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Business Models and Organizational Structures of Family-owned Wineries in Italy

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Abstract

The main goal of this study is to analyse the family business organizational structure and how wineries family firms operate in the market. The socioemotional wealth model (SEW) has been used to represent the non-financial goals and utilities of family owned firms. In this regard, a survey was proposed. Finally, to investigate the development and current state of research on image and reputation in family firms, a systematic literature review has been conducted.

Key words: family firms, wineries, business, Three Circle model, SEW model, survey, marketing, communication.

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1. Introduction

Family firms are a common organizational structure all over the world. In various European countries, they represent 55% to 90% of all the businesses (European Family Business Trends, KPMG). However, the data available on private firms is limited and this is an obstacle for research development in this area.

The study focuses on two small-medium firms in the wine industry, Sartori di Verona and Todesco¹. Both are from Verona, in the Veneto region, one the most active wine-producing region in Italy. The reason of this choice was born from the author interest into the family businesses, the savoir faire and my passion of the wine sector, symbol of traditions and conviviality.

I have decided to base my thesis on both the literature review and empirical research. More concretely, the first step revolved around exploring the theoretical approaches (e.g. Three Circle Model and SEW model), while the second one was analysing how the two family businesses behaved towards the models. Finally, in agreement with my supervisor, I have decided to conclude my thesis with a focus on the marketing and communication field in order to be coherent with my academic background.

¹ It has been necessary to change the name of the second company to respect the willingness of the owner.

2. Sartori di Verona

2.1. The origin: 1898

The Sartori family firm was founded in 1898, when Pietro Sartori, acquired a vineyard in the Valpolicella area. It would be Regolo, Pietro's successor, who re-launch the family's trademark towards the second half of the last century. He worked to consolidate and affirm Sartori in the market. Specifically, he focused his resources on the development of the winery, ultimately transforming it into the family's core business. By the 1950s, Regolo's sons had expanded, obtaining international recognition for their family's wines. Pierumberto, looks after the business side, while Franco assumes the title of production and personnel management. In the late 90s, they extended the control of the company. The event coincides with the possibility to join the Board of Directors of the Colognola ai Colli winery. However, Regolo's sons maintained the total control of the production and distribution of wine, from the vineyards to the table. The aim was to launch a common project with ambitious objectives in terms of growth in producing and distributing high-quality wine in the world. The agreement established the beginning of a new era characterised by a renewed awareness based on an increased number of vineyards and an exponential growth of sales. This allowed accessibility to equipment, knowledge, experience, and organizational skills.

2.2. The Fourth Generation

Recently, Andrea Sartori, Pietro's great-grandson, has improved the business elevating the quality of Sartori wines. In 2000, he was named President of Sartori di Verona. During the same year, he established a venture with Cantina Colognola and acquired exclusive access to thousands of high-quality grapes. Additionally, in 2003, Andrea hired the renowned Franco Bernabei as his consulting winemaker. Franco has been profoundly involved in reshaping existing Sartori wines and creating new products, to realize the winery's full potential. During

the same year, Sartori made an agreement with the Cerulli Spinozzi estate. Thanks to which, the firm became also a pioneer Abruzzo, an untapped area in terms of production, image, and marketing but with great potential of growth. Currently one of the Veneto's "Big Five" wine producers, Sartori has expanded significantly under Andrea's leadership. Today, the family firm also markets and sells the wines of another highly-respected family business: Feudo Sartanna in Sicily.

Sartori di Verona's success is in large part due to its international efforts (e.g. Europe, North and South America, Russia, South East Asia). However, Andrea, Luca, Paolo, and their colleagues at Colognola prefer to remain faithful to a more understated style, one that is elegant and timeless and that represents them more than anything else. The motto "di Verona" shows the family firm's profound and indissoluble bond with the region, history and beauty of one of the most appreciated cities in the world. The real "innovation" of Sartori's business is the ability to tailor their wines appropriately, without succumbing to passing fads that cyclically cloud the skies of the winemaking panorama (Banfi Wines, 2017). In 2016, the distribution of sales revenues by geographical area shows the impact of exports, which represent approximately 75% of the total (Appendix 1). The EBITDA (Earning before Interests, Taxes, Depreciation and Amortization) shows a negative change of 14.83% equal to 405.057 €, while operating income (EBIT), net of amortization and depreciation (410.583€), goes from 2.674.387€ to 2.321.196 € (Appendix 2). Finally, the equity corresponds to 11.728.466 €. This represents the residual right of the shareholders, in the event of default, once all the other liabilities have been repaid according to their priority.

