	0.65

Source: own elaboration

Firm size, measured by the logarithm of the number of employees, has an average of 5.41, with a minimum of 0.69 and a maximum of 9.84. This wide range reflects the diversity in company size across the Italian fashion and luxury industry, which includes both small artisanal brands and medium-to-large enterprises. Moreover, the standard deviation of 1.56 confirms a meaningful degree of heterogeneity in the sample, which is theoretically consistent with the sector's fragmented structure. Secondly, sales show extreme variation, from approximately €571,895 to over €4.6 billion, with a mean of €45.3 million. This large dispersion highlights the presence of both niche players and companies of considerable international scale.

Such dispersion is important as it may affect strategic decisions like ownership structure in cross-border acquisitions. EBITDA margin, used as a proxy for operating profitability, also reveals heterogeneity: the average margin is 22.6%, but the values range from a negative of –0.27 to a very high level of 7.33, indicating the inclusion of both loss-making and highly profitable firms. This confirms that profitability may play a relevant role in acquisition decisions.

The `foreign_ebitda_int` variable is an interaction term combining profitability and the foreign status of the acquirer. Although its mean (0.17) and standard deviation (0.65) are relatively moderate, it captures the influence of profitability conditional on the deal involving a foreign acquirer. The significance of this variable will be tested in the regression models.

3.2.1.1 Distribution of the dependent variable

Moving forward, the dependent variable distinguishes between full acquisition (coded as 1) and partial acquisition (coded as 0).

Table 11: Distribution of the dependent variable

Type of acquisition	n.	Percentage
Full acquisition	50	39.4%
Partial acquisition	77	60.6%
Total	127	100%

Source: own elaboration

The distribution suggests that partial acquisitions are more frequent (61%) than full acquisitions (39%) in the sample. This is consistent with the notion that, in the context of international expansion, firms, especially in creative industries like fashion, may prefer to retain flexibility and limit exposure through minority stakes or joint ownership. This result also aligns with the Uppsala model's suggestion of gradual commitment to foreign markets and with the transaction cost logic that full integration is not always the optimal path due to control and coordination costs.

3.2.1.2 Correlation matrix and multicollinearity

Moreover, to assess whether the independent variables are excessively correlated, which could affect the stability and interpretability of the regression coefficients, a Pearson correlation matrix was constructed.

Table 12: Correlation matrix and multicollinearity checks

	sales	log_employees	ebitda_margin
sales	1		
log_employees	0.542**	1	
ebitda_margin	0.003	0.037	1

Source: own elaboration

The most relevant result here is the moderate positive correlation ($r = 0.542$) between sales and log_employees, statistically significant at the 1% level. This confirms that larger firms tend to have higher revenues, a relationship expected in economic terms. However, the correlation is not so strong as to suggest critical multicollinearity. Other variables, such as ebitda_margin, do not show meaningful correlation with firm size or sales, indicating a degree of independence that supports their joint inclusion in the regression models.

3.2.2 Comparative analysis of statistical models

To investigate the determinants of the ownership structure in cross-border acquisitions within the Italian fashion and luxury sector, three logistic regression models were estimated with a binary logistic. Each model includes a different configuration of explanatory variables in order to progressively test the impact of firm size, financial performance, and the foreign nature of the acquirer.

Model 1 – Baseline model (no profitability variables)

The first model includes only firm size (log_employees), total revenues (sales), and the foreign status of the acquirer (foreign_acquirer) as explanatory variables.

The representative equation of the model is:

$$full_acquisition = \beta_0 + \beta_1 \cdot log_employees + \beta_2 \cdot sales + \beta_3 \cdot foreign_acquirer + \epsilon$$

Variable	Coefficient	Std. Error	Sig.	Exp(B)
log_employees	−0.413	0.197	0.038	0.661
sales	−0.001	0.000	0.037	0.999
foreign_acquirer	0.339	0.547	0.534	1.403

The results indicate that larger firms are significantly more likely to be partially acquired (negative coefficient for log_employees), supporting Hypothesis 1. This may reflect acquirers' lower willingness to fully absorb large, complex firms due to increased integration risks and costs. Sales are also negatively associated with the likelihood of a full acquisition, even if with a low value of the coefficient. The foreign status of the acquirer does not appear to have a statistically significant effect at this stage.

