

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management  
from the NOVA – School of Business and Economics



**CATALANO MOBILI:  
THE PRICE OF CHANGE**

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**JANUARY 2017**

## **Catalano Mobili – The Price of Change**

The following case study aims to introduce and analyse real-life challenges that Catalano Mobili, a family furniture business, faced after a non-family manager was introduced and the familial instability prompted as a direct result of the outside hire.

Conversely, the case intends to illustrate the struggles commonly associated with being a nonfamily manager in a small family business, and to illustrate the complex nature of having to make decisions in a nonfamily managerial capacity in the context of blurred boundaries between the business and the family.

The teaching note is provided in order to analyse the case from a theoretic point of view.

**Key words:** non-family manager, socioemotional wealth, three circle model and blurred boundaries.

## **Introduction**

It was the 15<sup>th</sup> of October 2015 and Vito Catalano was coming back home from the office. He remembered the summer in which he made the decision to hire a non-family manager. In the street the trees were starting to get the typical brown colour of the season and you could feel the new season coming in. However, Vito Catalano could not enjoy this atmosphere because he was still shocked by his brother's words early that morning in his office. The situation of the business was starting to get better after a long time, yet a new problem arose. Vito Catalano was caught off-guard and feared the repercussions of this decision.

## **The Business and the Family**

It was 1959 when Antonio Catalano decided to start his own furniture business, in a small building owned by his family in his hometown, Mazara del Vallo. The business was very successful and in the following 20 years, it expanded from retailing to manufacturing and became one of the biggest furniture retailers and producers in the Western Sicily.

In the early 80's, Vito, the oldest son of Catalano's six children, joined the family business and afterwards the rest of Vito's siblings joined the business.

However, in 1990 the business filed for bankruptcy due to mismanagement. In fact, the business was growing too rapidly and Antonio Catalano was no longer able to balance the cash-flows. The cash-to-cash cycle was too long for a retailing business, Antonio Catalano was paying his creditors in 90 days but was giving credit to the customers for a much longer period, causing insolvency. Afterwards, the authority sequestered all the assets of the family and it was very difficult for the family to accept the loss of their houses and business properties because they were filled with the family members' memories.

In the same year, the family had to move to Bad Neustadt, in Germany. During their time abroad, the family launched a restaurant, in order to make enough money to buy back the properties lost in the failure of the furniture business back home in Sicily.

The “Lo Scoiattolo” restaurant was highly productive and the family decided to expand by opening another restaurant. However, despite the business performing well, Vito Catalano and Vita Catalano, the oldest son and daughter respectively, decided to return to Italy one year after moving to Germany, unable to adapt to the new environment and never forgetting the goal of the family.

Finally in 2000, the family accomplished their goal of buying back the all the assets lost in the failure of the original furniture business.

Three year later in 2003, Vito Catalano decided to start over the old furniture business (retailing) with the help of his father, Antonio Catalano, who after 13 years in Germany, had also come back to Italy. The new business started over in the small building where everything had originally begun. Between 2006 and 2010, the brothers and sisters of Vito (Appendix I) who were still living in Germany returned as well in order to work for the business because even if Vito had the ownership of the business, the assets used by the business were owned by the whole family (Appendix II) and they felt part of it. The family members were employed in different capacities and areas that ranged from logistics to accounting. The family members in the business were: Vito, Antonio, Salvatore, Giovanni, Vita that were sellers and Rita’s husband, Giulio Spinelli, and Anna’s husband, Gerhard Schmitt, that were respectively warehouseman and delivery man. Moreover, four of the other eight nonfamily employees in the company were related to the family. The subsequent expansion of the business in 2010, forced the family to move the store to a larger family-owned building. However, three years later, in July 2013, financial problems were stressing the company for about two years due to the company’s excessive amount of employees and mismanagement.

## **The Nonfamily Manager and the Offer**

Vito Catalano was struggling hard to introduce competencies and aid his business from the financial distress that seemed to suffocate it when the opportunity presented itself in the person of Girolamo Billardello, a former manager of Sun and Oracle.

Billardello, who, after 20 years of working as a top manager in a multinational, had come back to his hometown seeking new opportunities. He was tired of the impersonal relationship that the people have in a multinational and the general formal atmosphere in the firm. He was looking for a firm where not everything was standardized. Five years before quitting his job, however, he was in his hometown and in need of furniture for his house. His brother-in-law had introduced him to Vito and since then the two became close friends. Billardello spent time observing some potential business in which he could invest in in the first year after quitting his position. He identified several opportunities but the one he was interested the most was his friend Vito's furniture business.