3. Todesco

3.1. The origin: from 1630

Since the XVII century, the Todesco family has worked the vineyards of Valpolicella area in search of the best quality grapes. The company identity is based on the territory. In this

perspective, the company has worked to better realize and develop its potential. Its commitment is synonymous with readiness to act and take care, but also attention to details and aptitudes. These values have become a style, connected with the territory and local varieties. The Todesco's style was born in the early Sixties when Lorenzo Todesco vinified the grapes from the Monte Olmi vineyard separately, thus creating one of the very first single-vineyard wine of Valpolicella, a wine that has been emblematic of the winery and the region.

Since 1630 the name of the firm has believed in the great bounty of its wine production, ever enhancing it with innovative production methods and environmental management techniques. They are focused on enhancing novel processes without compromising the value and attention to tradition. The passions, emotions, and attention to details have passed from the first generation to the second one.

3.2. The Second generation

Since 1630, the family has worked the vineyards of the territory, however, the firm was founded only with Lorenzo. Today, the company is located in Pedemonte, a point of reference for the Valpolicella area. The business is run by Lorenzo Todesco and his sons Antonietta, Sabrina and Riccardo. They share responsibilities controlling the entire production process, from the cultivation (46 hectares of vineyards in the best hills of Valpolicella over a total area of 99 hectares), to vinification, to sales: together they continue the work of interpretation and the enhancement of the territory started by their ancestors. Specifically, Antonietta, who first entered the company in 1984, takes care of the Italian market and administration. Riccardo is in charge of the production and the export in North America, while Sabrina, who entered the company in 2000, is more focused on the export in Europe and the Far East.

According to the Todesco's ideal, firstly, the land has to be taken care of, followed by respected and interpreted. It is this anchor that helps perpetuate the production of wines with

personality and style that makes it competitive in the market. However, Lorenzo has always worked to implement new winemaking processes, giving importance to innovation, technological progress and expansion. In 2016, Todesco's sales volume corresponded to 5.300.000 €, while the equity was 683.000 € and the EBITDA 310.000 €. Today, the family firm markets and sells its wines mainly in Italy, Switzerland and Germany in Europe and Canada and the United States for non-EU countries (Tedeschi Wines, 2017).

4. Comparison: Sartori vs Todesco

After a short introduction of the companies, a comparison between them has been conducted. Both benefit from their privileged access to past knowledge. Hence, we can affirm that the success of both these family firms can be explained by their ability to leverage tradition to develop successful new products.

Personal interviews with key family members have been conducted. Although at first glance Sartori and Todesco seem very similar, they present some structural differences. On the one hand, Sartori is a fourth generation firm with 48 employees. Therefore, we can conclude that it is characterised by a well-defined organizational structure. This allows the company to better outline employees tasks and to spend more time focusing on customers requests and increasing revenues rather than correcting operational issues. On the other hand, Todesco is characterised by a simple organizational structure with 15 employees. It is a second generation family business with a high symmetry between the family and the company structure. The firm does not rely on formal systems of division of labor. This flexibility encourages employees' creativity and individualism but informality has also negative aspects. For instance, the lack of clear guidance from the top of the organization sometimes creates confusion among employees and consequently undermines their motivation. The sector in which Sartori and Todesco operate is subject to strong competition, which generally manifests

itself with a strong tension on the sales prices of the products and services offered. In view of the consolidated presence on the Italian and the foreign market and the high reputation index of the brands, the two family firms are not expected to be particularly exposed to strategic commercial risk.

5.The Three Circles Model

The three-circle model describes the family business system as independent but overlapping zones: business, ownership, and family (Gersick, Hampton, Lansberg, Davis, 1996.). In order for the organization to perform optimally, these must be integrated so that the entire system functions in a unified way (Appendix 3). The ownership and the management circles are common to all the businesses, while the family circle is typical to family firms, providing to them unique opportunities and challenges.

In Appendix 4, the author presents a variation of the conventional “Three Circle Model” that illustrates the degree of influence that the family component could have. This has been considered to be a more accurate illustration of a typical family business. The family circle usually tends to be much more prominent, hence, it has a much greater impact on the management and ownership of the business. In several family businesses, the ownership and the management are primarily family based. In many family businesses, the family permeates the management and the ownership of the business, making it a significant, if not the major component in the overall management of the family business (Walsh, 2011). For instance, the two examples of my empirical research, Sartori di Verona and Todesco, present this kind of structure. However, I will focus more precisely on them in the next two paragraphs.

