ENTREPRENEURIAL STRATEGIES AND CORPORATE GOVERNANCE: EXPERIENCES FROM THE ITALIAN WINE INDUSTRY

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Abstract

A distinctive resource typical of family firms, critical in guarantee to family firms long lasting position of competitive advantage is familiness. In previous studies familiness has been defined to characterize the interactions between each family member, the whole family and the business. These interactions leads to systematic synergies with the potential to create competitive advantages or disadvantages for the firm. Family history and local roots can ensure the family business a competitive advantage long lasting and evolutive. Our analysis is focused on the wine industry in Italy and analyzes the case of Barone Ricasoli Spa an estate owned by the family Ricasoli since 1141. We find that the family social capital supports the processes of resources acquisition and promotes the business renewal.

Keywords: Family Firms, Wine Industry, Entrepreneurial Strategies, Corporate Governance

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Introduction

The literature on family firms has paid great attention on the unique characteristics and typicality of this form of organization (Chrisman et al., 2008; Habbershon and Williams,1999; Habbershon et al., 2003). Previous studies and researches have demonstrated that only one third of family businesses survive into the second generation and only about 10–15% of them make it into the third (Le Breton-Miller, 2004; Birley, 1986; Ward, 1987). A distinctive resource typical of this kind of organization, critical in guarantee to family firms long lasting position of competitive advantage is familiness. Familiness has been defined by Habberson et al. (1999) as a bundle of idiosyncratic internal resources that exist due to the involvement of the family in the firm. Nowadays a growing number of studies are focalized on familiness also if has been observed that little attention has been established in analyzing a fundamental task of it: the role played by family's involvement. (Sharma; 2008; Zellweger et al., 2010).

Starting from Sundaramurthy and Kreiner perspective that proposes the family identity as unique and therefore impossible to completely copy (Sundaramurthy and Kreiner, 2008) and according with Zellweger et al. (2010) we argue that some family members can be considered as assets to their firms while others could be typified as liabilities. Therefore the aim of our study is to identify some factors enable to make the family a strategic resource (Barney, 1991) for the firm. We intend to analyze the role played by them and the contribute they offer to the development of the business model and, consequently, in guarantee to the firm the achievement of positions of competitive advantage (Habbershon and Williams, 1999).

Our analysis is focused on the wine industry in Italy because of the importance of family business in it and because of its importance in the national economy. A recent study (Mediobanca 2009) has highlighted that the 58% of the business in the Italian wine industry are owned and controlled by families, the 20% are cooperative while the last 22% are controlled by foreign companies. The structure of the Italian wine industry, such as other industries in Italy, is highly fragmented. In 2005 the firms in the wine industry were more than 178.000, the 3,5% of all the Italian companies. In table one is shown the geographical distribution of the industry.

Table 1. The wine industry in Italy: a glance

	Number			Var. (%) 2005-		
	Bottlers	Grapes and wine	Total	Bottlers	Grapes and wine	Total
	Numero			Var. 2005-2000 (%)		
	Imbottigliatori	Produttori di uva e vino	Totale settore vitivinicolo	Imbottigliatori	Produttori di uva e vino	Totale settore vitivinicolo
Piemonte	537	14.508	15.045	-7,1	-11,7	-11,6
Valle d'Aosta	9	292	301	-30,8	-24,5	-24,8
Lombardia	534	4.423	4.957	0,2	-5,3	-4,7
Trentino Alto Adige	102	8.205	8.307	67,2	-21,5	-20,9
Veneto	367	14.081	14.448	21,5	-19,3	-18,6
Friuli Venezia Giulia	104	2.389	2.493	33,3	-0,8	0,3
Liguria	95	1.138	1.233	8,0	-18,8	-17,2
Emilia Romagna	215	13.378	13.593	16,8	-15,9	-15,5
Toscana	271	8.672	8.943	19,4	-8,9	-8,2
Umbria	42	1.078	1.120	10,5	-17,3	-16,5
Marche	51	1.663	1.714	15,9	-4,1	-3,6
Lazio	175	7.717	7.892	29,6	-32,3	-31,6
Abruzzo	90	13.029	13.119	20,0	-10,2	-10,0
Molise	12	451	463	33,3	6,1	6,7
Campania	322	11.355	11.677	15,8	-5,5	-5,0
Puglia	191	34.905	35.096	3,2	-11,3	-11,2
Basilicata	22	2.271	2.293	29,4	7,7	7,9
Calabria	108	2.762	2.870	14,9	19,6	19,4
Sicilia	254	29.656	29.910	35,8	-7,8	-7,6
Sardegna	97	3.220	3.317	4,3	12,4	12,2
Nord Ovest	1.175	20.361	21.536	-3,1	-11,1	-10,7
Nord Est	788	38.053	38.841	26,1	-17,7	-17,1
Centro	539	19.130	19.669	21,4	-20,1	-19,4
Mezzogiorno	1.096	97.649	98.745	16,8	-7,7	-7,4
Italia	**3.598**	**175.193**	**178.791**	**11,8**	**-11,9**	**-11,5**

Source: Tagliacarne Research Institute, 2006

In addition during the last decade, the value of Italian wine exports has increased contextually to a significantly modification in its composition. Since 2002 the proportion of high quality wine in total exports has declined.

We choose case study research method with the objective of getting a deep understanding of chosen research phenomena (Eisenhardt, 1989; Ellram, 1996; Stake, 2000). According to Yin the case study method has a distinct advantage in situations when “a "how" or "why" question is being asked about a contemporary set of events, over which the investigator has little or no control.” (Yin, 2003). The case analyzed is Barone Ricasoli Spa an estate owned by the family Ricasoli since 1141, except for 20 years, in seventies, when Bettino Ricasoli, due to hard times the family was having, sold out the winery and the brand to Seagram's and then, in the nineties, when Seagram decided to get out of the wine business from Europe, sold the company to a group of English investors who in turn passed it on to Hardy's of Australia. The case has been chosen because of the important implication in inquiring the role of the family in a context in which its role has been raised for some years.

Theoretical Framework

Corporate governance and value creation in family firms

According to Chua et al. (1999,35) we define a family firm as a firm governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable throughout generations of the family or families.