Model 2 – Profitability variables included

In the second model, the firm's operating profitability (ebitda_margin) was added to assess whether better-performing firms are more likely to be fully acquired.

The representative equation of this model is:

$$full_acquisition = \beta_0 + \beta_1 \cdot log_employees + \beta_2 \cdot sales + \beta_3 \cdot foreign_acquirer + \beta_4 \cdot ebitda_margin + \epsilon$$

Variable	Coefficient	Std. Error	Sig.	Exp(B)
log_employees	−0.436	0.207	0.036	0.647
sales	−0.001	0.000	0.051	0.999
foreign_acquirer	0.406	0.690	0.553	1.501
ebitda_margin	0.003	0.002	0.116	1.003

The inclusion of profitability does not significantly improve model performance. While the sign of the coefficient is positive (suggesting more profitable firms are slightly more likely to be fully acquired), the effect is not statistically significant at conventional levels ($p > 0.10$). This suggests that, in this sample, profitability alone is not a decisive driver of acquisition structure.

Model 3 – Interaction term: foreign acquirer × profitability

The third model introduces an interaction term between *foreign_acquirer* and *ebitda_margin* to test whether foreign buyers are more likely to fully acquire highly profitable firms (Hypothesis 2).

The representative equation of this model is:

$$\text{full_acquisition} = \beta_0 + \beta_1 \cdot \log_employees + \beta_2 \cdot sales + \beta_3 \cdot \text{foreign_acquirer} + \beta_4 \cdot \text{ebitda_margin} + \beta_5 \cdot \text{foreign_ebitda_int} + \epsilon$$

Variable	Coefficient	Std. Error	Sig.	Exp(B)
log_employees	−0.419	0.214	0.052	0.658
sales	−0.001	0.000	0.049	0.999
foreign_acquirer	0.204	0.788	0.796	1.227
ebitda_margin	0.004	0.003	0.197	1.004
foreign_ebitda_int	−0.002	0.003	0.643	0.998

The interaction term is not statistically significant, indicating that the joint effect of profitability and foreign ownership on the probability of full acquisition is weak. This result does not support Hypothesis 2, although it does highlight a direction for future research on moderating effects of foreign ownership in M&A strategies.

Goodness-of-Fit Indicators

Model	−2 Log Likelihood	Nagelkerke R ²
Model 1	169.34	0.106
Model 2	167.32	0.116
Model 3	166.98	0.119

Although the explanatory power of the models is relatively modest, the Nagelkerke R² improves slightly across models, indicating a marginal gain in explanatory accuracy when profitability and interaction terms are included. Nonetheless, the baseline model already

captures a relevant portion of the variance in acquisition structure, mainly through firm size and sales.

3.2.2.1 Visual confirmation of the size effect

In order to visually complete the regression analysis and demonstrate the role of the business dimension in acquisition decisions, a barplot has been constructed using field data related to M&A operations in the Italian fashion industry over the 2020–2024 timeframe. The figure, which is based on the natural logarithm of the number of dependents of the target business, shows the percentage of total acquisitions across five dimensional classes. Logistic transformation has been used to reduce data distribution distortion and provide a more interpretable and comparable statistic across companies of different sizes, in accordance with proper econometric practices.

The employee classes were defined as follows: $\log(\text{emp}) < 5$ (approximately fewer than 150 employees), 5–6 (150–400), 6–7 (400–1,000), 7–8 (1,000–3,000), and $\log(\text{emp}) > 8$ (over 3,000 employees). The natural logarithm of the number of employees helps reduce variance and linearize the scale of firm size, making it possible to compare companies of very different magnitudes (cf. Hair et al., 2010).