So, in July 2013, Billardello decided to make an offer to Vito. The offer was to work as a manager for the company for the first year without compensation in order to analyse the underlying challenges of the business as well as attempting to find a solution to these issues while gaining the trust of the family. Realizing the opportunity at hand, Billardello had requested that when the business' situation get better, that he will become partner in the business for the new initiatives outside Mazara del Vallo, because he knew that it would have been impossible to be accepted by the family in their core market. Vito decided to take a few days in order to talk with the other family members. During the family meeting, the father, Antonio, and the second brother in age, Salvatore, were arguing that a nonfamily member in that position would just cause trouble because he did not have the competencies in this area and having a stranger in this position would make the family vulnerable. Antonio stated: "what does he know about this business? We have been working in this business for more than 40

years. We do not need any help”. After the meeting, Vito called his friend to talk about the offer: “I want your help but it is better that you start as external advisor and then we will decide how to move on from there”. Billardello understood that the discussion within the family had not gone as planned and thinking that there was no possibility to change it in the future, he politely rejected it.

In January 2014, the business was not getting better and the situation was so critical that Vito, after analysing the situation, decided to go against the will of his family. In fact, the business was encountering the same problems as in the 1990, such as bad cash flow management and excessive expenditure. So, he contacted Billardello in order to ask if he was still willing to join the business to his conditions. Vito Catalano fixed an appointment with Billardello and stated: ”I am sorry for what happened last summer but the situation is not so simple within the family and I did not want to make it worse. However, now it is time to change something and I am ready to accept your conditions”. Billardello had never thought that Vito would have an afterthought about this matter because of his family. In the room there was an awkward silence that Billardello interrupted when he decided to accept the old offer although he was thinking to himself: “Am I doing the right thing?”.

## **Gaining the Trust of the Family**

It was the beginning of March 2014, it was almost a month that Billardello was settled in the firm as Vito’s consultant and after observing the company for that short period, he already had clear grasp of what the most urgent challenges were in order to survive. However, Billardello decided to face one problem at a time because he knew that he still did not have the trust of the whole family and anticipating some changes could have lessened the family’s willingness to cooperate.

In the beginning, he told Vito that the employees were not efficient enough because their position in the company did not reflect their actual skills. In order to support his theory, he

brought up the examples of Vito's brothers in law. Gerhard Schmitt was a responsible for the delivery but according to Billardello, his meticulous character and his predisposing for perfection, was better suited to the position of warehouseman.

The second example was Giulio Spinelli, he was a warehouseman but Billardello noticed his great sociable skills and patience, characteristics related to a salesman.

Vito was a little sceptical about these suggestions because they had always done the things that way and it was hard for him to imagine a better outcome. Furthermore, the two of them had always done their work well and also if there were some problems they always solved them. Yet, the condition of the business did not leave Vito other choices to him than trusting Billardello.

In fact, any improvement in efficiency would have meant a cost saving that could have made the things easier to Vito. Seeing that it was the first change suggested by Billardello, Vito asked time to make in act these changes because he wanted to discuss it with the members of the family in order to ensure them that their opinion still matter despite the arrival of the new nonfamily manager.

Vito gathered the family members in his office after the work hours when all the nonfamily employee left. He started to expose the problem, thinking that this was a trivial matter and they would have decided for a positive solution in the blink of an eye. However, the situation started to be tense within his siblings in the meeting after hearing about the suggestions.

Though, in the first moment Giulio and Gerhard were enthusiastic about it, after hearing the complaints of Salvatore and Giovanni, the two of them also became pessimistic about this change. In fact, Giovanni aggressively stated: "If the two of them changed positions, the business would be unable to perform its basic functions because they are critical in their role and they know how the job has to be done".

Salvatore and Antonio, who had been against the hire of Billardello from the beginning, agreed with Giovanni and in addition they stated: “in this moment the business has more urgent problems to be taken into consideration and this is just a waste of time”. Vito tried to be neutral in this discussion but he knew that if his siblings could not accept such a trivial decision, what could have happened for a more critical change, so he decided to support the non-family manager and stated: “I really do not get why there is such tension for such an insignificant matter. I understand your perplexity about this decision but saying the business will fall apart, I think it is a little of an exaggeration. We can give a trial to these changes and if it will not work out we can come back to our prior setting. We are a small business, and all the people in the business can do the job of the other so it is not a risky move.” The others family members could not believe their older brother’s words. It was the very first time that Vito was opposing them. Although, the two brothers, Giovanni and Salvatore, were angry for this unexpected outcome, they arrogantly stated: “the business is yours, I will do what you want also if for me it is the wrong decision and we are going to lose with it”.

Vito was in pain for his brothers’ words and closed the meeting in angry way: “so the decision is taken, see you tomorrow at work”.

The atmosphere was quite tense in the office during the following weeks and the interaction between Vito and brother Salvatore consisted of few words business related. However, the new position given to Giulio and Gerhard was showing the first results. In fact, there was a visible increase in the sales, the number of closed deals increased by 20%, and the logistic department was significantly more efficient, decrease of delivery time. Moreover, the coalition that was against this change made up their mind and accepted the decision.