Family firms often struggle with several challenges when pursuing value creation in the long term and establishing an effective corporate governance system is a crucial task they face (Steier, 2001). Their governance issues may become potentially more complex than in non-family firms, given the interwoven systems of ownership, management and family (Westhead et al., 2001; Chua et al., 2003). The involvement of family members in ownership and/or in management may influence the firm’s strategic decision making, conditioning topics such as the goals pursued, time horizons, or the development of organizational capabilities (Lee and Rogoff, 1996; Sirmon and Hitt, 2003; Le Breton-Miller and Miller, 2006). Although value protection has been the main focus in corporate governance research, the entrepreneurial dimension may also become relevant according with the firm’s strategic challenges (Filatotchev et al., 2006; Le Breton-Miller and Miller, 2006; Uhlaner et al., 2007; Bammens et al., 2008). However, in corporate governance research, relationships between a firm’s ownership, board and top management have been little investigated (Brunninge et al., 2007). As an example, independent directors and influential shareholders from outside the family may exert both a value protection or a value protection role according to the firm’s strategic dynamics. The may reduce the costs of family ownership, improve resource allocation, hiring better managers andavoid the firm’s wealth expropriation by family members (Dalton et al., 1998; Anderson and Reeb, 2004) but they may also facilitate access to information or resources sustaining value creation (Miller and Le Breton-Miller, 2006) or they may contribute to strategy development (Brunninge et al., 2007). However, in family firms the organizational value creating attributes are embedded in the firms’ system of corporate governance on the basis of differing incentives, authority structures and norms of accountability (Carney, 2005). Investigating how family members exert their power and responsibilities influencing the practice of strategy may furnish useful explanation on the antecedents of competitive advantage and distinguishing performance in family firms (Sharma et al., 1997; Sirmon and Hitt, 2003; Salvato and Melin, 2008).

Resource management and value creation in family firms

Entrepreneurial strategies involve value creation which refers both to opportunities recognition in the external environment and to their exploitation by the development of sustainable competitive advantages (Amit and Zott, 2001; Hitt et al., 2001). Identifying opportunities is a key value creation activity, but firms subsequently incapable of exploiting them may waste their potential. However, firms not engaged in seeking new opportunities, even if this has competitive advantages, may risk a reduction over time of their value creation or of their current wealth, depending on changes in their environment (Alvarez and Barney, 2004). In a resource based perspective, competitive advantages are built upon the possession of valuable, rare, imperfectly imitable and non replaceable resources idiosyncratic to the firm, hence employed for implementing the product market strategies (Barney, 1991). Accordingly, family firms’ competitive advantage may rely upon their resource endowments, and they hold several unique resources stemming from the integration of the family and the business that have been addressed as the familiness’ construct (Habbershon and Williams, 1999; Cabrera-Suarez et al., 2001; Sirmon and Hitt, 2003). However, value creation is not ensured by merely possessing such resources, but requires resource management leading to competitive advantage (Priem and Butler, 2001). Resource management has been addressed as 'the comprehensive process of structuring the firm's resource portfolio, bundling the resources to build capabilities, and leveraging those capabilities with the purpose of creating and maintaining value for customers and owners' (Sirmon et al., 2007,273). Unfortunately, little research to date has been carried out to explain how firms and managers employ resources to create value by strategic practices and processes (Helfat, 2000; Sirmon and Hitt, 2003; Sirmon et al., 2007).

Resource management and the role of social capital

Managing resources requires relationships among family members and between individuals, family members as well as non-family members involved in the running of the business. Hence, recent studies increasingly emphasize social capital as a useful perspective for investigating the family firm's distinguishing entrepreneurial strategies and performance (Chirico and Salvato, 2008; Pearson et al., 2008). Social capital comprises structural, cognitive and relational dimension and it is recognized as a key resource to develop value creation resulting from relationships inside the firm and with external entities that can be mobilized to facilitate action by promoting access to and control of resources and assimilation of knowledge (Adler and Kwon, 2002; Arregle et al., 2007). Internal social capital promotes cooperation among individuals within a firm for developing value creation and trust acts as a moderator of the effective use of cooperative relationships (Hitt et al., 2001). Furthermore, trust and shared goal orientation inside the firm are crucial for internal social capital (Adner and Helfat, 2003), but a neglected topic in previous research refers to how family related social interactions may influence the family firm's capability to develop a dynamic strategic adaptation (Salvato and Melin, 2008).

External social capital may originate from several sources, such as social relationships between individuals employed in power positions in differing organizations or strategic alliances involving two or more firms. The development of external social capital will require interactions founded on trust to establish norms of reciprocity by which the actors involved are stimulated to share valuable resources, based on the expectation that value will be returned in future transactions. In this view, norms of reciprocity allows external social capital to increase the firm's knowledge base, then leading to potential absorptive capacity (Hitt et al., 2001). Absorptive capacity is a dynamic capability, referring to knowledge creation and utilization, which increases a firm's ability to gain and sustain a competitive advantage (Zahra and George, 2002). The ability to access and absorb knowledge influences the firm's effort to value creation, but the level of prior related knowledge characterizing a firm moderates its potential identification and utilization of external knowledge (Cohen and Levinthal, 1990). An appropriate identification of knowledge residing outside the firm and the capacity to absorb it into new processes develops innovation and opportunities recognition, (Cohen and Levinthal, 1990; Zahra and George, 2002) and the ability to successfully employ such information for market purposes promotes opportunities exploitation (Tsai, 2001; Ireland et al., 2003).

Methodology

Research Design

We followed a case-study research strategy (Yin, 1994) aiming at identifying prevailing contingencies conditioning relationships between strategic changes and corporate governance practices in a family firm. When looking for research sites, the goal is to recognize available cases that are likely to replicate or extend theory, rather than randomize (Eisenhardt, 1989), and that are promising to furnish rich empirical data on the investigated phenomenon, by a plurality of data sources (Yin, 1994). Following a replication logic, cases confirming emerging theoretical constructs increase confidence in their validity and whether not may provide useful insights to arrange refinement and extension of a theory (Eisenhardt, 1989). Hence, we searched family firms characterized, over the last years, by both strategic discontinuities and changes in the corporate governance established practices. After an explorative review of secondary sources such as business magazines and newspapers, we identified some potential firms, then verifying their availability. Among these firms, we selected this case because it provides a meaningful experience of variations in the firm's strategic positioning and a substantial change in the corporate governance system. Furthermore, this case is appropriate for exploring the mutual interplay between strategic dynamics and the potential adaptation of corporate governance structures and processes in a family firm. This design enabled us to identify salient constructs and their constituent components (Yin, 1994).