Table 13: Reference Values: Number of Employees and Corresponding Log(emp)

N. employees	$\ln(n) \approx$
100	<i>4.61</i>
150	<i>5.01</i>
400	<i>5.99</i>
1,000	<i>6.91</i>
3,000	<i>8.01</i>
10,000	<i>9.21</i>

Source: own elaboration based on data

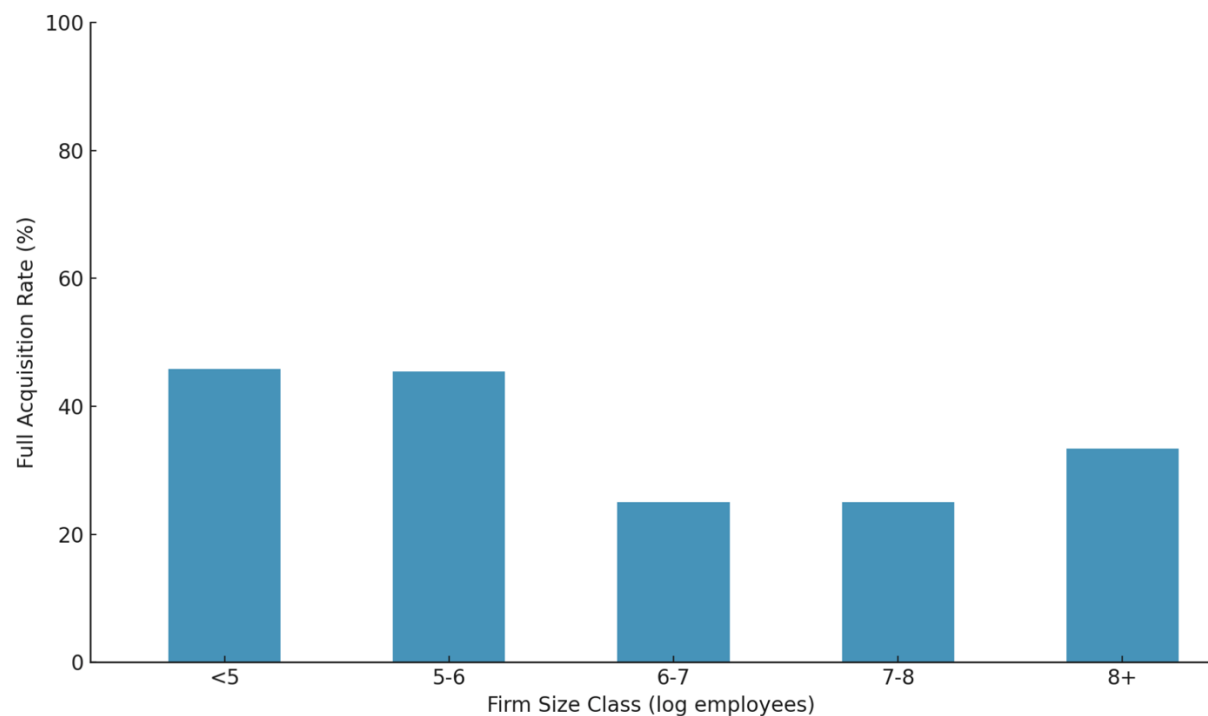
The ratio of fully acquired targets to the total number of agreements in each class was used to calculate the full acquisition rate. The graph clearly shows a negative trend: the chance of a full acquisition declines with business size. The results of the logistic regression models, which showed that the log number of employees was the sole consistently significant predictor of the likelihood of a full acquisition, are supported by this visual evidence. In particular, smaller

companies are more likely to be totally acquired, maybe as a result of their stronger managerial control capabilities, lower integration costs, and decreased complexity.

Larger targets, on the other hand, can oppose complete integration or call for slower ownership structures, like partial purchases.

This graph therefore reinforces the conclusion that, in the context of high-symbolic, creativity-intensive sectors like fashion, organizational size plays a central role in shaping acquisition strategies, and that partial acquisitions may represent a preferred mode of entry when targeting structurally complex or culturally embedded firms. Profitability, contrary to expectations, does not emerge as a statistically significant factor, even in the case of foreign acquisitions.

Figure 6: Percentage of full acquisition by firm size class (log employees)



Source: own elaboration based on data

These findings point to a strategic logic in M&A decisions where operational complexity and scalability may outweigh short-term financial performance.