To conclude, the ability of family firms to outperform their non-family counterparts and successfully transfer the business to the next generations is very much dependent on their ability to manage their “family zone”. (Walsh, 2011). However, family firms need to maintain

a balance between business goals (e.g. growth, innovation) and family goals (e.g. maintaining open and productive family communications). Making use of expertise from outside the family may provide a greater depth of knowledge, thereby resulting in better decision making. They need to arrange a smooth transition in leadership, from one generation to the next. However, these objectives may sometimes conflict. The individual perspectives of members of the family and the firm will understandably be different because of their positions in the system (Family Business, Ernesto J. Poza).

According to Deloitte's research, *Next Generation Family Businesses*, the biggest challenges for the next generation of family business leaders will be to maintain family values, succession planning and introducing further professionalism into the firm. For instance: which children should be employed in the business? How much should they be paid? Will they be promoted? Viewed through the three-circle lens, a person in sector 1 (family circle only) may think, "Give them all the opportunities. They are all our children." On the other hand, those belonging to zone 3 (business circle only) could say, "We only hire relatives if they are better than other candidates" (Generation to generation).

Effective governance requires meetings for the examination of the complicated and often emotional family, business, and ownership issues that characterise family firms. The structure varies somewhat based on the size and diversity of the business organization, the ownership group, and the family. For instance, one type of governance structure does not fit all family enterprise systems. However, most family enterprise systems can be governed by a few structures, shown in Appendix 5 (Kachaner, Stalk, Bloch, 2012). On the one hand, the Family Council sets policies for the family and recommends policies concerning the family in regards to the board (e.g. policy about family employment in the business). On the other hand, the Board of Directors is a formally structured governing body endowed with legal

status and it is responsible for overseeing the performance of the business. In most family businesses these tend to be held as part of the annual general meeting of shareholders and comprise primarily or solely family members (Family Succession, KPMG).

A focus on the empirical research will be presented below. Starting from the genogram going to the analysis of the Three Circle Model and concluding with a survey about the SEW approach.

5.1. The model applied to Sartori di Verona

After interviewing Pietro, Andrea's nephew, the Sartori's genogram (Appendix 6) and subsequently the structure of the Three Circle Model applied to the specific family firm were recreated. Concerning the model, it is evident that: First, the family circle is composed by Paola, Giacomo (Andrea's son), Tiziana, Pietro and Martina (Luca's children), Nicola and Matteo, while the zone 2 is still empty. That because there are no non family-business owners. Second, in the business subsystem we can find all non family-employees working and collaborating with the firm, such as the enologist Francesco Bernabei, the brand ambassador Roland and the marketing manager Carmen Stirn. Concerning zone 4 and 6, the firm does not have family owners who are not working in the business, as well as, family members working in the business with no ownership. In contrast, the General Director of Cantina Sociale Colognola ai Colli fits perfectly in subsystem 5, while zone 7 is represented by Andrea, Luca and Paolo.

The Board of Directors of Casa Sartori Vinicola S.p.A. is so formed: 4 members from Sartori (60%) and 3 members from Catina Sociale di Colognola ai Colli (40%). Specifically, Sartori's members are Andrea, Luca, their cousin Paolo and one of his consultants. Additionally, the family firm does not have a Family Council. The strategic decisions are discussed and taken

by an Executive Committee which is composed by Andrea, Luca, Paolo and the General Director of Colognola. However, ultimately, it is the Board of Directors that has the power to approve the strategic decisions (Satori, L. Phone interview).

5.2. The model applied to Todesco

After interviewing Enrico, Antonietta's son, firstly the firm's genogram (Appendix 7) and secondly the structure of the Three Circle Model applied to Todesco family business were recreated. The members of the Todesco family and enterprise may be categorized as follows:

First, zone 1 is represented by Bruna Degani (Lorenzo's wife), Nicoletta Fornalé (Riccardo's wife), Maddalena, Costanza, Lorenzo (Riccardo's children), Marco Giacomelli (Antonietta's husband), Enrico and Anna Giacomelli (Antonietta's children), Giancarlo Sartorelli (Sabrina's husband), Chiara and Francesca (Sabrina's children). Second, the export Manager Paola Bassi represents non-family employees (zone 3). Lastly, in zone 7 we can find Lorenzo, Antonietta, Sabrina and Riccardo, while the ownership circle is still empty as well as zone 4, 5 and 6.