Data Collection

Data were collected through personal interviews and secondary sources (newspapers, articles from magazines, internal company documents, annual reports, company press releases, the company website and so forth) over five months. With the aim of investigating the research topic in depth, we conducted our case study relying on interviews with several people in the organization to represent different perspectives (Myers, 2009). Interviews were the primary source of data and we relied on informants at different levels of the corporate governance system to yield a more accurate analysis (Yin, 1994). Semi-structured interviews were conducted separately with individuals representing ownership, board members and managers at the top of the firm's hierarchy, because of their power and responsibility in the corporate governance system and their involvement in strategic and operating activities.

At first, we identified the key informants, as individuals having the most information about our specific topics of interest in the organization and with decision making authority or influence in the corporate governance and strategy topics. The key people were involved in the strategic change and are currently involved in the boardroom and/or in managerial roles. Among the respondents we interviewed owners holding the majority of the firm's shares. Furthermore, interviews were extended to all individuals proved as having significant information because of their lead positions in the organization or in the change process under analysis (Myers, 2009).

Interviews were conducted during several formal and informal meetings having an average length of two hours. The interviews were audio-recorded and transcribed within five hours after each meeting. After each interview we had a discussion based on the impressions and written notes taken during the interview, and then noted our observations to crystallize the ideas (Bryman and Bell, 2007).

In order to achieve internal reliability of the study, interviews were listened to by two researchers aiming at checking for consistent interpretation (Bryman and Bell, 2007).

Interviews were organized in two parts. Initially we let the respondents tell their story on the evolution of the firm's strategies and on the characteristics and functioning of the corporate governance system along the years considered. We focused the case study on the threshold from crisis to growth, but we acquired further data regarding the previous history of the firm for a better interpretation and contextualization of events and roles of the people involved holding key positions. Furthermore, data on previous years and historical data were a relevant source for understanding the business and organizational specificities, allowing a multiple level analysis. Open-ended questions were asked (i.e. overview of the family business' history, crucial events and steps referring to the firm's strategic behaviour and changes, general information about the corporate governance practices and their variations over time, the involvement of families members) without specifying to the interviewee the constructs of interest in the research project, with the aim of avoiding influencing their answers.

During this part of the interviews, we asked probing questions to obtain more details on the topics discussed and to triangulate the data acquired (Yin, 1994). In the second part of the interviews, structured questions were asked in order to investigate the role played over time by specific corporate governance practices (i.e. ownership identity, board composition, board tasks), their mutual interplay and potential complementarities or substitution effects. The aim was to investigate the outcome of the established governance arrangements as a whole and the following degree of effectiveness in supporting the firm's strategic needs throughout different stages of its life cycle.

Secondary sources allowed us to build longitudinal accounts both of the firm's strategic dynamics and of intervening variations in the corporate governance structure, allowing us to identify critical events, potential links and contribute to build up a description of the organization and of its history (Bryman and Bell, 2007). Furthermore, we used a range of source of data to provide a rich and robust foundation for theory development.

Data Analysis

Data analysis was guided by theoretical concepts regarding entrepreneurial dimensions of corporate governance and we employed an iterative cycle of analytic induction and deduction (Eisenhardt, 1989). A multiple researchers approach allows triangulation, with the aim of analyzing data from different perspectives (Myers, 2009). Therefore, we triangulated data among respondents, who were required to tell their stories so as to obtain information from their individual point of view. Then we triangulated data acquired from interviews with data from secondary sources, such as published and unpublished documents. We stored the data collected in a data base specifically designed for the task of structuring and clarifying information and then we recursively iterated between data and theoretical constructs (Bryman and Bell, 2007). In a first phase, we addressed each construct separately and then we tried to explore emerging relationships among the identified constructs. We carefully read interview transcripts, observations and secondary data to identify and refine patterns. During the data analysis we generated memos and then matched them to refine theoretical understanding (Yin, 1994). The emerging theoretical constructs developed by the memos were compared to the evidence for evaluating their fit with data in an iterative process (Yin, 1994; Eisenhardt, 1989), often generating new and more fine grained memos which became the basis for the presentation of the research findings.

To check the credibility of the interpretation of data, we asked confirmation from our respondents on an ongoing basis. Then we presented our findings to academic colleagues to ensure the validity of our analysis and theory building during several informal and formal meetings.

The case

Barone Ricasoli vintners are the oldest winemakers in Italy and the world. The winery was founded in 1141 by the aristocratic Ricasoli family, who made their mark during the Middle Ages as champions of Ghibelline Florence in its struggles against Guelph Siena for supremacy in Tuscany.

The family links its name to a place, Chianti (where it owns over eight thousand square hectares of land, including 250 square hectares of vineyards and Brolio Castle in Gaiole, in the heart of Chianti), and a wine, Chianti Classico, for which Baron Bettino Ricasoli (known as the Iron Baron) wrote the specification in 1841.

The key to understanding the family's latter-day history is Baron Bettino Ricasoli himself, who, in terms of his connection with the wine, can be considered the founder.

A highly cultured man with extraordinary vision, he made his name in the Italian Risorgimento as the prime mover in Tuscany's accession to the Kingdom of Sardinia and thereafter as a statesman in the fledgling Kingdom of Italy, in which he was twice prime minister (he was the Kingdom of Italy's second prime minister, taking over from Cavour in June 1861) and held a number of appointments in other key departments, such as foreign affairs, war and home affairs.

In the field of oenology, Baron Ricasoli was over a century ahead of his times, heralding the agronomic and cultural innovation that culminated in the phenomenon of the “Super Tuscans”. As a member of the Georgofili Academy in Florence and an expert of physical and natural sciences since youth, the Baron had spent time in France studying the production of the great French reds, the only wines at that time that rose above the general mediocrity of global production, where he became convinced of the need for a radical overhaul of existing production methods. He came to believe that Tuscan wine production needed to be organised according to the French method of identifying each wine by its “terroire”. Quality had to be sought scientifically, through the analysis of the territory's characteristics and potential and the selection of the best vines, and in the winery through the refinement of winemaking techniques.