Despite improving the performance of the business, this could not help Billardello to gain the trust of the family, who were still feeling resentment toward him. The family members were talking with him as little as possible and they were giving him angry looks.



Billardello, at that point, was almost giving up on the family and was thinking about leaving the company: “why am I doing this? I want to help them and they are just trying to bring me down”. Despite of that, Billardello still continued to pursue his aim and did not let the other family members keep him away from his goal.

## **Change or Die**

October came and Billardello was waiting that the situation was a little quieter before suggesting to Vito Catalano some new changes, concerning to important topics to the family, that would have a huge repercussion in business and in the family. Billardello was waiting for the right moment in order to face these problems that were connected to the financial department led by Salvatore. Vito’s feelings towards his family, especially to Salvatore, were the main problem in order to implement these changes because Billardello did not know how Vito would have reacted to an accusation towards his siblings.

Yet, the non-family manager identified the beginning of the new year as a crucial moment for the company, either falling to bankruptcy or taking the right path in order to survive. In fact, the founder, Vito, was using his own money to cover the loss of the business for the last two years and his reserves were almost over.

The financial department was composed by Salvatore, his assistant Prinzivalle and an accountant Costa. The main task of the three of them consisted in recording invoice and preparing all the documents for the financial statement, overlooking the debt and credit management (cash flow), the inventory and various control functions. Even though, in Billardello’s perspective, the number of accountants for a business of this size were too many and they were not focusing on the appropriate tasks. In Billardello’s opinion, tasks such as recording invoice and producing the documents for the financial statement could be done by an external accountant for a smaller amount of money. Furthermore, the tasks that the department should focus on more were managing the cash flow, doing the inventory and

perform a control function in the business, but these tasks were completely disregarded by the team. With this new change that Billardello was about to propose, he was trying to have a precise overview of the firm in order to improve the areas in distress. Contrary to other problems that could arise with a better analysis of the company, the cash flow management problem could be seen without any further analysis. The company was in a financial distress but when Vito was going into his brother's office to see how bad was the situation, he would always get the same answer: "here there is too much work to do, I am not certain of how much is your exposition with the supplier, I just know that in the bank we are going to have around 25.000 euros but we are supposed to pay for our supplier around 35.000 euros this month. I do not know where we are going to take the money". Moreover, the company did not have the slightest idea of what items were available at any given moment, they always had to go in the warehouse and check before finding the right one.

The first step to reshape the financial department was the centralization of the data, the debt and credit were hard to find because they were located in different softwares and they were so messy that it was impossible to have a global vision of the firm.

In order to do so, Billardello, in January 2015, suggested a management software called "Danea" to keep track of the debt and credit and manage the cash flow and the inventory. Unexpectedly, nobody opposed to this decision. In fact, the family member started to have a little more trust in Billardello words and mainly there was no reaction because the new software did not affect anybody directly.

The implementation of the software proceeded smoothly and after 2 months all the data were centralized and the personnel was trained to use the new software. The new program allowed the financial department to make forecasts about the future cash flow and have an accurate vision of the asset of the company. This gave more confidence to Vito Catalano who was struggling for the situation and was losing his hope on the recovering of the business.

However, because of the new software, the work in the financial department was faster and easier and now three people working in the department were simply too many. A cost-cutting measure was necessary because the business had been using too many human resources for years in comparison of the dimension of the business, just 1.5 million in revenue. Talking with Billardello, Vito decided to let go of Costa who had already reached the age for retirement the previous month.

On April 14th, Vito summoned Costa to his office and told him what was decided the previous day. Observing this unexpected call, the family members and in particular Salvatore understood what was going on and they were a little surprised about this sudden decision, but they knew that it had to be done and nobody complained. However, the financial department started to be worried about their position in the company. Resentment towards Billardello started to arise within the two remaining employees in the financial department, Prinzivalle and Salvatore. Moreover, since that moment onwards also a small matter started to be personal for them like an offense made to their persona.

The second and last step of the transformation of the department started in July 2015, six months after the implementation of the new management software. Billardello was waiting for his colleagues to be more confident with the software and that the uncomfortable situation with the financial department was getting better.

However, six months has passed and the hostility between the financial department and the non-family member was becoming tenser every day.

So, in order to not lose the progress made so far, Billardello decided to continue. The second step was basically to externalize the fiscal accounting that was already made in part by an external accountant and use the human resources in the department for other tasks that were inexistent in the company such as marketing, social media and website content and control.

The night before communicating this change, Billardello could not sleep because he knew that once more this change would cause the wrath of Salvatore.

In order to introduce the new change, he thought about a thousand of different approach but none of them would have lessened the wrath of Vito's brother and his assistant.

The following morning, Billardello and Vito stepped in the financial department office and the situation was immediately awkward. Salvatore and Prinzivalle immediately understood that something was wrong because the two of them were rarely going into their office and more importantly they have never been together. The moment in which Billardello started to talk in the room there was a strange silence that made everything harder than the nonfamily manager had expected. Prinzivalle was puzzled and interrupted the speech many times with a tone of irritation. In fact, she was associating all the new ideas of the non-family manager to something negative because they were disrupting the status quo in the office.

