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# LONG LASTING WINERIES: MANAGING FAMILY BUSINESS AND SUCCESSION IN TUSCANY REGION[1]

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Abstract

The paper analyses the family governance models in the wine industry with reference to the oldest firms operating in Tuscany (long lasting wineries). Tuscan wine firms show a strong ability to manage succession over a number of generations. We will endeavour to identify the critical variables in the family governance models of wine companies. We will point out the specific system of succession in the wine industry, which takes on distinctive characteristics compared with the dynamics of other small and medium Tuscan firms. Finally, with reference to two representative family firms, we will underline some specifics in the mechanisms of governance in long lasting Tuscan wineries able to guarantee the continuity of the family model. To do this we use a qualitative approach, realizing interviews with managers and owners of each company.

The analysis evidences two principles: 1) The family business doesn't seem a transitory element of governance models in wine firms in Tuscany; even in the presence of a renewal of the existing actors; the family model appears to be a permanent structure in the industry, able to adapt to a changing scenario. 2) The Tuscan wine firms seem to have identified efficient mechanisms in managing the generational transition process working with old and new generations, internal managers and external consultants.

These first reflections are useful both to those operating in the industry and to researchers, and are worthy of further future study to overcome the following limitations: number of firms analyzed; variables considered; lack of international comparative analysis.

# 1. THE IMPORTANCE OF STUDYING LONG LASTING TUSCAN FAMILY BUSINESS WINERIES

The topic of generational transition plays a central role in the field of family business (Brockhaus, 2004; Handler, 1990; Sharma et al., 2007; Wortman, 1994); managing continuity and perpetuating the family-owned business is not easy in the long run (Beckhard and Dyer, 1983; Birley et al., 1999; Miller and Le Breton, 2005; Vancil, 1987; Ward, 2004). We define **succession** *as a process whose goal is to ensure firms' continuity, that carry on a new property of the firm governed by the successors and where all or part of the successors inherited managerial and entrepreneurial responsibilities and functions* (Corbetta, 1995).

Succession is often viewed as a dangerous moment for the family business (Cabrera-Suárez, 2005; Piantoni, 1990; Upton and Heck, 1996; Ward, 1987); research by the European Commission showed that only 50% of family business reached the second generation, and only 15% manage to survive after the second generation (Vergani, 2003). This is a relevant problem both for SME and large firms (European Commission, 2002; Montemerlo, 2000; Zattoni and Ravasi, 2000).

Effective management of this family generational transition can be a critical factor in developing the business in the long run. A study regarding a sample of firms with more than 100 years of life (Elstrodt, 2003) has evidenced that family businesses can earn more money than public companies, and that they have efficient mechanism in the corporate governance (equilibrated composition of the board of directors; meritocracy in the selection of family members, strong orientation towards profits and growth in running the business). The importance of knowing how to manage succession is a critical factor, which guarantees continuity in business operation and can be considered synonymous with entrepreneurial attitude to business development. Further research (The Economist, 2004) has shown that among the world's 15 oldest family businesses, 8 are Italian (3 are located in Tuscany, two of them are in the wine business).

We focus our attention on **long lasting wineries** and, in accordance with previous research (Goto, 2006; O'Hara et al., 2002), we interpret this kind of family business in a narrow sense, considering only those founded before the fifteenth century. In literature it is well known that the age of a company affects complexity, both at a business and family level, consequently the older the family business, the more problems emerge in managing succession (Davis and Taguiri, 1989; Gersick et al., 1996; Sandig et al., 2006).

The analysis of generational transition in the Tuscan wine business is relevant for many reasons: a) because most of the wine firms in the region are family businesses (Pescarolo, 2007); b) because many wine firms are now facing generational transition problems and a relevant number have managed to reach/overcome the third generation (Mattiacci et al., 2006); c) little is known regarding the management of this phenomenon.

The aim of this paper is to answer the following **research question**: *What are the main family business characteristics of long lasting Tuscan wineries? Is it possible to underline some key variables or strategic behavior that can explain their good succession performance?*

In § 2 we underline some peculiarities of the family business model in the Italian wine industry and, at the same time, review some of the variables affecting succession found in literature. In § 3 we focus our attention on the peculiarities of Tuscan family business in the wine industry by comparison with other industries (industry specific factors). Finally, in § 4 details are given on the methodology used for this study and we focus our attention on two Tuscan long lasting wineries, which can be considered good examples of families capable of running a wine business in the long run (more than 20 generations). In the Tuscan wine business there are different entrepreneurial business models, and the families carry on different succession processes (firm specific factors); in the case of long lasting wineries it seems possible to underline some key variables and strategic behavior that can explain a successful succession process. We conclude with a summary of our findings and a discussion of the implications for researchers, family entrepreneurs, business managers and consultants.

## 2. FAMILY BUSINESS CORPORATE GOVERNANCE AND SUCCESSION MANAGEMENT: EVIDENCE FROM LITERATURE

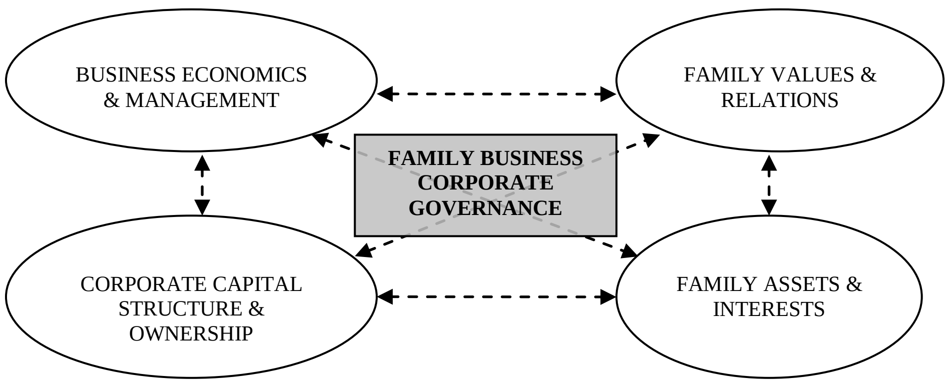
In literature we can find many definitions of "**family business**" (Carr and Sequeira, 2007; Miller et al., 2007) and numerous research topics have been the subject of in depth examination. Some authors focus their attention on the difference between family and non-family owned businesses (Neubauer and Lank, 1998; Westhead et al., 2001); others on the distinction/division between family and work (Parsons, 1952); in general it's common to define family business by one criteria (such as family ownership, management, operational involvement, number of generations, interactions, etc.) or combinations of criteria (Habbershon et al., 2003; Heck and Trent, 1999; Upton and Heck, 1997; Wortman, 1994). In this study we define a family business when one or few families, connected by blood relations, affinity or only allegiance, hold sufficient of the risk capital to ensure control of the company (Dematté and Corbetta, 1993).
In this § some critical variables are re-examined through literature in order to understand corporate governance in family firms within the Italian wine industry. We identify some criteria associated with efficient management of the generational transition in family companies.