With these ideas, the Baron espoused the highly successful drive for innovation being implemented at that time by the Georgofili Academy, and came to interpret his role as wine producer in terms of an ongoing quest for quality and excellence. In his correspondence with Prof. Cesare Studiati of Pisa University, there are descriptions of experiments defining the characteristics and peculiarities of the soil, as well as other experiments on both autochthonous vines and vines imported from France aimed at selecting the “clones” best suited to the area of production. The most renowned outcome of the Iron Baron's wine cellar experiments is the specification for Chianti Classico, which spells out the exact proportions to be used for blending both wines for ageing and those that are to be consumed young.

Baron Ricasoli sold his wine strictly in the bottle, unlike other producers of the time who sold it in bulk, and his product rapidly acquired a worldwide reputation, being served up at the dinner tables of sovereigns and heads of state, both for the quality of the product itself and and the importance of the person behind it.

After the Baron's death, his immediate successors enjoyed the competitive edge which the reputation their ancestor had created for his wines gave. However, with large numbers of children in each generation and the fact that the family assets were heavily tied up in real estate, it became necessary, at the end of the '50s, to monetise a part of them. By 1958, the prestigious brandnames, under which the entire production of the Ricasoli vineyards were sold, were transferred to a distribution company, in which the majority share was sold to the New York-based multinational Joseph Seagram and Sons inc., a world leader in the “spirits” sector. The family retained ownership of the land and the castle, as well as the production of the wine, but the distribution company retained the exclusive right to purchase the entire stock at market prices.

As well as generating an income, the family's intention had been to establish relations with a partner that was powerful enough to ensure the large-scale distribution of the product, especially on the American market. Using its considerable market exposure, their new partner adopted a business model which focused on volume and led to the gradual erosion of quality and product innovation. For instance, they invested in production infrastructure with the construction of a large state-of-the-art winery in Gaiole in Chianti, just below the Castello di Broglio. The operation failed to meet expectations, however, and by not participating in successive capital increases, the family's stakes in the company gradually diminished.

In 1986, during a change of strategy aimed at focusing on more profitable businesses such as spirits, spumante and champagne, Seagram decided to sell the company. It was purchased by an English holding company which included the Ricasoli family (which in the event increased its share), the British private equity firm Candover and an entrepreneur called Roger Lamberth (former manager of the wines division at Seagram). At the time of purchase, the company's financial report for 1986 showed a production of just under 9 million litre and a profit of around 17 billion lire (approximately 8.8 million euros).

Given the overtly speculative intentions of the majority shareholders, another transfer after a few years was inevitable. In 1990, it was sold to Thomas Hardy, an Australian group specialising in the production and sale of beer and other alcoholic beverages. Meanwhile, the company had expanded significantly in size, but at the cost of profitability. The 1989 financial report showed an income of 24 billion lire (approximately 12.4 million euros) with a net loss of 1.5 billion lire (approximately 0.77 million euros).

But, again, the new owners failed to take full advantage of the commercial potential of the prestigious Ricasoli brandnames, with the result that the company was soon on the verge of defaulting. The strategy continued to focus on sales volume and expansion. Income grew from 24 billion in '89 to 26 billion '90 to 27.6 billion '91, while profitability continued to be negative due to massive debt and excessive overheads (profits was 0.3 billion lire for 1990 and -2.2 billion lire for 1991).

In 1993, ahead of the approval of the 1992 financial report, Hardy reached an agreement with the Italian company Moccia to sell its entire share in Barone Ricasoli S.p.A.. The company was verging on bankruptcy and the draft statement showed income of around 26 billion with equivalent levels of debt, and losses for that year to the tune of 7.5 billion lire.

In the meantime, the Ricasoli family had pre-emption rights on the share capital and was preparing to buy back the company. The young Baron Francesco Ricasoli Ricolfi had made the decision to leave his job as a photographer and dedicate himself to running the family business. A few months ahead of the announcement by Hardy that the company might be sold, he brought together a group of people with whom he planned to attempt the buyout. One of his contacts was a friend, Filippo Mazzei, also a member of Tuscany's Renaissance nobility (a Marquis) and owner of the neighbouring Fonterutoli Castle, whose family had been involved in winemaking for many generations. Mazzei's knowledge and contacts in the world of wine production and finance (with his father he was among the founders of Findomestic, Italy's first consumer credit company) were to prove vital in securing a successful outcome for the operation. Ricasoli himself had no contact whatsoever with these circles, and certainly did not have the time to acquire the necessary experience. As well as his knowledge, Mazzei also provided collaborators from his own company, including the oenologist, financial experts and lawyers. Furthermore, through family connections he was able to secure the backing of the Cassa di Risparmio di Firenze (Mazzei's father had been its president).

Within his own family, Francesco Ricasoli sought and obtained full powers in the running of the winery as well as the shares in the business. He also tried to secure the family fortune as collateral against bank loans, but was opposed by his sisters.

On 3 April 1993, thanks to a letter of patronage from the Cassa di Risparmio di Firenze guaranteeing payment, the Ricasoli family exercised its right of pre-emption on the entire capital put up for sale by Hardy.

On taking over the company's books, however, they found that the situation was far worse than they had been led to expect, to the point that the new partners were forced to put the company into liquidation due to losses in excess of the share capital, and to request that the tribunal start creditor agreement proceedings.

Restructuring the company made it possible to relieve the burden of debt and, more importantly, to cut the number of employees, opening up the option of re-employing only personnel that met the requirements of the company's revival plans. After little more than a year of legal disputes with employees, suppliers and creditors, insolvency proceedings were defined in September 1994 with an undertaking to pay around 80% of the assumed debt.

The new company set-up included Baron Francesco Ricasoli, who held the overall majority, Marquis Filippo Mazzei and a Swiss financier who had done business with Mazzei in the wine sector before. All three partners were members of the board of directors, but executive powers were concentrated in the hands of Francesco Ricasoli and Filippo Mazzei.

Despite the reputation of a name which had put Chianti on the world map, the company practically had to be rebuilt from scratch. The previous business model had failed, and therefore a new form of business was needed that would prove sustainable with the current conditions of the property and would build on the company's particular strengths and knowledge.

