

Taking a Leaf from Italian Family Business and Their Take on Productivity

SCCCI President Thomas Chua said, “The strong family culture in Italian companies is evident in every aspect of their operations. For example, the objective of upgrading the business process is to ensure that workers can enjoy a better working environment and can spend sufficient time with their families after work, rather than to gain higher profits.”

SCCCI embarked on an inaugural 13-member mission to Italy on June 14-20 2015, covering Milan, Brescia, Padova and Cremona and was supported by the Italian Chamber of Commerce in Singapore (ICCS). SCCCI President Thomas Chua was the mission leader.

The main purposes of the trip:

- Learn from the Italian companies which are well-known for their long years of establishment, on how to stay competitive and resilient amid the changing global economy
- Use of design and technology to enhance business process and value of products
- Explore business collaboration

Mr Federico Donato, ICCS President, who was also on the mission, said, “The two countries have the pre-conditions to form alliances and partnerships starting from a common mentality. Italian firms could leverage on Singapore role as hub to Southeast Asia for distribution, and Singapore companies may look at strategic partnerships to acquire Italian know-how in many different industries including but not limited to F&B, machinery, engineering, automotive, furniture and luxury goods. “

The 5-day productivity mission met with provincial governors, government agencies and business chambers, company visits and interacted with the executives of Italian companies.

Italian Family Business Culture

Italians also share the same belief as the Chinese on the generational family business owners – the first generation will start the business and pass down to the second generation; the second generation will grow the business and improve on it to pass down to the third generation. However, the third generation will face a more precarious threshold. Therefore, the Italians have a long history on how to manage the family business.

There are 780,000 family businesses in Italy, accounting for more than 85% of the total number of businesses and 70% of employment. Among the 10 oldest family-run businesses in the world, 6 are Italian. The oldest was established in year 1000.

Italy has undergone a long history of hardship with wars and periods of economic hostilities with her neighbouring countries over the past centuries. However, the harsh environment and strong sense of crisis has spawned an entrepreneurial culture in Italy. Most Italian companies have a legacy deeply ingrained in tradition and culture, and strive for excellence for survival in an organised chaotic environment. The Italian business people are generally more cautious, more risk averse, have a great sense of crisis and do not develop trust easily towards foreigners.

Italians generally adopt a **conservative** approach to doing business – they stick to what they are good at and do not rush to diversify, hence avoiding the risk of losing focus on the main product or service.

Family Value Driving Business

Many Italian companies believe that business and family are intertwined and can never be separated. In fact, business decisions are made with the intent of preserving the family business. Therefore, most chose to invest in their traditional businesses that give fair and good returns in the long run rather than going for more profitable investments or those with higher margins. Therefore, many of the Italian companies focus on branding, controlling the source of raw materials, technology in refining their products, and improving or maintaining the quality of their products as the way to sustain their business.

They also believe in passing on the enthusiasm and passion and on imparting a sense of ownership of the business to the next generation, who will then continue the legacy left by the older generation.

Another observation was that most Italian companies invest in automation primarily to lighten the workers' workload and contribute to better health while Singapore companies invest in automation with the objective of yielding higher productivity which in turn brings about greater profitability.

Inter-Generation Communication

If two generations are operating the business, the younger generation needs to have open strategic discussions with the older generation. During brainstorming sessions, the young generation could engage and involve professionals to gain buy-in from the older generation. Very often, the older generation is more receptive to new ideas from outsiders rather than from the younger generation. It would be more healthy for the younger generation to grow up with Mentors, besides their parents, to develop their own identity and style.

Potential of Working with Singapore

China and other low-cost countries are competing with Italian companies for business. To face the competition, Italian companies have turned around the negative situation to create a positive outcome

by investing in R&D and deploying better technology in their manufacturing process to produce higher quality, specialised, sophisticated and competitive products to stay in business. Besides the world-renowned branded Italian lifestyle products like fashion and leather products, through the introduction of Italian cuisine around the world, the Italian food products are now widely accepted and classified as high quality and healthy products by worldwide customers.

While Asia, particularly China, has strong business potential for Italian businesses, Italians are generally concerned about market transparency. Singapore is perceived by Italian companies as the most transparent and well organised amongst the 10 ASEAN member countries. Therefore, they are keen to partner Singapore companies or base their Asian headquarters in Singapore.