### 2.1 Corporate governance and family business: evidence in the Italian wine industries

The management of problems of corporate governance in family businesses is common to all types of business (Montemerlo, 2000; Mork, 2005; Zattoni and Ravasi, 2000). The model evolved from an initially two dimensional system, made up of family institution and business institution (Devecchi, 2007; Hollander and Elman, 1988; Lansberg, 1983; Olson et al., 2003; Swartz, 1989;), and a three dimensional one in which the business dimension is articulated in the subsystem of ownership and management (Devecchi, 2007; Gersick et al., 1996; Habbershon et al., 2003). The proposed model gives an analysis based on four axes (Picture 1), with further division of the family system in two subsystems that of family values and relations and that of family assets and interest. With an objective to better underline the critical nature of the family heritage within the dynamics of the wine family business model. In synthesis the interpretative variables relevant for each axis of the analysis are (Kets De Vries et al., 2007):
a) *Family assets and interests*: present or prospective stock of other family activities to which the resources, motivations, family attention are dedicated; opportunity for estate diversification with respect to those concentrated in the wine industry; system of remuneration of the owners in keeping with the financial needs of the wine business; evidence of heirs' personal and professional interests different from those of the wine business.
b) *Family values and relations*: structure and composition of family command groups; historical and participatory ties (founded or purchased) between the business and the family control groups; importance and level of income sharing, competitiveness and growth of the wine business and how these relate to other personal, social and environmental objectives; interaction and negotiation processes between different family members in regard to power and management of the wine business; generational impact on family values and relations.

c) *Corporate capital structure and ownership*: distribution of company control among family members; capital access to stock markets or financial partners; succession through wills or by donation; investment capital structure and conditions of economic equilibrium; presence and division of guarantees of economic operations.
d) *Business economics and management*: industrial profiles, competitive strategies, productive structures, company size, performance and profits; growth potential; system of management; presence and role of third parties (professionals, consultants and financial intermediaries) to support family-company relations.

Picture 1: The corporate governance for the family businesses – an interpretative model




The study of corporate governance in the Italian wine family business is influenced by two important characteristics:

- *The dualistic family firm structures* (Mattiacci et al., 2005; Zanni, 2004). Micro-firms (less than 10 employees) with simple productive systems are dominant and their governance functions are mainly centralized in a single entrepreneur. On the other hand there are some larger family firms with a more complex capital structure and with stronger strategic capabilities; the organization of the family business is more formalized and more people are involved in the firm governance; succession is more complex to manage. In this paper our interest is focused on this second type of family owned winery.
- *Reduced propensity for quotation on financial markets and other realities of the Old and New World* (Cordero di Montezemolo, 2006). Worldwide there are over 50 winemaking companies quoted on the stock market, 23 of these are European. The majority of valued winemaking companies in Europe still have ownership controlled by family groups and a reduced float. As far as Italy is concerned at the present moment there are winemaking companies quoted even though the subject is a point of discussion.

Applying this interpretative model it is possible to underline some specifics of the corporate governance in family companies of the wine industry following two axes of analysis:
- *Left axis*, which deals with family ownership and business economics, it is possible to distinguish wine companies according to structure and level of direct control of the different rings of the value chain. On the one hand we find businesses with a simple productive structure (producers of grapes supplied to third parties), or however dedicated only to the activity of winemaking, transformation and commercialisation through the purchase of primary materials from external suppliers. These are companies with simple vertical structures (where ownership and entrepreneurship normally coincide) which adopt criteria of management flexibility and

limited governing logic to few rings on the value chain. On the other hand we find companies with greater resources and competence, with significant investments in family estates (wine producing, real estate and agriculture), which respond to a more articulated governing logic (partly also outside the family group). These businesses have succession procedures which are more complex to manage given they have to manage the efficient continuation of production alongside a possible division of the family estates; the method of produced economic value sharing among the owners of the wine company and those of the family estates are more complex to define. We examine companies which fall under the businesses of the second type.

- *The right axis*, which deals with aspects which are strictly more family based (values, relations and ownership) it is possible to identify the actors according to governing logic connected to the level of diversification of the family business. On the one hand we find companies which represent the principal family interest of family groups (often many generational) specialised in the wine industry, on the other, companies whose family groups have attained entrepreneurial and financial success in other economic sectors (recently included in a sector and regional context). The former are likewise characterised by more careful management aimed at remuneration, but also to family tradition and have management models concentrated within the family group. There is also the participation of professional managers who have a strong personal relationship with the family because they have developed within the company or have gained the trust of the owners. The second are companies which have been purchased or developed for diversification and/or status and/or self realisation of a specific passion for the winemaking world; in this case financial values are often overcome by personal ones and management is delegated either to family members with a particular vocation or dedication to wine production or to people outside the family who usually have technical-production backgrounds. Based on these characteristics the cases we examined fall under the companies of the first type.

## 2.2 The management of generational transition in the family business: evidence from literature

Family succession is only one alternative for the founder when decides "to hand over"[i] (Burns, 2007; Zanni et al., 2005). When the owner opts for succession he is faced with an extremely complex phenomenon (Gallucci and Gentile, 2007). An **effective succession process** (Cabrera-Suàrez et al., 2001; Sharma, 2003a) depends on reaching various objectives contemporaneously:
- maintaining the family unit in terms of *internal cohesion and value sharing* (Bjuggren and Sund, 2001; Habbershon and Williams, 1999);
- *maintaining control* in the hands of family descendents (Corbetta, 1995);
- *development of a strong company* capable of surviving in the medium-long term (Aliverti, 2007) and which satisfies the expectations of the stakeholder (Sharma et al., 2001).

The examination of recent studies and literature on family business (Chrisman et al., 2007; Sharma et al., 2007) identifies a series of variables relevant to the successful transition referring back to the four critical axes of the governance of wine family business shown in § 3.1. In particular, we would like to underline actions and attributes which can ease succession with reference to the wine companies we examined.

a) FAMILY ASSETS AND INTEREST: here, three aspects seem to play a vital role. The adoption of techno-juridical solutions given to guarantee continued family-company relations, like the subscription of family pacts which set objectives and behavioural rules for the family and company during the succession process (Chiesa et al., 2007; Corbetta, 1995; Gallo, 1995). The existence of a balanced retribution system between manager and family (Chrisman et al., 2007).