When Billardello finished his speech, she stated: "We were doing a good job also before you, the financial problems in the business were not related to us but just to mismanagement but since the first moment you entered that door you indirectly blamed us for all the problems in the business. I acknowledge that the last change drastically increased our efficiency but this is too much. We will not operate our normal task anymore and it is like if you were saying: there is the door, close it when you leave".

Vito was irritated by her words and stepped in: "Every time that he proposes something, you guys are the only ones making troubles. I think it is more personal for you than him. Here, we are not talking about firing anyone, we want to make the company more efficient and profitable. Instead of doing these tasks that could be done by someone else, you in the office could dedicate your time to other tasks as important as these ones".

Prinzivalle replied: “I see your point but I am not feeling good about this change. Moreover, I was hired as an accountant and I am not willing to do something else and for this reason I quit”. She left the room slamming the door behind.

The three of them continued to discuss normally and Salvatore tried to not make the things worse and at the end he agreed to this change just to avoid further conflict with his brother but in reality he was not committed to it.

## **The Bitter Truth**

In October 2015, three months passed after that last change and Salvatore Catalano tried to be comfortable with it but he could not do it. So, he decided to act on his own to revert the situation. He tried to put the other family members against his older brother by arguing that the decisions taken so far were influenced by the non family member and he was no longer in charge. Yet, he failed because the rest of the family had seen the progress made by the business in the last year and a half.

After failing this attempt, Salvatore Catalano tried to play the last card on his deck to get rid of the non-family manager.

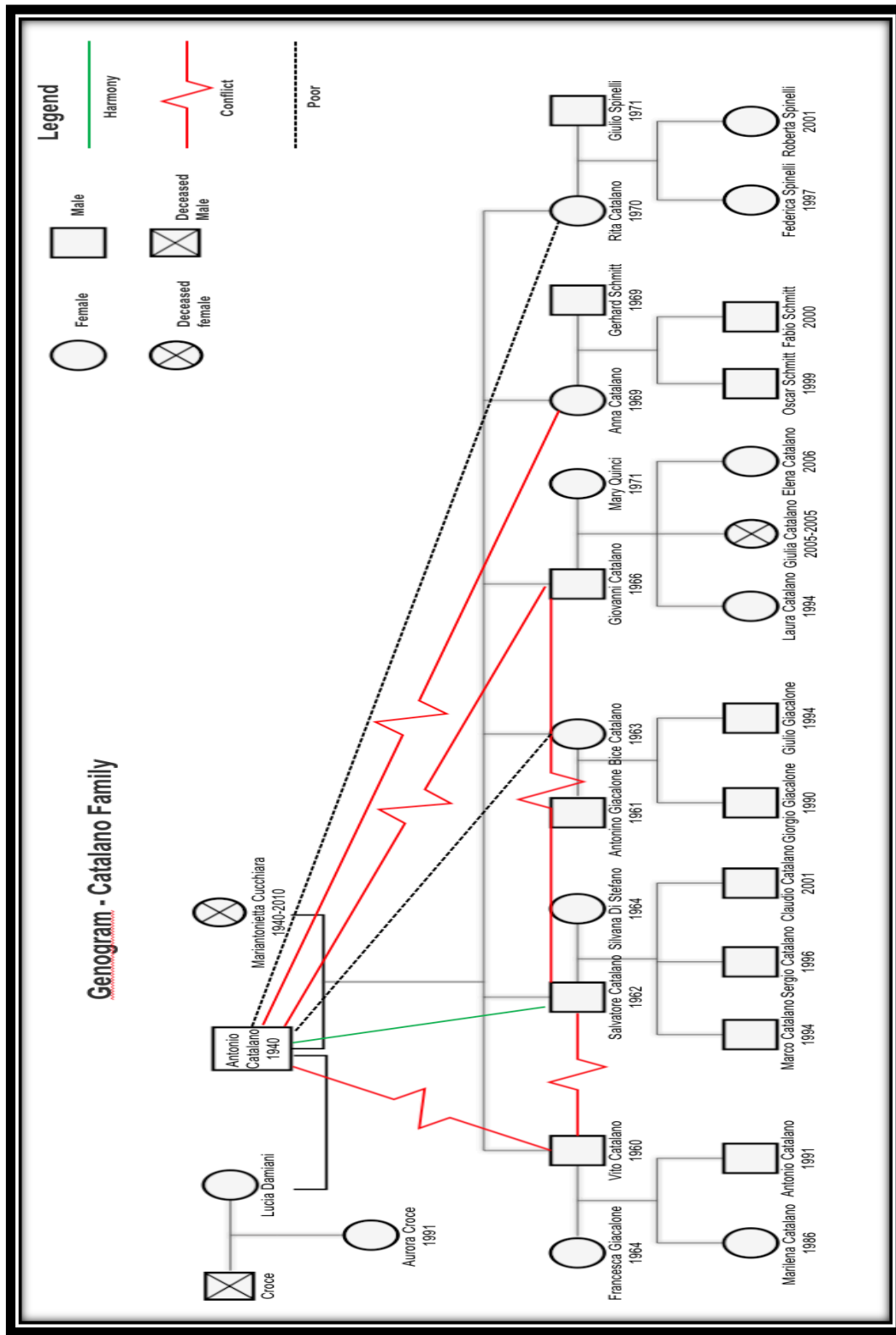
He went to Vito Catalano office and used the strong sense of attachment to the family that his brother has for him: “I tried to adapt myself in the new position but I really cannot. Since that guy has arrived, my opinion does not matter anymore. The new tasks are not important for us like the one that we have externalized. Billardello has done well until now but this one is his limit. We do not need him anymore and we do need the old tasks here again. Now you have to make a choice. You have to decide whether to trust me, your brother, or a stranger. There can only be one of us here after today”

