

Old, intelligent and beautiful.
Strategies balancing innovation and tradition in century-old family firms.

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**Paper for the EIASM 8th Workshop on Family Firms Management Research
(Jonkoping, Sweden, May 31-June 2, 2012).**

Abstract. Strategy is about being able to select a business model so that the firm achieves an appropriate degree of fit between the inside and the outside (consistency) while exploiting virtuous circles across individual ingredients (complementarities). Firms who survive for a very long time (i.e. one, two or more centuries) prove to be able to dynamically choose and adapt their business models so to possess strategic, organizational and operational capabilities that enable them to do so, and these capabilities can be seen as a sort of 'intelligence' in balancing tradition and innovation. This paper, of exploratory nature, looks at three ultra-centenarian family firms in Italy and, taking a cue from the study of multiple intelligences on individuals, tries to identify the key dimensions of such intelligence (organizational, strategic, craftsmanship, narrative, relational, creative) and how these dimensions show consistency and activate complementarities that are peculiar to their family-based nature.

Keywords: family business, strategy, innovation

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1. Strategy: a delicate act of balance

A widely recognized definition of strategy consists in the definition of a set of objectives (a ‘vision’) and the capability to devise the policies and actions required to meet them. On the one hand, firms must constantly achieve an appropriate degree of fit between the outside (the competitive environment) and the inside (the firm resources and capabilities). On the other hand, being immersed in an ever-changing environment, firms must carry out a delicate act of balance between the elements of continuity (tradition) and the new elements (innovation).

A strategy that ensures the survival over a prolonged period of time implies the ability to constantly choose (and adapt) an appropriate business model. The notion of business model has grown in popularity over recent years as a way to describe how a firm generates and extracts value from its market: in other words it provides a more specific and operational basis to identify and compare the functioning and dynamic of a firm’s strategy (Zott et al. 2011). In particular, business models that manage to be winning over time are (Casadesus-Masanell and Ricart 2011):

- 1) aligned with the company goals; the governance of the firm is well-played so that as goals evolve over time, these are reflected in the nature of the business model and its priorities (e.g. growth, differentiation, financial aspects, etc.);
- 2) self-reinforcing: a good business model is capable of achieving a high degree of consistency and complementarities across its individual components (a “mosaic”), so that the firm can leverage its inside resources as well as its linkages to the supply chain in order to activate virtuous circles of performance;
- 3) robust: the business model is capable of fending off major competitive threats, such as imitation, substitution, holdup and slack.

The aspect that we intend to focus on the most is the second among those considered, that is the ability to promote a set of choices that are internally consistent and featuring a high degree of complementarities. The consistency relates to how each choice (organization, governance, operations, etc.) becomes a piece of a mosaic that is compatible with other pieces. In other words, the basic constituents of the firm strategy operate in unison towards a common set of objectives. The complementarities relate to how each choice is not just mutually compatible with another, but to how the combination of two or more elements provides an amplification of performance (a virtuous circle). In other words, element A and element B reinforce each other so that element benefits from the presence of element B and vice-versa.

Achieving such degree of consistency and complementarities is not easy, as internal tensions might arise (in the organization and/or governance of the firm) and the competitive environment changes (requiring different choices). For this reason it is quite interesting to look at this issue for family firms who have survived for long: their survival shows that they have been able both to devise the adequate organization and governance structure while adapting their business model to outside changes.

In other words, some firms have managed to: survive over one century and more (become ‘old’); feature a mosaic of choices loaded with consistency and complementarities (a situation that we could identify as ‘beautiful’); demonstrating a constant capability of interpreting the evolving environment while achieving an inside-outside fit and an appropriate balance between tradition and innovation (‘intelligent’).

2. A focus on old family firms in Italy

It is now widely accepted that family firms represent a building block of the economic systems across all developed countries (Chirico et al. 2008), and such firms do not necessarily represent a step towards other forms of businesses but feature peculiar structures and traits that can persist and prosper over time (Corbetta 1995, Ward 1990). This is particularly visible in Italy, a country that features a dominant share of small and medium firms (Montemerlo 2000, Giaretta 2004). On the whole, family firms in Italy are estimated to represent 80% to 90% of total: they contribute to GDP for 90% and employ 75% of the total workforce (Zocchi, 2004).

The family nature of firms is somewhat bivalent (Tagiuri and Davis 1996, Kets de Vries 1996) as it provides a set of advantages and disadvantages. In particular with respect to:

- their strategic orientation, there is a propensity towards the long term with a tendency to cross-generational investments with limited or no pressure from stock market. However, the limited access to capital markets given the family-based structure can limit opportunities for growth;
- their organizational culture, there tends to be a strong sense of identification and commitment in the leadership, with a good degree of alignment between ownership and management and a good continuity. However, there are also some difficulties to attract outside management as well as risks of conflicts within family members;
- their flexibility, as there tends to be less bureaucracy and a wider use of informal systems and practices, as well as more privacy vs. competitors. However, there is also the risk of excessive tolerance of incompetent family members and the possibility of unclear contingencies due to less explicit processes.

A relevant trait of family firms is the strategic interdependence between the family, the ownership structure and the governance and management systems. In particular, the relationship between the family and the firm has been defined ‘institutional overlap’: the relationship between the two systems can positively or negatively influence the strategy as well as the performance. This implies that albeit family firms on the one hand can benefit from a higher degree of flexibility and informal systems, on the other hand they need a strategic plan that is more complex and articulated compared to other firms. Such plan must consider the ownership and the family, trying to make the systems compatible. The governance itself is complex as it is influenced by the dynamics within the family, so some additional entities must be put in place such as for example the family office, family committee and family council.