The existence of mechanisms for realigning objectives, particularly for growth strategies coherent with family interests (Jaskiewicz and Klein, 2007).

b) FAMILY VALUES AND RELATIONS: here it seems vital to involve the family in the succession process and keep a peaceful climate in order to maintain shared values (Barnes and Hershon, 1976; Brokaw, 1992; Dyer, 1986; Dyer and Handler, 1994; Kets de Vries, 1993; Levinson, 1971; Nelton, 1991; Ward and Aronoff, 1992; Williams, 1992). To achieve this, it is necessary to introduce specific solutions: the adoption of formal management of internal relations through the drawing up of a *Family Constitution* and the creation of a *Family Council* or the adoption of inter-generational teamwork (Beckhard and Dyer, 1983; Burns, 2007; Handler, 1992; Harvey, 2004; Jaffe, 1992; Leach, 2007; Ward and Aronoff, 1993). In literature a period of the predecessor and the successor working together are vitally important characterised by a progressive handing over of responsibility, finalised in attaining reciprocal knowledge (Handler, 1990; Lansberg, 1997; Osborne, 1991; Piantoni, 1990). It is important that the person, at the moment of his retirement, respects decisions and does not interfere in the consequent management of the business (Burns, 2007; Handler, 1990; Handler, 1991; Harvey, 2004; Keogh and Forbes, 1991; Kepner, 1983; Leach, 2007).

c) CORPORATE CAPITAL STRUCTURE AND OWNERSHIP: here, two aspects seem to have major relevance. The existence of an economic-financial plan of the withdrawal of the owner where the retiree is economically ready (besides emotionally) at the moment of retirement, and suitable property strategies are put in place to guarantee the continuity and the succession of the company (Jovenitti, 1998; Vergani, 2003). In particular it is necessary that the capital structure be redefined in relation to the changes taking place within the company (Burns, 2007; Leach, 2007). Literature also refers to the separation of owner and entrepreneurial assets, for example with the creation of suitable governing bodies (“Family Holding”), the adoption of evolved management and financial planning strategies for family estates (Chiesa et al., 2007; Montemerlo, 2000).

d) BUSINESS ECONOMICS AND MANAGEMENT: can be considered critical in planning succession; the nature of the succession process (Piantoni, 1990) would encourage a formal approach to govern the multiple figures, interests, relations involved (Sharma, 2003a); the definition of a Succession Plan thus identifies times, methods and those involved in the process to be indicated (Boyatzis et al., 1989; Boyatzis et al., 1995; Burns, 2007; Chittor and Das, 2007; Danco, 1982; Deakins, 2006; Kets de Vries, 1993; Leach, 2007; Morris, 1997; Sharma, 2003b; Ward, 1987; Ward and Aronoff, 1992; Williams, 1992). On the one hand the progressive reduction of responsibility of the founder should be explicit, on the other the contemporary assumption of responsibility of the successor and the role they will play. Literature indicates the preferable solution to be in a written form. The successor should likewise be provided with a formative/educational path which helps him develop skills useful to his employment in the company, considering the necessary time for the formation process to take place (Burns, 2007; Doescher, 1993; Fenn, 1994; Harvey, 2004; Hyatt, 1992; Leach, 2007; Osborne, 1991; Sharma and Irving, 2005).

The contents of the formation, both academic and in the field, should be defined (Chrisman et al., 1998; Stavrou, 1998), with the possibility of a “mentor” working alongside. Company governance considers it important to transmit the following competencies: functional knowledge skills; generic management knowledge and skills, business and strategic awareness, personal competencies (Bridge et al., 2003). The founder can take advantage of an external support system to resolve fiscal, financial and pension implications which the succession implies (Harvey, 2004; Leach, 2007), and includes a non-family manager in the development of the succession process to obtain consensus (Burns, 2007; Harvey, 2004; Leach, 2007).

## 3. THE ROLE OF FAMILY BUSINESS IN THE TUSCAN WINE INDUSTRY: EVIDENCE ON OWNERSHIP STRUCTURE AND MANAGEMENT OF SUCCESSION

Industry characteristics and firm location can influence succession (Piantoni, 1990; Zanni et al., 2005), so in this § we underline some peculiarities of family business in the Tuscan wine industry viewed in comparative analysis with other sectors. We base our comparative examination on three research levels:

- At a *regional level*, research carried out by Irpet on family business governance in different Tuscan firms (Pescarolo, 2007)[ii]; the analysis is based on 125 wine firms interviewed, a statistically relevant sample of regional production (Imbergamo, 2007).
- At *industry level,* research on 39 small wine firms located in three Tuscan production areas (Mattiacci et al., 2006).
- At a *local level*, two items of research on SME succession strategies in the goldsmith district of Arezzo (Zanni, 2006) and in the textile district of Prato (Zanni, 2007).

Regarding ***the model of governance and property structure of Tuscan wine firms*** the empirical analysis confirms the following characteristics of the Tuscan wine firms:

- *The natural preference for very simple juridical form*. Around 2/3 of all the firms interviewed adopt simple partnership (non-stock corporation), and family partnerships are more diffuse than individual firms; joint-stock companies are rare (less than 5%). This simple juridical formula seems to remain in the long run and differentiates the wine firms from other SME operating in similar traditional industries (in the textile industry, for example, the stock corporation is around double those of the wine industry).
- *The small dimension of the firm.* 50% of wine firms have less than 4 employees; 81% have less than 10 employees. This lack of growth strategy is common to other industries.
- *The capabilities to survive and to defend the family ownership of the firm*. Around 40% of Tuscan wine firms were founded before 1970 (two fifths of these firms were founded before 1950). Around 38% were founded in the decades 1970-1990; around 20% after 1991. Survival capability is a special characteristic of wine firms: the average regional data of firms founded before 1950 is 3,7%, while it is 19,6% in the wine industry (Pescarolo, 2007, p. 48).
- *A process of "re-familiarization" of the business.* Generally, the ancient wine firms were founded as individual firms and then, in time, have been transformed into family businesses.
- *The large predominance of family business in the wine industry* (around 85%). Non family business are only 12,5% (in other industries, like textiles, they are double, and in high tech industries are 47%). Group controlled wine firms are few (5%).

Early evidence on the ***nature of the succession process*** emerge too. Considering *the number of succession processes which have characterized the wine firms*, measured in terms of number of generations involved in the family business, we notice (Pescarolo, 2007, p. 53): a) the smaller number of first generation family business in the wine industry (the 32% compared to the average regional data of 55%); b) the relevant number of wine firms where the third, or more, generations are involved in the firm (21,6%, three times more than in other industries).

The generational transition has sometimes determined *a transformation and a more open structure of the model of governance* where we notice (Mattiacci et al., 2006):

- The entrance of external capital in the Tuscan wine areas. In the Chianti-Brunello areas around 20% are Italian partners; around 15% are foreign partners.

- The weaker attention to adequate the firm capital structure but a more open attitude to involve external people working both as managers or as private consultants[iii].

Focusing on the main partners of the wine firms we see (Imbergamo, 2007): a) The low relevance of female partners (around 16%), despite in some important long lasting wineries women entrepreneurs have begun to appear (Olivari, 2006); b) The advanced age of the main partner, which suggests the possible differentiation between ownership and real management in the wine business (see § 5); c) The large predominance of brothers/sisters as main other partners, due to possible difficulties in the division of rural and real estate properties after succession.

The wine business is characterized by *a strong polarization in the education paths of the firm partners* (Imbergamo, 2007, p. 174): i) a large number of wine entrepreneurs with no or elementary level of education; ii) the high number of graduate partners. This characteristic is peculiar to the wine industry and the type of education shows no evident correlation with firm economic performance. Eclectic educational approach prevails in the wine business; specialist degree (as in agriculture) are not so widespread. This high differentiation in the education processes can be explained by a precise family strategy connected to two different types of wine business models: i) low level of education characterized in general farmer families; ii) much higher education is typical of rural middle class or noble families where important studies are in keeping with the family's social status.