3.2.3 Discussion of Findings

The results emerging from the empirical models provide a relevant overview of the variables that influence the ownership structure of M&A transactions in the Italian fashion and luxury

sector. In particular, the most consistent finding across all models is the negative and significant association between firm size (`log_employees`) and the likelihood of full acquisition. This suggests that larger target companies are less likely to be fully acquired and more often subject to partial acquisition strategies. This outcome may reflect the fact that acquiring and integrating larger firms entails more complex and resource-intensive post-acquisition processes, as well as greater organizational rigidity and potential resistance from existing governance structures. Furthermore, the negative effect of total revenues (sales), although less robust, reinforces the idea that more established and commercially successful firms may present integration challenges or possess stronger bargaining power, making partial acquisitions more attractive or strategically preferable for acquirers. In both cases, these findings underscore a tendency for acquirers to adopt more cautious and gradual approaches when dealing with targets that are either structurally complex or economically solid.

On the other hand, the profitability variable (`EBITDA margin`) and its interaction with the foreign nature of the acquirer did not show statistically significant effects in the models. While the direction of the coefficients was in line with expectations, suggesting that higher profitability might increase the appeal of full acquisition, such effects were not confirmed by the empirical tests. Several factors may explain this result. First, the relatively limited sample size (127 observations) may have reduced the power of the analysis to detect more subtle or conditional effects, especially in the case of interaction terms. Second, in the specific context of fashion and luxury firms, particularly SMEs, profitability may not be the sole or primary indicator used by acquirers when assessing the strategic attractiveness of a target.

Aspects such as brand positioning, creative leadership, heritage, and growth potential may weigh more heavily in acquisition decisions than short-term financial margins. Additionally, the interaction term between foreign acquirer and `EBITDA` was introduced to test whether international buyers tend to prefer full acquisitions when the target is more profitable. However, the lack of significance may suggest that foreign investors do not systematically associate profitability with ownership structure, or that other contextual factors, such as cultural distance, regulatory uncertainty, or brand sensitivity, play a more decisive role when evaluating the optimal entry strategy into the Italian market. Taken together, the findings indicate that structural variables such as size and sales volume are stronger predictors of acquisition structure than financial performance, at least in the context of the Italian fashion and luxury sector during the 2020–2024 period. This points to a pragmatic approach by acquirers, who likely prioritize factors related to deal feasibility, integration risks, and strategic

fit over short-term profitability indicators. While the models provide robust insights on the influence of firm size, they also highlight potential avenues for future research.

For instance, the absence of significant results for profitability-related variables raises questions about how intangible or qualitative dimensions, such as brand equity, organizational culture, or founder involvement, may influence M&A decisions in creative industries. Although these factors fall outside the scope of the present study, they deserve attention in future investigations. The next section will explore the theoretical and managerial implications of these findings, providing a broader interpretation in light of established literature and sector-specific dynamics.

3.3 Theoretical and managerial implications

3.3.1 Contribution to entry mode literature in the fashion sector

The empirical results of this study offer a contribution to the literature on international entry mode, particularly in the context of cross-border acquisitions in the Italian fashion and luxury sector. This sector, characterised by high symbolic intensity, strong cultural rootedness and entrepreneurial models that are often family-owned or independent, presents dynamics that deviate from the predictions of classical theories of internationalisation. Firstly, hypothesis H1, according to which larger firms are more frequently subject to partial rather than total acquisitions, is confirmed by the results. The negative and significant coefficient for the variable *log_employees* suggests that an increase in firm size is associated with a lower probability of full acquisition. This result is in line with numerous theoretical and empirical contributions: according to Transaction Cost Economics, a theory presented in the first chapter, large firms are typically more complex to integrate due to the presence of established routines, multi-level structures and bureaucratic processes. A full acquisition in such cases would require substantial coordination resources and risk encountering organisational resistance, leading acquirers, especially foreign ones, to prefer a more flexible formula such as a partial acquisition to limit transaction costs related to coordination, communication and adaptation.

Moreover, this finding underscores how firm size, often seen as an indicator of organizational maturity and structural complexity, can act as a deterrent to full integration in the context of foreign ownership. In this perspective, the partial acquisition takes on a nearly exploratory function, allowing investors to assess the company's operational functioning on the ground, without immediately compromising the stability of the existing management environment.

This evidence is also consistent with the Uppsala Model (Johanson & Vahlne, 1977, 2009), according to which internationalisation is an incremental process of learning and commitment. In this sense, partial acquisition can be interpreted as a gradual entry strategy, adopted by acquirers to assess the market and target dynamics before proceeding with a full acquisition. Thus, the choice to initially retain a minority stake may reflect a risk-sharing strategy or a way to test the cultural and operational alignment between buyer and target.