The vast literature on family firms indicates that the definition of a family firm is not a clear-cut exercise. In this paper we have looked at three examples of family firms surviving for a prolonged period of time, therefore featuring a remarkable degree of longevity.

Data on firm longevity over a very long period of time are not frequent and/or easily accessible. In Italy in 2011 Unioncamere (an entity related to the chamber of commerce) has instituted the national registry of historical firms. By elaborating the data we can grasp the age composition of firms (note that the data in the table relates to all firms, not just family-owned).

Figure 1. Firms over one-century old by age in Italy

Age of firm (years)	100 to 110	111 to 120	121 to 150	151 to 200	201 to 400	Over 400
% of firms	28%	22%	25%	15%	7%	2%

Source: our elaboration from Unioncamere, 2011 data

As one can see, 9% of firms are over two century-old. Family firms represent 91% of total centennial firms, and for the majority of cases (71%) the family currently leading the firm coincides with the founding family. In substance, family ownership and old age are two highly inter-related dimensions in the economic scenario.

3. Research goals and methodology

This paper has a conceptual nature with an exploratory approach. It revolves around the issue of the factors that drive long-term survival in family firms, aiming to highlight the traits that promote consistency and complementarities across traits and choices. It has appeared valuable to examine in more depth some examples of this type of firms, with an opportunity to identify (if any) the elements and choices that seem to have played a role in making them last, and how they interplay with one another.

After examining some portions of research within the family business, the research has unfolded through:

- a) semi-structured interviews with key decision-makers in all three firms;
- b) analysis of a set of information sources providing details and insights over the history of the three firms (including historical documents, internal documents, company profiles, books and magazines, publicly available information);
- c) analysis of some key quantitative information on the three firms, specifically related to their business position and organizational structure (from both internal and external sources). The research has been conducted between the final months of 2010 and throughout the year 2011¹.

The three firms selected in our analysis (a distillery, a clothing manufacturer and a wine-maker) have provided an interesting opportunity to observe the interplay of the key traits of the firms, the key choices adopted over time, and how they relate and/or complement each other. The interview questionnaire was structured around some key areas: 1) structure, organization, financial structure, governance; 2) strategy formulation and management; 3) product portfolio; 4) operations and supplier relations; 5) marketing, distribution and brand management; 6) internationalization; 7) innovation management; 8) views and perspectives over key aspects.

Figure 2 provides a brief overview of the three firms in question: the first two are formally over two-century old, while the second has identified previous activity in the family tree some centuries ago, however the firm itself dates back to less than one and a half century ago.

Figure 2. Key characters of the firms studied

	Bortolo Nardini	Piacenza Cashmere	Bisol
Year of establishment	1779	1733	(1)
Headquarters	Bassano del Grappa (Vicenza)	Pollone (Biella)	Valdobbiadene (Treviso)
Area of activity	Distillery	Clothing-textiles	Wine-making
Generation (current)	7 th	9 th	4 th
Type of firm	Extended family firm	Extended family firm	Traditional family firm
Sales in € million	13.6	22.6	10.6
Employees	75	203	48

Source: our analysis, 2010 data; () Bisol traced its origins back to 1542, when the family were trusted wine producers for a noble family in the Venice area; however, the first records of documented trade are dated 1875.*

¹ The research and interviews were conducted with the support of Giorgio Gatto at the Ca' Foscari University of Venice whom the author wishes to thank.

4. Bortolo Nardini: spirits and social values

Bortolo Nardini is a distillery with grappa as its key product (alongside liqueurs and brandies). It is market leader in Italy with a 7.8% share. The founder is still remembered as a mythical figure thanks to some of his insights. One was to transform the grappa production process from an activity to be developed within the house of individual farmers to a modern activity. Another was to locate the business in the Ponte degli Alpini (bridge of Alpines) that was a key traffic node and also that proved crucial to source water (a critical element in production) and to feed the business also towards Venice by exploiting the Brenta river.

The company belongs to the ‘Club The Henokiens’, a club established in 1981 that includes firms with the following features: over two hundred years of age, family ownership, at least one family member currently actively involved². Bortolo Nardini is currently run by the seventh generation. There are currently 18 partners within the family, seven of which acting in the Board. The firm has always had specific guidelines for succession, an issue that has become even more important today with members of the eighth generation being even greater in numbers. Starting from the fifth generation, four major branches in the family tree have originated. The Board is made with one representative from each branch plus managers chosen within the family based upon criteria of merit and contingent needs. Consequently, the Board is made so to achieve an overlapping with the family council. Since the 1980s three outside managers have been introduced to deal with the increasing environmental and market conditions. Over time, Bortolo Nardini adopted a policy of ‘rich firm, poor family’, by constantly reinvesting a great share of profits into the business, avoiding the need for outside capital.

Figure 3. Key stages of development in Bortolo Nardini

Year	Key event
1779	Establishment
1848	Introduction of steam alambic
1930	First firm to apply aging to grappa
1960s	Vacuum-distillation, first exports to Germany
1970s	From temporary seasonal workers to stable workforce
1980s	Externalization of logistics, entry into Latin American market, outside managers involved, new bottling facility
1991	Purchase of Monastier-based distillery
1995	Broadening of product line
2000	Rules for share circulation within/outside family
2004	Creation of ‘Bubbles’ branding and experimentation facility
2008	Grappa Handbook and new communication plan

Source: our analysis

Bortolo Nardini is among the few distilleries producing a 50-degree grappa. It was the first in introducing innovation in alembics from direct fire to steam in 1848: this allowed to use lower temperatures and to preserve a stronger aroma in the product. This preservation was intensified by the adoption of a process in a vacuum between the two world wars.