This *differentiation in the wine family path of development* seems to be confirmed by three other characteristics (Pescarolo, 2007, p. 63-69): a) The owner/entrepreneur with different former professional experiences. b) Competence and experience considered critical for entrepreneurial success in the wine industry is mainly "managerial education" and "knowledge of the local territory"; in other traditional industries the average data are, respectively, lower and higher (Zanni, 2006; Zanni, 2007). c) Owners with higher education degrees seem not directly involved in the wine business (they are family "sleeping partners" without managerial functions).

Other peculiarities of the wine firms emerge regarding the *entrepreneurial styles adopted to reach success* (Imbergamo, 2007): "promoting innovation" and "team building" are considered the main useful governance capabilities by wine entrepreneurs (much higher than in other business). In wine business "laboriousness" is considered a less critical variable (nearly half that of other industries), more important factors are "self confidence" and the "ability to delegate". The generational transition in the Tuscan wine business seems to modify the original "self made man" profiles, moving towards family entrepreneurs who are more open minded, more dynamic and more conscious of the importance of company management.

Regarding *the future generational transition* we notice (Pescarolo, 2007, p. 72): i) the tendency to postpone succession; ii) the intent to manage this process within the family (73%; only 12% consider the possibility of selling the firm to other people; to close down is not considered a possible option). By comparison to other Tuscan SME, wine firms seem to face better market changes: in other industries many firms think of closing down[iv].

Another characteristic of wine firms is *the strong value sharing between generations:* nearly the 80% of the sons share the same values as their parents, in other industries the value sharing is much weaker (Zanni et al., 2005; Zanni, 2007).

The *process of re-familiarization of the wine business seems to be confirmed even when the new owner comes from outside the local area*. Considering some case histories of Tuscan wine firms we notice: a) businesses founded as individual firms by external single actors then become family businesses; b) external investors who have decided to invest in Tuscany, often consider these investments a diversification of the family property; c) foreign investors who have introduced significant elements of innovation and managerial knowledge in the Tuscan wine clusters have then adopted a family business model of government; d) financial investments in some well known Tuscan long lasting wineries after some years, return to the original family business control (for example, Barone Ricasoli). In other words, the entrance of new actors apparently doesn't seem to overcome the family business model.

## 4. LONG LASTING FAMILY WINERIES IN TUSCANY: EVIDENCE ON TWO CASE HISTORIES

Succession could be viewed not only as a risk, but as an occasion for business development. Some Tuscan wine firms show that planning and actively managing the generational transition is an opportunity for growth and the introduction of innovations in the business model.
The succession strategies adopted by the Tuscan wine families seem to be different and depend on their age and their entrepreneurial business model. We focus our interest on a single firm typology (the long lasting family wine firm); the two case histories analyzed allow us to demonstrate the role played by some critical governance variables underlined in § 2.

### 4.1 Methodology

In our analysis we use different methodologies in entrepreneurship research: literature review (Aldrich and Baker, 1997), case study research (Yin, 2003), data triangulation (Webb et al., 1966, Denzin, 1970) and historical analysis (Busha and Harter, 1980).
The purpose of qualitative research methodology is to explore the depth, richness and complexity inherent in a particular phenomena (Burns and Grove, 1997) doing so from the point of view of the people being studied (Bryman and Burges, 1999).
In order to appreciate and compare the way family and non-family members involved in the business perceive succession and the topics analyzed, we proposed face to face interviews with managers and owners of two long lasting wine businesses. In January 2008 we interviewed: one Frescobaldi family partner and one top manager; one Mazzei family partner member of the CEO and one top manager. We used a semi-structured questionnaire to elaborate some critical variables on family business corporate governance and succession. Semi-structured interview is one of the most common approaches to interviewing in qualitative research (Bryman and Burges, 1999)[v]. Our purpose was to interview all the family members involved in the business: in both the firms analyzed, although we contacted more than one family member, we were asked to interview only the oldest member of the family. This could represent a limitation in our research design.
An historical analysis of the two cases was carried out to understand the structural changes and the approaches followed to manage succession. We used different information sources: primary sources such as balance sheets, and secondary sources such as newspaper articles, books, web sites[vi]. We have focused our attention on the last thirty years because we found that the main strategic changes happen after the '80s (see § 4.3); before most of the Tuscan wine firms were characterized by simple criteria to manage the family business coherent with a stable and not industrial competitive environment. This could represent another limitation in the methodology adopted.

The choice of the two companies we analysed was inspired by the following criteria:
- We chose structured companies (medium-large) in the local panorama.

- They are companies which boast antique family traditions (above 20 generations). We chose examples of ancient nobility: the historical names of Tuscan viticulture (such as Antinori, Frescobaldi, Mazzei, Ricasoli, etc.,) with businesses which represent the continuation of age-old activities, carried out by their ancestors and carried forward by the new generation of entrepreneurs. Some of these families have managed to resurrect themselves and effectively exploit their tangible and intangible resources.
- They are well-known brands which show the evolution of the original Tuscan family model. Rather than describe past history our interest is to understand their recent evolution in the face of significant changes in competition and business models over the last twenty years.

Some structural characteristics of the two long lasting family wine firms chosen (Marchesi de' Frescobaldi, Marchesi Mazzei) are summarized in Table 1.

Table 1 – Company comparisons

| | FRESCOBALDI° | MARCHESI MAZZEI |
|---|---|---|
| FOUNDATION YEAR | 1300 | 1435 |
| SEAT | Florence | Castellina in Chianti (SI) |
| TURNOVER * | 70 million € | 10 million € |
| EMPLOYEES * | 644 | 64 |
| MARKET | 35% national - 65% foreign | 40% national - 60% foreign |

** Source: AIDA – data referring to 2006*

*° Data from Marchesi de Frescobaldi e Frescobaldi Company balance sheets.*

### 4.2 Entrepreneurial models and generational transition trajectory in Tuscany

Previous research has shown that the top management structure and the development trajectory of Tuscan wine firms are different (Mattiacci et al., 2006). The actual population of the Tuscan wine company is fruit of the combination of some original entrepreneurial models (noble landowning families, merchant families, peasant families) to which, in time, new entrepreneurial formulas with differing professional matrix have been added (entrance of entrepreneurs coming from other industries; foreign entrepreneurs, large groups external to the territory with managerial models) which have contributed to the renewal of the Tuscan productive panorama. With the same family nature of the business in common, these companies must face different challenges given:
a) Formed in different periods they must manage different problems tied to the different stages of growth of the company and the family nucleus. Time is important for family variables (right axis Figure 1): the older families must manage a more complex generational transition because the number of relatives involved is usually greater; besides, with more distance from the original founder, it becomes more vital to identify suitable ways to transmit original values; the type of actors involved increases and are characterised by different formation processes and duties, making the coordination of company-family relations more complex.
b) They present a different internal competence and resource endowment which conditions their growth trajectory. This affects the structural characteristics of the owners' and entrepreneurial assets (left axis Figure 1): Above all polycentric top management models emerge and, beside the family, persons outside the family become involved in specific managerial tasks (winemaking, commercial responsibilities, etc.,) as both consultants and employees. The greatest dynamism and

entrepreneurial structuring are normally connected to a certain dimensional growth which passes the critical threshold of micro companies (above 10 people); not only is there investment in production but innovative processes are primed.