With a growing demand for quality wines generally, especially quality wines from Tuscany, the strategy adopted from the outset was the one Mazzei followed with his own family business, namely targeting niche markets for top-of-the-range wines. It was necessary to focus on quality, reduce quantity and carefully select grapes and production techniques.

With the expert advice of Carlo Ferrini, who at the time was making his mark as one of the most highly regarded and skilled oenologists in the Chianti region, the company began investing in vines, replacing the existing vines on a year-by-year basis (approximately 30 hectares per year right up to today). Age and lack of maintenance in previous years meant that the condition of the vineyards had declined dramatically. The new vines had to answer modern conceptions of concentration of yields per hectare based on higher numbers of plants and a drastic reduction in the production levels of each plant.

Alongside the vineyards, improvements were also made to the vinification, with further refinements to production techniques and the search for ever higher levels of quality. Manual processing of small batches was reintroduced at a number of stages in the vinification, for instance the harvest, to help in the selection of the best produce and to avoid mechanical processes influencing the quality of the end product.

The selection of the best products for the market required even greater discernment. The departure from the recent past had to be even more marked in this case, but it could not be achieved in a short time given the time required for the vines to grow and the wines to age.

The period between 1993 and 1998 was the most difficult, given that the wine needed time to age and the investments at every level of the production process had yet to yield the hoped-for results. Throughout the period, the company survived on exports alone.

The first step was a high-quality table wine (a blend of sangiovese and merlot), to be produced alongside the traditional Chianti Classico, with the clear aim of making a rapid entry into the exclusive club of producers of the so-called “Super Tuscan” wines. It was this wine which, after some years of fine tuning, enabled the company to win its first vital national and international accolade in 1998 (for the 1995 vintage).

But the company's core vocation was the "Castello di Brolio" project. The underlying strategy was clear: to make the Barone Ricasoli Chianti Classico such that it could compete with the celebrated "Super Tuscans", which had achieved the highest standards by abandoning the rules of Chianti Classico. The Barone Ricasoli "terroire" was thought to have such exceptional qualities for the production of Chianti that the careful selection and optimisation of the grapes was all that was needed to produce the finest quality wine. Research therefore had to be reinstated as the company's number one priority with a view to identifying the best sangiovese clones for the particular characteristics of each of the vineyards owned by Ricasoli. The studies carried out one hundred and fifty years before by the Iron Baron once more became important.

Castelli di Brolio finally made its mark in 2000 when it received worldwide recognition and was voted "best winery of the year" by a leading sector magazine.

This was made possible by sweeping personnel changes in which all managerial staff from the previous administration, tied as they were to a different business model, were removed. The new management had to be not only capable, but also young, and they had to share the excitement of a challenge which, owing to company's name, was being closely watched all over the world. Every one of Barone Ricasoli's successes and failures would be noted by experts in the field.

There was courage in putting faith in young and untried talent: such was the case of Carlo Ferrini, who is now a member of the board of directors, and his pupil Massimiliano Biagi, who came into the company just out of university, as well as Cristina Capitani, the sole survivor of the previous administration, who rose from being a clerk in the administration to managing it. But their trust was rewarded by a vibrant team spirit which has always been the hallmark of the company's success and still affects new employees to this day.

In 2002, as the creditor agreement proceedings drew to a close, Francesco Ricasoli, encouraged by their commercial success, decided to bring all Ricasoli brandnames and distribution, along with the land which has belonged to the family for centuries, into a single company, thereby completing the re-creation of the family business.

Today, the aim is to build on achievements and pave the way for new success. The key to consolidation is to bolster the sales. An experienced sales manager was recently appointed to take over from Filippo Mazzei and overhaul the company's sales department.

Research, on the other hand, is once more the key to the future of the company. Massimiliano Biagi is currently involved in two large-scale projects: clone selection, aimed at identifying vine clones that are native to Brolio and to select those best suited to the territory; and "zoning" the vineyards owned by the company with a view to analysing and mapping every single field and identifying their agronomic characteristics and potential. This will enable further improvements to be made in terms of quality by planting specific varieties of sangiovese in soils that will enhance their characteristics. Research, according to Ricasoli, is the only way to get the most from the company's key resource: its land.

Baron Ricasoli currently employs up to 110 people at certain times of the year. In 2009, he made a income of € 16,5 mln for an overall production of approximately 3,6 mln litre. The board of directors now includes, alongside its three founding members, Mr. Carlo Ferrini, Mr. Colacicchi Massimiliano and Prof. Filippo Donati.

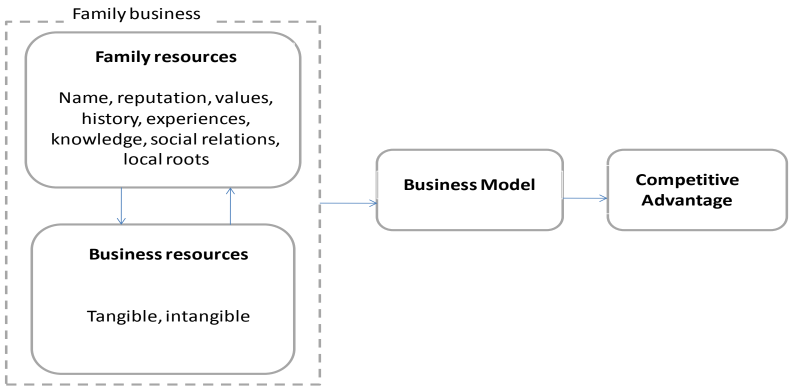
Propositions and case discussion

Since our research goal is to understand the peculiarities of the wine industry in Italy and, more particularly, to identify critical variables in determining the success of businesses, the research approach used was that of intensive research.
It required to develop conceptual insights, based on the theoretical framework exposed in the previous section, without a priori hypothesis. What emerged during our study was the critical role played by Family history and local roots in ensuring the family business a competitive advantage long lasting and

evolutive. The family is a critical resource for the company, its history, its values, its relations, represent a secure source of competitive advantage. The family ensures the business that "*quid*", the familiness, which create the real difference between a family and a non family firm, (Habershon et al., 2003; Chrisman et al., 2005). In previous studies familiness has been defined to characterize the interactions between each family member, the whole family and the business. These interactions leads to systematic synergies with the potential to create competitive advantages or disadvantages for the firm (Habershon et al., 2003).