Studies such as those by Chakrabarti et al. and Filatotchev et al. have highlighted how the managerial complexity of target companies and the sellers' desire to preserve managerial independence can lead to hybrid solutions such as partial acquisitions.

Such configurations also allow mutual trust to be built up between the parties and operational synergies to be progressively assessed prior to a possible deeper integration (Chakrabarti et al., 2009 ; Filatotchev et al., 2007). Another interesting study in favour of this thesis is that of Rossi and Volpin, according to whom there is an observed correlation between the size of the target company and the likelihood of a minority shareholding by the acquirer. This preference can also be attributed to negotiating strategies on the part of the owners of larger firms, who seek to retain some decision-making control or co-participation in future growth (Rossi & Volpin, 2004). Conversely, hypothesis H2, which predicted a positive and significant effect of the interaction between profitability and foreign status of the acquirer (*foreign_acquirer*) on the probability of total acquisition, was not confirmed.

While the results for the H1 hypothesis highlight a certain consistency between theory and practice, the case of the second hypothesis introduces elements of greater interpretative complexity: the gap between theoretical expectation and empirical data opens an interesting window on the role played by other, often less tangible factors in guiding entry mode choices. As previously mentioned, the interaction term *foreign_EBITDA_int* was not statistically significant in any of the models, but this lack of significance does not necessarily imply the theoretical insignificance of the relationship. Firstly, it is possible that foreign buyers encounter greater information asymmetries than domestic players when assessing the profitability of Italian firms, especially in sectors characterised by less transparent balance sheets or differentiated accounting.

As stated by Akerlof in 1970 in his famous “lemon market” model, informational imperfections can compromise the optimal functioning of the market, leading buyers to ignore accounting signals in favour of reputational or qualitative elements (Akerlof, 1970).

Secondly, numerous studies indicate that in the context of internationalisation, and particularly in cross-border acquisitions in luxury, profitability is not always the main driver. According to Anand and Delios and Morosini et al., foreign buyers are often motivated by strategic objectives such as access to a new market, the valorisation of intangible assets, such as the brand, or the desire to preserve local creative know-how. This is particularly relevant for the luxury sector, where corporate value is more strongly associated with symbolic capital and brand perception than with accounting margins (Anand & Delios, 2002; Morosini et al., 1998). Finally, the results of the present research are supported by the recent contributions of Hennart et al., according to whom internationalisation in symbolic industries (such as luxury, in this case) can take place even in the absence of high profitability, thanks to the strength of distinctive elements such as cultural identity, perceived rarity and brand consistency.

In this scenario, foreign buyers might be willing to accept lower margins in exchange for the possibility of integrating a strongly identified brand rooted in local culture into their portfolio. Consequently, profitability may not emerge as a guiding factor in the choice of entry mode, especially in cases where the primary objective is strategic and not financial (Hennart et al., 2019). These considerations suggest that entry mode decisions cannot be fully explained by quantitative measures alone but require a precise understanding of the strategic narratives and soft factors that support each deal. In sum, the results obtained encourage a critical review of classical theories on internationalisation, emphasising the importance of integrating interpretative approaches more suited to symbolic sectors such as fashion and luxury.

Entry fashions should not only be read in the light of economic costs and benefits, but also in relation to the nature of the acquired asset, the corporate culture, and the willingness of actors to share control over time.

Future literature should more carefully explore the role of intangible assets, reputation and relationships in the decision-making processes of cross-border M&As in symbol-intensive sectors. In this sense, the management of corporate identity and reputational capital becomes a key lever, not only to attract investors, but also to negotiate forms of collaboration that maintain a balance between openness and continuity.

Companies that manage to exploit these aspects can obtain more favourable conditions in internationalisation processes.

3.3.3.1 A complementary perspective on geographic patterns

A further aspect worth emphasizing concerns the geographical distribution of the buyers in the sample. Although not directly included in the regression models in this form, the spatial configuration of the purchasing companies offers useful interpretative insights into how the internationalisation process in the fashion and luxury sector is articulated.