Todesco company has a Board of Directors composed by 5 family members, who are also part of the Family Council. Specifically, it is comprised by Lorenzo, his wife Bruna and their children Antonietta, Sabrina e Riccarso (Tedeschi, A. Personal interview).

5.3. Comparison of the Three Circles model between Sartori and Todesco

What emerges from this analysis is that the most concentrated area is zone 7. This demonstrates the total control of family members on the business and the ownership circles. The analysis continues with a second model, the SEW, which shows how major managerial choices are driven by a desire to preserve the family's socioemotional wealth apart from economic results.

6. The SEW model

The identity of family members is closely linked to the firm, which often carries their name (Dyer, Whetten, 2006). At the same time, how others perceive the firm affects the image and reputation of family owners (Chen, Chen, Cheng, Shevlin, 2010). From several empirical researches, it emerges that, compared with non-family firms, the presence of strong family values favors the development of a distinct organizational culture (Astrachan, Klein, Smyrnios, 2002). Gomez-Mejia et al. (2007), basing on the behavioral agency theory (Wiseman, Gomez- Mejia, 1998) developed a general SEW model to explain family firms' specific characteristics. The behavioral agency theory claimed that decision makers act in order to avoid losses. Regarding the SEW, the identity of the family members is closely tied to the business. Generally, family owners frame problems based on how actions will affect socioemotional endowment. When there is a threat, the family is willing to make decisions that are not driven by an economic logic by influencing corporate governance, management, strategies and approach towards risk. The SEW approach summarizes the total value that families gain from a firm, including non-financial value, such as image and reputation (Berrone, Cruz Cristina, Gomez-Mejia, 2012).

In this section of the thesis, the family business literature was reviewed from the socioemotional lens because it captures the essence of differentiating family businesses from all other firms. By nature, families share a range of emotions, such as: warmth, intimacy, happiness and love, but also hatred, jealousy and anger (Epstein, Bishop, Ryan, Miller, Keitner, 1993). For this reason, major managerial choices are driven by a desire to preserve and enhance the family's socioemotional wealth apart from economic considerations. According to the literature research, the family's socioemotional wealth may be considered as the primary frame of reference in the management of the firm.

According to the theory and the methodology expressed in the *Family Business* book written by Ernesto J. Poza, I have examined the SEW model along 5 dimensions that may be labeled as FIBER: Family control and influence, family members' Identification with the firm, Binding social ties, Emotional attachment and, finally, Renewal of family bonds to the firm through dynastic succession. Specifically, the Family control and influence dimension, is connected to the desire of the owners to execute and maintain control over their firms. Additionally, in the existing literature, family firms are presented as businesses with an exclusive and distinctive Identity. For instance, the name of the family is often linked to the name of the company. Moreover, the Binding social ties dimension, deals with the social relationships between the family business and its stakeholders. Furthermore, the fourth dimension, Emotional attachment, deals with how family members are attached to each other and what role emotion plays in the business decision making process. Last but not least, the Renewal of family bonds to the firm through dynastic succession may be described as the interest of transferring family control to the next generations.

In this regard, a set of research questions was outlined, in which the SEW model and the dimensions proposed were used as valuable analytical tools.

6.1. Measuring SEW Dimensions with a survey

The importance that family owners of Sartori di Verona and Todesco attach to noneconomic goals was measured using a survey. Twenty-five items were used in order to represent the FIBER dimensions of the SEW approach. Items were formulated at the individual level as I personally consider the individual family member as the appropriate unit of analysis on which to collect data. However, the SEW model revolves around a collective family identity, consequently, questions were designed to capture individual perceptions about family attitudes.

Approximately 35 people were asked to complete a questionnaire about the role of the family within the company. The participation in the study was completely voluntary and completion of the survey took around 3 minutes in total. The survey responses have been strictly confidential and data from this research has been reported only in the aggregate. The sample of the survey was characterised by all the individuals, family and non-family, involved in the business. Although not everyone answered, enough data was obtained to make a relevant conclusion. More precisely, 25 out of 48 Sartori's (Appendix 10) and 8 out of 15 Todesco's (Appendix 11) individuals who contributed to the survey.

6.2. Results

According to the article *Socioemotional Wealth in Family Firms*, a set of proposed items was used in order to measure the SEW dimensions. The survey was composed by twenty-five different items where people were asked to answer using a scale from 1 to 5, where 1 corresponds to "totally agree" and 5 to "totally disagree". First the average for each item and next the average for each dimension were calculated (Appendix 11 and Appendix 12) on an excel file. Finally, a radar graphic with a scale from 0 to 5 has been used to better represent the results of the survey. Concerning Sartori, four dimensions out of five correspond approximately to 2, while the "E" dimension is 3,5. Regarding Todesco, the overall result is around 1, while the "B" dimension tends to 2.