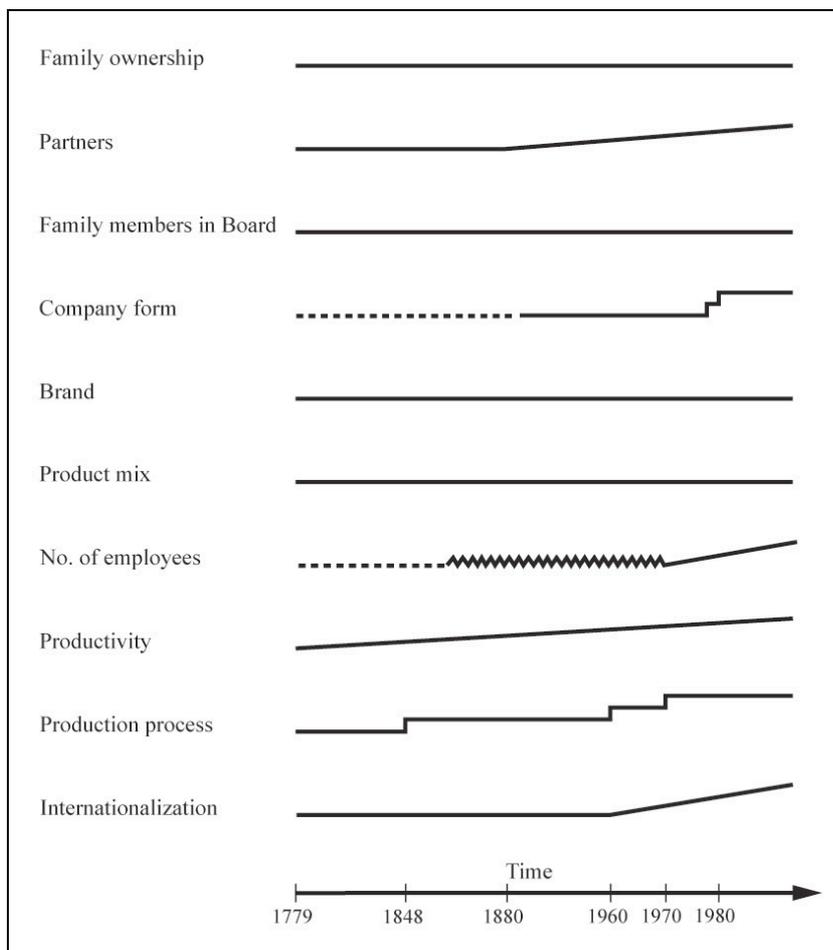
² The ‘Club The Henokiens’ currently reunites 40 firms: 14 from Italy, 12 from France, 5 from Japan, 3 from Germany, 2 from the Netherlands, 2 from Switzerland, 1 from Ireland and 1 from Belgium. A similar organization is the Tricentenarians Club, involving 10 firms in the UK and 6 in the rest of the world).

Bortolo Nardini is a clear example of continuity, as the logo and the product labels have never been modified. However, the firm showed a good ability to react when over the last decade or so other competitors entered its business, and it sensed the opportunity to strengthen its brand image leveraging on its strong heritage. Remarkably, the firm never had layoffs or employees who resigned. For its 225th anniversary the firm has created an innovative facility (the ‘bubbles’) that hosts events as well as an advanced laboratory for innovation and quality management.

The firm has always been sensitive to the local community and it has been seen as a resource by the community itself: it has constantly been seen as a good employer, ambassador of the values of the region through its products, a sponsor of cultural initiatives and, more recently, quite sensitive towards sustainability and energy efficiency. Bortolo Nardini asks for advance payment when selling its product to distributors, thanks to the strong reputation effect that creates confidence across the chain. The firm also pays immediately its suppliers, so to achieve better prices and to instill greater confidence. More recently, the firm created the ‘Grappa Handbook’ explicitly targeted to the US market, to promote the use of the product in various cocktails so to broaden its use.

Figure 4 aims at capturing the degree of continuity and innovation during the evolution of the firm across some key dimensions. The ownership and governance have always remained in the hands of the family, while since the XIX century the number of partners has started to grow with the rise of four family trees (while the number of family members in the board has remained stable). The company form has recently become more articulated, but the logo and the product mix have been quite constant. The number of employees after a stage of variability has then started to increase, while productivity has been enjoying a rather constant growth. Key innovations have been introduced over the history, and internationalization has been pursued starting in the 1960s.

Figure 4. Elements of tradition and innovation in the evolution of Bortolo Nardini



Source: our elaboration

5. Piacenza Cashmere: approaching the third century

Piacenza Cashmere is a clothing manufacturer specialized in premium fibers, with cashmere as a key product, alongside other fibers such as qiviuk, vicuna, silk, merino wool and alpaca. As the previous firm considered, Piacenza Cashmere belongs to the ‘Club The Henokiens’ and has survived until its ninth generation (twelfth if one considers the early origins). The growth of the firm took off in the mid XIX century with the introduction of the steam engine with commerce expanding abroad. The company has undergone stages of expansion and reorganization: already in the 1930s it manufactured fabric for French haute couture, while in the 1980s it started eyeing the opportunities in Asian markets.

In the early years Piacenza Cashmere managed to prevent the dilution of governance across the many heirs by restricting control just to male descendants, while later on it was sanctioned that only two family members per generation could run the company. The firm is currently run by a board that includes five family members and two outside managers. The latter have been involved in order to cope with the worsening of the competitive condition that has restrained growth and often generated losses over the most recent decade. The numerous family members of the coming generation are going to enhance the need to secure the stability of the ownership and governance systems through more rigid provisions.