The conceptual model developed, which shape strong relationship among family resources, business resources, business model and competitive advantage is summarized in Figure 1.

Figure 1. Family business and competitive advantage: a resourced based view perspective



The model proposed can be can be further developed pointing out the role played by the family in the value creation process. Such an analysis can be conducted in a static and dynamic perspective.

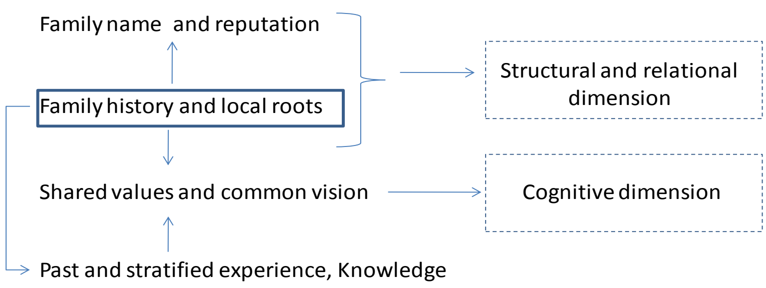
While a static perspective generally include three dimensions of social capital: structural, relational and cognitive (Nahapiet and Ghoshal, 1998; Adler and Kwon, 2002) a dynamic perspective inquires the phenomenon from a process point of view (Arregle et al., 2007). Particular attention is given to stability because of its centrality in the process of value creation. Stability is associated with the accumulation of goodwill over time and the development of trust and norms of cooperation (Bourdieu, 1986; Hitt et al., 2002). It is strictly dependent by family history and its local roots.

The family History and its local roots are critical factors in a family business. From the family history derive the name and reputation the family has in the social context in which it lives and operates, such as the system of values and the common vision it has developed over time. Furthermore the family name and its reputation are strictly linked to the family social capital because of the positive or negative influence they can exert on its structural and relational dimensions. The structural dimension of social capital may stimulate perceived trustworthiness, which represent the relational dimension of social capital (W. Tsai, S. Ghoshal, 1998). Social capital can be conceptualized and analyzed at many different levels, including individuals (e.g., Belliveau et al., 1996), organizations (e.g., Burt, 1992), interorganizational arrangements (e.g., Baker, 1990), and society (Putnam, 1995). In this study, our focus is on the family relationships.

The same experience in the business and the body of knowledge, if analyzed by a dynamic perspective, are the result of the historical evolution both the family and the company.

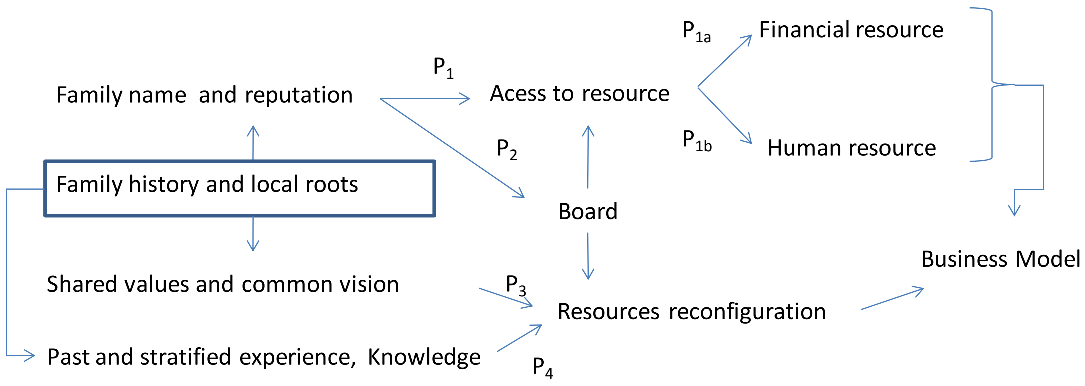
The experiences and the knowledge developed over time affect the creation and consolidation of shared values and a common vision. These are related to the cognitive dimension of social capital.

Figure 2. Critical factors in the family role in the business



Starting from such a framework we have developed a set of propositions with the aim of investigating the relationships between the family role in the business and the resource management necessary to develop a successful business model *condition sine qua non* for reaching positions of competitive advantage.

Figure 3. The role of the family in the business: the framework



The data collected in this research reveal the centrality of the family, and its name and reputation, in facilitating the access to external resources and in the resource reconfiguration necessary to get new levels of competitive advantage.

Particularly the family name and its reputation can facilitate and promote social relationships both in structural and relational terms.

possono facilitare le relazioni sociali sia in termini strutturali (tipologia di relazioni), sia relazionali (intensità della relazione).

Proposition 1 *The reputation and the name of the family facilitate access to resources. They therefore represent a source of competitive advantage*

The name and reputation of the family are important variables to consider in analyzing the structural and relational dimension of social capital. The family name is "an identity for family members and has a meaning to people inside and outside the firm" (Harvey, 1999; Tagiuri and Davis, 1996; Sundaramurthy and Kreiner, 2008) .These variables are particularly important in the wine sector and especially in Tuscany where the majority of wineries are owned and managed by noble families. Examples include Frescobaldi, Antinori, Mazzei, Ricasoli, Incisa della Rocchetta. The special ownership structure of the Chianti vineyards has important historical roots. The earliest landowners of Chianti are great noble dynasties some of which, among them the Barons Ricasoli, of feudal investiture. Tuscany has over the centuries played a major role in politics at national and international level and especially during the Renaissance. May be recalled, in this context, the importance of the Grand Duchy of Tuscany (1569 to 1859), ruled by the House of Medici until 1737.

The name and reputation, linked to another element, the blazon noble, has enabled Ricasoli family to repurchase the company restored it to its former success.

The case analyzed shows the decisive role played in the purchase and revitalization of the company by Francesco Ricasoli and in particular its system of social relations.

Baron Francesco Ricasoli, in the nineties, when the Father Bettino asked him help in managing the farm, had no experience in the field. He had cultivated over the years, his passion for photography, gaining experience of such purely artistic in the world of publicity. He makes his entry in the company requesting to grant full powers of decision and asking, immediately, support to a family friend: Marquis Filippo Mazzei. From a detailed analysis, by professionals, on the situation of the farm emerge serious problems: the need for substantial investments in vineyards, combined with low profitability. Two roads were identified: the sale of the farm, the purchase of Barone Ricasoli.