## Questions

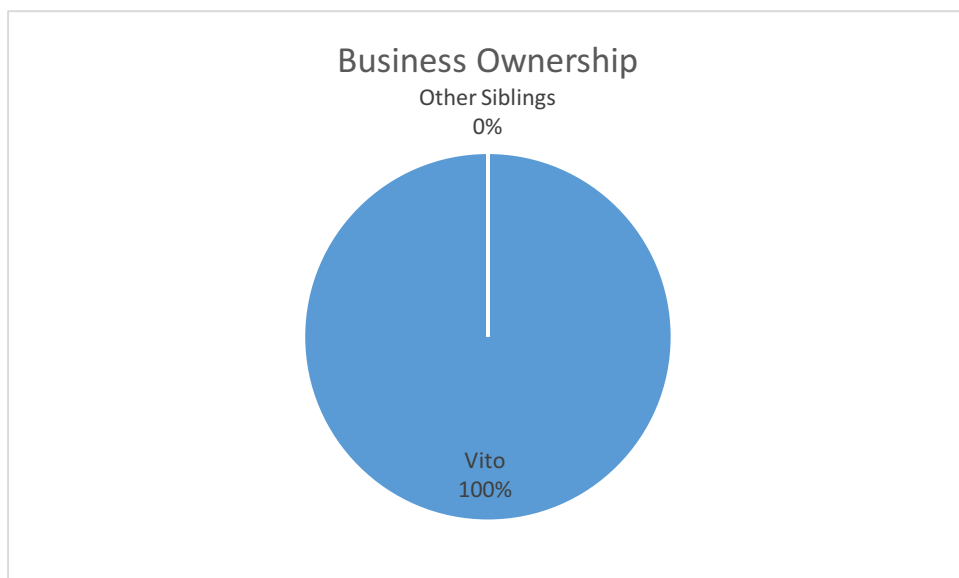
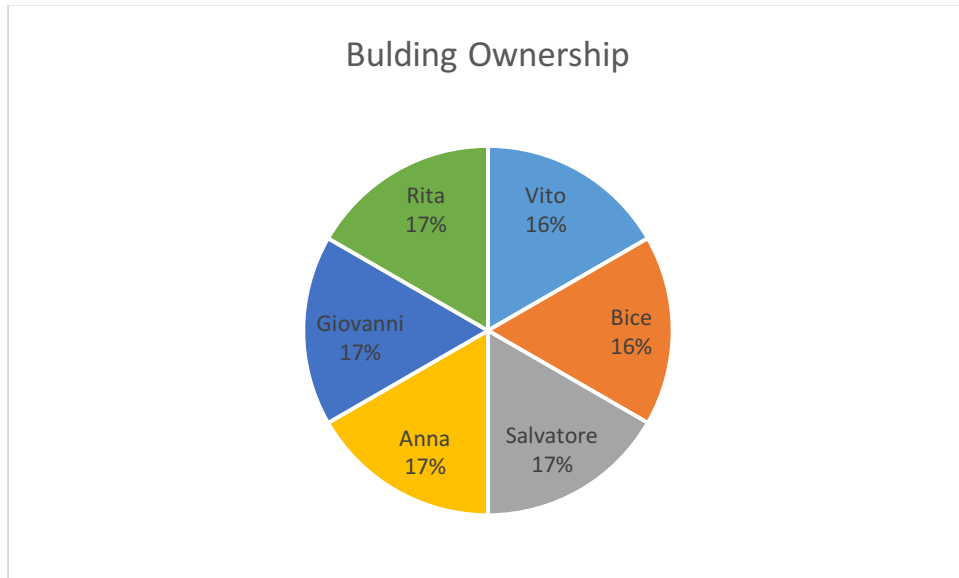
1. How do you assess the hiring process of this family business?
2. How did Vito Catalano manage the relationship between the nonfamily manager and the family members? What would you have done in this situation?
3. Assuming the role of Vito Catalano, what would be your decision concerning Salvatore Catalano? What factors should be pondered?
4. How have the decisions taken by Vito Catalano been influenced by the social emotional wealth paradigm? What is the most important dimension of the FIBER model for the Catalano family?