### 4.3 Long lasting wineries: two case histories of successful generational transition

The long lasting family wineries operating in Tuscany are the object of our analysis, those which have demonstrated the capacity to manage the generational transition over a long period of time and who date back to antiquity (antecedent to the fifteenth century). The *Family Business Magazine*[vii] cites 100 of the oldest companies still active in the world, 13 of these operate in the wine industry. From information available, this is an approximate number, at least as far as the Italian wine situation is concerned, given the number of companies with older origins is certainly greater than those listed. Some of these are located in Tuscany.

The uniqueness of these wine firms is related to their evolution which for a long time was characterized by non-industrial production: until the ‘70s the Tuscan wineries were mostly structured as simple farms oriented to agriculture and small wine production and commerce (the production of wine was a small percentage of the total production activity and also mostly dedicated to auto-consumption) (Ciuffoletti, 2000).

If we want to find examples of industrial wine production in Italy during the ‘70s, we have to consider other wine regions (Piemonte and Emilia Romagna). In Piedmont, there were the Barolo and Barbaresco producers, who followed the French chateaux and négociant models, and the Asti Spumante phenomenon. In Emilia Romagna there were the large wine cooperatives which lead the Italian wine exports with Lambrusco production.

The story we are presenting here is quite different. Until the ‘70s in Tuscany we had very few industrial wine firms: Melini, Barone Ricasoli and Ruffino (Ciuffoletti, 2006). Most of the Tuscan wine firms were managed as normal agriculture businesses, the “traditional entrepreneurs” (Fazzi, 1982) prevail (weak delegation attitude, narrow scope of competencies, single family leader which is both the owner and the sole manager); family business had simple governance structures and small dimensions; succession had well defined unwritten rules and processes to follow (the successor is the first son; no women entrepreneurs). Only during the 80s we begin to notice an evolution in the wine family business model: the two cases (Mazzei’s and Frescobaldi’s wine firms) analysed here are significant examples of this economic and social evolution.

#### *4.3.1 Marchesi Mazzei*[viii]

“I like to think that our family tree is a robust and generous grape vine, because all Mazzei history has been constantly connected with the vine and wine” (www.mazzei.it, 2008).

*Brief company history*

The history of the Mazzei family is closely tied to that of Tuscany both in terms of viticulture and culture and politics. The first documents regarding the Mazzeis – originally from the winegrowing district of Carmignano – are from the early XI century. From their earliest origins the Mazzeis are involved in viticulture and actively participate in the professional and mercantile life of Florence holding important government postings.

Ser Lapo Mazzei (1350-1412), winegrower in Carmignano with a passion for the art of wine and Notary for the Florentine Signoria, Ambassador and Proconsul of Judges and Notaries. Also his brother Leonardo grew grapes at Carmignano on the Grignano property where he produced wine following advice of the more expert Ser Lapo (author of a noted epistle with the great merchant Francesco Datini). The production, acquisition and conservation of wine is a recurring theme in the writings of Ser Lapo “don’t worry about the cost of that wine, even though it is dear: its goodness restores” he wrote to Datini in 1394, inviting him to overcome his meanness and appreciate quality. Even at this early date a production ethic emerged which still guides the company’s strategies.

Focusing on the last ten years the company has undergone notable changes which have lead to it becoming, today, an unlisted Public Company, with three generations still involved.

From the fifties to the seventies the company was managed by Lapo Mazzei and still today he is the president of the board of directors. Under the guidance of Lapo the company which is called Castello di Fonterutoli, has been renewed at a production level and launched on the international market. From the beginning of the eighties Lapo, due also to his increasing commitment in the financial sector, progressively transferred the management of the company to one of his sons, Filippo. After diverse experience in other work fields and with a growing knowledge of the new opportunity arising in the wine industry, Filippo decided to dedicate himself fulltime, moving from a typically personal management model to one specifically for a company dedicated to market production. It was at this time that other grape varieties were introduced. In 1989 the company adopted the denomination Marchesi Mazzei and the juridical form of a Public Company. In the mid nineties another of Lapo’s sons, Francesco with wide experience in major Italian industries (Barilla and Piaggio), entered the management. The company thus began further growth, both internal – through production reorganization, renewal of the plant and the realisation of the new cellar at Fonterutoli – and external with the acquisition of the Belguardo company in the Scansano area and, more recently, with the purchase of the “Caggio” company which borders the historic Fonterutoli lands. Filippo and Francesco also personally bought the wine company Zisola in Sicily with management connected to Marchesi Mazzei.

*Corporate governance and family business*

*Corporate capital structure and ownership*. The share structure is divided equally between Lapo’s four children – Filippo, Jacopo, Francesco, Agnese – and to the heirs of a fifth recently deceased daughter, Camilla. Lapo has rights over share titles. The capital structure is presently characterised by a debt which is higher than the average of comparable wine companies, following recent consistent investment for company development which were self-financed mostly with capital from guaranteed debt of real estate already owned and recently acquired by the family.

*Family assets and interests*. Two of Lapo’s sons, Filippo and Francesco, are directly and exclusively involved in company management. Agnese is an architect with her own professional business, even though she follows some building projects connected to Marchesi Mazzei. Among Camilla’s heirs, her eldest daughter Livia is currently present in the BoD and is following her own professional development before deciding whether and how she might enter company management. Lapo’s eldest son Jacopo has developed his own career as manager in other firms and is only involved in the company as a member of the board of directors. Remuneration of family members is based on the results attained by the management. The real estate which is not used for industrial purposes is allocated to the single members of the family in order to produce a personal and additional income from the one generated by the wine company. Total satisfaction is fruit of a balance of interests and though not formal are based on a principle according to which the resolution of conflicts must find equal recompense, distinguishing between those employed by the company and those not. One fundamental way of resolving these problems has been to allocate the real estate used by the industrial company to Marchesi Mazzei s.p.a. and other real estate directly to individual family members. Besides, Filippo and Francesco have developed some personal business, like the purchase of the wine firm Zisola in Sicily which is, however, managed under a general strategy with the other Marchesi Mazzei wine businesses.

*Family values and relations.* The recognised role of the family is transversal and multiple: it is a brand; it represents the shareholders, it is the heart of the company mission, it expresses the principal managerial position. The presence in the family of members involved or otherwise in the business may lead to misunderstanding on strategic paths undertaken: the contribution of predecessors, upholders of family values and traditions and the unity of the family have played an important role in the resolution of possible internal friction. One stabilising factor of these contrasts has been the allocation of family property not used by the industrial company to individual members of the family who can use them personally or together with other relatives.