Present below is a short explanation of the survey, including the mathematical results, the analysis of the radar chart and the qualitative explanation of the numbers.

6.3. Discussion

The set of items proposed highlight how the identity of the family members is closely related to the business. The radar chart shows a concentration towards the centre for both the family firms (Appendix 8 and Appendix 9). This means that those people who responded to the

survey tend to agree with the statements. When a family firm rates very high on the FIBER dimensions means that family principals tend to choose risky economic actions in order to preserve socioemotional wealth. Present in Appendix 12 is a short explanation of the survey to better understand the answers related to the FIBER dimensions.

However, from the results, there is a difference between Sartori and Todesco. More specifically, the survey shows how at Sartori, the emotional bonds between family members are not that strong (Appendix 10, third question of the E dimension). Apparently, people working at Sartori consider both positive and negative effect of emotional attachment, which may make kin relations dysfunctional. On the other hand, Todesco is characterised by a strong focus on the family in all dimensions. However, the average of the FIBER dimensions is 1.54, while the B dimension tends to 2. As it was explained in the previous paragraph, the Binding social ties dimension, deals with the relationships within the family business and its stakeholders. The survey shows how Todesco is not that active in promoting social activities at the community level (Appendix 11, first question of the B dimension). In other words, compared with the other dimensions, family owners seem to be less inclined to take risky economic actions to protect socioemotional wealth.

6.4. Comparison: Sartori vs Todesco

In general, the empirical questionnaire confirms what has been theorised in the SEW model. Specifically, the performances in Sartori and in Todesco are in part influenced by a set of strategic choices affected by socioemotional considerations with sometimes contradicting performance implications. In other words, Sartori and Todesco family principals tend to protect their socioemotional endowment even when this has a financial cost (Appendix 8 and Appendix 9).

7. Marketing and communication strategies in Family firms

Family businesses that generally invest in family cohesion also focus on securing the future of the business, giving the younger generation the opportunity to finally take the reins. According to the paper *Family Business cohesion and profitability*, family firms have to establish a balance between preserving the core of what has made the business successful on the one hand and promoting adaptation to change competitive dynamics on the other. In other words, strongest family businesses in the world became and remain successful by optimizing both family cohesion and business growth. Moreover, family firm owners work to create a successful firm in the long run. In other words, they consider the company not only as a sustainable source of income but also as a legacy for the next generation (Dyer and Whetten 2006). The long-term orientation of family firms allows them to generate assets (e.g. family firm image), to invest in social capital and, last but not least, to create a good reputation rather than focusing on short-term financial results (Miller, Le-Breton Miller, Scholnick, 2007). For this reason, they focus on customer loyalty and building long-term relationships with stakeholders (Zellweger, Nason, Nordqvist, 2012).

As a consequence, customers generally perceive family firms as trustworthy organizations, which has positive effects on customer loyalty, customer retention and their potential acceptance of new products (Beck and Kenning 2015). The “familiness” is the “unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business” (Habbershon and Williams 1999, p. 11) can generate a competitive advantage over non-family firms.

In order to analyse how these firms communicate they are family businesses, a research on Sartori di Verona and Todesco has been conducted. Before introducing practical examples, one must keep in mind that the availability of private firms' data is limited. According to a

research conducted by Cisco, in the Italian wine sector 77.3% of companies did not invest in value in ICT technologies in the last five years. Especially small and medium companies, have no interest in investing in the digitalization of data (Digital Transformation Institute, Cisco).

Family businesses normally provide for closer contact with management, are less bureaucratic and have a built-in trust factors with established relationships. Sartori di Verona and Todesco are prestigious wine family businesses in the world, however, together they count around 50 employees. Hence, by their nature, these two firms do not act as highly structured businesses. According to what emerged from the interviews with the owners, like most of the medium-small wine businesses Sartori di Verona and Todesco do not guarantee an efficient database and consequently, they do not offer innovative marketing and communication strategies. However, they both promote their company's status as a family firm which strengthens consumer's preference for the products and services offered.

Presented in the next paragraph, is an explanation of how the two companies resemble each other in the communication of their family firm status.

7. 1. Partical example – Sartori di Verona

Sartori's communication channels may be conveyed in two ways: the Brand Ambassador and the using of social network (e.g. Facebook and Instagram).