Figure 5. Key stages of development in Piacenza Cashmere

Year	Key event
1600	Early origins of wool-making activity by the family
1733	Establishment of business
1800	Introduction of colors, steam-based factory
1900-20	Modern factory in Turin; training facility; import of cashmere; social security initiative; power plant in Biella
1920s	Post-war crisis and closing of Turin plant; 1929 crisis, bankruptcy and re-establishment
1930	Introduction of fabric for women and fashion products; internationalization; logo redesigned
1950s	Expansion of foreign markets
1980s	Tokyo office opened
1990s	Making of complete clothing products; Peking office opened
2000s	Managers from outside family; new products (Caswood, Piacenza Clima); increase in R&D spend

Source: our elaboration

The company has always made product excellence a key foundation of its business. This can be seen in its production process: besides the importance of the need for first quality raw materials, it should be noted that pure cashmere is a quite delicate fiber, as it does not withstand forcing or mistreatment during its processing. In order to allow it to maintain its original qualities and, in particular, to make it recover its natural humidity every time, pauses between the various processing phases are necessary. A constant trait has been a branding focus on quality, innovation, family values, tradition. The logo itself features the year of establishment (1733) and has remained unchanged since the 1930s.

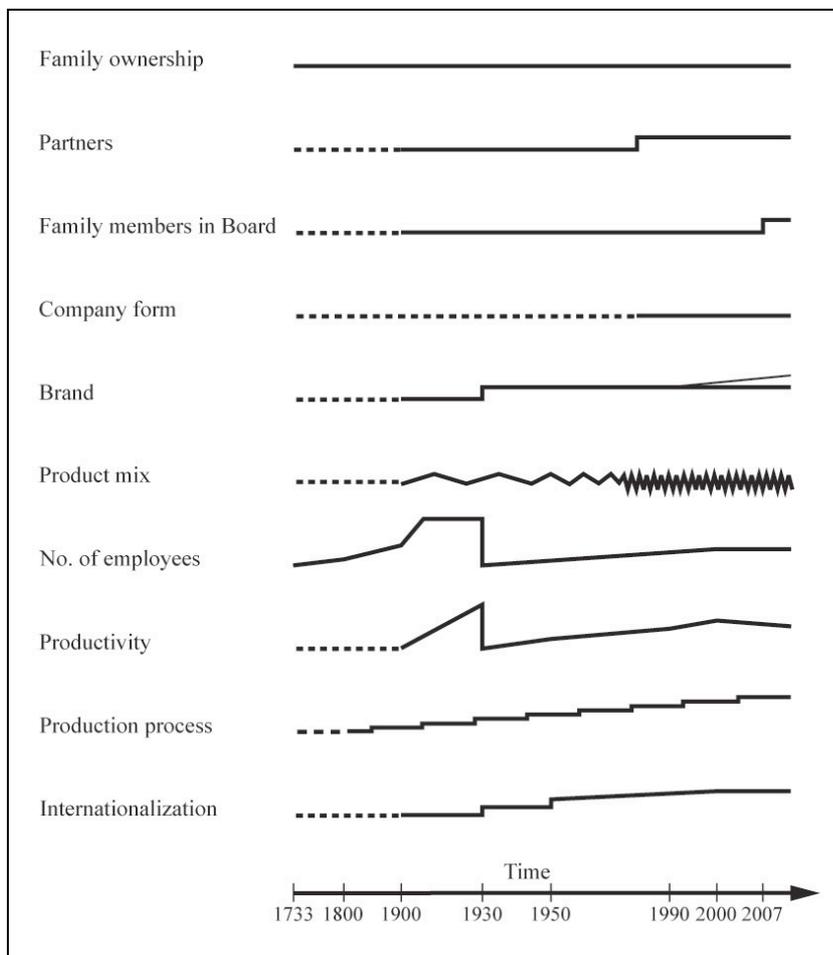
Piacenza Cashmere is quite keen on tradition and quite proud of its firm archives that records aspects related not just to the history of the company but particularly on product and process aspects. Such sedimentation of knowledge triggers a dynamic approach of innovation. The traditional process has more recently been blended with modern machines in a unique fashion. The firm has always aimed at innovating its products, either by looking for innovative fibers or materials to be mixed and by experimenting special finish processes capable of conferring unique characteristics to its products. Recent examples are ‘Qiviuk’ (a fiber

extracted from the Canadian arctic musk ox, allowing the manufacturing of extremely thin but thermo-resistant products), ‘Sea island cotton’ (a world-class cotton of with extremely thin properties), ‘Cashwood’ (a mix of cashmere and wood fibers providing peculiar thermo-regulation), and ‘Piacenza Clima’ (a highly versatile technical fiber, wind- and waterproof, highly suitable for sailing environments).

Piacenza has often featured an inclination to the well-being of the community, such as establishing a social security fund, contributing to the rise of the first power plant in the Biella area and to the establishment of a training school in the early XX century (some members of the family have even served as city mayor). Its passion for nature also led to the development of a unique park (‘Burcina’) whose beauty is internationally acclaimed.

Figure 6 captures a simplified look at the evolution of key dimensions over time. While family ownership has remained a constant feature, the number of partners has started to increase from the 1990s, with some changes in the company juridical form. The brand has been stable, with the introduction of an additional brand in the 1980s, while the product mix has been undergoing constant change particularly over the last two decades (thanks to product innovation). After a constant increase, the number of employees dramatically fell with the 1929 crisis (productivity evolved with a similar rate). The production process has been incrementally improved particularly since the 1930s, and internationalization also has gradually grown.