*Business economics and management.* After a phase of consistent growth investment the company strategy for the next years will be concentrated on the consolidation of business and on greater exploitation of the new production. Distribution is considered the main management challenge and will lead to some innovation in relations with national and international sales channels. The family covers the principal roles of company direction and government. Lapo, the head of the family, is the president, two sons Filippo and Francesco are both managing directors and the daughter Agnese is in the Cda. The fifth child, Jacopo, has no place within the company. The organisation of the company is of family management with the two brothers Filippo and Francesco being directly responsible (Managing Directors), Lapo's supervision (Chairman of the Board of Directors) and the presence on the Board of Directors of Lapo's daughter Agnese and Camilla's eldest heir Livia Napoleone, neither of whom have an active role in company management. Filippo and Francesco share company management responsibility with the former more dedicated to general management, administration, production and development and the second more oriented to marketing, commerce and promotional problems. The governing body of the company has two "technicians" who are closely tied to the family: the winemaker Carlo Ferrini, present on the board of directors and who flanks the owners in production choices; the accountant Carlo Comparini, president of the board of control, has a long lasting personal relationship with the family which has also given him the role of advisor to match the development of both business and family interests. There are no members from outside the family present at a high managerial level. The most important innovation sources indicated by the top management are both internal (entrepreneurial) and external (the market).

*Succession*

In "Corporate capital structure and ownership" the adoption of the type of SPA aims at reaching two objectives: to guarantee continuity in the firm, overcoming individual ownership through a solution which allows a better separation of owned and entrepreneurial assets; to identify a succession formula better suited to the actual complexity of the environment (overcome the principle of the eldest son) compatible with a progressive fragmentation of the property.

In Family values and relations, two figures assume "political" roles for the prevention and calming of possible conflicts. On the one hand, the actions of the tax consultant are not only important for this technical nature, but supports the family in critical phases inherent in the evolution of the family-company relations. On the other, given the lack of formal family pacts, a central role is assumed by the most senior member (Lapo) who represents the upholder of values and traditions and acts as "mediator" in possible conflicts.

In Business and management, succession is dealt without a formal plan. At the moment there is no one person who could be considered the better inter pares among possible heirs; following the death of a child, one of the grandchildren becomes part of the CDA. To cover key positions at entrepreneurial top management level, correct selection methods are critical. The favoured formation is one with a period of external experience, followed by a re-entry into the family firm. A formation based on the development of managerial and relational abilities rather than techniques, as has been observed, is sought outside the family circle.

*First points of reflection from the reading of this case*

From examination of the Mazzei case some criticisms emerge connected to the development of the firm, which is clearly still evolving. In *Corporate structure and ownership*, the critical objective to be reached is to guarantee an equal distribution of the shares among the family, without in doing so "blocking" company management; at the moment only some members are actively involved in company management. In the future it is probable that the successors of this generation will make demands, so the mechanisms and the implicit rules of behaviour used to date may need to be made more formal in the future. Another critical aspect is the choice of closing third party capital which has driven family policy; so far this has not impeded the development of the firm, but future "dimensional leaps" must be carefully examined to avoid, on the one hand, tension in the family financial structure and, on the other, excessive prudence which could block company development.

In *Business and Management* the choice of not opting for an external top manager seems in keeping, given the development reached by Marchesi Mazzei: since the complexity of the business is not elevated, the family manages to handle some critical management knots with competence and autonomy. In the future it is probable that more selective procedures of succession will be introduced, at the same time pushing for a clearer distinction between owner and entrepreneurial assets. The critical abilities which are required have already emerged (managerial and relational) as has the preferred formation path (also open outside the family firm, if possible not local and with many sectors). Succession is managed with no written formalities, but Filippo has confirmed the intention to continue along these lines to reduce possible areas of conflict.

### *4.3.2 Frescobaldi*[ix]

*Brief company history*

The Frescobaldi history began around the year one thousand when the first exponents of the family transferred to Florence from Val di Pesa. Some became bankers and were members of the Arte del Cambio, della Lana e della Seta (Art of Exchange, trade of Wool and Silk); over the years the Frescobaldi family spread into the world of finance, art and culture. The first traces which testify to the family's involvement in winegrowing date back to 1300. Berto de' Frescobaldi left rural properties to his children and among them "houses, mills, vineyards, orchards, farms and divided lands". The wine produced in this land was exported to Flanders and England where the Frescobaldi became suppliers to the court, as well as official crown bankers.

Concentrating on recent history of the Marchesi de Frescobaldi one notes several specific steps.

At the end of the '50s Lamberto Frescobaldi (at that time at the head of the family) died. This was one of the most critical moments in recent family history. His eldest son was not involved in the business, as he already had a career as a journalist for Corriere della Sera, and Vittorio, his second son, became the family leader and the manager of the agricultural and wine production. As the reader may remember, at that time the business was more agricultural and de-structured, far from a managerial structure as we now intend.

In 1980 to accompany the development process of the company a juridical form format is adapted, passing from personal ownership to capital company with the creation of Frescobaldi SPA. At the end of the eighties there was a financial rearrangement with an increase in capital, a

decision which coincided with an awareness on the part of the family of the importance of careful management of financial assets. The most recent transformation of the group, between 2004-2007, followed from a strategic partnership with the Mondavi company which brought significant investment for the acquisition and development of some winemaking firms: Ornellaia, Luce della Vite and Ammiraglia. Following the purchase of Mondavi by Constellation Brands, Frescobaldi took over the operations set up by the joint venture making a further major investment.
Following this the family had the group profoundly restructured. Presently at the head of the group is Compagnia de' Frescobaldi s.p.a. which is the financial holding operating as a safe for the shares of the family members. The Compagnia de' Frescobaldi (CdF) controls 100% of Marchesi de Frescobaldi s.r.l. (MdF) which is the main company of the industrial and financial activity which directly owns the winemaking firms of Pomino and Nipozzano near Pontassieve, Castiglioni at Montespertoli, Tenuta di Santa Maria at Scansano, Tenuta dell'Ammiraglia at Magliano, Costa di Nugola near Livorno. This company controls the following companies: Tenute di Toscana s.p.a. (with a 75% quota) which owns the winemaking firms Tenuta dell'Ornellaia at Bolgheri, Tenuta di Castelgiocondo and Luce della Vite; Conti Attems s.r.l. (with an 88% quota) which owns a winemaking firm in Friuli Venezia Giulia.
From a formal point of view the Frescobaldi family decided, also for tax purposes[x], to organise the group according to a "two-company" structure with a control holding and a sub-holding for industrial and financial management. The two-company model was also adopted in order to create a stronger separation between the role of the ownership of CdF and the one of management of MdF, compared to the possible alternative of the dual model governance based on a single company.

*Corporate governance and family business*

*Corporate capital structure and ownership*. The ownership of the Frescobaldi group is held by the Compagnia de' Frescobaldi company which operates direction and control of the overall activities of the group. All the senior members of the family, Dino, Vittorio, Maria, Ferdinando e Leonardo, participate with equal shares in CdF. Bona Marchi Frescobaldi, Vittorio's wife, has an inferior share in the share holder group. According to present family policy there is no opening for third parties to invest in CdF and in anticipation of successive generational passages it has been established that only direct family descendents can participate in this company.
Also for the MdF at present there is no provision for investment from outside the family. A possible opening for capital investment from third party investors is expected for the companies controlled by the MdF with an eye to growth through acquisition. In fact even now the main participation in this company (Tenute di Toscana, Attems) expects the presence of other partners to guarantee minor financial investment and/or joint development of the industrial activities.
The financial position of the group at present has a debt superior to its anticipated target in relation to the strong investments required for internal growth and for the acquisition of the previous businesses operated in partnership with the Mondavi group. Over the last ten years, the Frescobaldi group has had an increased turnover consolidated from 15 million to 70 million euro.