# Appendix

## Appendix I



## Appendix II





## **Teaching Note**

### **Overview**

The following case introduces a family business – Catalano Mobili- that has been managed by the Catalano family for over 50 years and through two generations. As a consequence of a conflict between Salvatore Catalano and Girolamo Billardello, the family leader, Vito Catalano, was put in an awkward position in which he had to choose between his brother and the non-family manager.

The quarrel between the two of them started since the first moment that Billardello joined the firm. Salvatore considered the new member and his ideas ineffective because of his inexperience in the sector. Moreover, the non-family manager was representing for him a threat to his position in the business. Vito's last decision is influenced by different factors, such as blurred boundaries between family and business and social emotional wealth.

This is a case based on a real company and people. It illustrates to what extent emotions may affect business decisions in family business, the additional difficulty in the decision making process in these firms and the possibility of conflicts, the difficulty of being a non-family manager in a small family business and the hiring process in a family business.

### **Target Audience**

The case is intended to be used during an Undergraduate or Master program in a Family Business course to analyse the hiring process, the decision making process, the socioemotional wealth in a family business, and the issues faced by a nonfamily manager in a family firm. Students should be able to recognize and summarize the main issues associated with each concept presented above.

## Learning Objectives

The case should allow students to identify the most important issues in a family business, such as involving a nonfamily manager, the hiring process in a family business and socioemotional wealth in the family. Moreover, the case helps to understand the problems related to the blurred boundaries between family, business and management. Furthermore, students should be able to understand the importance of a fair decision-making process in a family business.

## Teaching Plan

Case Introduction	5-10 min.
Identification and analysis of the main issues	30 min.
Answering the four questions in the case	45 min
Wrap-up	5 min.

As an introduction the case instructor should begin with a presentation of the family and the business. In the next step, the instructor should ask the students what the issues are that the family faces. In the third step, the professor should pose the questions. Answering the questions, the students should describe the current situation of the business, analyse the situation from a theoretical point of view and describe what they would have done in that specific situation. In conclusion of the case analysis, the professor should reassume the case and provide to the students the epilogue of the case.

## Questions

### 1. How do you assess the hiring process of the family?

In order to assess the hiring process of the family, we have to understand how the employees were hired. First of all, Vito hired the family members, who came back after living in Germany for 16 years. He offered them jobs in the family business without thinking about the consequences. This is a typical problem in the “system theory”, in which the family leader put first the family and working in the company is a birth right. Thus, Salvatore, Giovanni, Gerhard and Giulio did not go through any hiring process, such as interviews or tests, to see if they had the required skills for the job. The hiring process of the nonfamily member did not diverge from the family members. Vito hired Billardello, who had experience in a multinational company, in order to put the business out of a desperate position. However, there was no formal hiring process to join the business because for Vito it was enough that Billardello was a close friend with a lot of experience. Vito most important hiring factor is trust. In fact, in the case, Vito hired people that he could trust, such as Billardello, a close friend, and his siblings.

**Theory:** We are going to face the theory related to the hiring process of non family members and family members. “It is important to the future success of the relationship between family members and nonfamily executive that expectations on both sides are out on the table before a hire or promotion is completed.” (Craig. E. Aronoff 2011). In this case, except for the nonfamily executive, who had clear expectations, the family members did not have the right expectations. Moreover, in the hiring process of the family members, Vito did not use any assessment to see if the family members had the skills and the right attitude to join the business and bring competencies. “It is important to get the best employee for the positions and avoid any morale problems that may arise if an unqualified or underqualified family member is given a position in the company” (Entrepreneurship

2009). In fact, Vito did not ask to himself the right question: “Is he or she qualified for the job?” Or “Am I hiring them for the right reason?”. In conclusion, in the hiring process only the positions in the family was considered, but not their competences. Establishing a family policies for the hiring process is necessary for a family firm that wants avoid troubles in the future. In the hiring process of Billardello, there were no formal assessments. However, Vito considered his good prior experiences. Before the hiring, Vito made the position of the nonfamily manager in the business clear and discussed his expectations. Moreover, “an important part of finding a good fit is being sure that a non-family candidate holds values that are similar to those of the business-owning family” (Craig. E. Aronoff 2011). In fact, Vito and Billardello were close friends and it helped the NFM to understand the dynamics of the family. The hiring of Billardello can be considered a success considering the positive changes in the business.