To this end, the dataset was reclassified into geographical macro-clusters on the basis of ISO country codes, grouping the buyers into the following areas: Western Europe, Anglo-Saxon Europe, North America, East Asia, Offshore Financial Centres and Others, as it is shown in the table below:

Table 14: Geographical clustering of the Dataset

Geographical cluster	N. deals
Western Europe	52
Anglo-Saxon Europe	5
North America	4
Offshore Financial Center	2
Northern Europe	2
Middle East	1
East Asia	1

Source: own elaboration

This typology allows for a clearer reading of the international scope of transactions, while avoiding an excessive fragmentation of the analysis at country level. As shown in Table X, most M&A transactions involve companies located in Europe, with a significant share of transactions taking place between Italian companies. This highlights the relevance of regional and intra-regional dynamics as opposed to traditional models based exclusively on global expansion. This evidence is consistent with the literature on international business that questions the truly global nature of multinationals and emphasises instead the predominance of regional strategies (Rugman & Verbeke, 2004). In the case of symbolic sectors such as fashion, internationalization cannot be reduced to geographical distance alone. Numerous operations, whether domestic or within the same cultural bloc, may in fact serve broader international strategic objectives: consolidating creative capabilities, gaining symbolic control over heritage brands, or laying the groundwork for future global repositioning. From this perspective, internationalisation emerges as a multidimensional process shaped not only by physical expansion, but also by cultural alignment and reputational capital.

3.3.2 Limitations of the study and indications for future research

Although the results of this research offer significant insights into the understanding of fashion entry strategies in the fashion and luxury sector, it is important to recognise certain limitations that affect the interpretation and generalisation of the results. Firstly, the sample size, while adequate for a preliminary analysis and based on recent and carefully selected data, may not

be large enough to fully capture all the underlying dynamics, particularly those related to the interplay between profitability and the foreign status of the buyer.

As Wooldridge points out, the lack of statistical significance in models with limited samples should not be interpreted as definitive proof of the irrelevance of a variable or relationship, but rather as an indication of the need for further study with larger or more detailed data sets (Wooldridge, 2010).

Another methodological limitation concerns the possible presence of collinearity between certain independent variables, which may have weakened the ability to isolate the specific effect of the interaction between profitability and foreign firm status.

Furthermore, the absence of relevant unobserved factors such as the organisational culture, managerial skills, and adopted marketing frameworks may have affected the model's completeness. These more elusive metrics are particularly important in the symbolic economical sectors like fashion and luxury because of the cultural identity relevance and brand management significance. One must not forget the profound intricacy behind cross-border acquisitions. These are candidly complex processes that include numerous uncontrollable local influences such as regulations of the region, competitive environment, macroeconomic conditions, and geopolitical occurrences. Such dynamics have great relevance and leeway in shaping the strategic decisions of firms, which might help explain some of the variability spotted in the data. For the above matters, further research should aim for more central models, including qualitative and quantitative information, as well as widening the scope to target other relevant businesses and sectors. Moreover, customized studies focusing on specific segments of the fashion industry like clothing, accessories, or footwear would offer a greater elaboration and precise overview of internationalization strategies. Moreover, a broader analysis of acquisitions, with more in-depth monitoring over time, could help to better understand the medium and long-term effects of entry mode choices on the competitive success of companies. Finally, these limitations do not invalidate the results obtained, but highlight their importance as a basis for wider debate and further investigation aimed at refining the understanding of internationalisation strategies in complex and evolving sectors such as fashion and luxury.

Conclusion

This thesis aims to investigate the determinants underlying the choice between total and partial acquisitions in the internationalization of Italian fashion companies, with particular attention to the structural and strategic conditions that shape such decisions in a sector with strong symbolic value and high creative intensity.