Concerning the first, Roland Marandino started his career as an academic with a doctorate in Renaissance English Literature. When he realized that a university career would not allow him to cultivate some of his more worldly interests, such as wine, food and travel, he decided to leave the studies for the business world. Firstly, Roland started from his talents for teaching

and writing to pursue a career as a technical writer, a skill that he subsequently used for his own behalf to share the passion for wine spurred in him by his father. He was the founder, the publisher and the designer of the project Tablewine.com, meeting the interest of the young audience in affordable wines for everyday drinking. He acquired quite a following on the web and by that time, he decided to turn the hobby into a full-time job, with the result of almost 3,000 subscribers and 12,000 hits a day. Today, Roland may be considered as Sartori's Family Brand Ambassador in the United States. His role consists in visiting major markets and collaborating with major district managers and distributor representatives. More precisely, the activities include on and off-trade sales calls with local representatives, hosting wine dinners, participating in cooking demonstrations as well as leading wine seminars. Finally, he works with Sartori marketing and PR teams to write and translate product literature, including brochures, newsletters, technical sheets and label copies.

Regarding the social networks, Sartori di Verona has two Facebook pages: Sartori di Verona and Sartori Wine Shop. In the first one they post surveys and present new labels, while in the second they sell Sartori's wines combining them with other local products.

Additionally, in the Sartori's stores they organise several culinary events (e.g. wine tasting and showcooking) in order to attract loyal and potential customers. Furthermore, from the report regarding operations emerges the strategic opening of the new WineShop in the heart of Valpolicella in December 2016. Here, the main activities are the sale and the supply of agri-food products, promotions on related objects and tasting activities. The choice of investing in these activities, has matured from the necessity of having a structure that joins the already present productivity of the company with novel promotion strategies through a wider communication platform. The investments in communication and marketing have been confirmed and the continuous presence at events, demonstrations and fairs has given new

visibility to the company brands. Investing in the brand, cultivating its customers, approaching and having a direct relationship with the consumers, investing in wine tourism through an effective online communication, will be the watchwords for the Sartori's presence in the market.

7.2. Practical example – Toderesco

On the other hand, Toderesco's marketing and communication strategies are mainly related to social networks such as Facebook and Instagram. Sabrina, one of the owners, personally takes care of the Facebook page, in which she decides to share articles, awards, surveys and events related to the winery as well as suggestions on how to combine Toderesco's wine with local food. Additionally, Sabrina daily posts new pictures on Instagram which shows the main characteristics of the firm such as: the family, Toderesco's emblematic wines and the strong link between the firm and the territory.

7.3. Comparison: Sartori vs Toderesco

Concerning the specific examples, Sartori and Toderesco implement a tactical, short-term strategic marketing planning investing most of their resources in social networks and events. They both are deeply rooted in their home region, Veneto. For this reason, they emphasise their bond with the traditions and the soil of their territory, using the heritage as a competitive advantage.

Personal interviews with the owners has been conducted. According to Luca Sartori and Antonietta Tedeschi points of view, communicating the family status has apparently a positive effect on business performances, because employees and consumers generally perceive family firms as positive, authentic, trustworthy. As a consequence, this influences employee's satisfaction and consumers' buying preferences for family firm products and

services.

However, there are differences among these family businesses in communicating their family firm status based, for instance, on the firms' size. Sartori, which can be considered an international firm, sometimes tends to undermine its family ownership as it has been mentioned before in the SEW analysis. For example, in its website homepage the potential customer finds the logotype followed by the pay-off "Sartori, great wines in the name of Verona". Here, the focus is on the charm of the history, the bond with the territory, the strength of a personality enclosed in wines that elegantly tell the whole world the most intense love story: that for Verona. On the other hand, Todesco, a small, local firm with non-technological focus tends to emphasize its family ownership. For instance, on the website homepage, the potential customer finds the logotype followed by the pay-off "Tedeschi family, four centuries of history and wine tradition".

8. Conclusion

The conclusion of this thesis can be summarized in three main points, always looking at the examples.

First, concerning the Three Circles Model:

Theoretically, there is no trade-off to be made between focus on the business and focus on the family. In fact, the optimal mix is to focus on both simultaneously. Doing so enhances family cohesion, which increases profitability. However, the practical examples (e.g. Sartori and Todesco) show how the family circle predominates over the others.