## **2. How did Vito Catalano manage the dispute between the non-family manager and the family members? What would you have done in that situation?**

Since the beginning, the relationship between the NFM and the family members started on the wrong foot. In fact, when Vito summoned the family meeting to discuss Billardello hiring, the family was immediately against it. So, Vito decided not to hire Billardello. However, after few months, Vito reconsidered the whole things and decided to hire the nonfamily manager without considering his family opinion.

During the case, Vito has to mitigate different dispute between the two parties. The first dispute was during the meeting to discuss the first change suggested by Billardello. Though, Billardello did not attend the meeting and did not have the possibility to communicate directly to the family creating distance between the two parties. For the family, the suggestion made by Billardello was something drastic and the lack of communication increased the tension instead of reducing it. From this moment onwards,

Vito decided to decrease the communication between the nonfamily member and the family members. Indeed, when Billardello suggested improvements, Vito did not summon any family meeting like he used to do, but implemented them without their approval. Vito's lack of communication increased the resentment of the family towards Billardello and his management style. In conclusion, Vito was not able to mitigate and probably amplified the conflict. Though, the conflicts are not all negative, in this case the constant lack of communication did not allow to the two parties to face each other and resolve their problems face to face. Vito was trying neither to hurt his family nor his friend, but in the end the effect was the opposite.

**Theory:** Vito could have behaved much better to attenuate this conflict between family members and the nonfamily manager. First of all, “communicate honestly and openly with employees. The ability to have an effective communication with all members of the organization is critical” (Brown, 7 Rules for Avoiding Conflicts of interest in a Family Business 2011). In fact, instead of making more distant the two factions, Vito should have left them arguing about the issues of the company and let them discuss about the possible solution. Doing so, the two parties could finally find a solution that was acceptable for both of them. A good way to improve the communication would have been to organize team building events or let the nonfamily member participate in the family meetings. (Brown, 7 Rules for Avoiding Conflicts of Interest in a Family Business 2011). Secondly, a manager should “establish healthy boundaries between family and business” (Brown, 7 Rules for Avoiding Conflicts of interest in a Family Business 2011). Vito Catalano could have made more clear the positions of each employee in the business, especially the position of Billardello to the family member. In fact, Salvatore defined himself as an accountant, a brother and an advisor for all the important decision in the family business. To point out that Billardello was hired to improve the business could have helped the family members

to understand his role in the business. In conclusion, “do not create two classes of employees- family vs. nonfamily. Be careful not to show family members special treatment” (Brown, 7 Rules for Avoiding Conflicts of Interest in a Family Business 2011). In the case, a different treatment between family members and nonfamily members can be recognized. In fact, the family members were rude and behaved inappropriate towards the nonfamily members because they were aware that no consequences would arise. In order to avoid this problem, “a family employment policy guiding the requirements for family members seeking should be established. It is the ownership group’s responsibility to seek alignment on expectations for employment, as unity around these expectations will protect the family from unnecessary conflict in the future. The employment policy is necessary, but not sufficient to guide family employment in a positive direction. The last component missing is a Code of Conduct to guide behaviour on the job” (Stephen L. McClure 2016). Implementing a family employment policy would create a fair work environment because any infringement by a family member could not remain unpunished.

**3. Assuming the role of Vito Catalano, what would be your decision concerning Salvatore Catalano? What factors should be pondered?**

Vito’s decision is quite tough and there are various factors that should be considered. His affection to the family makes everything more complicated for the business. The family has gone through a lot of troubles during the existence of the business, such as the bankruptcy of the furniture business in 1990 and the consequential move to Germany. In fact, when the family moved to Germany, they worked all together in order to buy back the asset lost in the bankruptcy. For this reason, they named the restaurant “Lo Scoiattolo” that is symbol of hard working and saving up for the future. Moreover, as a family they always try to help each other. In fact, Vito did not hesitate to hire his family when they came back to Italy. Second, the behaviour of Salvatore would have been intolerable if he were a

nonfamily member. In the case, it is pointed out that Salvatore underperformed in many task, preferred just tasks that pleased him and he did not perform the tasks that were important to the business.

In conclusion, there is not a correct answer to this question. If you just face the decision with a business point of view, the right decision would have been to fire Salvatore for his performance in the business and keep the nonfamily manager, who has drastically improved the business's condition. On the other hand, Vito's feelings and affection for his younger brother and the rest of the family influenced his decision and thus, could have changed the result of the decision.