Through an integrated approach, combining theoretical models, sector-specific insights and an original empirical analysis of M&A transactions between 2020 and 2024, the study provides an in-depth understanding of the indications, which are believed to be relevant, on the industrial and strategic logics that guide decision of how decisions are made regarding the methods of entry into the fashion and luxury sector. Differently from the context in which the choices inspired by international business theory are based in traditional product sectors, where full control is often considered ideal to quickly achieve efficiency and strategic alignment, the results of this research highlight that in creative sectors and especially in the luxury and fashion sector, the logic of acquisitions is much more sensitive to the intangible values that characterize the sectoral context. The results of this research reveal that full acquisitions are more frequently associated with high-value deals and with acquirers coming from culturally close or institutionally familiar contexts, supporting the idea that full control is usually preferred in situations where risks are perceived as manageable. On the contrary, partial acquisitions emerge as preferred strategic tools when brand equity, creative autonomy, institutional complexity and risks related to potential integration difficulties suggest a gradual insertion into the target company's operational and creative dynamics and the preservation of local identity. By adopting an industry perspective, this thesis highlights the peculiar trade-offs that fashion companies engaging in M&A operations face: while full acquisitions enable rapid strategic consolidation and resource integration, they risk compromising (and potentially dispersing) symbolic value and creative continuity, factors that often form the foundation of brand value in the industry. On the other hand, partial acquisitions offer flexibility and mitigate brand dilution risks but may slow down operational synergies and make strategic alignment less efficient, especially when full integration is foreseen only in the long term.

Empirical evidence from recent M&A operations confirms that decisions on how to enter this sector are not driven exclusively by economic rationality or transaction costs, but also by more indirect factors such as trust, cultural fit and respect for the brand narrative. These findings are in line with recent theoretical developments that call for a recontextualization of entry mode theory, incorporating the specific dynamics of the fashion industry (and creative industries

more generally), family business governance models and the role of intangible assets into the models. From a theoretical perspective, this research aims to contribute to the literature on entry modes in internationalization processes, demonstrating that creative industries require a move away from standardized integration models and the development of hybrid governance approaches. The thesis also aims to broaden the relevance of theoretical frameworks such as the Transaction Costs Theory and the Uppsala Model, demonstrating their applicability in explaining the behavior of firms in sectors characterized by high creativity and rich in symbols and traditions. The empirical results showed that firm size, expressed as the logarithm of the number of employees, is the only consistently significant predictor: smaller firms are more frequently the object of total acquisitions, while larger firms tend to be acquired, at least in the initial phase, only partially. This data highlights the weight of organizational complexity in determining the degree of control desired by the buyer. On the contrary, neither profitability, nor the foreign status of the buyer, nor their interaction, proved to be significant.

This result suggests that, in the context of fashion, strategic acquisition decisions are not necessarily driven by financial indicators, but may reflect deeper assessments related to identity, brand coherence or management compatibility. In this sense, from a managerial perspective, the study offers food for thought for both acquiring and target companies: for acquiring companies, it suggests that the success of an acquisition does not only depend on financial leverage and legal control, but also on the ability to navigate the cultural and symbolic landscape of the target company; for the acquired ones, particularly those in the Italian fashion ecosystem, it highlights the importance of clarifying and coordinating long-term strategic vision and governance preferences in order to achieve preventive alignment and identify suitable partners. Ultimately, this work argues that in industries where identity, creativity and tradition are strategic assets, the entry mode decision is not a mere structural choice, but the reflection of a deeper strategic intent and relational sensitivity. Further research space for future studies on acquisition dynamics in the fashion sector could emerge from a wider investigation into how changing consumer expectations, sustainability imperatives and digital innovation can reconfigure the criteria by which acquisition modes are selected.

To complete the analysis, a geographical classification of buyers highlighted a strong concentration of intra-European operations and numerous domestic acquisitions.

Indeed, the configuration reinforces the idea that internationalization, in sectors with a high symbolic content, is not measured exclusively in terms of geographical distance and commercial opportunities, but is also expressed through cultural, managerial and value-based

dimensions. Overall, both a theoretical and applicative contribution were offered to the understanding of acquisition logics in a central sector for the Italian economy.

The work could also open interesting perspectives for future research: the integration of qualitative data, the extension of the analysis to other cultural sectors, or the application of the model in different institutional contexts could offer further interpretative keys.

In short, the choice between total and partial acquisition in the fashion sector reflects a subtle balance between strategic control and operational flexibility. Understanding the drivers is essential to interpret the current dynamics of internationalization and to guide future decisions in an increasingly competitive and identity-sensitive global market.

Because in the world of fashion, acquiring does not just mean owning: it means interpreting, protecting and, sometimes, reinventing the soul of a brand. And every acquisition is, ultimately, an act of rewriting between past and future.

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