Figure 6. Elements of tradition and innovation in the evolution of Piacenza Cashmere



Source: our elaboration

6. Bisol: heritage and stories around wine-making

Ancient records trace back the early origins of wine-making activity in the Bisol family to 1542. The modern business, however, dates back to 1875 when the first trading by Eliseo Bisol was documented. After World War One his son Desiderio expanded the business through new land and modern plants, then involving each of his four sons (third generation) with specific roles in the firm. The firm is currently managed by the fourth generation, according to a similar scheme of division of roles (general management, technical responsibility, operations, administration). Differently from the previous cases of Bortolo Nardini and Piacenza Cashmere, where the family trees had grown considerably, the Bisol family is still relatively small and there is much overlapping between the partners and the governance. With the forthcoming fifth generation there is growing awareness on the importance to adopt stricter policies and rules on this regard.

The firm has enjoyed considerable expansion starting in the 1990s with the growth in the market for prosecco wine, particularly in foreign markets. Over the last two decades employee levels and production have more than tripled. Bisol is among the few wineries using the classical method in production that takes longer to make but provides higher quality, and it is quite dynamic in adjusting product mix according to market trends, also introducing a wine without sulphites for customers who have a condition for this element. Also, Bisol was the first in the region to introduce cryo-maceration, a process of holding crushed grapes for many days at a low temperature prior to fermentation, allowing a better output in terms of wine aroma.

Figure 7. Key stages of development in Bisol

Year	Key event
1542	Early records of family activity in wine-making
1875	First documented trade
1914	Interruption of activity due to war
1920s	Activity resumed
1960s	Introduction of classical method in prosecco
1980s	Fourth generation involved in the business
1990s	Growing attention to marketing and internationalization
2009	Introduction of wine without sulphites; export over 1 million bottles
2010	Belstar product; Venissa facility; 2.2 million bottles produced
2011	Transformation into limited company

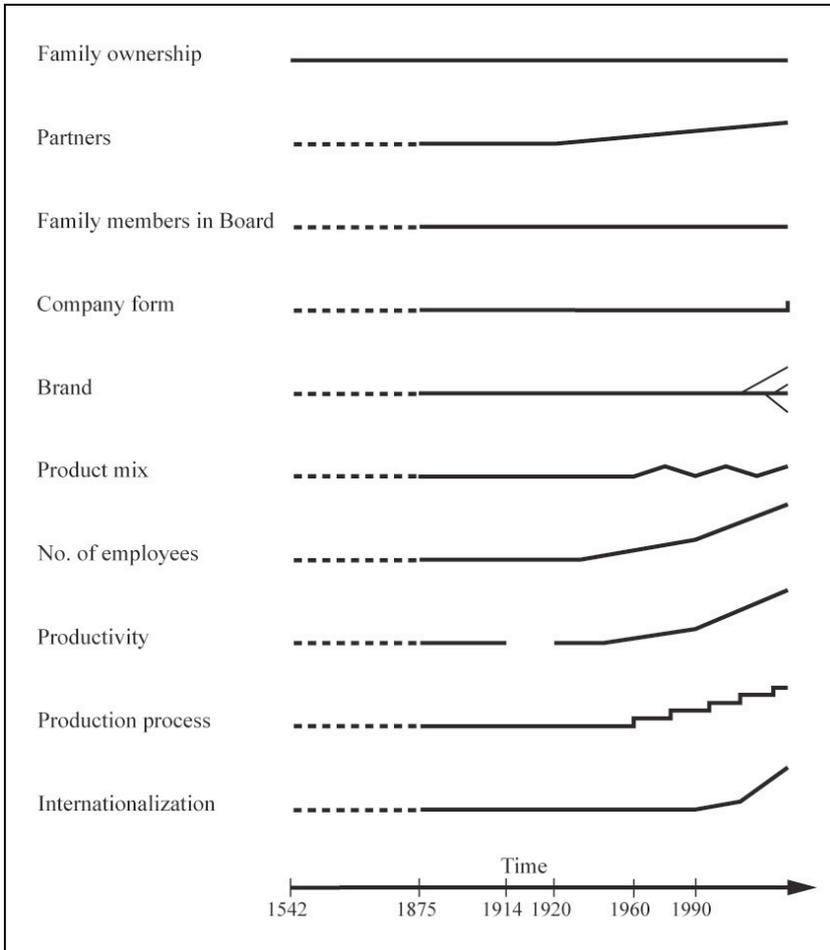
Source: our elaboration

The constant attention to quality and innovation translates also in a high degree of control of the whole supply chain, including a peculiar attention to packaging. Bisol has great attention to branding and a coherent story-telling leveraging on tradition, quality, and territory. A specific brand ‘Tesori di Venezia’ (treasures of Venice) has been created to promote lifestyle hospitality and cultural attractions revolving around the wine product and local elements of tourism. The hills that are a typical feature of the scenario where the prosecco wine is made are a constant image in the Bisol brand and packaging.

Besides strongly emphasizing the attention to the territory in its branding, communication and events, Bisol is also an active sponsor and partner of a training initiative (a Master’s degree in food and wine culture promoted by a local university) that involves training around key competences while acting as a laboratory for new forms of blending food and wine with new meanings and business opportunities. With a family vocation for experimentation, Bisol has invested in facilities that blend brand promotion and selling with experiments, hospitality services and preservation of traditional value.