Second, regarding to the SEW Model:

Generally, Family businesses are believed to be different from non-family businesses because their owners often pursue certain family-specific, non-financial goals (e.g. to pursue family

legacy). The survey confirms the strong relationship between family and business although, sometimes, at the expense of the profit. For instance, according to the SEW model, family firm's decision makers prefer to avoid a loss even if this means accepting a higher risk. Therefore, socioemotional elements can lead to both negatively (e.g., less investment in R&D) and positively (e.g. the family legacy, better relations with stakeholders) strategic choices in the long-run.

Last but not least, family firms are generally characterised by unique features (e.g. tradition, culture, attention to details), which lead to positive perceptions by both employees and customers. Both Sartori and Todesco value, although in two different ways, their competitive advantage of being a family business without spending time and resources creating long-term marketing and communication plans.

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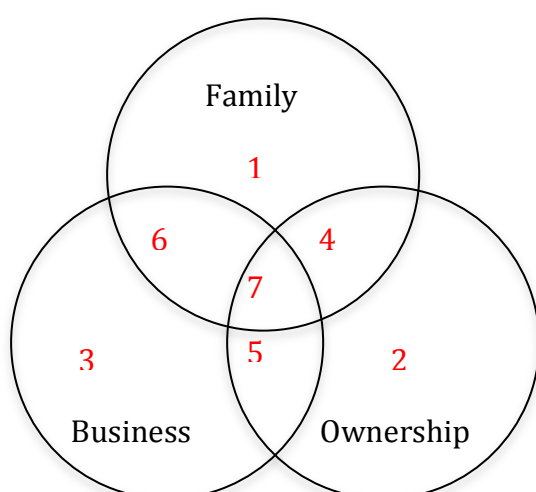
Appendix 1 – Sales revenues

Geographical Area	Current Value
Italy	10.819.574 €
Foreign Countries	33.880.016 €
Totale	44.699.590

Appendix 2 - The reclassified income statement of the company compared with that of the previous year is as follows in euro:

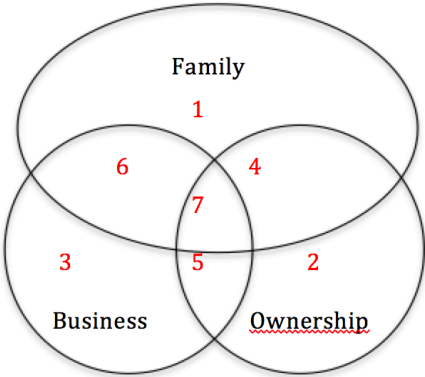
	31/12/2016	31/12/2015	Δ
Revenues	45.693.494	46.392.611	699.117
Expenses	40.009.460	40.190.730	181.270
Added Value	5.684.034	6.201.881	517.847
Labour Cost	2.952.255	3.065.045	112.790
EBITDA	2.731.779	3.136.836	405.057
Interests, Taxes, Depreciation and Amortization	410.583	462.449	51.866
Operating Income (EBIT)	2.321.196	2.674.387	51.866

Appendix 3 – Three Circles Model

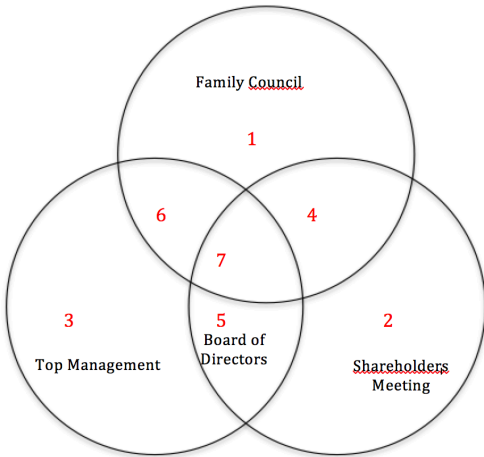


- Zone 1 represents family members not involved in the family business,
- Zone 2 represents non-family business owners.
- Zone 3 represents non-family employees.
- Zone 4 represents family owners not working in the business
- Zone 5 represents non-family owners working in the business
- Zone 6 represents family members working in the business, but with no ownership
- Zone 7 represents family members who own the business and work in the business