*Family assets and interests*. With the first reorganisation of the group between the seventies and eighties the Frescobaldi family separated the real estate used by the industry from personal property assigned to various family members. Overall, even though each family member has his own family interests, the prevalent economic "focus" of the family is the wine group. With the exclusion of Dino, all the male members of the "senior" generation have been involved in the running of the company (Vittorio has recently delegated proxy to brothers Ferdinando and Leonardo and maintains a directional and controlling role). Maria, the sister, is a shareholder and her sons are present in the CdA of the CdF (Piero Benini) and in the CdA of the MdF (Stefano Benini who is also company manager). Of the new generation only a few are present in the firm, while others have chosen different career paths. The unity of the general family interests is likewise guaranteed, by Vittorio's "reference" role, recognized by all generations.

The family follows a careful policy of dividend distribution, in order to stabilise financial equilibrium, only after having verified the sustainability of the operation. As for the remuneration of those involved in the running of the firm, there is no formal process regarding market parameters, but the responsibility taken by each one is taken into account.

*Family values and relations.* For the Frescobaldis the family name is certainly a brand, but the role of the family as shareholder, reference and imprinter of the firm's mission are just as important. The basic conditions which have guaranteed a system of positive relations and values shared by family members have been the involvement of all the brothers in the running of the company as well as Vittorio's role. Vittorio has been employed in the firm from an early age following the premature death of his father and his elder brother's choice to work as a journalist abroad. Over the years he has prepared and affirmed transformation projects of the group creating systematic moments of shared comparison and evaluation. The family has also used professional consultants to develop these projects and financial advisors to rationalise the management processes and formalise relations, also with regulatory and juridical means.

*Business economics and management*. In the future the group expects to consolidate its position both with internal growth to improve the actual ownership of the wine company and with external growth with specific acquisitions when the opportunity arises. The reference model for possible new acquisitions is that of the Tenute di Toscana and of Attems (and whilst it was possible the joint venture with Mondavi) which foresees minor participation of other industrial and financial entities.

As already stated, the ownership is exercised by CdF with direction and control over the entire company management. The operative president is Ferdinando while Vittorio is the honorary president. As to the management of MdF, while the president is responsible to the younger brother of the senior generation, Leonardo, the director with the role of managing director is someone external to the family, Giovanni Geddes di Filicaia, who is responsible for all administration, finance, strategy and commerce. Lamberto, Vittorio's son is responsible for the management of the estates and wine company which are considered the most important assets and he is also vice president of MdF. There is mixed participation of family members and professional managers for the running of the company. All the members of the family involved in the running of the company entered the firm directly without previous experience in other companies. Their professional development matured with company experience and formation/educational programs to acquire further knowledge in their own particular fields and in other aspects of management.

*Succession*

In the dimension of *Corporate capital structure and ownership* the decision to divide Frescobaldi into two entities must be seen in the light of the management of future succession in the presence of a numerous family and indicates the distinct decision to divide the managerial part from the property. In terms of *Family values and relations*, a number of formal initiatives were taken, thanks also to the help of external consultants, who introduced anglo saxon methods in the drawing up of a Family Constitution and Family Council. Under *Family assets and interest* the definition of the parasocial pacts limits the entrance of social capital to the family. Under *Business and management* the introduction of new generations, even without particular plans for the formation of successors (but in future formal and more organised planning is foreseen) is aided by two factors: the presence of top management outside the family; the choice of external consultants with precise experience of succession and who have defined written succession plans, although they are not involved in directly mentoring the new generations.

*Points of reflection from the case reading*

The Frescobaldi analysis shows a management system with a more structured succession process, coherent with the different level of development of the company. The decision to form the family company in two different companies (CF and MF) shows a greater maturity in financial culture of the group and a clearer direction of management of future succession dynamics, distinguishing entrepreneurship from ownership. The challenge is to structure the company at a managerial level so as to reach a situation where the family are transformed into simple shareholders with a guaranteed income. At the same time the introduction of parasocial pact denotes extreme sensitivity to the defence of family capital through formal structures (Family Council and Constitution) in order to maintain the values, traditions and family unity. Looking ahead, the formation of future generations is a point of interest, both those interviewed believe a more formal and rigid selection process is necessary.

## 5. CONCLUSIONS

Regarding *the governance model of the Tuscan wine family firms* we notice:

- The presence of the family seems to be a permanent characteristic of the Tuscan wine business; small family businesses don't emerge as temporary agents that will be substituted by large managerial firms in the future (regional specific factors). On the contrary, new families enter the wine business in the region (Mattiaci et al., 2006).
- Some interesting processes of "re-familiarization" of the wine business, both in terms of re-acquisition of external financial capital (Frascobaldi – Mondavi's joint venture) and direct family investments in non family business (Mazzei and the purchase of Zisola winery).
- An evolution in the organization of the family governance model. The Tuscan wine firms do not evidence "radical changes" in the top management structure, but a gradual evolution to better face a changed competitive scenario. Monocratic structure and hierarchical family leadership (the "patriarch" power) give space to polycentric structure and cooperative style of management. In both cases analyzed we continue to find only one speaker representative of the whole family firm. The speaker is the one who leads the development of the business and the stronger relationships among the family members, and/or the one who has a more general view of the business. Originally, our purpose was to interview all the family members involved in the business, but in both the cases we were asked to interview only the oldest member: who is recognised as the leader, the heart of the family business, the speaker of the family member who exercises a "*policy entrepreneurial function*" (Fazzi, 1982).
- The family wine business shows peculiar characteristics compared to other sectors (industry specific factors). The ancient founding date of wine firms and the number of generations involved in the business prove that the wine business is an emblematic example of continuity both for families and firms. This differentiates the wine industries from other sectors of Made in Italy where failures are numerous. Both cases analyzed prove the family's intention to continue the business in the long run.
- Tuscan family wine firms are not all the same in terms of business models, in reality there are different "development paths" with different knowledge and actors involved (firm specific factors). In the last decade we register a renewal of the former ancient family business model;

we have analyzed two historical actors with very old family traditions but at different stages of development. In fact the Frescobaldi case is an example of a large wine family firm, multi estate at a national level, with an advanced governance model (the division in two different companies), whereas Mazzei's is smaller than Frescobaldi (medium firms), less structured and the production is mainly regionally focused.