Figure 8 provides a simplified look at how tradition and innovation evolved over time. Ownership and governance did not change over time, while the number of partners grew since the 1920s. The brand and the product mix have enjoyed some dynamism in recent times, with a broadening of the mix and product brands. Employee levels and productivity have constantly grown, with a marked trend starting in the 1990s. The production process has seen some changes in the 1960s through new technologies and new plants, while internationalization has started in the 1990s.

Figure 8. Elements of tradition and innovation in the evolution of Bisol



Source: our elaboration

7. The dimensions of intelligence

We have so far looked in detail at how the three firms considered have managed to calibrate their choices over time. In order to survive, these firms have managed to constantly maintain their family nature while adjusting to changes in the competitive landscape. This ability, that can be considered a sort of extended ‘dynamic capability’ (Teece et al. 1997), appears as a sort of ‘intelligence’ in reading the outside changes and adjusting the internal choices, both ‘hard’ (i.e. organization, operations) and ‘soft’ (i.e. branding and marketing, organizational culture). Such intelligence appears not univocal but rather complex and articulated. As a matter of fact, it is interesting to embrace some insights provided by Gardner (1983) in his seminal work on multiple intelligences related to humans. His studies reveal that it is superficial to adopt a single dimension (quantitatively captured in the IQ indicator) and it is important to read intelligence as a vector of dimensions, that are unevenly distributed across people (e.g. while just one type of intelligence is logical-mathematical, other types such as linguistic and musical are more related to less analytical and more creative abilities).

By analogy, we can try to read some key traits of the firms that have been investigated through a similar perspective, capturing a variety of dimensions involved in maintaining the inside/outside fit and the consistency and complementarities in the mosaic of choices. We can therefore identify:

- a) an *organizational* intelligence, intended as the capability to adapt the firm structure and its governance, in particular the interplay between family, ownership and management;
- b) a *strategic* intelligence, as the capability to adapt to the changing conditions of the environment (the context, the market, competitors, etc.) by adopting the appropriate choices accordingly;
- c) a *craftsmanship* intelligence, as the capability to foster excellence in the quality of its products through an accumulation process, with a continuous interpretation of customer needs;
- d) a *narrative* intelligence, as the capability to exploit a unique brand position and engage in an effective marketing and communication, also exploiting a ‘story-telling’ fashion;
- e) a *relational* intelligence, as the capability to internally (with the employees) and externally (with supply chain actors and other stakeholders) promote a constant and effective interaction with a widely-acknowledged leadership position of the firm and its key decision-makers;
- f) a *creative* intelligence, as the capability to explore new avenues and pursue innovation through a process of recombination of internal and external elements.

Let’s examine each of these dimensions in more detail, with reference to the three firms studied here.

a) Organizational intelligence

The dimension of ‘organizational’ intelligence is intended as the capability to adapt the firm structure and its governance, in particular the interplay between family, ownership and management. In the firms that have been investigated, this dimension is basically articulated in the following elements:

- values and identification: a strong overlap between ownership and governance with a strong identification between family and firm objectives, values and a strong culture; solid and shared values of responsibility, sacrifice, integrity, commitment
- long term orientation: a long term orientation, where capital is ‘patient’ and choices are trans-generational
- generational awareness: a good degree of awareness of the delicate issues related to generational turnover, with attention to the preparation of future leaders.

Bortolo Nardini for example has highly formalized guidelines that discipline succession. In the early years Piacenza Cashmere managed to prevent the dilution of governance across the many heirs by restricting control just to male descendants, while later on it was sanctioned that only two family members per generation could run the company. Facing a complex competitive condition over recent years, the family resorted to managers from outside the family. In Bisol the sons of the generation currently at the helm have been trained with a specific focus for a specific company function promoting complementarities.

b) Strategic intelligence

The ‘strategic’ intelligence appears as the capability to adapt to the changing conditions of the environment (the context, the market, competitors, etc.) by adopting the appropriate choices accordingly. In the family firms that survived for over a century that have been examined this translates into the following:

- stay small: a focus on maintaining a relatively small size that makes strategic planning easier (less formal) and more reactive/flexible to changes in the external environment.
- Financial independence: a relative independence (that is, a low dependence from banks) that coupled with a long term orientation favors prudent choices and an evolutionary process by incremental steps

- gradual exports: A tendency to have a very soft and gradual international focus, step by step and through highly selected intermediaries.

Bortolo Nardini adopted a policy of ‘rich firm, poor family’, by constantly reinvesting a great share of profits into the business, avoiding the need for outside capital. Piacenza already in the 1930s manufactured fabric for French haute couture, while in the 1980s it started eyeing the opportunities in Asian markets. Bisol for example has grasped the opportunity for international growth only recently, capitalizing on the upward trend in the sales of prosecco wine.

c) Craftsmanship intelligence

By ‘craftsmanship’ intelligence we refer to the capability to foster excellence in the quality of its products through an accumulation process, with a continuous interpretation of customer needs. This is visible across:

- passion for quality: an obsessive-like passion and focus on quality of product, process, control of whole supply chain
- focused production: rather focused processes on the basis of ‘doing well what you can do best’ and exploits economies of learning through the skills and expertise of human resources that determine gradual cost reduction and benefits in terms of greater quality
- premium positioning: a marked focus on product differentiation and premium price.