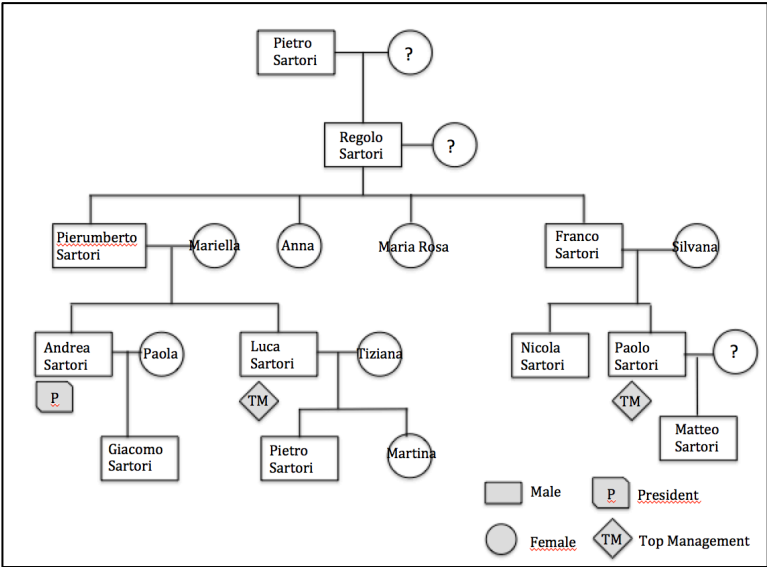
Appendix 4 – A variation of the Three Circles Model



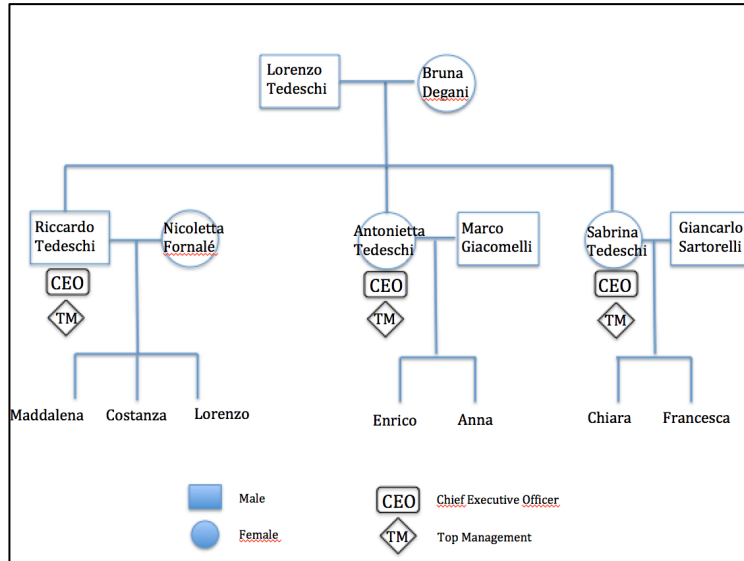
Appendix 5 –Governance Structures in Family Firms



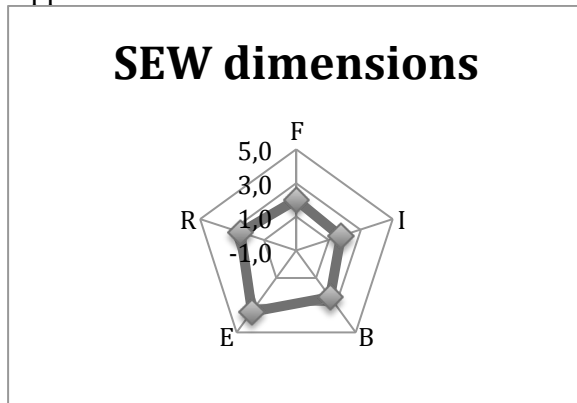
Appendix 6 - Sartori’s Genogram



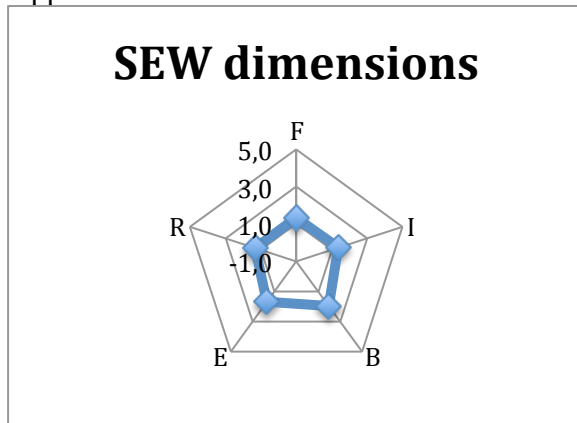
Appendix 7 - Todesco's Genogram



Appendix 8 – Sartori's Radar Chart



Appendix 9 – Todesco's Radar Chart



Appendix 10 and Appendix 11- Excel Calculations

Appendix 12 – Explanation of the Survey structure