The existence of few long lasting family wineries in Tuscany demonstrates that some wine firms have found effective procedures and behavior in managing succession. Regarding *the management of succession* in the wine business analyzed, we have shown:

- Some of the hypotheses formulated in the literature have not been satisfied: in wine business, succession is planned but not always formalized (in only a few cases a formal written succession plan exists); the "right of the first born" which was a common succession family law, begins to be weakened.
- At the moment the Tuscan wine firms continue to be closed to external venture capital; the process of development is mainly supported by the family or with standard bank credit. The critical entrepreneurial functions remain in family hands, but new organizational solutions lead to an upgrading of managerial competences. In both cases analyzed, the importance of planning and actively managing succession with a more precise division between ownership and entrepreneurial functions emerges: the aim is to select family members to enter the firm, also foreseeing external managers at their sides. This creates an independent top management composed of the right balance between relatives and external professionals (Ward, 1997), a polycentric structure which encourages change. The new generations would find a place in such a structure that, in some firms, try formal educational paths (degrees in different disciplines) and work experience outside the industry.
- Few consultants support the family in the succession phase. This justifies the interest of some business schools in the organisation of specific courses and services to assist family firms in the transition (like Cass in London; Insead at Fontenbleau; Iese in Barcellona; Bocconi in Italy). Only a very few wine companies however move in this way: Frescobaldi is one of these examples.
- The figure of the successor and his preparatory path take on a critical role in the change (Cabrera, 2005; Chrisman et al., 1998; Chrisman et al., 2005; Ward, 1987). The formation process in the Tuscan wine industry seems to provide some critical skills (technical, commercial, passage of values, etc.) though without predefined paths; unlike other industries formative university models exist alongside the process of direct experience "in the field". The acquisition of managerial and relational skills seems to be a constant, although often quite eclectically formulated.
- The father-son relationship keeps historically inherited family values intact. Through long lived cohabitation in the firm, the Tuscan wine companies try to deal better with change from tradition (without blocking innovation). The ability to manage family relations seems more important than maximising profit (Chrisman et al., 1998). Referring to our four dimensions governance model (§ 2.1) we notice that "family values and relations" dimension could have limited business growth. According to Chrisman et al. (2003), instead of just wealth creation, a broader concept of value creation over time could be used to evaluate the firm's performance; this also takes into account the non-economic goals that might be pursued by the family, affecting the business management and strategy in the Tuscan wine family business.

In conclusion, the success of Tuscan wine is the fruit of historical production and land, but also of an entrepreneurial class jealous of their traditions yet still capable of renewal. To confirm these first results and to overcome some limitations in our study, further future research is needed, considering:

1) a larger sample of firms analyzed at regional level;

2) a wider number of possible relevant variables (firm structural characteristics; type of strategies adopted);

3) an international comparative analysis to carefully examine similarities and differences within the Italian experience.

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Endnotes

[i] The options evidenced in the literature are: (i) trade sale; (ii) management buy-out; (iii) management buy-in; (iv) appoint a professional manager; (v) appoint a caretaker manager; (vi) liquidate.

[ii] The analysis was coordinated by Istituto Programmazione Economica della Toscana (Irpet) and the interviews were made in June-July 2005 to a sample statistically relevant of some regional industries. The 800 firms interviewed were chosen in 3 main industries (43,3% high tech firms; 41,1% textile firms; 15,6% wine firms).

[iii] By comparison to textile and high tech industries, Pescarolo (Pescarolo, 2007) evidenced for the wine industry a much higher level (the double) of entrance of external managers inside the firms (around 10%) and a stronger attitude to enlarge the responsibilities of the middle management (22%).

[iv] Around 20% in the gold SME's of Arezzo (Zanni, 2006) and in the textile district of Prato (Zanni, 2007).

[v] The questionnaire is made up of 21 questions divided into 4 key variables concerning corporate governance of Family Business and the succession process.

[vi] In order to develop our historical research we used balances, newspaper articles, books and web sites.
*Balances:* we analyzed the balances of the two companies available on AIDA database. Also the Companies made themselves available.
*Newspapers:* analyzing the "il Sole 24 Ore" database, we found 566 articles referring to the two companies. This database encompasses two newspapers, "il Sole 24 Ore" (all numbers available from 1984 to the present), which is one of the most famous and preeminent financial newspapers in Europe, and "La Stampa" (all numbers available from 1992 to the present) together with some periodicals, supplements and magazines edited by Sole 24 Ore, such as "Centro Nord", "il Sole 24 Ore" supplement (all numbers available from 2001 to the present), and "Mark-Up" a magazine of retail finance, production and politics (all numbers available from 1996 to the present).
Also, in order to have a complete panorama, we analyzed the archives of the two most important newspapers in Italy (in terms of circulation) "Corriere della Sera" (all numbers available from 1992 to the present) and "La Repubblica" (all numbers available from 1984 to the present).
The keywords utilized in the research were "Frescobaldi + wine" and "Mazzei + wine". This combination of terms and names gave us the clearest and most accurate solution (see table).

| | | *Number of articles* | |
|---|---|---|---|
| *Newspaper/Magazine* | Years availables (from) | **Frescobaldi** | **Mazzei** |
| il Sole 24 Ore | 1984 | 95 | 46 |
| La Stampa | 1992 | 58 | 15 |
| La Repubblica | 1984 | 171 | 43 |
| Corriere della Sera | 1992 | 99 | 26 |
| Centro Nord ( *il Sole 24 Ore supplement)* | 2001 | 4 | 5 |
| Mark-Up *(magazine)* | 1996 | 1 | 3 |
| | *Tot.* | *428* | *138* |

*Books*: we analyzed the web sites of Italian publishing houses. We refer to the following books:
- Nesti Arnaldo (1994). *Vita di palazzo.* Firenze: Ponte alle Grazie.
- Vannucci Marcello (2007). *Le grandi famiglie di Firenze*. Roma: Newton Compton.
- P.Franzese (Ed.) (1990). *Le carte della famiglia Mazzei nell'Archivio di Stato di Pistoia*. Pistoia: Soc.Pistoiese di Storia Patria Coll.Fonti storiche Pistoiesi.

*Web*: finally we researched other information about the two families on the web; the following are the websites useful for our research.
Frescobaldi: http://it.wikipedia.org/wiki/Frescobaldi
Frescobaldi: http://www.frescobaldi.it/it/home.htm
Mazzei: http://www.aiscremona.it/NewAisCR/Chianti/fonterutolistoria.htm
Mazzei: http://www.umilta.net/lapiramazzei.html
Mazzei: http://www.mazzei.it/eng_133/

[vii] "The world's oldest family companies" (www.familybusinessmagazine.com, 2008) are: Château de Goulaine (France), Barone Ricasoli (Italy), Marchesi Antinori (Italy), Baronnie de Coussergues (France), Codorniu (Spain), Fonjallaz (Switzerland), Hacienda Los Lingues (Chile), Hugel et Fils (France), Gradis (France), Berry Brothes & Rudd (UK), Taittinger (France), Joseph Drouhin (France), Osborne (Spain).

[viii] We wish to thank Filippo Mazzei, member of CDA and managing director. Some information given here was taken from the company website (www.mazzei.it).

[ix] We wish to thank Vittorio Frescobaldi (honorary president of the Compagnia de Frescobaldi) and Giovanni Gheddes di Filicaia (Managing Director of Marchesi de Frescobaldi). Some information given here was taken from the company website (www.frescobaldi.it).

[x] On the basis of recent tax reform, firms of wine capital who produce products derived from agriculture , can be taxed on the basis of land income and not economic income.