**Theory:** In order to have a full comprehension of Vito situation, we take into consideration "The Systems Theory Model". "In the system theory approach, the family firm is modelled as comprising the three overlapping interacting and interdependent subsystems of family, management and ownership. In order for the organization to perform optimally, the subsystems must be integrated so that the entire system functions in a unified way" (Poza 2010). In the Catalano family, the management and ownership circles were overlooked, making it a family-first business. The nepotism, the employment based on the family name and the different treatment for the family members were some of the points that made it a family-first business. "Because of the complexity implicit in a system that is composed of three subsystems, each potentially with different goals and operating principles, family business are vulnerable to the consequences of blurred boundaries among the family, management and ownership subsystems" (Poza 2010). Vito could not distinguish if this decision was business related or family related. In fact, from an external point of view, the decision would be much more clear, but because of the blurred boundaries, Vito was struggling with this situation. Although the nonfamily manager improved the business with more adequate managerial practises, the fact that we are dealing with a family-first

business, made the situation even more complicated. This impasse could have been avoided if clear rules were established, regulating the three different subsystems. “Implicit in systems theory is the capacity to jointly optimize interrelated subsystems in such a way that the larger system can be most effective and successful in the pursuit of its goal” (Poza 2010). Regulating the different subsystems could have put the limit on each circle and would have insured that this situation would not happen.

**4. How have the decisions taken by Vito Catalano been influenced by the socioemotional wealth paradigm? Which is the most important dimension of the FIBER model for the Catalano family?**

Most of Vito’s decisions are taken in order to preserve the family SEW. In fact, Vito Catalano was willing to increase the risk of the business and encounter financial problems instead of taking decisions that could have an impact on the SEW. For instance, before the hiring of the nonfamily manager, Vito was not opposing the decisions of his brother, Salvatore, and his father, Antonio, because he was scared of the consequences of changing the status quo. After reaching a critical situation, he decided to go against the will of his family and the first thing that he did was hiring the nonfamily manager, who was not well accepted by the family.

Moreover, also with the nonfamily manager the decision making process was too slow because Vito wanted to face one problem at a time and give his family the time to completely accept the new change. However, before the hiring of the nonfamily manager, there was a decision that was taken considering the SEW that was the cause of most of the problems in the firm. The company has more employees than it needed. Vito did not consider that a small business with a revenue of 1.5 million could not support an excessive number of employees but when his family needed help, he did not hesitate to hire them. In



fact, the family members felt part of the business and not hiring them would have caused a loss in the harmony of the family.

**Theory:** “The Socioemotional wealth theory is the notion that firms make choices depending on the reference point of the firm’s dominant principals. These principals will make decisions in such a way that they preserve accumulated endowment in the firm. In the case of family principals, the emphasis on preserving SEW becomes critical” (Pascual Berrone 2012). In fact, Vito was willing to sacrifice his business instead of taking some decisions that would have changed the status quo in the family. “When there is a threat to endowment, the family is willing to make decisions that are not driven by an economic logic, and in fact the family would be willing to put at risk if this is what it would take to preserve that endowment” (Pascual Berrone 2012). Vito reject the nonfamily manager the first time because he wanted to preserve that endowment and he made a decision that threatened the financial logic.

“The concept of SEW is multidimensional. The SEW is made up by five dimensions:

1. ***Family control and influence.*** The first dimension refers to the control and influence of family members.
2. ***Family members’ identification with the firm.*** The second dimension addresses the close identification of the family with the firm.
3. ***Binding social ties.*** The third dimension refers to family firm’ social relationships.
4. ***Emotional attachment.*** The fourth dimension deals with the affective content of SEW and refers to the role of emotions in the family business context.
5. ***Renewal of family bonds to the firm through dynastic succession.*** The fifth and last dimension of SEW refers to the intention of handing the business down to future generations” (Pascual Berrone 2012).

The dimensions considered above can impact the business either in a positive and a negative way. In the Catalano family, the first and the fourth dimensions played an important role. The first dimension in the Catalano family had a more negative impact than a positive one. In fact, the family members, before the hiring of Billardello, were always taken into consideration before taking a decision but after the hiring of the nonfamily manager, they were rarely taken into consideration causing a self-defence mechanism against the nonfamily manager in order to protect the SEW, causing different misunderstanding between the nonfamily manager and the family members. Regarding the fourth dimension, the family members were strongly attached to the business because of the story behind it, causing positive and negative effects. The positive effect was that all the family members were really committed to the business and were feeling part of it. The negative one was that Vito was not able to draw a line between the family and the business. In fact, Vito hired all the family members without thinking if they were needed or skilled for the positions.

### **Epilogue**

The day after the meeting with his brother, Vito decided to try a moderate approach, choosing a third option. In fact, Vito tried to dissuade his brother from the two alternatives, assuring him that the things will be different. So, Vito told him that he will not fire neither him nor Billardello and that a cooperation would be possible. However, Salvatore could not accept the decision and left the family firm. Vito was feeling uneasy with his brother decision. In fact, after his resignation, Salvatore closed all the interaction with Vito, making the situation even harder for him.

In the following months, the cash-flow problem of the firm was solved and the firm started to invest in other business related to the core business, such as becoming a furniture distributor and a franchising chain. Salvatore Catalano with the help of his father opened a second hand furniture store located in the same position of the first store opened by Vito. Moreover, the

relationship between the family members in the business and Salvatore is rather cold. Billardello is still working in the business and he is helping the business to grow outside Vito's hometown.

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