Francesco Ricasoli, feeling the weight of centuries-old link between his family and the company decides to repurchase the family business, then owned by Hardy's. Francesco with the support of Filippo Mazzei and a team of consultants and professionals, start to inhibit Australian ownership with the minority of the votes held by the family and, when appropriate, exercises the right of first refusal due to his family.

The difficult repurchase operation was possible thanks to the activation of a series of personal relationships and direct contacts, in the world of banking, finance and in the wine industry, held by Francesco Ricasoli for by the Marquis Mazzei.

The name of the Ricasoli and Mazzei families, the reputation gained over the centuries and the network of relationships are therefore the starting lever, together with the entrepreneurial skills, able to activate the process of reacquisition and strategic renewal of Barone Ricasoli.

Proposition 1a *The reputation and the name of the family facilitate access to financial resources (tangible assets).*

The case shows a close relationship between the family's social capital and access to financial resources (Bates, 1990). The first problem faced by Francesco Ricasoli in developing the plan to purchase the business was inside his family. His two sisters had some doubts about the success and cost for the family of Francesco's project. They persuaded their father to objected to invest other part of the family fortune in the company repurchasing. Therefore Francesco Ricasoli proposes to Filippo Mazzei, a childhood friend, to participate as a partner in the project. Through personal and direct contacts they obtain, from two national banks, the financial resources they needed and, a few hours before the final terms, they do exercise of the right of first refusal belonging to Bettino Ricasoli, Francesco's father. More funds needed to facilitate the work of renewal strategy were found involving a third partner Bruno Widmer, a friend of Filippo Mazzei and owner of Brancaia estate.

Proposition 1b *The reputation and the name of the family facilitate access to human resources (intangible assets).*

From the analysis appears to be a relationship among the reputation, the family name and the access to intangible assets in general, and human resources and skills in particular. After the purchase of the property Filippo Mazzei and Francesco Ricasoli operate a careful selection of staff making significant changes from the previous management.

The interviews conducted show, also, the strong link between the Ricasoli family and the local community. Many of the employees live and were born in Gaiole in Chianti. For them to work for Barone Ricasoli represents a source of pride and satisfaction for what the Ricasoli family has represented over the centuries. The return of the family Ricasoli in the ownership and control of the company was accepted by the community with great enthusiasm.

Barone Ricasoli Spa because of its importance in the history and traditions of Chiantishire is regarded as a well accepted reference for people wishing to improve their skills. To work for such a company means operating in a context of great prestige and visibility. During the interviews has been highlighted as to work in the company at a managerial level is felt as a major professional challenge. Dr. Biagi, the agronomist, stressed the criticality of the position held in the firm for his professional growth especially in terms of external visibility.

He said that to work nowadays for the Barone Ricasoli company is for him a great professional opportunity because of the visibility in National and International market.

Proposition 2 *The reputation and the name of the family affect the degree of attractiveness of capabilities in the board of directors. The board of directors support the processes of resources acquisition and reconfiguration.*

Proponents of the institutional theory (Steier and Greenwood, 2000) suggest that the success of a company, generally a new venture, is strictly linked to the entrepreneur or the founders' ability to create a network of useful relationships to support him in gaining access to knowledge, resources and complementary capabilities. Organizational learning depends, among other things, on the firm's absorptive capacity. Some authors suggest that absorptive capacity is composed by the potential and the realized absorptive capacity (Zahra and George, 2002). The first one includes knowledge acquisition and assimilation while the second one is related to knowledge transformation and exploitation. Firms may obtain experiences and capabilities by external channels, recruiting members of the board of directors (Zahra and Filatotchev, 2004).

This was the strategy followed by Francesco Ricasoli who has picked outside his family the experiences and capabilities necessary to realize successfully his project.

By his social network he has find all the necessary capabilities. Initially Francesco Ricasoli has involved the Marquis Filippo Mazzei, a dear friend of him, in his project. Filippo Mazzei helped francesco in repurchasing the company and then, has been involved in the management with the role of co-CEO. Filippo Mazzei said he has considered a moral obligation to help Francesco Ricasoli to repurchase of his family business because of “Barone Ricasoli is not simply a company but is the company by which all is started. Barone Ricasoli has been the Chianti flag worldwide. The name and the reputation of Ricasoli family was so important and steeped in history for the chiantishire that Francesco’s project could not leave anyone, operating in the industry, morally insensible.

Critical was the role played by Filippo Mazzei in support Francesco Ricasoli, during the start-up phase of the project, in the process of resource and capabilities acquisition. Filippo Mazzei used his network of relationships, the structural and relational dimension of his social capital, to guarantee the efficiency, effectiveness and reliability of Francesco’s project. He became the bearer of Francesco Ricasoli’s initiative towards the opinion leaders in the field. High was, during the nineties of the twentieth century, the level of riskiness perceived in the company by the different stakeholders. It was due to the period of the foreign control of The Barone Ricasoli company during which the firm’s reputation on the market was dangerously deteriorated. Considerable were the efforts to rehabilitate the company’s image in the market. Francesco Ricasoli and Filippo Mazzei favoured the relationships with the banks, persuaded the suppliers in maintaining their links with the company.

Filippo Mazzei assisted the Baron Ricasoli in finding a third partner to involve in the project. He has also brought the expertise in winemaking from his family business.

In accord with statement that boards guide and motivate managers to accumulate needed resources, effectively configure and bundle them, and leverage their use to create a competitive advantage, especially when outside directors bring in new skills and capabilities (Zahra et al., 2009) we observe that the role that was initially played by Filippo Mazzei has been gradually transferred to the board of directors. In Francesco project clear is the idea to create a team with critical skills and composed of trustworthy people. Currently in the board of directors are involved various professionalism: Francesco Ricasoli, Filippo Mazzei, Mr. Widmer, the three partners, an accountant, a lawyer, a famous oenologist.