Bortolo Nardini is among the few producing a 50-degree grappa, while Bisol is among the few wine-makers using the classical method in production of the prosecco wine. Piacenza always made product excellence a key foundation of its business, and also started growing sports-oriented products. Bisol has been quite dynamic in adjusting product mix according to market trends, with a strong attention to quality and packaging. The control of the whole supply chain allows better quality and continuous experimentation. The firm uses the classical method in wine-making that takes longer but allows greater quality.

d) Narrative intelligence

The ‘narrative’ dimension of intelligence is intended as the capability to exploit a unique brand position and engage in an effective marketing and communication, exploiting a ‘story-telling’ fashion. This manifests as:

- communication is key: a marked focus on communication, with a strong use of PR and events
- the family is the brand: a branding position that reflects the image that the family intends to give, with a strong identification
- leverage local ties: a branding position that closely refers to the territory, the origin, as well as the name of family, with reputation and confidence effects.

Bortolo Nardini is a clear example of continuity, as the logo and the product labels have never been modified. However, the firm showed a good ability to react when over the last decade or so other competitors entered its business, and it sensed the opportunity to strengthen its brand image leveraging on its strong heritage. Piacenza shows a branding emphasis on quality, innovation, family values, tradition. The logo, that features the year of establishment (1733), has remained unchanged since the 1930s. Bisol has great attention to branding and a coherent story-telling leveraging on tradition, quality, and territory. A specific brand ‘Tesori di Venezia’ (treasures of Venice) has been created to promote lifestyle hospitality and cultural attractions revolving around the wine product and local elements of tourism.

e) Relational intelligence

By ‘relational intelligence’ we refer to the capability to internally (with the employees) and externally (with supply chain actors and other stakeholders) promote a constant and effective interaction with a widely-acknowledged leadership position of the firm and its key decision-makers. This implies:

- care for employees: a focus on training and job security favoring a very low turnover with human resources, where a sense of belonging promotes greater commitment also during tough times that can happen over a long period (this also favors economies of learning)
- supply chain relationships: the ability to maintain values, confidence and reputation also with the supply chain (suppliers and distributors) in the form of stable and more effective relations
- local social responsibility: a visible social responsibility at the local level on the basis of the historical roots and continuity in the local community

Bortolo Nardini, quite remarkably, never had any layoff or employees who resigned, indicating the high level of commitment within the organization. The firm also asks for advance payment when selling its product to distributors, thanks to the strong reputation effect that creates confidence across the chain. The firm also pays immediately its suppliers, so to achieve better prices and to instill greater confidence. The firm has always been sensitive to the local community and it has been seen as a resource by the community itself: it has constantly been seen as a good employer, ambassador of the values of the region through its products, a sponsor of cultural initiatives and, more recently, quite sensitive towards sustainability and energy efficiency. Piacenza has often featured an inclination to the well-being of the community, such as establishing a social security fund, contributing to the rise of the first power plant in the Biella area and to the establishment of a training school in the early XX century (some members of the family have even served as city mayor). Its passion for nature also led to the development of a unique park ('Burcina') whose beauty is internationally acclaimed. Besides strongly emphasizing the attention to the territory in its branding, communication and events, Bisol is also an active sponsor and partner of a training initiative (a Master's degree in food and wine culture promoted by a local university) that involves training around key competences while acting as a laboratory for new forms of blending food and wine with new meanings and business opportunities.

f) Creative intelligence

The dimension of 'creative' intelligence implies the capability to explore new avenues and pursue innovation through a process of recombination of internal and external elements. This happens through:

- knowledge sedimentation: a gradual and constant sedimentation of knowledge, also through initiatives such as firm archives (a good example is the archive for Piacenza)
- invest to innovate: constant focus and investments on targeted R&D activities
- anticipate customer needs and competitors: a constant effort towards product innovation (new products, mix adjustment, catering for new emerging needs) and a periodical process innovation.

In Bortolo Nardini was the first distillery to introduce innovation in alembics from direct fire to steam (in a vacuum) in 1848: this allowed to use lower temperatures and to preserve a stronger aroma in the product. This preservation was intensified by the adoption of a process in a vacuum between the two world wars. For its 225th anniversary the firm has created an innovative facility (the 'bubbles') that hosts events as well as an advanced laboratory for innovation and quality management. Bortolo Nardini also created the 'Grappa Handbook' explicitly targeted to the US market, to promote the use of the product in various cocktails so to broaden its use. In Piacenza the traditional process has more recently been blended with modern machines in a unique fashion. The firm has always aimed at innovating its products, either by looking for innovative fibers or materials to be mixed and by experimenting special finish processes capable of conferring unique characteristics to its products. Recent examples are 'Qiviuk' (a fiber extracted from the Canadian arctic musk ox, allowing the manufacturing of extremely thin but thermo-resistant products), 'Sea island cotton' (a world-class cotton of with extremely thin properties), 'Cashwood' (a mix of cashmere and wood fibers providing peculiar thermo-regulation), and 'Piacenza Clima' (a highly versatile technical fiber, wind- and waterproof, highly suitable for sailing environments). Bisol introduced wines without sulphites to serve customers with specific conditions with this element, and it was also the first in the region to introduce cryo-maceration, a process of holding crushed grapes for many days at a low temperature prior to fermentation, allowing a better output in terms of wine aroma.

8. Consistencies and complementarities

We have tried to read some of the most relevant characters of the firms through the lens of the ‘intelligences’, intended as key capabilities to constantly interpret the environmental conditions and put in place the appropriate choices around the relevant areas of activity. Our exploratory analysis, albeit limited to the observation of these three firms, suggests that all three firms share a considerable degree of similarities in how they promoted consistency between the outside and the inside of the firm, managing to survive over time and through inevitable turbulences. All three appear consistently basing their business model on the following premise: a policy of high-end product differentiation that allows premium prices inevitably suggests a limit to market share expansion (and therefore size expansion), so that firms tend to adopt a ‘stay small’ policy. Their growth in international markets happens only gradually. Also, they all share a strong product and brand ‘halo’ that is fostered by their consistent leverage on their location, their tradition, their quality and innovation.