Proposition 3 *Cognitive dimension facilitates the resources reconfiguration promoting the strategic dynamics and business renewal.*

The cognitive dimension of social capital, may promote the development of trusting relationships among parties. A shared vision and common values are the basis for a trusting relationship. They decrease the likelihood of opportunistic behavior and encourage the development of collective goals and values (Barber, 1983; Ouchi, 1980). In an organization the presence of collective goals and values facilitate the relationship among members because of the are more inclined to trust one another. All this create a better organizational climate, the atmosphere of the organization, *conditio sine qua non* to stimulate and guarantee a strategic renewal (Miles and Snow, 1994; Wright and Snell, 1991; Schuler and Jackson, 1987; Wright and Snell, 1991).

The case analyzed shows as the presence of a strong and stable property, active in the life of the company, with shared values and visions, is a decisive element in creating a collaborative organizational climate, critical aspect for the success of corporate turnaround strategies.

Data collected show a substantial improvement in the organizational climate and business prospective in conjunction with the repurchase of company property by the Ricasoli family. This has enabled them, in a value creation perspective, to increase the value of the huge investments made by the previous properties in physical resources e in knowledge sharing routines (J. Dyer and H. Singh, 1998). Filippo Mazzei says: "Barone Ricasoli Spa was a company without product while other firms in Chiantishire have products but not the company".

Francesco Ricasoli and Filippo Mazzei, by means of a clear and common entrepreneurial project, have well managed the firm's resources adding them a *quid* necessary to activate a successfully business model.

Employees perceived the previous properties (Seagram, Hardy) as interested exclusively in marks, and profitability associated with them, rather than in the company as a whole and in its growth and development prospects.

The return of the Ricasoli family running the company, while initially perceived as a possibility of recovery was marked by hard times. The initial euphoria was short-lived. Auditors appointed by the Ricasoli family, analyzing the accounts of the company assessed significant weaknesses.

As a result of this has been opened the liquidation process of the company. Employees reacted with three months of strike and other forms of remonstrance. All has been ended with an union agreement: managers were fired while the reductions in the remaining staff were very limited. Today Francesco Ricasoli is highly regarded by employees who appreciate his humility the strong involvement he has established within the company but also the relationship of extreme trust and the clarity in the projects who he has for the business.

Proposition 4 *Past and cumulated experiences and knowledge facilitate the resources bundling processes*.

New sources of value can be generated reallocating resources, exchanging and combining the same resources in a different ways or combining new resources (Schumpeter, 1934, Moran and Ghoshal 1996, Sirmon and Hitt, 2003). Family firms have a particular and unique resource to compete and create value: the familiness (Habbershon et al., 2003; Habbershon and Williams 1999; Barney, 1991). This kind of resource is strictly related to the family factor (Habbershon et al., 2003) which evolves itself in the time and in the space, improving the skills and knowledge both of the family and the firm. The familiness, in a dynamic perspective, includes the family history and the family knowledge which are main ingredients of the business model formula (Mayo and Brown, 1999; Slywotsky, 1996). To posses the necessary resources to develop a competitive advantage is critical for a firm to create wealth; however, it is insufficient to guarantee survival or success. In addition, those resources must be configured into bundles and then leveraged to achieve a competitive advantage. The process of configuring and leveraging resources requires substantial firm-specific tacit knowledge that is commonly embedded in human capital. Thus, configuring and leveraging resources effectively requires considerable experience, a primary source of tacit knowledge (Sirmon and Hitt, 2003). Families involved in the business from many generations may have an advantage in this regard, assuming that family managers could have matured in the time a variety of experiences in configuring different sets and types of resources.

Our data reveal evidence that the Barone Ricasoli spa has renewed its business model by re-proposing the experience of his founder the "Iron Baron" Bettino Ricasoli. In formal terms we argue that knowledge and past experiences could make easier the resource bundling process.

Francesco Ricasoli's purpose was to carry his family business to the former glory. In his ambitious project Francesco Ricasoli has taken advantage of his ancestor's experience, Bettino Ricasoli, the "Iron Baron". His strength and success can be traced in his ability to have reproduced, in modern perspective, the ancient business model based on quality, on local roots and on the research and development.

Francesco Ricasoli has done what Bettino Ricasoli already done during the nineteenth century. The Iron Baron realized a height quality product basing his results on a scientific experimentation on the characteristics of screws and their adaptation to different "terroir". Similarly Francesco has based his strategy on Brolio estate. Brolio estate is a critical resource: only Ricasoli family own a so vast and various lands in Chianti Classico shire. The farm of Brolio is an unique resource which, if well managed, can determine a long-lasting competitive advantage (Madadok, 2001; Barney, 1991; Peteraf, 1993). Francesco Ricasoli has finally changed the business model adopted by Segram and Hardy. He has focused his strategy on quality choosing low volumes and positioning his products on a high segment of market.

Francesco Ricasoli, Such as in the past, has initiated a process of resources enriching aimed to extend and elaborate a current capability (Sirmon et al., 2007). Differently by other companies, he has chosen to focalize his production only in Chianti Classico. This decision is due to the strong intent to constantly improve the quality of his production.

First of all he has invested resources in the replanting activity of old vineyards using the best clones on the market. In a second time the resources enriching process has implied other investments in research and development particularly in the agronomic field. In this phase crucial has been the role played by Dr Carlo Ferrini (effective director) and his pupil Dr. Massimiliano Biagi (head agronomist). When the Ricasoli family took again the control of the company, in 1993, he was chosen as winemaker consultant . He supported Francesco Ricasoli in making Castello di Brolio and the Super Tuscan Casalferro international stars in the wine industry and winners of several top-awards. Carlo Ferrini and Massimiliano Biagi, have carried out several and important research projects in Brolio, now in ending phase, in the field of clonal research and land mapping.

Conclusions

The case analyzed represents an interesting example of the importance of family value and traditions in family owned firms. It's particularly true in context like the wine industry where quality, tradition and local roots are critical resources for a successful business model.

In family firms operating in traditional industries the family factor, the familiness, is a unique resources. The name and reputation of the family and of its single members represent an important factor affecting long-lasting value creation.

In our study We identified some relevant relationships between competitive advantage, business model and family factor. The aim of Our study has been to develop knowledge in analyzing the fundamental role played by family's involvement and identifying some factors enable to make the family a strategic resources. The case analyzed seems to support the theory that some family members can be considered as assets for their firms.

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