But besides this consistency, it is interesting to note how many ingredients of each dimension of intelligence activate some relevant complementarities. In other words, they determine some ‘virtuous circles’ with a performance amplification effect. For example, when a firm adopts a true policy of social responsibility towards the local community and it is therefore seen as a resource by the community itself, this then tends to trigger a good level of commitment and positive attitude among workers. This stimulates a sense of belonging that allows greater quality and productivity. Similarly, when a firm is socially responsible at the local level this enables a more powerful ability to leverage on its territory as a key ingredient of its brand, in a way that is authentic. Such virtuous circles can take place in quite articulated manners: for example Bortolo Nardini has solid financials that allows the firm to pay suppliers in cash (without delay). This allows to gain better discounts while enhancing the reputation, and the solid reputation in turn allows to ask distributors to pay cash for the products.

Let’s aim at looking at these virtuous circles (complementarities) in more detail for each dimension of intelligence that has been identified. We will limit our analysis to identify what we believe are the most relevant. The virtuous circles are identified by each arrow that points from one dimension of intelligence to another in figure 9.

Let’s start by looking at the *organizational* intelligence. When considering one of its key ingredients that is a long term orientation, one can see that it has the following effects:

- it favors staying small by avoiding a too high pressure for growth (therefore affecting strategic intelligence)
- it favors an accumulation of skills (therefore affecting craftsmanship intelligence)
- it favors strong authenticity in branding (therefore affecting narrative intelligence)
- it favors commitment within human resources and confidence across supply chain partners (therefore affecting relational intelligence)
- it favors the accumulation of knowledge and skills and the recombination of ideas triggering innovation processes (therefore affecting creative intelligence).

Similar considerations relate to *strategic* intelligence, when examining what a ‘stay small’ approach determines, as it favors:

- independence (organizational intelligence)
- a constant focus on product quality (craftsmanship intelligence)
- brand authenticity and product quality (narrative intelligence)
- a good relationship with employees (relational intelligence)

- innovation over existing products avoiding volume-driven distractions (creative intelligence).

When looking at *craftsmanship* intelligence, we see for example that the focus on quality favors:

- the ability to leverage such product quality towards the outside (narrative intelligence)
- a premium price approach that tends to yield better margins favoring financial independence (strategic intelligence)
- a constant focus on product and process innovation (creative intelligence).

The ingredients of *narrative* intelligence also act as positive loops, for example maintaining a high need to have a good product quality, but also maintaining the workforce engaged as members of a peculiar team creating unique products in a unique brand context.

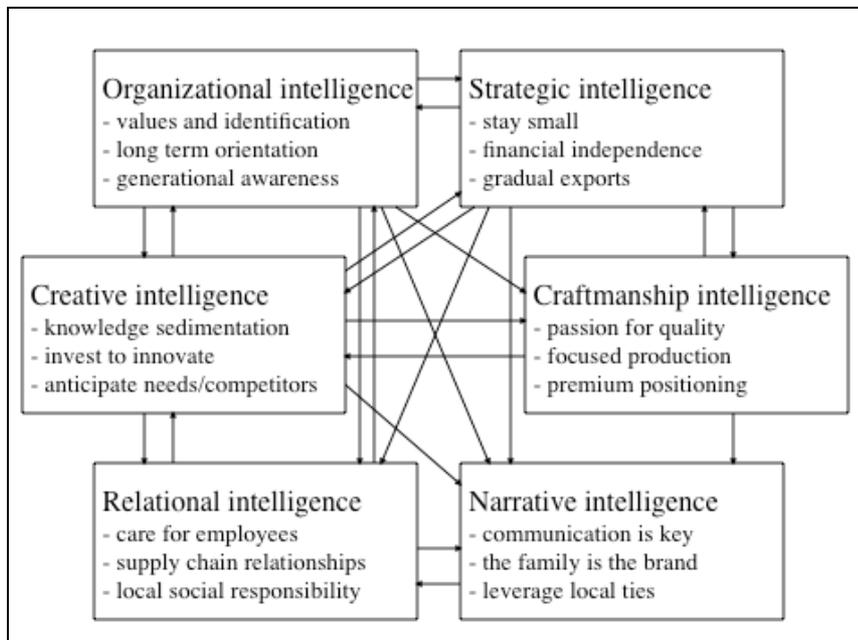
The elements of *relational* intelligence also determine virtuous circles:

- being seen as a resource in the community triggers good commitment in workers, belonging and therefore product quality (craftsmanship intelligence)
- being seen as a resource in the community also allows the possibility to leverage a strong authentic brand (narrative intelligence).

The elements of *creative* intelligence act along many directions through a reinforcement of accumulation and recombination opportunities, for example

- the focus on innovation constantly maintains product features and quality at the edge of the competitive arena (craftsmanship intelligence)
- the focus on innovation constantly allows to trigger new avenues for story-telling maintaining a distinct positioning in the industry (narrative intelligence).

Figure 9. The dimensions of intelligence and the virtuous circles



Source: our elaboration

As said, these are just some of the key examples of the virtuous circles that are activated. On the whole, the firms in question have proven rather ‘intelligent’ across the relevant dimension, with a good degree of consistency and complementarities, therefore composing a mosaic of choices that are quite intertwined and

mutually reinforcing. Clearly, more research should be directed towards identifying in a more accurate way how individual choices affect one another, so to gain a deeper understanding, but on the whole we could argue that the family nature of the firms examined has played a key role in their survival acting both as an enhancer to each dimension of intelligence as well as a sort of glue to them all.

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